CONTESTED ISSUES

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
Overall Revenue / Rate Increase	$5,884,984 2.71%		($2,636,906) – without tax rate change impacts ($6,188,193) – with tax rate change impacts	($4,262,276) if 9.90% ROE ($5,199,506) if 9.40% ROE Above amounts do not yet include impacts of the flow-back of Excess Deferred Federal Income taxes to ratepayers, which would reduce the revenue requirement further. Also does not include return to ratepayers of excess federal income taxes associated with reduction of FIT rate to 21% that is being collected from Washington ratepayers between January 1, 2018 and the rate effective date from this case.	(-) $5,888,124 (-) 2.7%	
Capital Structure and Cost of Capital	***Capital Structure*** Long-term Debt: 50% Preferred Stock: 0% Common Equity: 50% ***Cost of Capital:*** Long-term Debt: 5.295% Preferred Stock: 0% Common equity: 9.90% **Overall Rate of Return: 7.598%** Capital structure, cost of long-term debt, and cost of preferred stock are addressed in Exhibit No.__(TJN-1T) and Exhibit No.__(JSG-1T)		***Capital Structure*** Long-term Debt: 52.69% Preferred Stock: 0% Common Equity: 47.31% ***Cost of Capital:*** Long-term Debt: 5.295% Preferred Stock: 0% Common equity: 9.350% **Overall Rate of Return: 7.213%**	***Capital Structure*** Long-term Debt: 50% Preferred Stock: 0% Common Equity: 50% ***Cost of Capital:*** Long-term Debt: 5.295% Preferred Stock: 0% Common equity: No position at this time. Revenue requirement impacts of rate base adjustment based on Company requested 9.9% ROE. Settlement in last case based on 9.4% ROE. **Overall Rate of Return:** **No position at this time. 7.598% with 9.9% ROE** **7.348% with 9.4% ROE**	***Capital Structure*** Long-term Debt: 50% Preferred Stock: 0% Common Equity: 50% ***Cost of Capital:*** Long-term Debt: 5.295% Preferred Stock: 0% Common equity: 9.4% **Overall Rate of Return: 7.348%**	

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Per Books Results	The actual Washington booked figures for the test year, which is the twelve months ended December 31, 2016. Exhibit No.___(MPP-2)		Decrease ISWC per book (UTC-3) Disallow excessive cash amount in ISWC not used for day to day operations. RR: (1,500,512) RATE BASE: (12,922,679)		NOI: $16,604,662 RATE BASE: $280,062,051 RR: $6,397,810	
R-1 Weather Normalization Adjustment	RR: (4,954,324) An adjustment to the test period results to reflect customer usage given normal weather. The result is an increase in net income of $3,077,609. Exhibit No.___(MPP-5)		NOI: 2,444,754 RR: (3,935,556)	PC neutral at this time. NOI: 3,740,479 based on 21% FIT rate RR: (4,954,324)	NOI: $3,077,609 RR: $4,954,324	
R-2 Promotional Advertising Adjustment	RR: (57,253) Removes advertising costs more aimed at promoting the company brand or image rather than conservation or safety. The result is an increase in net income of $35,566. Exhibit No.___(MPP-5)		NOI: 35,566 RR: (57,253)	Agrees with Company. NOI: 43,226 based on 21% FIT rate RR: (57,254)	NOI: $35,566 RR: (-) $57,253	
R-3 Restate Revenue	RR: 2,416,338 Removes from revenue amounts that are out of period or will not be realized in the rate year. Examples are bill corrections, net unbilled revenues, deferral revenues, etc. The result of this adjustment is a decrease in net income of $1,501,021. Exhibit No.___(MPP-5)		NOI: (1,557,514) RR: 2,507,281	PC neutral at this time. NOI: (1,824,318) based on 21% FIT rate RR: 2,416,338	NOI: (-) $1,501,021 RR: $ 2,416,338	

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
R-4 ***Low-Income Bill Assistance***	RR: (558,063) Removes from the test period the booked expense prior to the implementation of the tracker tariff rate on September 1, 2016, as established in the last general rate case, UG-152286. The result of this adjustment is an increase in net income of $346,667. Exhibit No.___(MPP-5)		NOI: 346,667 RR: (558,063)	PC neutral at this time. NOI: 421,333 based on 21% FIT rate RR: (558,062)	NOI: $346,667 RR: (-) $558,063	
P-1 ***Interest Coordination Adjustment***	RR: 442,415 Adjusts federal income taxes for the effect of the average debt rate used to calculate the rate of return applied to the proposed rate base shown in Exhibit No MPP-2, column (3), line 24. The result is a decrease in net income of $274,827. Exhibit No.___(MPP-5)		NOI: (299,869) RR: 482,727	Fall-out adjustment based on adjusted rate base, weighted cost of debt and FIT rate used. Income Tax Exp 263,991 NOI: (263,991) based on 21% FIT rate. RR: 349,660	NOI: (-) $392,122 RR: $631,237	

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
P-2 ***Pro Forma Wage Adjustment***	RR: 1,504,505 Four components: The first component is the annualization of the 2016 increase effective April 1, 2016 for union employees. The second component layers on the 2017 actual wage increases for non-union and union employees. The third component adds in the 2018 estimated increases for the union and non-union employees. The non-union increase is estimated to be 4 percent, the same level granted in 2017. However, the increase won't be known until sometime in December, 2017. The Company will update the calculation to reflect the actual non-union increase awarded at a later date. The 2018 union increase is estimated to be 3.1 percent, the same as 2017. The forth component is a reflection of the 2017 and 2018 wage increase associated with employees that are allocated to Cascade rather than directly assigned. In general, all non-union employees receive the same level of increases as approved by the Board of Directors. The result is a decrease in net income of $934,593.Exhibit No.___(MPP-5)		NOI: (434,468) RR: 699,404	PC recommended pro forma wage adjustment allows the following adjustments to actual test year salaries and wages expense: 1) Annualize April 1, 2016 wage increase for union employees. 2) Includes known and measurable 2017 union wage increase of 3.10%. NOI: (296,298) based on 21% FIT rate. RR: 392,452	NOI: (-) $934,593 RR: $1,504,505	

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
P-3 ***Pro Forma Plant Additions***	RR: 2,630,493 RATE BASE: 17,820,193 Reflects the Company's budgeted level of capital additions expected to go into service by December 31, 2017, well before the anticipated effective date of the current filing, June 1, 2018. The proposed projects are limited to only those projects that are non-revenue producing and will not be included in the 2017 annual Cost Recovery Mechanism (CRM). Exhibit No. ____ (MPP-6) identifies each project, the proposed in service date, most current proposed budget amount, and most importantly an explanation on the investment. These are non-revenue producing upgrades and have no material offsetting factors except for one project. As the cost and timing of these projects is budgeted and estimated at this point, Cascade will update the actual costs and standing of each project as the case proceeds. The intent is adding into rate base only those projects that will be used and useful by the time rates from the current proceeding go into effect. The net income effect of the rate base additions, for depreciation expense, property taxes, and an offsetting revenue increase is a decrease of $280,075. The rate base impact is an increase of $17,820,193. Exhibit No.___(MPP-5)		NOI: (119,793) RR: 1,686,752 RATE BASE: 12,865,817	NOI: 0 RR: 0 No post-test year plant additions should be allowed in this proceeding. Post-test year plant additions should be limited to major projects actually in-service and used in useful in providing service to customers and based on actual known and measurable amounts. Major plant additions should be limited to projects that are not revenue producing or expense reducing to avoid violation of the matching principle.	NOI: $48,826 RR: $482,636 RATE BASE: $4,744,665	

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
P-4 ***Rate Case Costs***	RR: 312,353 Reflects the impacts of incremental costs associated with filing this general rate case over what was booked in 2016 for the last general rate case, Docket No. UG-152286. These costs will be updated later in the case as they become known and better estimated. The net income impact is a decrease in net income of $194,033. Exhibit No.___(MPP-5)		NOI: (79,950) RR: 128,703	Reflects a 3-year amortization of rate case costs associated with current rate case to normalize the amount included in annual expense. NOI: (40,332) based on 21% FIT rate RR: 53,421	NOI: (-) $61,386 RR: $98,818	
P-5 ***Pro Forma Compliance Department***	RR: 292,558 Addition of a new department at the Company that will be tasked with ensuring that Cascade is in full compliance with all state and federal pipeline safety regulations and other relevant requirements. The department—which is named System Integrity/System Management—has the responsibility of assuring the Cascade is in compliance with all state and federal pipeline safety matters. The new department consists of a director and two engineers. The Company expects that the addition of this department will help avoid future instances such as those that resulted the complaint filed in Docket No. PG-150120. The net income impact of this adjustment is a decrease of $181,736. Exhibit No.___(MPP-5)		NOI: (129,489) RR: 208,451	PC Neutral at this time. NOI: (220,879) based on 21% FIT rate. RR: 292,558	NOI: (-) $181,736 RR: $292,558	

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
P-6 ***MAOP Deferral Amortization***	RR: 1,003,558 Ten-year amortization of the anticipated deferred balance associated with the approval in Docket No. UG-160787 of Cascade's request for deferred accounting treatment of incremental costs to implement the Maximum Allowable Operating Pressure ("MAOP") Determination and Validation Plan submitted to the Commission on April 29, 2016, under Docket No. PG-150120. Amortization would begin as of the effective date of this general rate increase. The deferred balance is anticipated to be $9,590,868. The net income effect is a reduction of $623,406 Exhibit No.___(MPP-5) Exhibit No.___(EM-1T)		NOI: (275,410) RR: 443,354	PC does not oppose the Company's proposed ten-year amortization period. Amount to be amortized in this case should be based on actual known and measurable expenditures only. The known and measurable amounts supported by the Company were $5,460,327 resulting in PC recommended annual amortization expense of $546,033. PC takes no position at this time on the prudence or appropriateness of the $5,460,327 of actual expenditures. Amortization Exp: 546,033 NOI: (431,366) based on 21% FIT rate RR: 571,351	NOI: (-) $623,406 RR: $1,003,558	
P-7 ***Miscellaneous Charge Changes***	RR: 101,645 Proposed changes to certain miscellaneous fees in Schedule 200. Cascade witness Ms. Jennifer G. Gross describes the proposed changes in greater detail in Exhibit No. __ (JGG-1T). This adjustment reduces net income by $63,142. Exhibit No.___(MPP-5)		NOI: (63,142) RR: 101,645	NOI: (112,356) RR: 148,818 Public Counsel witness Carla Colamonici makes three recommendations regarding Cascade's Schedule 200 charges: (1) reject proposal to increase miscellaneous charges or fees, (2) reduce Cascade's returned check fee from $18 to $15, and (3) discontinue Cascade's Pilot Light Service.	NOI: (-) $63,142 RR: $101,645	

ISSUE	CASCADE NATURAL GAS	COMPANY REBUTTAL FILING	COMMISSION STAFF	PUBLIC COUNSEL	NWIGU	THE ENERGY PROJECT
P-8 ***CRM Adjustment***	RR: 445,993 Rate Base: 2,978,481 Adjusts from the average of monthly average test year investment for approved Cost Recovery Mechanism ("CRM") investments to the same level included in the most recent annual CRM filing (Docket No. UG-160788). The adjustment recognizes a full year impact of the investment as included in Docket No. UG-160788. The pro forma adjustment in column P-9 recognizes a full year of the revenue from the same CRM filing. This adjustment, along with the revenue adjustment in column P-9, fully matches the revenue with the investment. This adjustment decreases net income by $50,707 and increases rate base by $2,978,481. Exhibit No.___(MPP-5)		NOI: (50,707) RR: 427,473 RATE BASE: 2,978,481	PC neutral at this time. NOI: (61,629) based on 21% FIT rate. RR: 381,373 RATE BASE: 2,978,482	NOI: (-) $50,707 RR: $433,946 RATE BASE: $2,978,481	
P-9 ***Pro Forma Revenue***	RR: (5,220,091) Adjusts weather normalized volumes to the most current rates. Included in this adjustment is the annualization effect of the most current CRM rates, the most current special contract rates, and the most recent general rate case. This adjustment is further described in the testimony of Ms. Rosales. This adjustment increases net income by $3,242,702. Exhibit No.___(MPP-5)		NOI: 4,537,428 RR: (7,304,336)	PC neutral at this time. NOI: 3,941,131 based on 21% FIT rate RR: (5,220,091)	NOI: $3,242,702 RR: $5,220,091	
Reduce Incentive Pay (UTC-1, M-2, PC-7)			Disallow incentive pay related to financial measures NOI: 921,110 RR: (1,482,800)	Incentive Compensation expense associated with achieving earnings goals, return on invested capital goals and earnings per share goals, which benefit shareholders and are	NOI: $738,917 RR: (-) $1,189,505	

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				targeted at increasing shareholder value, should be funded by shareholders, not ratepayers. PC adjustment removes incentive compensation expense paid to Cascade employees that is based on shareholder oriented goals. Adjustment also removes incentive compensation expense charged to Cascade from its parent company and affiliates as Cascade is unable to identify portion of these affiliated entity costs that associated with the achievement of goals that benefit Washington ratepayers. Incentive compensation expense (1,388,253) NOI: 1,096,720 RR: (1,452,623)		

Federal Income Tax Expense (Over Collection) and Conversion Factor (PC-1, NWIGU's TCJA-1 TCJA-4)	Per Cascade's January 29, 2018 supplemental response to Bench Request No. 1, the impact of Tax Cuts and Jobs Act (TCJA) on Cascade's requested increase of $5.9 million would be a reduction to a requested increase of $1.7 million. Cascade's estimate for the tax rate change for the period from January 1, 2018 to July 31, 2018 is $1,394,552. Cascade proposes that this amount be treated as a period cost and included in the 2018 actual results of operation, and will be incorporated in its existing earnings sharing mechanism. Cascade proposes that to the extent the tax reduction produces earnings above Cascade's authorized return, the amounts in excess of Cascade's authorized return will be flowed back to customers through the earnings sharing mechanism established in Docket UG-152286. Cascade also proposes to revise the sharing percentages for 2018 so that 100 percent of the excess over the authorized return will be returned to customers as opposed to the sharing component established in Docket UG-152286, through which 50 percent of the excess over the Company's authorized return is shared with customers. Cascade proposes a change from 50 percent sharing to 100 percent sharing to reflect that the only reason Cascade would exceed its authorized return is due to the tax rate change. Cascade's proposed change to the sharing percentages will be limited to 2018, and in 2019 and beyond, the sharing percentages will revert to the method approved in UG-152286 as the tax benefits will be reflected in		Going Forward portion, Aug. 1, 2018 - future – Staff is still formulating it's response to BR1. NOI: (1) RR: (3,551,287) Existing Current Rates portion- January 1, 2018, through July 31, 2018 - Staff is still formulating it's response to BR1. Pass back the over collection of federal income taxes embedded in existing current rates	Actual test year per books federal income tax expense should be restated based on the current FIT rate of 21%. This increases test year NOI by $1,661,750. Additional adjustments are needed to flow-back the Excess Deferred Federal Income Taxes (EDFIT) to ratepayers. The impact of flowing-back the EDFIT is not yet reflected in the PC recommended revenue requirements, but would increase the PC recommended reduction in rates in this proceeding. Additionally, the excess federal income taxes collected from Washington ratepayers from the effective date of the FIT rate reduction resulting from the TCJA of January 1, 2018 through the date rates from this case take effect should be returned to Washington ratepayers. The Company is currently collecting rates based on a FIT rate of 35% while the current FIT rate is only 21%. The excess amount currently being collected should be returned to ratepayers. The return of the excess FIT collection for January 1, 2018 through the rate effective date of this case is not reflected in the PC recommended revenue requirements. Adjustments needed to reflect 21% FIT rate: NOI amounts for adjustments to the per-book test year are presented in this matrix for PC are based on the current 21% FIT rate. Income Tax Expense (1,661,750) NOI: 1,661,750 RR: (2,201,015)	TCJA-1 RESTATE TAX EXPENSE: NOI: $2,817,129 RR: (-) $3,731,333) TCJA-4 CONVERSION FACTOR: RR: (-) $104,785	

	base rates upon completion of this docket.			Additional adjustments needed to flow-back EDFIT to customers not yet reflected in PC recommended revenue reduction.		
Excess Deferred Federal Income Taxes (TCJA-2)					NOI: $839,215 RR: (-) $1,070,716) RATE BASE: $419,608 Reflects amortization of Excess Deferred Federal Income Taxes in revenue requirement, pursuant to new tax normalization requirements.	
TCJA Deferral Jan 1, 2018 – July 31, 2018 (TCJA-3)					NOI: $1,187,285 RR: (-) $1,572,578 NWIGU recommend creating a deferred account for excess income tax collected in rates prior to the rate effective date of this docket. NWIGU also recommends amortizing that account over the two year period beginning August 1, 2018.	
Remove SISP/SERP (UTC-2, PC-6, M-1)	Costs included in Revenue Requirement.		NOI: 82,880 RR: (133,420)	Non-qualified pension expense should not be charged to Washington ratepayers. This includes costs for the Supplemental Executive Retirement Plan and the Supplemental Income Security Plans. Expense (127,508) NOI: 100,731based on 21% FIT rate RR: (133,420)	NOI: 355,323 RR: (-) $571,998	
Remove Arbitration Expense (UTC-5, M-3, PC-2)	Costs included in Revenue Requirement.		NOI: 136,991 RR: (220,528)	Litigation accrual booked to expense during the test year associated with a union labor dispute that originated in 2013 should be removed. Costs pertain to a historic event that is still being disputed between the Company and the labor union. Costs are non-recurring, ultimate liability	NOI: 136,991 RR: (-) $220,528	

				not yet known, and costs should be borne by shareholders, not ratepayers. Expense (210,756) NOI: 166,497 based on 21% FIT rate RR: (220,528)		
Reduce MDU Rental Charges (PC-3)	Not discussed in Direct Testimony.			Test year rent expenses were distorted by a one-time entry made during the test year and rental charges from an affiliated entity, MDU, have declined subsequently. Test year rent expense should be reduced by $145,014 to reflect a normal on-going expense level. Expense (145,014) NOI: 114,561 RR: (151,738)		
Reduce Market Data Subscription Fees (PC-4)	Included additional payment to maintain compliance with Platt's license terms			Test year expenses for gas market data subscription fees include costs from Platts that includes more than one year of costs due to a January 2016 payment. The Company has indicated that the normal annual cost level is $75,000, while test year expenses include $128,000. PC recommends test year expense be reduced by $53,000 to reflect a normal annual expense level for market data subscription fees. Expense (53,000) NOI: 41,870 RR: (55,457)		
Restating Wage Adjustment (UTC-6)			NOI: (50,068) RR: 80,599			
Remove Foros True Boutique Charges (PC-5)	Not discussed in direct testimony.			During the test year, $513,430 was charged to MDU Resources Group, Inc. from Foros True Boutique, $69,988 ($52,680) of which was charged to Cascade. The Company would not provide the agreement with Foros True Boutique or any written		

				recommendations or reports from the firm. Foros True Boutique is a strategic financial and Mergers & Acquisitions advisor. These costs should not be charged to Washington ratepayers. Expense (52,680) NOI: 41,617 RR: (55,123)		
Low-Income Weatherization Program	No changes proposed in Direct Testimony					(1) Remove $10,000 cap on individual weatherization projects; (2) modify the project coordination allowance from a fixed to a percentage-based amount, and (3) allow the delivery agency and "indirect rate" of a set percent for administrative costs.
Low Income Bill Pay Assistance	Maintain program as modified in UG-152286.		Staff's position (Jing Liu) – Staff proposes no change to the level of funding for the program, but recommends that the program design be changed to offer a monthly bill discount instead of a lump sum one-time credit.			
Load Study	The Company initiated a load study.		Cascade failed to comply with Order 04 in Docket UG-152286 because it did not initiate a load study prior to filing this general rate case. Reject Cascade's substitute load forecasting model as an alternative to an actual load study. Staff requests that the Commission order Cascade to comply with the settlement commitment requiring it to initiate a load study. Further, Staff requests that the Commission add a new		The 'citygate study' does not satisfy the settlement terms from Docket UG-152286.	

			condition and to modify the load study requirements. New Condition: If Cascade does not complete a load study prior to filing its next general rate case, then the Commission should forbid the Company from increasing any basic charges and also require it to present a rate spread that applies an equal percentage of margin increase or decrease to each schedule in that general rate case.			
PGA Allocation			Reject Cascade's proposal to change the PGA demand-cost allocation of pipeline capacity and storage based on Design Peak Day. Maintain the status quo until load study is complete.			
Cost of Service	Cost of Service Study Exhibit No.___(RJA-1T)		Reject the Company's COSS and address the merits of individual COSS methodologies in the ongoing Generic COS proceeding.		Explore in a cost of service collaborative. The lack of a load study undermines the results of Cascade's Cost of Service Study.	

Rate Spread/Rate Design	Exhibit No.___(RJA-1T)		Reject Cascade's proposed natural gas rate spread. Spread Staff's recommended revenue requirement decrease to all customer classes on an equal percentage of margin. Reject Cascade's proposed increases to basic charges for all customer classes. Reduce rate-class demand-charge volumetric rates based on Staff's proposed rate spread. Maintain the status quo for other rates, with the exception of miscellaneous rate changes discussed in Staff Witness Mr. David Panco's testimony. Accept Cascade's request to eliminate Tariff Schedules 502, 512, and 577 and merge these customers into Tariff Schedules 503, 504, and 570, respectively.		Allocation of any margin revenue increase or decrease to the rate classes on an equal percent of margin basis, except for special contracts.	Limit residential customer charge increase to $1.00. Spread rates based on equal percent of margin