

BEFORE THE  
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

UG-06\_\_\_\_  
GENERAL RATE APPLICATION  
OF



February 14, 2006

**Exhibits of**

**James E. Haug**

**Exhibit \_\_\_\_ (JEH-2) –Increase in Federal Income Taxes from Non-normalized  
Depreciation Differences on Pre-1981 Fixed Assets**

**Exhibit \_\_\_\_ (JEH-3) –Income Tax Adjustment for Proforma Capitalization**

<b>Cascade Natural Gas Corporation</b>				
<b>Increase in Federal Income Taxes from Non-normalized Depreciation Differences on Pre-1981 Fixed Assets</b>				
Line No.	Description	Year Ended Sep 30, 2005	Year Ended Sep 30, 2007	Difference
	(a)	(b)	(c)	(d)
1	Book Depreciation on Pre-1981 Assets	\$ 2,961,503	\$ 2,961,503	\$ -
2	Tax Depreciation on Pre-1981 Assets	1,725,767	971,169	(754,598)
3	Non-Normalized Depreciation Difference	\$ 1,235,736	\$ 1,990,334	\$ 754,598
4	Income Tax Rate	34%	35%	
5	Income Tax Effect	\$ 420,150	\$ 696,617	\$ 276,467
6	Washington Allocation Rate	66.83%	66.83%	66.83%
7	Amount Allocated To Washington	\$ 280,786	\$ 465,549	<b>\$ 184,763</b>

1/

1/ Carried forward to Exhibit \_\_\_\_\_ (JTS-2), Schedule 1, Page 3, Column (f), Line 17

<b>Cascade Natural Gas Corporation</b>			
<b>Income Tax Adjustment for Proforma Capitalization</b>			
Line No.	Description	Exhibit Reference	Amount
	(a)	(b)	(c)
1	Test year rate base as recorded	Exh KJB-2, Sched 3, Page 1, Line 16	\$ 238,885,235
2	Weighted average rate for cost of debt	Exh MDM-2, Sched 1, Page 1, Line 1	3.79%
3	Proforma interest expense (line 1 times line 2)		\$ 9,053,750
4	Test year interest expense deduction used in calculation of federal income taxes charged to Washington utility operating income		9,792,663
5	Proforma decrease in interest expense (line 4 minus line 2)		\$ 738,913
6	Federal income tax rate		35%
7	Proforma increase in federal income taxes		<b>\$ 258,619</b>

1/

1/ Carried forward to Exhibit \_\_\_\_ (JTS-2), Schedule 1, Page 3, Column (g), Line 17