Docket No, UG-06____
Exhibit: _____(KJB-1T)
Witness: Katherine J. Barnard

BEFORE THE

WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

UG-06____

GENERAL RATE APPLICATION

OF

CASCADE NATURAL GAS CORPORATION®

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February 14, 2006

Prepared Direct Testimony of
Katherine J. Barnard

Statement of Operation Per Books
Revenue Sensitive Cost Conservation Factor
Removal of Severance and Executive Transition Related Expenses
Restatement of Payroll & Related Costs
Restatement of Washington Property Taxes
Restatement for Changes in Franchise Fees
Removal of Certain Promotional Expenses
Proforma Public Awareness Program Adjustment
Proforma Payroll & Related Costs Adjustment
Proforma Insurance Expense Adjustment
Proforma Postal Rate Change Adjustment
Proforma Property Tax Adjustment
Proforma Membership/Dues Adjustment
Proforma Amortization of Gain on Propane Air Plant Adjustment
Proforma Adjustment of Gas Management Upgrade
Proforma Adjustment for Integrated Resource Planning Costs
Proforma Adjustment for CIS Mainframe Upgrade
Proforma Conservation Advertising Adjustment
Proforma Low Income Bill Assistance Program Adjustment

PREPARED TESTIMONY OF KATHERINE J. BARNARD

(Statement of Operations Per Books and Rate of Return, Revenue Sensitive Cost Conversion Factor, Restating Adjustments, and Proforma Adjustments)

Q. Please state your name and address for the record.

A. Katherine J. Barnard, 222 Fairview Avenue North, Seattle, Washington 98109

Q. By whom are you employed and what is your title?

A. I am employed by Cascade Natural Gas Corporation as the Senior Director of Regulatory Affairs.

Q. What are your primary responsibilities at Cascade?

A. I am responsible for the preparation of rate related exhibits in support of the Company's various regulatory filings and general rate filings, as well as integrated resource planning.

Q. Please describe your education background and previous experience.

A. I am a graduate of the University of Washington with Bachelor of Arts degrees in both Business Administration and Arts & Sciences. My Business Administration degree was in Finance with additional course work in accounting.

I have been employed at Cascade since 1992. Prior to joining Regulatory Affairs department in 1996, I was employed as a Senior Accountant where I was responsible for developing the income statement, including the allocation of Washington and Oregon balances, and the development of the statement of operations used in regulatory reporting. Prior to joining Cascade, I was employed by the Washington Utilities and Transportation Commission as Revenue Requirement Specialist. My responsibilities included reviewing tariff filings, affiliated interest applications, and performing audits of several telephone companies' compliance reports. Between 1988 and 1990, I was the Manager – Separations at Nevada Bell where my responsibilities were the development of rates for the Company's FCC tariff filings along with FCC and National Exchange Carriers Association (NECA) compliance reporting. Between 1985 and 1987, I was employed by Ernst & Whinney's Telecommunications Consulting Group where I was responsible for the preparation of cost allocation studies for several small telephone companies.

Q. Have your previously sponsored testimony?

A. Yes, I have sponsored testimony before both the Washington Utilities and Transportation Commission and the Public Utility Commission of Oregon.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the Company's Washington Results of Operation for the test period, which is the twelve months ended September 30, 2005. Additionally, I will explain several of the restating and proforma adjustments to the test year results of operation.

Q. Will you please explain the difference between a restating adjustment and a proforma adjustment.

A. A restating adjustment is prepared when a change took place during the 12 month test period and, without the adjustment, the test period would reflect only a portion of the changed condition. The purpose of the restating adjustment is to adjust the balances as if the change had been in place during the entire test period. A proforma adjustment is prepared when a change occurred subsequent to the test period, but is known and measurable.

Q. Do you sponsor exhibits in this filing?

A. Yes, I sponsor 19 exhibits. The exhibits are marked as the following:

KJB-2	Statement of Operations Per Books
KJB-3	Revenue Sensitive Cost Conversion Factor
KJB-4	Removal of Severance and Executive Transition Related Expenses
KJB-5	Restatement of Payroll & Related Costs
KJB-6	Restatement of Washington Property Tax
KJB-7	Restatement for Changes in Franchise Fees
KJB-8	Removal of Certain Promotional Expenses
KJB-9	Proforma Public Awareness Program Adjustment
KJB-10	Proforma Wage & Related Costs Adjustment
KJB-11	Proforma Insurance Expense Adjustment
KJB-12	Proforma Postal Rate Change Adjustment
KJB-13	Proforma Property Tax Adjustment
KJB-14	Proforma Membership/Dues Adjustment
KJB-15	Proforma Amortization of Gain on Propane Air Plant
KJB-16	Proforma Adjustment of Gas Management Upgrade
KJB-17	Proforma Adjustment for Integrated Resource Planning Costs
KJB-18	Proforma Adjustment for CIS Mainframe Upgrade
KJB-19	Proforma Conservation Advertising Adjustment
KJB-20	Proforma Low Income Bill Assistance Program Adjustment

Q. Were all of these exhibits either prepared by you or under your supervision?

A. Yes

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EXHIBIT____(KJB-2)

Statement Of Operations Per Books And Rate Of Return

Q. Please describe Exhibit _____ (KJB-2).

A. Exhibit ____(KJB -2) includes five schedules. Schedule 1 displays the test period operating results for the State of Washington. Schedule 2 calculates the direct and allocated Washington operating revenues and expenses. Schedule 3 develops the average rate base for the test year. Schedule 4 develops the working capital allowance included in rate base. Schedule 5 shows the calculation of formulas used to allocate indirect costs.

Q. Please explain Schedule 1.

A. Schedule 1 summarizes the State of Washington results of operations, the rate base, and the resulting rate of return of 6.60% for the test period. The results of operations balances were carried forward from Schedule 2, column (d). The rate base amount was carried forward from Schedule 3, column (d). The amounts from Schedule 1, column (b) are carried forward to Exhibit _____ (JTS-2), Schedule 1, page 1, column (b).

Q. Please describe Schedule 2.

A. Schedule 2 shows the assignment of revenues and costs between Washington and Oregon operations for the test period. Expenses are classified as either direct or general. Those classified as direct are generally incurred at the district level and are directly assigned to the appropriate state. General expenses are incurred at the corporate level and are not directly attributable to one state; therefore they have been allocated based on formulas that have been agreed upon by the Commissions of both Washington and Oregon. The goal in

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developing these formulas was to achieve a fair and reasonable allocation of indirect expenses that was easy to use and one that would provide relative stability on a year-to-year basis. Since implementation and joint acceptance by the Company and both state commissions more than twenty years ago, they have been used on a consistent basis.

Q. Please describe the formulas used in allocating general expenses on Schedule 2.

A. The "three-factor formula" has been used to allocate most general expenses, the development of which is shown on Schedule 5, lines 1 through 7. This formula is a simple average of the three factors consisting of the ratios for each state to the total system for the proceeding fiscal year of (1) average number of customers, (2) employees directly assigned to each state, and (3) gross plant directly assigned to each state.

General depreciation is allocated on two separate formulas, each of which is appropriate to the categories of plant being depreciated. Depreciation expense associated with the General Office, telemetry equipment, and the central warehouse are allocated on the three-factor formula. Meters & regulators are not assigned directly to a state when purchased and therefore the related depreciation expense is allocated on the average number of customers factor.

Q. How are federal and state income taxes assigned to Washington operations?

A. Current and deferred federal income taxes are allocated between states based on the pre-tax operating income less interest expense attributable to each state. The calculation of this formula is shown on Schedule 5, lines 8 through 12. Investment tax credit (ITC) amortization is allocated based on the rate base assigned to each state. The development of this ratio is shown on Schedule 5, line 14. Oregon state income taxes are directly assigned to Oregon.

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Q. Please explain Schedule 3.

A. This exhibit develops the average rate base for the test year. The amounts represent the average of monthly account balance averages for the test year, except that the amounts on lines 12 and 13 represent balances of accumulated deferred income taxes as of the end of the test year. This exception is made to comply with the established regulatory policy of this Commission.

Q. Please describe what you have characterized in your exhibit as direct and allocated amounts.

A. Direct amounts are plant investments that specifically serve Washington customers and primarily consist of distribution plant and district business offices. Allocated amounts are plant investments that support operations in both Washington and Oregon, such as the Company's corporate headquarters in Seattle and central warehouse in Yakima. Allocation factors are the same as those described in Schedule 5. The cost of meters and regulators are accumulated in FERC plant accounts without regard to state segregation. Thus, these costs are allocated on the ratio of the number of customers in each state. Accumulated deferred income tax balances, which relate to depreciation and depreciable plant basis differences, are allocated on the ratio of direct plant in Washington.

Q. Please explain Schedule 4.

A. This schedule develops investor-supplied working capital included in rate base. Page 1 first calculates total system investor-supplied working capital and then computes the ratio of working capital to total average investments (line 5 divided by line 4). This ratio is then carried to page 2, line 6 and multiplied by the total Washington average operating investments on line 5. The resulting product represents the working capital allowance

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included in Washington rate base, which is carried forward to Exhibit_____ (KJB-2), Schedule 3, page 1, column (d), line 15.

EXHIBIT____(KJB-3)

Revenue Sensitive Cost Conversion Factor

Q. Please explain Exhibit____(KJB-3).

A. This exhibit develops the revenue sensitive cost factors and the net to gross conversion factor for the test period. Line 1 represents gross revenue using decimals instead of percentages. The factor for uncollectibles was derived by dividing the test period net write-offs of uncollectible accounts by the gross revenue from gas sales for the twelve months immediately preceding the test period. Lines 4, 5 and 6 display the revenue sensitive cost factors as identified. Line 8 shows the conversion of the federal corporate income tax rate, and Line 9 is the resulting conversion factor.

Q. What use is made of the revenue sensitive factors?

A. Each time a revenue adjustment figure is developed in these proceedings, it is necessary to calculate the associated change in expense directly related to the changes in revenue. In the summary Exhibit___(JTS-2), Mr. Stoltz uses these factors each time an adjustment to revenue is made.

Q. What use is made of the net to gross conversion factor?

A. The net to gross conversion factor is used to convert the net operating income changes to gross revenue requirements. This factor is applied in Exhibit____(JTS-9).

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EXHIBIT____(KJB-4) through EXHIBIT _____(KJB-8)

Restating Adjustments

Q. Please explain the purpose of Exhibit _____(KJB-4) through (KJB-8)

A. Each of these exhibits contains a separate restating adjustment that is necessary to normalize the test period results of operations.

Q. Please describe each exhibit, explain why it is necessary, and identify its effect on operating expenses or rate base.

A. Exhibit ___(KJB-4), Removal of Severance & Executive Transition Related Expenses, reflects the removal of non-recurring severance and executive transition expenses that were booked during the test period. The schedule shows three distinct changes that occurred during the test period: (1) the call center implementation; (2) the executive transition; and (3) the September 2005 reorganization. This exhibit identifies the total amount of expense incurred for each non-recurring event along with the incremental payroll taxes incurred as a result of those events. These amounts were then allocated to Washington operations based on the 3-factor formula of 77.06%.

During the test period, the Company transitioned its customer service functions to a centralized call center located in Bellingham, Washington. This consolidation resulted in the Company incurring one-time moving expenses to move employees to the new call center location, severance payments to those employees whose positions were eliminated and incentive bonuses to employees who stayed with the Company and moved to Bellingham. The amounts identified as Executive Transition remove the one-time expenses associated with the changes in the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) and the elimination of the Chief Operating Officer (COO) positions. The last item,

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identified as the September 2005 reorganization, removes the costs of the severance and outplacement services provided to those employees impacted by the reorganization. The combined impact of this adjustment is a reduction in operating expenses of $2,143,627, which was carried forward to Exhibit ___(JTS-2), Page 2, Column (f), Line 11.

Q. Please explain Exhibit ____(KJB-5)

A. Exhibit ____(KJB-5), Restate Payroll and Related Costs, shows the amount necessary to restate test year operating expenses and payroll taxes for the annualizing effect of changes in wages and salary levels during the year. The Company annually adjusts the salaries of its non-bargaining unit and non-field bargaining unit employees on December 1st each year. Field bargaining unit employees are typically granted wage increases on April 1st of each year. This adjustment restates test year expenses to the level that would have been incurred had the salary adjustments been in effect at the beginning of the year.

Q. How did you calculate the amount of the adjustment?

A. I first determined the total amount of salaries and wages paid to the non-bargaining unit and non-field bargaining unit employees for the period of October 2004 through November 2004 and the field bargaining unit employees for the period of October 2004 through March 2005, (*i.e.* the portion of the test year prior to the effective date of their respective increases). Salaries for the non-bargaining unit and non-field bargaining unit employees were totaled for three distinct groups: Officers, General Office employees, and Washington Direct assigned salaries. The 77.06% three-factor formula was applied to both the Officer group and the General Office employees to determine the level of the salaries attributable to Washington. Then the average annual increase of 2.71% was applied to salaries for the October 2004 through November 2004 period. The resulting amounts were the increased salary levels that would have been in effect the first two months of the test year had the

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increases granted December 1, 2005 been in effect for the entire test year. A similar process was followed for the field bargaining unit employees. The wages for the field bargaining unit employees for the period of October 2004 through March 2005 were calculated and the average annual increase of 3%, as defined in their Union contract, was applied to restate the wages as if the April 1, 2005 adjustment had been in effect for the entire test year. Additionally, the adjustment annualizes the base salaries associated with the new CEO and CFO who joined the Company on April 1 and June 27 respectively and removes the test period salaries paid to the previous CEO and CFO. The sum from the resulting adjustments is an increase in operating expenses of $ 501,433.

The wage and salary increase also subject the Company to an obligation for additional Social Security and Medicare taxes. The estimated amount of the tax increase is $15,601. The combined impact is an increase in operating expenses of $517,034, which is carried forward to Exhibit ____(JTS-2), Page 2, Column (g), Line 12.

Q. Please describe Exhibit ____(KJB-6).

A. Exhibit ___(KJB-6), Restatement of Washington Property Taxes, adjusts the test period to annualize the increase in property taxes. The Company operates on a fiscal year ending September 30th, which corresponds with the test period. Washington property taxes are assessed on a calendar year basis and therefore the test period reflects only 75% of the change in the 2005 tax assessment. This adjustment results in an increase in operating expenses of $86,974. This amount was carried forward to Exhibit ____(JTS-2), Page 2, Column (h), Line 15.

Q. Please describe Exhibit ____(KJB-7).

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A. Exhibit ___(KJB-7), Restatement for Changes in Franchise Fees, adjusts the test period to reflect the removal of franchise taxes paid by the Company to four cities during the test period that were charged on a percent of revenue basis. The original franchise agreements for both the cities of Shelton and Yakima expired during 2005, resulting in the removal of $426,458 in operating franchise taxes which the Company is no longer obligated to pay. Additionally, the Company is proposing an adjustment to remove the franchise taxes associated with the cities of Union Gap and Port Orchard, and is filing a corresponding Tax Addition for those two cities as shown on Schedule 500-C. The removal of expenses associated with the Union Gap and Port Orchard franchise taxes results in an additional reduction of $68,544 in expenses. The combined impact of these adjustments is a total decrease in operating expenses of $495,002, which is carried forward to Exhibit __(JTS-2), Page 2, Column (i), Line 15.

Q. Why did you remove the franchise fees associated with the Cities of Union Gap and Port Orchard when those agreements did not expire during the test period?

A. These expenses were removed to reflect that when the current franchise agreements expire, the associated franchise fees, which are currently charged on a percent of revenue basis, will expire. According to Washington State Law (RCW35.21.860) franchise fees can no longer be charged on a percent of revenue basis. Fees based on a percent of revenue are considered a utility or business and occupation tax subject to a combined ceiling of 6% according to state law and are recoverable directly from those customers residing within the city limits through the tax addition schedules (Schedule 500 through Schedule 500-B). The franchise agreement with the City of Union Gap is set to expire during 2006. Although the Port Orchard agreement does not expire until 2014, it seems appropriate that the 2% franchise fee

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be collected directly from those customers residing within the city limits, rather than being included as an operating expense recoverable from all Washington ratepayers.

Q. Please describe Exhibit ____(KJB-8).

A. Exhibit ____(KJB-8), Removal of Certain Promotional Expenses, removes expenses historically removed for ratemaking purposes. According to WAC 480-90-223 the Company must remove promotional advertising expenses. Additionally, the Commission has historically required an adjustment to remove promotional compensation provided to Consumer Representatives during the test period. This results in a reduction to operating expenses of $183,585, which is carried forward to Exhibit ___(JTS-2), Page 2, Column (j), Line 10.

EXHIBIT____(KJB-9) Through EXHIBIT ____(KJB-20)
Proforma Adjustments

Q. Please explain the purpose of Exhibits _____(KJB-9) through (KJB-20)

A. Each of these exhibits contains a separate proforma adjustment, which is necessary to adjust test period results of operations for changes that will occur during the review period, prior to new rates being established.

Q. Please describe each exhibit, explain why it is necessary, and identify its effect on operating income or rate base.

A. Exhibit ___(KJB-9) is the proforma adjustment associated with the federally mandated pipeline operator public awareness program, which was enacted in 2005. Beginning June

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2006, the Company is required to initiate a formal public awareness campaign to both customers and non-customers in our operating area and near our facilities in accordance with the American Petroleum Institute (API) Recommended Practice (RP) 1162. Cascade has historically provided safety information to its customers. As part of the new program requirements, however, the Company must consider a broader audience, such as non-customers, and expand the type and volume of information that is provided. Based on the Company's draft program, the Company will increase the number and type of mailing materials that are distributed to customers, non-customers, and local emergency and public officials. Additionally the Company plans to expand its efforts into radio advertising in order to reach targeted stakeholders. All of these new initiatives are estimated to increase our spending for public awareness by $120,000 per year. This amount was then allocated to Washington operations based on the 3-factor formula of 77.06%. This results in an increase in operating expenses of $92,472, which is carried forward to Exhibit _____(JTS-2), page 3, column (b), line (11).

Q. Please explain Exhibit _____(KJB-10)

A. Exhibit ___(KJB-10) is the proforma adjustment to reflect future changes in wages and salaries anticipated to occur prior to rates being established in this case. As I explained earlier in my testimony, the Company generally grants annual wage and salary increases to its non-bargaining unit and non-field bargaining unit employees on December 1st of each year. Field bargaining unit employees are typically granted wage increases on April 1st of each year.

Q. How did you develop this amount?

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A. I analyzed the payroll records to determine the total amount of wages and salaries paid during the test year to each of the categories described earlier in my testimony on Exhibit _____(KJB-5). To these amounts I added the amounts previously calculated for the effect of the December 1, 2004 and April 1, 2005 increases in wages and salaries, (Exhibit____(KJB-5). The result is the amount of restated wages and salaries for the test year. The non-bargaining unit employees were adjusted to reflect the 3% annual salary adjustment awarded December 1, 2005. In addition, a 3% pool of total monies was added for anticipated increases for field bargaining unit employees on April 1, 2006 and for all other employees on December 1, 2006, both within the anticipated review period. For each of the proforma changes, I performed the same calculations described in my testimony on Exhibit _____(KJB-5) to determine the estimate amounts of these salary adjustments and the estimated Social Security and Medicare payroll taxes associated with the increased compensation. The resulting adjustment of salaries and wages charged to Washington operating expenses is $796,398. The corresponding adjustment of Social Security and Medicare payroll taxes is $56,129, for a total adjustment of $852,527. This amount is carried forward to Exhibit _____(JTS-2), page 3, column (c), line 12.

Q. Please explain Exhibit _____(KJB-11).

A. Exhibit ___(KJB-11) is the proforma adjustment to reflect the expected increase in costs associated with property and liability insurance since the test year. The effect of this adjustment is to increase operating expenses by $117,438, which, is carried forward to Exhibit _____(JTS-2), page 3, column (h), line (11).

Q. Please explain Exhibit _____(KJB-12)

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A. Exhibit ___(KJB-12) is the proforma adjustment necessary to reflect the change in postal rates implemented by the United States Postal Service on January 8, 2006. The increase will result in a 5.4% increase in postage costs. The effect of this adjustment is an increase in operating costs of $43,525, which is carried forward to Exhibit _____(JTS-2), page 3, column (i), line (11).

Q. Please explain Exhibit _____(KJB-13).

A. Exhibit ___(KJB-13) is the proforma adjustment to reflect the estimated increase in the 2006 property tax assessment, which the Company typically receives during the July time period.

Q. Please explain how this adjustment was calculated.

A. The adjustment was calculated by applying the average annual increase to the restated Washington property taxes developed in Exhibit ____(KJB-6). The estimated increase of 3.42% was based on the average annual increase in the assessed value that has occurred over the prior three years. Applying this percentage to the restated property taxes results in an adjustment of $95,381, which is carried forward to Exhibit _____(JTS-2), page 4, column (j), line 15.

Q. Please explain Exhibit _____(KJB-14)

A. Exhibit ___(KJB-14) is the proforma adjustment necessary to reflect the change in membership dues for industry associations. Since the test period, Cascade discontinued its

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membership in Western Energy Institute (WEI) and joined the American Gas Association (AGA). The three-factor formula was applied to the respective fees. The effect of this adjustment is an increase in operating costs of $105,856, which is carried forward to Exhibit _____(JTS-2), page 4, column (k), line (11).

Q. Please explain Exhibit _____(KJB-15).

A. Exhibit ___(KJB-15) is the proforma adjustment necessary to reflect the amortization of the gain on the sale of the propane air plant. In 1998, Cascade sold its propane air plant and in accordance with the Commission's letter ruling in Docket No. UG-981508, deferred the gain on the sale of the plant. In accordance with the letter ruling, the Company has been accruing interest on the outstanding balance and the Company agreed to begin amortizing the outstanding balance in conjunction with a general rate case. Based upon a 3-year amortization of the estimated balance, including interest through December 31, 2006, the annual amortization amount would be $35,514. This adjustment represents a decrease in the Company's operating expenses, which is carried forward to Exhibit _____(JTS-2), page 4, column (l), line (13).

Q. Please explain Exhibit _____(KJB-16).

A. Exhibit ___(KJB-16) shows the proforma adjustment associated with the upgrade of the gas management system and the implementation of the risk management software module scheduled to be in service during the rate review period. The adjustment reflects the incremental depreciation, property tax and annual software maintenance expenses associated with the system upgrade. These amounts are $33,926; $2,849; and $66,272 respectively and were carried forward to Exhibit _____(JTS-2), page 4, column (m), lines 13, 15, and 11.

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Additionally, the exhibit calculates the proforma adjustment to rate base of $211,155. That amount was carried forward to Exhibit _____(JTS-2), page 4, column (m), line (21).

Q. Please explain Exhibit _____(KJB-17).

A. Exhibit ___(KJB-17) shows the proforma adjustment necessary to reflect the incremental Integrated Resource Planning costs that the Company will incur in order to implement the additional analyses required by the Commission. Based on the Commission's recommendations in response to the Company's 2002 Plan, as part of the Company's 2004 2-year Action Plan the Company committed to preparing additional Monte-Carlo type analyses. In order to accomplish this, the Company has purchased Vector Gas Software, which is an "add-on" module to the Sendout optimization model that the Company has used for analyzing supply and demand side resources alternatives. In order to run the program, an additional server and additional Oracle database licenses must be purchased. The adjustment reflects the incremental depreciation, property tax and annual software maintenance and licensing expenses associated with the system upgrade. These amounts are $4,768; $455; and $6,627 respectively and were carried forward to Exhibit _____(JTS-2), page 4, column (n), lines 13, 15, and 11. The exhibit calculates the corresponding proforma adjustment to rate base of $33,359. That amount was carried forward to Exhibit _____(JTS-2), page 4, column (n), line (21). Additionally, the Company has included the incremental costs of $45,200 associated with a third-party, Stellar Processing, preparing the Washington Conservation Potential. Although this particular study will not be done on an annual basis, the Company believes that in conjunction with the decoupling and the additional focus on conservation, this level of expense is representative of the conservation consulting costs the Company will incur on an annual basis to analyze available conservation resources, design incremental conservation programs, and evaluate the cost-effectiveness of existing and potential programs. The amount of $45,200 was carried forward to Exhibit _____(JTS-2), page 4, column (n), line (9).

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Q. Please explain Exhibit _____(KJB-18).

A. Exhibit ___(KJB-18) shows the proforma adjustment associated with the upgrade of Cascade's mainframe system, which runs the Company's Billing and Customer Information System (CIS) scheduled to be in service during the rate review period. The adjustment reflects the incremental depreciation, property tax and annual software/maintenance expenses associated with the system upgrade. These amounts are $24,621; $2,795; and $69,919 respectively and were carried forward to Exhibit _____(JTS-2), page 4, column (o), lines 13, 15, and 11. Additionally, the exhibit calculates the proforma adjustment to rate base of $202,802. That amount was carried forward to Exhibit _____(JTS-1), page 4, column (o), line (21).

Q. Please explain Exhibit _____(KJB-19).

A. Exhibit ___ (KJB-19) shows the proforma adjustment to reflect the estimated conservation advertising that the Company will incur in association with its Conservation Alliance Plan, Rule 22, described in Mr. Stoltz's testimony. The Company anticipates actively marketing and advertising the benefits of conservation upon approval of the Conservation Rewards Program. The Company estimates that it will increase its promotion of the benefits of conservation through radio and newspaper advertisements along with direct mail brochures in addition to the Company's current approach of promoting conservation only through bill inserts. Additionally, the Company will pursue opportunities to provide community education, by working with the office of Community Trade and Economic Development (CTED) and other local agencies and participating in energy fairs and home improvement shows. The estimated incremental costs associated with this program is $150,000, which is

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an increase in operating expenses and is carried forward to Exhibit _____(JTS-2), page 4, column (p), line (9).

Q. Please explain Exhibit _____(KJB-20)

A. Exhibit ___(KJB-20) shows the proforma adjustment associated with the Low Income Bill Assistance program described in Mr. Stevens' testimony. As explained in his testimony, the Company would provide funding to the Community Action Agencies within its service territory to be used for bill assistance to Cascade's low income customers. The adjustment shows the overall funding of $800,000, which was then reduced to reflect the estimated reduction in public utility tax associated with incremental low income bill assistance programs. The $107,000 amount is the base credit available to Cascade as identified in the Washington Department of Revenue's May 2, 2005 Special Notice. The net impact of this adjustment is to increase operating expenses by $693,000. These amounts are carried forward to Exhibit _____(JTS-2), page 4, column (q), lines 9 and 15.

Q. Does this complete your testimony?

A. Yes, it does.

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