

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION
UG-06____
GENERAL RATE APPLICATION
OF



February 14, 2006

**Exhibits of
Katherine J. Barnard**

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

Cascade Natural Gas Corporation		
Statement of Operations Per Books		
State of Washington		
Line No.	Description	Amount
	(a)	(b)
	<u>Operating Revenues</u>	
1	Natural Gas Sales	\$ 232,428,111
2	Gas Transportation Revenue	18,411,461
3	Other Operating Revenue	889,298
4	Total Revenues	\$ 251,728,870
	<u>Operating Expenses</u>	
5	Natural Gas Purchased	163,837,631
6	Manufactured Gas Production	-
7	Distribution	7,682,852
8	Customer Accounts	4,158,014
9	Customer Service and Informational	344,136
10	Sales	625,296
11	Administrative and General	18,556,164
12	Depreciation and Amortization	13,632,109
13	Total Operating Expenses	208,836,202
	<u>Operating Taxes</u>	
14	Other Than Income	23,837,552
15	State Income	-
16	Federal Income	3,293,908
17	Total Taxes	\$ 27,131,460
18	Total Operating Revenue Deductions	235,967,662
19	Net Operating Income	\$ 15,761,208
20	Rate Base	\$ 238,885,235
21	Rate of Return	6.60%

Column (b) Carried Forward to Exhibit _____ (JTS-2), Schedule 1, Page 1, Column (b).

Cascade Natural Gas Corporation					
Statement of Operations Per Books					
State of Washington					
Line No.	Description	Total	Allocation Formula	Washington	Oregon
	(a)	(b)	(c)	(d)	(e)
	<u>Operating Revenues</u>				
1	Natural Gas Sales	\$ 303,373,089		\$ 232,428,111	\$ 70,944,978
2	Gas Transportation Revenue	21,154,338		18,411,461	2,742,877
3	Other Operating Revenue	1,647,745		889,298	758,447
4	Total Revenues	326,175,172		251,728,870	74,446,302
	<u>Operating Expenses</u>				
5	Natural Gas Purchased	212,957,644		163,837,631	49,120,013
6	Manufactured Gas Production	-		-	-
	<u>Distribution</u>				
7	Direct	8,711,424		6,577,110	2,134,314
8	General	1,434,910	(1)	1,105,742	329,168
9	Total	10,146,334		7,682,852	2,463,482
	<u>Customer Accounts</u>				
10	Direct	3,320,484		2,444,131	876,353
11	General	2,224,089	(1)	1,713,883	510,206
12	Total	5,544,573		4,158,014	1,386,559
	<u>Customer Service & Informational</u>				
13	Direct	465,420		316,439	148,981
14	General	35,942	(1)	27,697	8,245
15	Total	501,362		344,136	157,226
	<u>Sales</u>				
16	Direct	641,374		481,624	159,750
17	General	186,442	(1)	143,672	42,770
18	Total	827,816		625,296	202,520
	<u>Administrative & General</u>				
19	Direct	4,272,463		3,174,763	1,097,700
20	General	19,960,292	(1)	15,381,401	4,578,891
21	Total	24,232,755		18,556,164	5,676,591

Cascade Natural Gas Corporation					
Statement of Operations Per Books					
State of Washington					
Line No.	Description	Total	Allocation Formula	Washington	Oregon
	(a)	(b)	(c)	(d)	(e)
	<u>Depreciation and Amortization</u>				
	Depreciation				
22	Direct	14,368,105		11,396,427	2,971,678
	Indirect:				
23	Interstate Plant	2,100,417	(1)	1,618,581	481,836
24	Meters & Regulators	805,614	(2)	617,101	188,514
25	Amortization	-		-	-
26	Total	17,274,136		13,632,109	3,642,028
27	Total Operating Expenses	271,484,620		208,836,202	62,648,419
	<u>Operating Taxes</u>				
	<u>Other Than Income</u>				
28	Direct	26,624,584		22,853,861	3,770,723
29	General	1,276,526	(1)	983,691	292,835
30	Total	27,901,110		23,837,552	4,063,558
	<u>Income Taxes</u>				
	Federal				
31	Current	1,501,247	(3)	1,003,283	497,964
32	Deferred	3,599,678	(3)	2,405,665	1,194,013
33	ITC Amortization	(146,436)	(4)	(115,040)	(31,396)
34	Oregon State	480,847		-	480,847
35	Total	5,435,336		3,293,908	2,141,428
36	Total Operating Taxes	33,336,446		27,131,460	6,204,986
37	Total Operating Rev. Deductions	304,821,066		235,967,662	68,853,405
38	Net Operating Income	\$ 21,354,107		\$ 15,761,208	\$ 5,592,898

Allocation Formulas: _____

- (1) Three Factor Formula
- (2) Average Customers Formula
- (3) Income Tax Allocation Formula
- (4) Rate Base Ratio

Cascade Natural Gas Corporation					
Schedule of Rate Base					
State of Washington					
Line No.	Description	Total	Allocation Factor	Washington	Oregon
	(a)	(b)	(c)	(d)	(e)
1	<u>Plant in Service</u> Direct Plant	\$ 511,361,342		\$ 405,982,488	\$ 105,378,854
2	<u>Allocated Plant</u> General Office, Central Warehouse and Telemetry Equipment	25,095,993	3-Factor Customers	19,341,470	5,754,523
3	Meters and Regulators	48,749,054		37,350,899	11,398,155
4	Total Plant in Service	585,206,389		462,674,857	122,531,532
5	<u>Accumulated Depreciation</u> Direct Plant	(222,961,064)		(177,987,381)	(44,973,683)
6	<u>Allocated Plant</u> General Office, Central Warehouse and Telemetry Equipment	(13,470,032)	3-Factor Customers	(10,381,254)	(3,088,778)
7	Meters and Regulators	(14,422,877)		(11,050,615)	(3,372,262)
8	Total Accumulated Depreciation	(250,853,973)		(199,419,250)	(51,434,723)
9	Net Plant in Service	334,352,416		263,255,607	71,096,809
10	Customer Advances for Construction	(5,652,251)	Direct Plant	(4,356,248)	(1,296,003)
11	Contributions in Aid of Construction	-		-	-
12	Deferred Income Taxes - ACRS	(48,321,634)		(37,238,633)	(11,083,001)
13	Deferred Income Taxes - Other	(594,705)		(453,666)	(141,039)
14	Deferred Debits	127		-	127
15	Working Capital Allowance	17,678,175		17,678,175	
16	Total Rate Base	\$ 297,462,128		\$ 238,885,235 1/	\$ 58,576,893

1/ Carried Forward to Exhibit _____ (KJB-2), Schedule 1, Page 1, Column (b), Line 20.

Cascade Natural Gas Corporation Schedule of Investor-Supplied Working Capital State of Washington		
Line No.	Description	Total System
	(a)	(b)
1	Average Invested Capital	\$ 316,028,180
2	Average Operating Investments	280,809,475
3	Average Non-Operating Investments	11,821,323
4	Total Average Investments	\$ 292,630,798
5	Investor-Supplied Working Capital (Line 1 minus Line 4)	\$ 23,397,382
6	Ratio (Line 5 divided by Line 4)	8.00%

Cascade Natural Gas Corporation		
Schedule of Investor-Supplied Working Capital		
State of Washington		
Line No.	Description	Washington
	(a)	(b)
1	Utility Plant in Service	\$ 462,674,857
2	Accumulated Depreciation	(199,419,250)
3	Customer Advances for Construction	(4,356,248)
4	Deferred Income Taxes	(37,922,174)
5	Total Average Operating Investments	\$ 220,977,185
6	Ratio	8.00%
7	Working Capital Allowance (Line 7 times Line 8)	\$ 17,678,175 1/

1/ Carried Forward to Exhibit _____ (KJB-2), Schedule 3, Page 1, Column (d), Line 16.

Cascade Natural Gas Corporation				
Schedule of Allocation Formulas				
State of Washington				
Line No.	Description	Washington	Oregon	Total
	(a)	(b)	(c)	(d)
1	Customers	164,619	50,299	214,918
2	percentage	76.60%	23.40%	100.00%
3	Employees	207	67	274
4	percentage	75.40%	24.60%	100.00%
5	Gross Plant	433,921,449	114,063,979	547,985,428
6	percentage	79.18%	20.82%	100.00%
7	3-Factor Formula	77.06%	22.94%	100.00%
	Federal Income Tax			
8	Pre-tax Operating Income	\$ 19,055,116	\$ 7,734,326	\$ 26,789,442
9	less: Current Oregon State Tax	-	480,847	480,847
10	Interest	9,792,663	2,661,672	12,454,335
11	Taxable Income	\$ 9,262,453	\$ 4,591,807	\$ 13,854,260
12	Income Tax Allocation Formula	66.83%	33.17%	100.00%
13	Average Rate Base	\$ 210,838,119	\$ 57,525,740	\$ 268,363,859
14	Rate Base Ratio	78.56%	21.44%	100.00%

Cascade Natural Gas Corporation		
REVENUE SENSITIVE COST CONVERSION FACTOR		
State of Washington		
Line No.	Description	Factors
	(a)	(b)
1	Gross Revenue	1.00000
2	Less Uncollectibles	0.00308
3	Net Revenue	<u>0.99692</u>
	Less Revenue Sensitive Costs:	
4	Gross Revenue Fee	0.00190
5	City Franchise Fees	0.00000
6	Public Utility Tax (.99692 x 3.852%)	0.03840 0.04030
7	Net Before Federal Income Tax	0.956619
8	Federal Income Tax @ 35%	0.334817
9	Net to Gross Conversion Factor	<u><u>0.621803</u></u>

Cascade Natural Gas Corporation					
REMOVAL OF SEVERANCE & EXECUTIVE TRANSITION RELATED EXPENSES					
State of Washington					
Line No.	Description	Total	Allocation Formula *	Washington	Adjustment
	(a)	(b)	(c)	(d)	(e)
	Call Center Severance & Relocation				
1	Severance & Moving Expenses	\$ 338,697	77.06%	\$ 261,000	\$ (261,000)
2	Payroll Taxes	\$ 13,537	77.06%	\$ 10,432	\$ (10,432)
	Executive Transition Costs				
3	Severance/Consulting/Relocation Costs	\$ 1,436,749	77.06%	\$ 1,107,159	\$ (1,107,159)
4	Payroll Taxes	\$ 20,723	77.06%	\$ 15,969	\$ (15,969)
	September Reorganization				
5	Salaries & Outplacement Svcs	\$ 926,940	77.06%	\$ 714,300	\$ (714,300)
6	Payroll Taxes	\$ 45,117	77.06%	\$ 34,767	\$ (34,767)
7	Total Adjustment				<u>\$ (2,143,627)</u> 1/

(*) Three Factor Formula

1/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 2 of 4, Column (f), Line 11

Cascade Natural Gas Corporation				
RESTATE PAYROLL AND RELATED COSTS				
State of Washington				
Line No.	Description		Amount	Amount
	(a)		(b)	(c)
1	Wage & Salary Increases		\$ 501,433	
2	Social Security & Medicare Taxes		\$ 15,601	
3	Total			\$ 517,034

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 2 of 4, Column (g), Line 12

Cascade Natural Gas Corporation				
RESTATEMENT OF WASHINGTON PROPERTY TAXES				
State of Washington				
Line No.	Description		Amount	Amount
	(a)		(b)	(c)
1	Calendar 2005 Property Taxes		\$ 2,788,927	
2	FY 2005 Booked Property Tax Expense		\$ 2,701,953	
3	Adjustment			\$ 86,974 1/

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 2 of 4, Column (h), Line 15

CASCADE NATURAL GAS CORPORATION				
RESTATEMENT FOR CHANGES IN FRANCHISE FEES				
State of Washington				
Line No.	Description	Washington Test Year Balance		Restating Adjustment
	(a)	(b)		(c)
1	Shelton	\$ 52,134		\$ (52,134)
2	Yakima	\$ 374,324		\$ (374,324)
3	Union Gap	\$ 32,963		\$ (32,963)
4	Port Orchard	\$ 35,581		\$ (35,581)
5	Total	\$ 495,002		\$ (495,002)

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 2 of 4, Column (i), Line 15

Cascade Natural Gas Corporation				
REMOVAL OF CERTAIN PROMOTIONAL EXPENSES				
State of Washington				
Line No.	Description		FY 2005	Amount
	(a)		(b)	(c)
	Promotional Advertising (9130)			
1	Twelve Months Ending 09/30/05		\$ 60,270	
2	Removal			\$ (60,270)
	Consumer Representative Incentive Pay			
3	Twelve Months Ending 09/30/05		\$ 123,315	
4	Removal			\$ (123,315)
5	Total			<u>\$ (183,585)</u> 1/

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 2 of 4, Column (j), Line 10

Cascade Natural Gas Corporation PROFORMA PUBLIC AWARENESS PROGRAM ADJUSTMENT State of Washington				
Line No.	Description		Total Amount	Washington Allocation
	(a)		(b)	(c)
1	Printing/Graphics/Mailing Materials		\$ 72,000	
2	Radio Content and Air Time		\$ 48,000	
3	Total		\$ 120,000	
4	Washington Allocation			77.06%
				\$ 92,472 1/

1/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 3 of 4, Column (b), Line 11

Cascade Natural Gas Corporation PROFORMA WAGE AND RELATED COSTS ADJUSTMENT State of Washington				
Line No.	Description		Amount	Amount
	(a)		(b)	(c)
1	Wage & Salary Increases		\$ 796,398	
2	Social Security & Medicare Taxes		\$ 56,129	
3	Total			\$ 852,527

1/

1/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 3 of 4, Column (c), Line 12

Cascade Natural Gas Corporation				
PROFORMA INSURANCE EXPENSE ADJUSTMENT				
State of Washington				
Line No.	Description		Total Amount	Washington Allocation
	(a)		(b)	(c)
1	Test Period Insurance General Expense		\$ 1,048,141	
2	Estimated 2006 Insurance General Expense		\$ 1,200,540	
3	Adjustment		\$ 152,398	
4	Washington Allocation Factor (*)			77.06%
5	Washington Adjustment			\$ 117,438 1/

(*) 3-Factor Allocation

1/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 3 of 4, Column (h), Line 11

CASCADE NATURAL GAS CORPORATION PROFORMA POSTAL RATE CHANGE ADJUSTMENT State of Washington				
Line No.	Description	Washington Test Year Balance	% Increase	Proforma Adjustment
	(a)	(b)	(c)	(d)
1	Customer Mailings	\$ 738,120	5.40%	\$ 39,858
2	Other Mail	\$ 67,891	5.40%	\$ 3,667
3	Total	<u>\$ 806,011</u>		<u>\$ 43,525</u>

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 3 of 4, Column (i), Line 11

Cascade Natural Gas Corporation PROFORMA PROPERTY TAX ADJUSTMENT State of Washington				
Line No.	Description		FY 2005	Amount
	(a)		(b)	(c)
1	Test Period WA Property Expense		\$ 2,788,927	
2	3 Year Average Increase		3.42%	
3	Property Tax Adjustment			\$ 95,381 1/

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 3 of 4, Column (j), Line 15

Cascade Natural Gas Corporation PROFORMA MEMBERSHIP/DUES ADJUSTMENT State of Washington					
Line No.	Description	Total	Allocation Formula	Washington	Adjustment
	(a)	(b)	(c)	(d)	(e)
1	Remove WEI Related	\$ 17,500	77.06%	\$ 13,486	\$ (13,486)
2	Add AGA	\$ 154,869	77.06%	\$ 119,342	\$ 119,342
3	Total Adjustment				<u>\$ 105,856</u> 1/

1/ Carried forward to Exhibit _____(JTS-2), Schedule 1 of 1, Page 4 of 4, Column (k), Line 11

Cascade Natural Gas Corporation				
PROFORMA AMORTIZATION OF GAIN ON PROPANE AIR PLANT				
State of Washington				
Line No.	Description		FY 2005	Amount
	(a)		(b)	(c)
1	Deferred Balance @ 12/31/05		\$ (101,285)	
2	Estimated Interest Accruals through 2006		(5,256)	
3	Estimated Balance @ 12/31/06			\$ (106,541)
4	3-year Amortization			<u>\$ (35,514)</u> 1/

1/ Carried forward to Exhibit _____ (JTS-2), Schedule 1 of 1, Page 4 of 4, Column (I), Line 13

Cascade Natural Gas Corporation PROFORMA ADJUSTMENT FOR GAS MANAGEMENT AND GAS SUPPLY RISK MANAGEMENT SOFTWARE UPGRADE State of Washington				
Line No.	Description	Total Costs	WA Allocation	WA Amount
	(a)	(b)	(c)	(d)
1	Direct Costs of Software/Hardware	\$ 315,000	77.06%	\$ 242,739
2	Weighted Depreciation Rate	13.98%		
3	Proforma Annual Depreciation Expense	\$ 44,026	77.06%	\$ 33,926 1/
4	Estimated Property Tax Rate	1.17%		
5	Proforma Property Tax Expenses	3,698	77.06%	\$ 2,849 2/
6	Annual subscription for Risk Metrics & Annual Maintenance Fees	\$ 86,000	77.06%	\$ 66,272 3/
7	Rate Base:			
8	System Costs	\$ 315,000	77.06%	\$ 242,739
9	Accumulated Depreciation	\$ (22,013)	77.06%	\$ (16,963)
10	Accumulated Deferred Tax	\$ (18,974)	77.06%	\$ (14,621)
11	Proforma Rate Base Adjustment	\$ 274,013		\$ 211,155 4/

1/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (m), Line 13

2/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (m), Line 15

3/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (m), Line 11

4/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (m), Line 21

Cascade Natural Gas Corporation				
PROFORMA ADJUSTMENT FOR INTEGRATED RESOURCE PLANNING COSTS				
State of Washington				
Line No.	Description	Total Costs	WA Allocation	WA Amount
	(a)	(b)	(c)	(d)
	Vector Gas Monte-Carlo Modeling System:			
1	Direct Costs of Hardware/Database Software	\$ 50,245	77.06%	\$ 38,719
2	Weighted Depreciation Rate	12.32%		
3	Proforma Annual Depreciation Expense	\$ 6,188	77.06%	\$ 4,768 1/
4	Estimated Property Tax Rate	1.17%		
5	Proforma Property Tax Expenses	590	77.06%	\$ 455 2/
6	Incremental Software Maintenance & Licensing Expenses	8,600	77.06%	\$ 6,627 3/
7	Rate Base:			
8	System Costs	\$ 50,245	77.06%	\$ 38,719
9	Accumulated Depreciation	\$ (3,094)	77.06%	\$ (2,384)
10	Accumulated Deferred Tax	\$ (3,861)	77.06%	\$ (2,976)
11	Proforma Rate Base Adjustment	\$ 43,290		\$ 33,359 4/
12	Washington Conservation Potential Study	\$ 45,200	100.00%	\$ 45,200 5/

1/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (n), Line 13
 2/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (n), Line 15
 3/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (n), Line 11
 4/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (n), Line 21
 5/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (n), Line 9

Cascade Natural Gas Corporation PROFORMA ADJUSTMENT FOR CIS MAINFRAME UPGRADE State of Washington				
Line No.	Description	Total Costs	WA Allocation	WA Amount
	(a)	(b)	(c)	(d)
1	Direct Costs of Hardware	\$ 309,000	77.06%	\$ 238,115
2	Weighted Depreciation Rate	10.34%		
3	Proforma Annual Depreciation Expense	\$ 31,951	77.06%	\$ 24,621 1/
4	Estimated Property Tax Rate	1.17%		
5	Proforma Property Tax Expenses	\$ 3,627	77.06%	\$ 2,795 2/
6	Incremental Software License Fees & Annual Maintenance Costs	\$ 90,733	77.06%	\$ 69,919 3/
7	Rate Base:			
8	System Costs	\$ 309,000	77.06%	\$ 238,115
9	Accumulated Depreciation	\$ (15,975)	77.06%	\$ (12,311)
10	Accumulated Deferred Tax	\$ (29,849)	77.06%	\$ (23,002)
11	Proforma Rate Base Adjustment	\$ 263,175		\$ 202,802 4/

1/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (o), Line 13
 2/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (o), Line 15
 3/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (o), Line 11
 4/ Carried forward to Exhibit ____ (JTS-2), Page 4 of 4, Column (o), Line 21

Cascade Natural Gas Corporation				
PROFORMA CONSERVATION ADVERTISING ADJUSTMENT				
State of Washington				
Line No.	Description		Amount	Amount
	(a)		(b)	(c)
1	Estimated Printing/Graphics/Materials		\$ 100,000	
2	Estimated Mailing Costs		\$ 50,000	
3	Total			\$ 150,000

1/

1/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 4 of 4, Column (p), Line 9

Cascade Natural Gas Corporation PROFORMA LOW INCOME BILL ASSISTANCE PROGRAM EXPENSES State of Washington				
Line No.	Description		Amount	Amount
	(a)		(b)	(c)
1	Low Income Bill Assistance Annual Contributions		\$ 800,000	1/
2	Public Utility Tax Credits for		\$ (107,000)	2/
3	Total			\$ 693,000

1/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 4 of 4, Column (q), Line 9

2/ Carried forward to Exhibit ____ (JTS-2), Schedule 1 of 1, Page 4 of 4, Column (q), Line 15