

**Exh. KMH-2r  
Docket UG-170929  
Witness: Kristen M. Hillstead**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION,**

**Respondent.**

**DOCKET UG-170929**

**EXHIBIT TO  
TESTIMONY OF**

**Kristen M. Hillstead**

**ON BEHALF OF STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Revenue Requirement*

**February 15, 2018**

*Revised February 22, 2018*

**Cascade Natural Gas**  
**Results of Operations Summary Sheet**  
**Twelve Months Ended December 31, 2016**

	12/31/2016 Results Per Company Filing	Summary of Restating Adjustments	Summary of Pro Forma Adjustments	Test Year Adjusted Total	Staff Proposed Revenue Impact	Adjusted Results After Proposed Revenues and Before Tax Adjustment	Staff Estimated Tax Adjustment  UTC-4	Adjusted Results After Proposed Revenues and After Tax Adjustment	Overall Impact of Staff's Adj. and Tax Impact
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<b>SUMMARY SHEET</b>									
<b>Operating Revenues</b>									
1 Natural Gas Sales	182,902,833	6,986,321	5,181,808	195,070,962	(3,836,906)	191,234,055	(3,551,287)	187,682,768	(7,388,193)
2 Gas Transportation Revenue	21,216,454	(346,009)	2,133,461	23,003,907	1,200,000	24,203,907		24,203,907	1,200,000
3 Other Operating Revenues	1,011,375	0	87,366	1,098,741		1,098,741		1,098,741	0
4 <b>REVENUES</b>	205,130,662	6,640,312	7,402,635	219,173,609	(2,636,906)	216,536,703	(3,551,287)	212,985,416	(6,188,193)
<b>Operating Expenses</b>									
5 Nat. Gas/Production Costs	103,593,865	4,981,076	0	108,574,941		108,574,941		108,574,941	
6 Revenue Taxes	16,946,341	269,065	299,955	17,515,361	(106,847)	17,408,513	(143,898)	17,264,615	(250,745)
7 Production	518,989	0	7,924	526,913		526,913		526,913	
8 Distribution	16,326,277	67,687	914,845	17,308,809		17,308,809		17,308,809	
9 Customer Accounts	6,383,108	28,990	68,969	6,481,068	(10,002)	6,471,066	(13,470)	6,457,596	(23,472)
10 Customer Service	824,096	(533,333)	0	290,762		290,762		290,762	
11 Sales	4,917	(4,917)	0	0		0		0	
12 Administrative and General	16,459,958	(1,805,094)	402,629	15,057,493		15,057,493		15,057,493	
13 Depreciation & Amortization	19,218,442	0	301,251	19,519,694		19,519,694		19,519,694	
14 Regulatory Debits		0	0	0		0		0	
15 Taxes Other Than Income	4,095,634	5,474	200,185	4,301,292		4,301,292		4,301,292	
16 State & Federal Income Taxes	4,154,374	1,270,978	2,122,275	7,547,627	(882,020)	6,665,607	(3,393,918)	3,271,689	(4,275,938)
17 <b>Total Operating Expenses</b>	188,526,000	4,279,926	4,318,033	197,123,960	(998,869)	196,125,091	(3,551,286)	192,573,805	(4,550,155)
18 <b>Net Operating Income</b>	16,604,662	2,360,386	3,084,601	22,049,649	(1,638,037)	20,411,612	(1)	20,411,611	(1,638,038)
<b>Rate Base</b>									
19 Total Plant in Service	677,314,165	0	16,047,517	693,361,682		693,361,682		693,361,682	
20 Total Accumulated Depreciation	(345,424,355)	0	(150,626)	(345,574,980)		(345,574,980)		(345,574,980)	
21 Customer Adv. For Construction	(3,771,590)	0	0	(3,771,590)		(3,771,590)		(3,771,590)	
22 Deferred Accumulated Income Taxes	(73,667,038)	0	(52,593)	(73,719,631)		(73,719,631)		(73,719,631)	
23 Working Capital Allowance	25,610,870	(12,922,679)	0	12,688,191		12,688,191		12,688,191	
24 <b>TOTAL RATE BASE</b>	280,062,051	(12,922,679)	15,844,298	282,983,671	0	282,983,671	0	282,983,671	0
25 <b>Rate of Return</b>	5.93%			7.79%		7.21%		7.21%	

Cascade Natural Gas  
Proposed Adjustments to Test Year Results  
Twelve Months Ended December 31, 2016

	Weather Normalization Adjustment R-1 (JL)	Promotional Advertising Adjustment R-2 (k10)	Restate Revenue Adjustment R-3 (JL)	Low-Income Bill Assistance R-4 (JL)	Staff Proposed Remove Incentive Pay Expense UTC-1	Staff Proposed Remove SISP/SERP Expense UTC-2	Staff Proposed decrease ISWC per books UTC-3	Staff Proposed Remove 2014 Arbitration Expense UTC-5	Restate Wage Adj UTC-6		Interest Coordination Adjustment P-1 (k10)	Pro Forma Wage Adjustment P-2 (k10)	Pro Forma Plant Additions P-3 (DP)	Rate Case Costs P-4 (DP)	Pro Forma Compliance Department P-5 (DP)	MAOP Deferral Amortization P-6 (AW)	Miscellaneous Charge Changes P-7 (DP)	CRM Adjustment P-8 (AW)	Pro Forma Revenue P-9 (JL)	Total Adjustments	
1 <b>Operating Revenues</b>																					
2 Natural Gas Sales	\$12,463,455		(\$5,477,135)											\$0			\$0			\$5,181,808	12,168,129
3 Gas Transportation Revenue			(346,009)									199,944	0				0			1,933,517	1,787,452
4 Other Operating Revenues													0				(101,645)			189,011	87,366
5 <b>REVENUE</b>	<b>\$12,463,455</b>	<b>\$0</b>	<b>(\$5,823,143)</b>							<b>\$0</b>	<b>\$0</b>	<b>\$199,944</b>	<b>\$0</b>				<b>(\$101,645)</b>		<b>\$7,304,336</b>	<b>\$14,042,947</b>	
	<b>\$4,313,453</b>																				
6 <b>Operating Expenses</b>																					
7 Nat. Gas/Production Costs	8,150,003		(3,168,926)																		\$4,981,076
8 Revenue Taxes	505,019		(235,954)									8,102					(4,119)			295,972	\$569,020
9 Production Distribution											7,924										\$7,924
10 Customer Accounts	\$47,274		(\$22,087)						67,687		360,633				130,503	423,708				\$982,532	
11 Customer Service				(533,333)					\$3,804		40,890	\$758					(\$386)	\$0	\$27,706	\$97,959	
12 Sales		(4,917)																			(\$533,333)
13 Administrative and General		(49,800)			(1,417,093)	(127,508)		(210,756)	63		220,903		123,000	58,727							(\$4,917)
14 Depreciation & Amortization												223,240						78,011			(\$1,402,465)
15 Regulatory Debits																					\$0
16 Taxes Other Than Income									5,474		38,061	152,140		9,984							\$205,659
17 State & Federal Income Taxes	1,316,406	19,151	(838,662)	186,667	495,983	44,628	0	73,765	(26,960)	299,869	(233,944)	(64,504)	(43,050)	(69,725)	(148,298)	(33,999)	(27,304)		2,443,230	\$3,393,253	
18 <b>Total Operating Expenses</b>	<b>10,018,702</b>	<b>(35,566)</b>	<b>(4,265,629)</b>	<b>(346,667)</b>	<b>(921,110)</b>	<b>(82,880)</b>	<b>0</b>	<b>(136,991)</b>	<b>50,068</b>	<b>299,869</b>	<b>434,468</b>	<b>319,737</b>	<b>79,950</b>	<b>129,489</b>	<b>275,410</b>	<b>(38,503)</b>	<b>50,707</b>		<b>2,766,908</b>	<b>\$8,597,960</b>	
19 <b>Net Operating Income</b>	<b>\$2,444,754</b>	<b>\$35,566</b>	<b>(\$1,557,514)</b>	<b>\$346,667</b>	<b>\$921,110</b>	<b>\$82,880</b>	<b>\$0</b>	<b>\$136,991</b>	<b>(\$50,068)</b>	<b>(\$299,869)</b>	<b>(\$434,468)</b>	<b>(\$119,793)</b>	<b>(\$79,950)</b>	<b>(\$129,489)</b>	<b>(\$275,410)</b>	<b>(\$63,142)</b>	<b>(\$50,707)</b>		<b>\$4,537,428</b>	<b>\$5,444,987</b>	
20 <b>Rate Base</b>																					
21 Total Plant in Service												13,023,839						3,023,678			\$16,047,517
22 Total Accumulated Depreciation												(111,620)						(39,005)			(\$150,626)
23 Customer Adv. For Construction																					\$0
24 Deferred Accumulated Income Taxes												(46,402)						(6,191)			(\$52,593)
25 Working Capital Allowance							(12,922,679)														(\$12,922,679)
26 <b>TOTAL RATE BASE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,922,679)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,865,817</b>	<b>\$0</b>				<b>\$0</b>	<b>\$2,978,481</b>	<b>\$0</b>	<b>\$2,921,619</b>	
27 <b>Revenue Requirement Effect</b>	<b>(\$3,935,556)</b>	<b>(\$57,253)</b>	<b>\$2,507,281</b>	<b>(\$558,063)</b>	<b>(\$1,482,800)</b>	<b>(\$133,420)</b>	<b>(\$1,500,512)</b>	<b>(\$220,528)</b>	<b>\$80,599</b>	<b>\$482,727</b>	<b>\$699,404</b>	<b>\$1,686,752</b>	<b>\$128,703</b>	<b>\$208,451</b>	<b>\$443,354</b>	<b>\$101,645</b>	<b>\$427,473</b>		<b>(\$7,304,336)</b>	<b>(\$8,426,078)</b>	