

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	DOCKET UG-170929
)	
Complainant,)	
)	
v.)	
)	
CASCADE NATURAL GAS)	
CORPORATION)	
)	
Respondent.)	
_____)	

**EXH. BGM-3
REVENUE REQUIREMENT CALCULATIONS**

February 15, 2018

Cascade Natural Gas Corporation
Gas Revenue Requirement Summary (\$000)
12 Months Ended December 31, 2016
In Thousands

Line	Adj. No.	Description	Cascade Filing (Rev. Req. at NWIGU ROR)			NWIGU Proposed		
			Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)
1	1.00	Per Book Results (Y/E Dec. 2016)	16,605	280,062	6,398	16,605	280,062	6,398
<i>Restating Adjustments:</i>								
2	R-1	Weather Normalization Adjustment	3,078	-	(4,954)	3,078	-	(4,954)
3	R-2	Promotional Advertising Adjustment	36	-	(57)	36	-	(57)
4	R-3	Restate Revenue Adjustment	(1,501)	-	2,416	(1,501)	-	2,416
5	R-4	Low-Income Bill Assistance	347	-	(558)	347	-	(558)
6		Restated Results	18,563	280,062	3,245	18,563	280,062	3,245
<i>Pro Forma Adjustments</i>								
7	P-1	Interest Coordination Adjustment	(275)	-	442	(392)	-	631
8	P-2	Pro Forma Wage Adjustment	(935)	-	1,505	(935)	-	1,505
9	P-3	Pro Forma Plant Additions	(280)	17,820	2,559	49	4,745	483
10	P-4	Rate Case Costs	(194)	-	312	(61)	-	99
11	P-5	Pro Forma Compliance Department	(182)	-	293	(182)	-	293
12	P-6	MAOP Deferral Amortization	(623)	-	1,004	(623)	-	1,004
13	P-7	Miscellaneous Charge Changes	(63)	-	102	(63)	-	102
14	P-8	CRM Adjustment	(51)	2,978	434	(51)	2,978	434
15	P-9	Pro Forma Revenue	3,243	-	(5,220)	3,243	-	(5,220)
16	M-1	SERP Expense	-	-	-	355	-	(572)
17	M-2	Incentive Pay	-	-	-	739	-	(1,190)
18	M-3	Employee Arbitration	-	-	-	137	-	(221)
		Pro Forma Results	19,204	300,861	4,674	20,779	287,785	591
<i>TCJA Adjustments</i>								
19	TCJA-1	Restate Tax Expense	-	-	-	2,817	-	(3,731)
20	TCJA-2	Excess Deferred Taxes	-	-	-	839	420	(1,071)
21	TCJA-3	01/18 - 7/18 TCJA Deferral	-	-	-	1,187	-	(1,573)
22	TCJA-4	TCJA Conversion Factor	-	-	-	-	-	(105)
23		Total Pro Forma Results (with TCJA)	19,204	300,861	4,674	25,623	288,205	(5,888)
					<i>Check</i>			<i>Check</i>
					Filed Deficiency:	\$5,885		Calculated:
					ROE Impact:	(1,211)		Check
					Check:	(0)		(0)

Cascade Natural Gas Corporation
Gas Revenue Requirement Summary (\$000)
12 Months Ended December 31, 2016
In Thousands

Line	Adj. No.	Description	Impact of NWIGU Adjustments				NWIGU Position
			Pre-Tax Net Oper. Income	Net Oper. Income	Rate Base	Rev. Req. Def. / (Suf.)	
1	1.00	Per Book Results (Y/E Dec. 2016)					
<i>Restating Adjustments:</i>							
2	R-1	Weather Normalization Adjustment	-	-	-	-	No Position
3	R-2	Promotional Advertising Adjustment	-	-	-	-	No Position
4	R-3	Restate Revenue Adjustment	-	-	-	-	No Position
5	R-4	Low-Income Bill Assistance	-	-	-	-	No Position
6		Restated Results	-	-	-	-	
<i>Pro Forma Adjustments</i>							
7	P-1	Interest Coordination Adjustment	-	(117)	-	189	Updated
8	P-2	Pro Forma Wage Adjustment	-	-	-	-	No Position
9	P-3	Pro Forma Plant Additions	506	329	(13,076)	(2,076)	Contested
10	P-4	Rate Case Costs	204	133	-	(214)	Contested
11	P-5	Pro Forma Compliance Department	-	-	-	-	No Position
12	P-6	MAOP Deferral Amortization	-	-	-	-	No Position
13	P-7	Miscellaneous Charge Changes	-	-	-	-	No Position
14	P-8	CRM Adjustment	-	-	-	-	No Position
15	P-9	Pro Forma Revenue	-	-	-	-	No Position
16	M-1	SERP Expense	547	355	-	(572)	Proposed
17	M-2	Incentive Pay	1,137	739	-	(1,190)	Proposed
18	M-3	Employee Arbitration	211	137	-	(221)	Proposed
		Pro Forma Results	2,604	1,575	(13,076)	(4,083)	
<i>TCJA Adjustments</i>							
19	TCJA-1	Restate Tax Expense	-	2,817	-	(3,731)	New
20	TCJA-2	Excess Deferred Taxes	-	839	420	(1,071)	New
21	TCJA-3	01/18 - 7/18 TCJA Deferral	1,503	1,187	-	(1,573)	New
22	TCJA-4	TCJA Conversion Factor	-	-	-	(104,785)	New
23		Total Pro Forma Results (with TCJA)	4,107	6,419	(12,656)	(10,562)	

Cascade Natural Gas Corporation
Results of Operations Summary
 12 Months Ended December 31, 2016
 Whole Dollars

	12/31/2016 Results Per Books (1)	NWIGU Adjustments (2)	Test Year Adjusted Total (3)	Revenue Increase / (Decrease) (4)	Results After Revenue Adjustment (5)
Operating Revenues					
1 Natural Gas Sales	182,902,833	10,375,437	193,278,270	(5,888,124)	187,390,146
2 Gas Transportation Revenue	21,216,454	1,787,452	23,003,907	-	23,003,907
3 Other Operating Revenues	1,011,375	(101,645)	909,730		909,730
4 REVENUES	<u>205,130,662</u>	<u>12,061,245</u>	<u>217,191,907</u>	<u>(5,888,124)</u>	<u>211,303,783</u>
Operating Expenses					
5 Nat. Gas/Production Costs	103,593,865	4,018,538	107,612,403		107,612,403
6 Revenue Taxes	16,946,341	488,722	17,435,062	(238,587)	17,196,475
7 Production	518,989	16,166	535,155		535,155
8 Distribution	16,326,277	1,943,873	18,270,151		18,270,151
9 Customer Accounts	6,383,108	132,813	6,515,922	(22,334)	6,493,588
10 Customer Service	824,096	(533,333)	290,762		290,762
11 Sales	4,917	(4,917)	-		-
12 Administrative and General	16,459,958	(1,316,212)	15,143,746		15,143,746
13 Depreciation & Amortization	19,218,442	137,956	19,356,398		19,356,398
14 Regulatory Debits		(1,502,892)	(1,502,892)		(1,502,892)
15 Taxes Other Than Income	4,095,634	152,082	4,247,716		4,247,716
16 State & Federal Income Taxes	4,154,374	349,545	4,503,919	(1,181,713)	3,322,206
17 EDFIT Amort	-	(839,215)	(839,215)		(839,215)
18 Total Operating Expenses	<u>188,526,000</u>	<u>3,043,127</u>	<u>191,569,127</u>	<u>(1,442,633)</u>	<u>190,126,494</u>
19 Net Operating Revenues	<u>16,604,662</u>	<u>9,018,118</u>	<u>25,622,780</u>	<u>(4,445,491)</u>	<u>21,177,289</u>
Rate Base					
20 Total Plant in Service	677,314,165	7,819,297	685,133,462		685,133,462
21 Total Accumulated Depreciation	(345,424,355)	(68,978)	(345,493,333)		(345,493,333)
22 Customer Adv. For Construction	(3,771,590)	-	(3,771,590)		(3,771,590)
23 Deferred Accumulated Income Taxes	(73,667,038)	(29,504,856)	(103,171,894)		(103,171,894)
24 EDFIT	-	29,897,292	29,897,292		29,897,292
25 Working Capital Allowance	25,610,870	-	25,610,870		25,610,870
26 TOTAL RATE BASE	<u>280,062,051</u>	<u>8,142,755</u>	<u>288,204,806</u>	<u>-</u>	<u>288,204,806</u>
27 Rate of Return	5.93%		8.89%		7.35%
Rev. Req. Def	6,397,810	(11,152,145)	(5,888,124)		

Cascade Natural Gas
Revenue Requirement Calculation
 12 Months ended December 31, 2016
 Whole Dollars

1	Adjusted Rate Base	288,204,806
2	Rate of Return	<u>7.3480000%</u>
3	Required Return (ln 1 x ln 2)	\$21,177,289
4	Adjusted Net Income	<u>\$25,622,780</u>
5	Required Net Income Increase (ln 3 - ln 4)	-\$4,445,491
6	Conversion Factor	<u>0.75499</u>
7	Revenue Increase Required (ln 5 / ln 6)	<u>-\$5,888,124</u>
8	Test Year Adjusted Revenue	\$217,191,907
9	Overall Revenue Increase	-2.7110%

9

Cascade Natural Gas Corporation*Conversion Factor Calculation**Twelve Months Ended December 31, 2016*

	<u>Filed</u>	<u>Per TCJA</u>		
Revenues	1.00000	1.00000		
Operating Revenue Deductions				
Uncollectible Accounts	0.00379	0.00379		
State B&O Tax	0.03852	0.03852		
UTC Fees	0.00200	0.00200		
Interest expense				
State Taxable Income	<u>0.95569</u>	<u>0.95569</u>		
State Income Tax	<u>0.00000</u>	<u>0.00000</u>		
Federal Taxable Income	<u>0.95569</u>	<u>0.95569</u>		
Federal Income Tax @ 35%, 21%	<u>0.33449</u>	<u>0.20069</u>		
Total Income Taxes	<u>0.33449</u>	<u>0.20069</u>		
Total Revenue Sensitive Costs	<u>0.37880</u>	<u>0.24501</u>		
Conversion Factor	<table border="1"><tr><td>0.62120</td></tr></table>	0.62120	<table border="1"><tr><td>0.75499</td></tr></table>	0.75499
0.62120				
0.75499				
Combo-State & Federal Income Tax				
State	0.00000	0.00000		
Federal	0.35000	0.21000		
State and Federal Effective Tax Rate	<u>35.0%</u>	<u>21.0%</u>		

Cascade Natural Gas Corporation

Cost of Capital Calculation

Twelve Months Ended December 31, 2016

NWIGU

	A	B	C	D
<u>Line No:</u>	COST OF CAPITAL - Company	% of CAPITAL	COST	WEIGHTED COST
1	Long Term Debt	50.00%	5.295%	2.648%
2	Preferred Stock	0.00%	0.000%	0.000%
3	Common Equity	50.00%	9.400%	4.700%
4	Total	<u>100.00%</u>		<u>7.348%</u>

Cascade, As Filed

	A	B	C	D
<u>Line No:</u>	COST OF CAPITAL - Company	% of CAPITAL	COST	WEIGHTED COST
1	Long Term Debt	50.00%	5.295%	2.648%
2	Preferred Stock	0.00%	0.000%	0.000%
3	Common Equity	50.00%	9.900%	4.950%
4	Total	<u>100.00%</u>		<u>7.598%</u>

Cascade Natural Gas Corporation
Revenue Requirement Adjustment Detail
Twelve Months Ended December 31, 2016

	Weather Normalization Adjustment R-1	Promotional Advertising Adjustment R-2	Restate Revenue Adjustment R-3	Low-Income Bill Assistance R-4
1 Operating Revenues				
2 Natural Gas Sales	\$15,472,032		\$ (8,383,168.38)	
3 Gas Transportation Revenue			(346,009)	
4 Other Operating Revenues				
5 Total Gross Revenues	\$15,472,032	\$0	(\$8,729,177)	
	\$5,420,396			
Operating Expenses				
6 Nat. Gas/Production Costs	10,051,636		(6,033,098)	
7 Revenue Taxes	626,927		(353,706)	
8 Production				
9 Distribution				
10 Customer Accounts	\$58,686		(\$33,110)	
11 Customer Service				(533,333)
12 Sales		(4,917)		
13 Administrative and General		(49,800)		
14 Depreciation & Amortization				
15 Regulatory Debits				
16 Taxes Other Than Income				
17 State & Federal Income Taxes	1,657,174	19,151	(808,242)	186,667
18 EDFIT Amort				
19 Total Operating Expenses	12,394,423	(35,566)	(7,228,156)	(346,667)
20 Net Operating Revenues	\$3,077,609	\$35,566	(\$1,501,021)	\$346,667
21 Rate Base				
22 Total Plant in Service				
23 Total Accumulated Depreciation				
24 Customer Adv. For Construction				
25 Deferred Accumulated Income Taxes				
26 EDFIT				
27 Working Capital Allowance				
28 Total Rate Base	\$0	\$0	\$0	\$0
29 Revenue Requirement Impact	(\$4,954,324)	(\$57,253)	\$2,416,338	(\$558,063)

Cascade Natural Gas Corporation
Revenue Requirement Adjustment Detail
Twelve Months Ended December 31, 2016

		Contested		Contested	
		Pro Forma	Pro Forma	Rate Case	Rate Case
		Interest	Wage	Plant	Costs
		Coordination	Adjustment	Additions	P-4
		Adjustment	P-2	P-3	P-4
		P-1	P-2	P-3	P-4
1	Operating Revenues				
2	Natural Gas Sales				\$0
3	Gas Transportation Revenue			199,944	0
4	Other Operating Revenues				0
5	Total Gross Revenues	\$0	\$0	\$199,944	\$0
Operating Expenses					
6	Nat. Gas/Production Costs				
7	Revenue Taxes			8,102	
8	Production		16,166		
9	Distribution		801,025		
10	Customer Accounts		87,065	\$758	
11	Customer Service				
12	Sales				
13	Administrative and General		450,658		94,439
14	Depreciation & Amortization			59,945	
15	Regulatory Debits				
16	Taxes Other Than Income		82,922	56,021	
17	State & Federal Income Taxes	392,122	(503,242)	26,291	(33,054)
18	EDFIT Amort				
19	Total Operating Expenses	392,122	934,593	151,117	61,386
20	Net Operating Revenues	(\$392,122)	(\$934,593)	\$48,826	(\$61,386)
Rate Base					
21	Rate Base				
22	Total Plant in Service			4,795,619	
23	Total Accumulated Depreciation			(29,973)	
24	Customer Adv. For Construction				
25	Deferred Accumulated Income Taxes			(20,981)	
26	EDFIT				
27	Working Capital Allowance				
28	Total Rate Base	\$0	\$0	\$4,744,665	\$0
29	Revenue Requirement Impact	\$631,237	\$1,504,505	\$482,636	\$98,818

Cascade Natural Gas Corporation
Revenue Requirement Adjustment Detail
Twelve Months Ended December 31, 2016

	Pro Forma Compliance Department P-5	MAOP Deferral Amortization P-6	Miscellaneous Charge Changes P-7	CRM Adjustment P-8
1 Operating Revenues				
2 Natural Gas Sales			\$0	
3 Gas Transportation Revenue			0	
4 Other Operating Revenues			(101,645)	
5 Total Gross Revenues			(\$101,645)	
Operating Expenses				
6 Nat. Gas/Production Costs				
7 Revenue Taxes			(4,119)	
8 Production				
9 Distribution	183,762	959,087		
10 Customer Accounts			(\$386)	\$0
11 Customer Service				
12 Sales				
13 Administrative and General	82,693			
14 Depreciation & Amortization				78,011
15 Regulatory Debits				
16 Taxes Other Than Income	13,139			
17 State & Federal Income Taxes	(97,858)	(335,680)	(33,999)	(27,304)
18 EDFIT Amort				
19 Total Operating Expenses	181,736	623,406	(38,503)	50,707
20 Net Operating Revenues	(\$181,736)	(\$623,406)	(\$63,142)	(\$50,707)
21 Rate Base				
22 Total Plant in Service				3,023,678
23 Total Accumulated Depreciation				(39,005)
24 Customer Adv. For Construction				
25 Deferred Accumulated Income Taxes				(6,191)
26 EDFIT				
27 Working Capital Allowance				
28 Total Rate Base			\$0	\$2,978,481
29 Revenue Requirement Impact	\$292,558	\$1,003,558	\$101,645	\$433,946

Cascade Natural Gas Corporation
Revenue Requirement Adjustment Detail
Twelve Months Ended December 31, 2016

	New	New	New
Pro Forma Revenue	SERP Expense	Incentive Pay	Employee Arbitration
P-9	M-1	M-2	M-3
1 Operating Revenues			
2 Natural Gas Sales	\$3,286,574	\$0	\$0
3 Gas Transportation Revenue	1,933,517	0	0
4 Other Operating Revenues	0	0	0
5 Total Gross Revenues	\$5,220,091	\$0	\$0
Operating Expenses			
6 Nat. Gas/Production Costs			
7 Revenue Taxes	211,518		
8 Production			
9 Distribution			
10 Customer Accounts	\$19,800		
11 Customer Service			
12 Sales			
13 Administrative and General	(546,651)	(1,136,795)	(210,756)
14 Depreciation & Amortization			
15 Regulatory Debits			
16 Taxes Other Than Income			
17 State & Federal Income Taxes	1,746,071	191,328	397,878
18 EDFIT Amort			
19 Total Operating Expenses	1,977,389	(355,323)	(738,917)
20 Net Operating Revenues	\$3,242,702	\$355,323	\$738,917
21 Rate Base			
22 Total Plant in Service			
23 Total Accumulated Depreciation			
24 Customer Adv. For Construction			
25 Deferred Accumulated Income Taxes			
26 EDFIT			
27 Working Capital Allowance			
28 Total Rate Base	\$0	\$0	\$0
29 Revenue Requirement Impact	(\$5,220,091)	(\$571,998)	(\$1,189,505)

Cascade Natural Gas Corporation
Revenue Requirement Adjustment Detail
Twelve Months Ended December 31, 2016

	New	New	New	New
	Restate Tax Expense TCJA-1	Excess Deferred Taxes TCJA-2	01/18 - 7/18 TCJA Deferral TCJA-3	TCJA Conversion Factor TCJA-4
1 Operating Revenues				
2 Natural Gas Sales	\$0	\$0	\$0	
3 Gas Transportation Revenue	0	0	0	
4 Other Operating Revenues	0	0	0	
5 Total Gross Revenues	\$0	\$0	\$0	
Operating Expenses				
6 Nat. Gas/Production Costs				
7 Revenue Taxes				
8 Production				
9 Distribution				
10 Customer Accounts				
11 Customer Service				
12 Sales				
13 Administrative and General				
14 Depreciation & Amortization				
15 Regulatory Debits			(1,502,892)	
16 Taxes Other Than Income				
17 State & Federal Income Taxes	(2,817,129)	0	315,607	0
18 EDFIT Amort	0	(839,215)		
19 Total Operating Expenses	(2,817,129)	(839,215)	(1,187,285)	0
20 Net Operating Revenues	\$2,817,129	\$839,215	\$1,187,285	
21 Rate Base				
22 Total Plant in Service				
23 Total Accumulated Depreciation				
24 Customer Adv. For Construction				
25 Deferred Accumulated Income Taxes		(29,477,684)		
26 EDFIT		29,897,292		
27 Working Capital Allowance				
28 Total Rate Base	\$0	\$419,608	\$0	
29 Revenue Requirement Impact	(\$3,731,333)	(\$1,070,716)	(\$1,572,578)	(\$104,785)

Cascade Natural Gas Corporation
Revenue Requirement Adjustment Detail
Twelve Months Ended December 31, 2016

	Total Adjustments
1 Operating Revenues	
2 Natural Gas Sales	10,375,437
3 Gas Transportation Revenue	1,787,452
4 Other Operating Revenues	(101,645)
5 Total Gross Revenues	\$12,061,245
Operating Expenses	
6 Nat. Gas/Production Costs	\$4,018,538
7 Revenue Taxes	\$488,722
8 Production	\$16,166
9 Distribution	\$1,943,873
10 Customer Accounts	\$132,813
11 Customer Service	(\$533,333)
12 Sales	(\$4,917)
13 Administrative and General	(\$1,316,212)
14 Depreciation & Amortization	\$137,956
15 Regulatory Debits	(\$1,502,892)
16 Taxes Other Than Income	\$152,082
17 State & Federal Income Taxes	\$349,545
18 EDFIT Amort	(\$839,215)
19 Total Operating Expenses	\$3,043,127
20 Net Operating Revenues	\$9,018,118
21 Rate Base	
22 Total Plant in Service	\$7,819,297
23 Total Accumulated Depreciation	(\$68,978)
24 Customer Adv. For Construction	\$0
25 Deferred Accumulated Income Taxes	(\$29,504,856)
26 EDFIT	\$29,897,292
27 Working Capital Allowance	\$0
28 Total Rate Base	\$8,142,755
29 Revenue Requirement Impact	(\$11,152,145)

Cascade Natural Gas Corporation*P-3: Post-Test Period, Pro Forma Capital Additions**Twelve Months Ended December 31, 2016*

	Cascade		NWIGU	Impact of Adjustment
Plant in Service	(,z) 18,072,320	(,y)	4,795,619	(13,276,701)
Property Tax Rate	1.168%		1.168%	
Property Tax Expense	211,115		56,021	(155,094)
Depreciation Rate	2.273%		1.250%	
Depreciation Expense	410,853		59,945	(350,908)
Accumulated Depreciation	205,427		29,973	(175,454)
Tax Depreciation Rate	3.75%		3.75%	
Tax Depreciation Expense	677,712		179,836	(497,876)
Accumulated Tax Depreciation	338,856		89,918	(248,938)
Book-Tax Difference	133,429		59,945	(73,484)
ADIT	46,700		20,981	(25,719)
Pre-Tax NOI	621,968		115,966	(506,002)
Rate Base	17,820,193		4,744,665	(13,075,527)

Notes

(z) Per Parvinen, Exh. MPP-6

(y) Actual Plant in Service for the Richland Project per Response to Public Counsel Data Request 45

Cascade Natural Gas Corporation

P-4: Rate Case Costs Pro Forma Adjustment

Twelve Months Ended December 31, 2016

<u>Line No.</u>	<u>A</u> <u>Vendor</u>	<u>B</u> <u>2017 est.</u>	<u>C</u> <u>2016</u>	<u>D</u> <u>Average</u>
1	Concentrix	\$ 27,313.75	\$ 5,656.80	\$ 16,485.28
2	Black & Veatch	\$ 219,901.15	\$ 66,715.92	\$ 143,308.54
3	McDowell Rackner	\$ 51,296.74	\$ 37,260.18	\$ 44,278.46
4	Rate Case Costs	\$ 298,511.64	\$ 109,632.90	\$ 204,072.27
5		Less 2016 Actual Expense		\$ 109,632.90
6	Adjustment			<u><u>\$ 94,439.37</u></u>

Cascade Natural Gas Corporation

TCJA-1: Tax Expense Restated at 21% Rate

Twelve Months Ended December 31, 2016

Whole Dollars

Line	Adj. No	Description	Tax Expense at 35% Rate			Taxable Income			Restated Tax Exp. at 21% Rate			TCJA-1 Restating Adjustment (j) = (c) - (i)
			Current Tax Expense	Deferred Tax Expense	Total Tax Expense (z)	Current Taxable Income	Book Tax Difference Amount	Total Taxable Income	Current Tax Expense	Deferred Tax Expense	Total Tax Expense	
			(a)	(b)	(c)	(d) = (a)/35%	(e)=(b)/35%	(f)=(c)/35%	(g)=(d)*21%	(h)=(e)*21%	(i)=(f)*21%	
1		Per Books	3,159,842	1,031,914	4,191,757	9,028,121	2,948,326	11,976,448	1,895,905	619,149	2,515,054	(1,676,703)
2	R-1	Weather Normalization Adjustment	1,657,174	-	1,657,174	4,734,783	-	4,734,783	994,304	-	994,304	(662,870)
3	R-2	Promotional Advertising Adjustment	19,151	-	19,151	54,718	-	54,718	11,491	-	11,491	(7,661)
4	R-3	Restate Revenue Adjustment	(808,242)	-	(808,242)	(2,309,263)	-	(2,309,263)	(484,945)	-	(484,945)	323,297
5	R-4	Low-Income Bill Assistance	186,667	-	186,667	533,333	-	533,333	112,000	-	112,000	(74,667)
6	P-1	Interest Coordination Adjustment	392,122	-	392,122	1,120,348	-	1,120,348	235,273	-	235,273	(156,849)
7	P-2	Pro Forma Wage Adjustment	(503,242)	-	(503,242)	(1,437,836)	-	(1,437,836)	(301,945)	-	(301,945)	201,297
8	P-3	Pro Forma Plant Additions	26,291	-	26,291	75,118	-	75,118	15,775	-	15,775	(10,516)
9	P-4	Rate Case Costs	(33,054)	-	(33,054)	(94,439)	-	(94,439)	(19,832)	-	(19,832)	13,222
10	P-5	Pro Forma Compliance Department	(97,858)	-	(97,858)	(279,594)	-	(279,594)	(58,715)	-	(58,715)	39,143
11	P-6	MAOP Deferral Amortization	(335,680)	-	(335,680)	(959,087)	-	(959,087)	(201,408)	-	(201,408)	134,272
12	P-7	Miscellaneous Charge Changes	(33,999)	-	(33,999)	(97,141)	-	(97,141)	(20,400)	-	(20,400)	13,600
13	P-8	CRM Adjustment	(27,304)	-	(27,304)	(78,011)	-	(78,011)	(16,382)	-	(16,382)	10,922
14	P-9	Pro Forma Revenue	1,746,071	-	1,746,071	4,988,773	-	4,988,773	1,047,642	-	1,047,642	(698,428)
15	M-1	SERP Expense	191,328	-	191,328	546,651	-	546,651	114,797	-	114,797	(76,531)
16	M-2	Incentive Pay	397,878	-	397,878	1,136,795	-	1,136,795	238,727	-	238,727	(159,151)
17	M-3	Employee Arbitration	73,765	-	73,765	210,756	-	210,756	44,259	-	44,259	(29,506)
18		Total Pro Forma	6,010,909	1,031,914	7,042,823	17,174,026	2,948,326	20,122,353	3,606,546	619,149	4,225,694	<u>(2,817,129)</u>
19	(z)	Excluding ITC Amortization										

Cascade Natural Gas Corporation

TCJA-2: Excess Deferred Federal Income Taxes

Twelve Months Ended December 31, 2016

Whole Dollars

Line	Book Tax Difference	ADIT at 35% Tax Rate (a)	Cum. Book Tax Difference (b) = (a) / 35%	Revalue ADIT at 21% Tax Rate (c) = (b) * 21%	EDFIT Balance (d) = (a) - (c)		Amort. Rate (e)	EDFIT Amort (f) = (d) * (e)
1	ACRS/MACRS Depreciation	(73,443,638)	(209,838,966)	(44,066,183)	(29,377,455)	(,z)	2.83%	(829,972.21)
2	Debt Refinancing	(223,400)	(638,285)	(134,040)	(89,360)	(,y)	10.00%	(8,936.00)
3	Total Per Results	(73,667,038)	(210,477,252)	(44,200,223)	(29,466,815)			(838,908)
4	P-3: Pro Forma Capital	(20,981)	(59,945)	(12,588)	(8,392)	(,z)	2.83%	(237.10)
5	P-8: CRM Adjustment	(6,191)	(17,689)	(3,715)	(2,476)	(,z)	2.83%	(69.96)
6	Total Pro-Forma	(73,694,210)	(210,554,886)	(44,216,526)	(29,477,684)			(839,215)

Notes

7 (z) Calculated as follows

8	Plant In Service	685,133,462.04
9	Depreciation Expense	19,356,398.48
10	Composite Rate	2.83%

11 (y) Timing of reversal unknown. Assumed 10% corresponding to a 10 year bond life. Impact is immaterial.

Cascade Natural Gas Corporation

TCJA-3: Calculation of the Deferral Related to Excess Taxes Collected in Rates Over the Period January 1, 2018 through July 31, 2018

In Thousands

Line

1 Restating Adjustment Calculation Using Gross-up Method:		
2 Rate Base	12/31/2016 Per Books	280,062
3 Equity %		50.00%
4 Equity Portion of Rate Base	Line 2 * Line 3	140,031
5 Return On Equity		9.40%
6 Pretax Return On Equity (35% Rate)	Line 5 * (1 - 35%)	14.46%
7 Pretax Equity Returns Required (35% Rate)	Line 4 * Line 5	20,250.64
8 Pretax Return on Equity (21% Rate)	Line 7 * (1 - 21%)	11.90%
9 Pretax Equity Return (21% Rate)	Line * Line 7	16,661.92
10 Annual Equity Return Differential (35% to 21% Rate)	Line 9 * Line	(3,589)

11 Monthly Deferral Calculation

		<u>1/1/2018</u>	<u>2/1/2018</u>	<u>3/1/2018</u>	<u>4/1/2018</u>	<u>5/1/2018</u>	<u>6/1/2018</u>	<u>7/1/2018</u>
12 Monthly Return Diff. at Restated 21 % Tax Rate	Line 10 / 12	299.060	299.060	299.060	299.060	299.060	299.060	299.060
13 Monthly EDFIT Amortization	Tab 6a	70	70	70	70	70	70	70
14 Monthly EDFIT Amortization (Pretax)	Line 13 / (1-21%)	89	89	89	89	89	89	89
15 Total Deferred Amounts	Line 13 + Line 14	388	388	388	388	388	388	388
16 Carrying Charge (Per Mo. at Pre-tax ROR)		0.72%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%
17 Balance								
18 Beginning Balance		-	388	775	1,163	1,550	1,938	2,326
19 Deferral	Line 15	388	388	388	388	388	388	388
20 Interest	Line 16 * (Line 17 + Line 18 / 2)	1	4	7	10	12	15	18
21 Ending Balance	Σ Lines 18:20	388	775	1,163	1,550	1,938	2,326	2,713.094

Cascade Natural Gas Corporation

TCJA-3: Deferral Amortization for Excess Taxes Collected in Rates Over the Period January 1, 2018 through July 31, 2018

In Thousands

Month	Beg Balance	Amortization	Interest Rate	Interest	Ending Balance
5/1/2018	2,713	(125)	0.72%	21	2,609
6/1/2018	2,609	(125)	0.72%	20	2,504
7/1/2018	2,504	(125)	0.72%	20	2,399
8/1/2018	2,399	(125)	0.72%	19	2,293
9/1/2018	2,293	(125)	0.72%	18	2,186
10/1/2018	2,186	(125)	0.72%	17	2,078
11/1/2018	2,078	(125)	0.72%	17	1,969
12/1/2018	1,969	(125)	0.72%	16	1,860
1/1/2019	1,860	(125)	0.72%	15	1,750
2/1/2019	1,750	(125)	0.72%	14	1,639
3/1/2019	1,639	(125)	0.72%	14	1,527
4/1/2019	1,527	(125)	0.72%	13	1,415
5/1/2019	1,415	(125)	0.72%	12	1,301
6/1/2019	1,301	(125)	0.72%	11	1,187
7/1/2019	1,187	(125)	0.72%	10	1,072
8/1/2019	1,072	(125)	0.72%	9	956
9/1/2019	956	(125)	0.72%	9	840
10/1/2019	840	(125)	0.72%	8	722
11/1/2019	722	(125)	0.72%	7	604
12/1/2019	604	(125)	0.72%	6	485
1/1/2020	485	(125)	0.72%	5	365
2/1/2020	365	(125)	0.72%	4	244
3/1/2020	244	(125)	0.72%	4	123
4/1/2020	123	(125)	0.72%	3	0 <-Goal Seek to Zero
Annual Amortization (Pre-tax):		(1,503)			