

Exhibit No. \_\_\_ (MPP-3)  
Docket No. UG-060256  
Witness: Michael P. Parvinen

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**CASCADE NATURAL GAS  
CORPORATION,**

**Respondent.**

**DOCKET NO. UG-060256**

**EXHIBIT TO TESTIMONY OF  
MICHAEL P. PARVINEN  
STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Results of Operation*

**August 15, 2006**

Cascade Natural Gas Corporation  
**SUMMARY OF ADJUSTMENTS**  
 State of Washington

Line No.	Description (a)	Statement of Operations Per Books (b)	Total Restating Adjustments (c)	Total Restated Results (d)=(b)+(c)	Total Pro forma Adjustments (e)	Total Pro forma Results (f)=(d)+(e)	Revenue Increase Required (g)	Twelve Months Ended 9/30/05 Pro forma (h)=(f)+(g)
<b>Operating Revenues</b>								
1	Natural Gas Sales	\$ 232,428,111	\$ 58,440,332	\$ 290,868,443	\$ 6,116	\$ 290,874,559	\$ 1,629,422	\$ 292,503,981
2	Gas Transportation Revenue	18,411,461	(18,411,461)	-	0	-	0	-
3	Other Operating Revenue	889,298	0	889,298	0	889,298	0	889,298
4	Total Revenues	\$ 251,728,870	\$ 40,028,871	\$ 291,757,741	\$ 6,116	\$ 291,763,857	\$ 1,629,422	\$ 293,393,279
<b>Operating Expenses</b>								
5	Natural Gas Purchased	\$ 163,837,631	\$ 35,812,291	\$ 199,649,922	\$ 0	\$ 199,649,922	\$ 0	\$ 199,649,922
6	Distribution	7,682,852	0	7,682,852	0	7,682,852	0	7,682,852
7	Customer Accounts	4,158,014	(67,744)	4,090,270	19	4,090,289	5,018	4,095,307
8	Customer Service & Information	344,136	0	344,136	0	344,136	0	344,136
9	Sales	625,296	(183,585)	441,711	0	441,711	0	441,711
10	Administrative & General	18,556,164	(2,143,627)	16,412,537	532,624	16,945,162	0	16,945,162
11	Wage Adjustment	0	188,561	188,561	832,522	1,021,083	0	1,021,083
12	Depreciation & Amortization	13,632,109	0	13,632,109	(35,514)	13,596,595	0	13,596,595
13	Total Operating Expenses	\$ 208,836,202	\$ 33,605,896	\$ 242,442,098	\$ 1,329,652	\$ 243,771,749	\$ 5,018	\$ 243,776,767
14								
<b>Operating Taxes</b>								
15	Other Than Income	\$ 23,837,552	\$ 1,205,191	\$ 25,042,743	\$ 89,069	\$ 25,131,812	\$ 65,668	\$ 25,197,480
16	State Income	0	0	0	0	0	0	0
17	Federal Income	\$ 3,293,908	1,774,047	5,067,955	(457,705)	4,610,250	529,970	5,140,220
18	Total Taxes	\$ 27,131,460	\$ 2,979,238	\$ 30,110,698	\$ (368,636)	\$ 29,742,062	\$ 595,638	\$ 30,337,700
19	Total Op. Rev. Deductions	\$ 235,967,662	\$ 36,585,134	\$ 272,552,796	\$ 961,015	\$ 273,513,811	\$ 600,656	\$ 274,114,467
20	Net Operating Income	\$ 15,761,208	\$ 3,443,737	\$ 19,204,945	\$ (954,899)	\$ 18,250,046	\$ 1,028,766	\$ 19,278,812
21	Rate Base	\$ 231,460,401	\$ 0	\$ 231,460,401	\$ 0	\$ 231,460,401	\$ 0	\$ 231,460,401
22	Rate of Return	6.81%		8.30%		7.88%		8.33%

Cascade Natural Gas Corporation  
**SCHEDULE OF RESTATING ADJUSTMENTS**  
State of Washington

Line No.	Description (a)	Restatement of Test Period at Current Rates (b)	Removal of Gas Management Services (c)	Restate Gas Cost For Lost & Unaccounted For Gas (d)	Reclassify Gas Transportation into Rate Schedules (e)	Removal of Severance Expenses (f)	Restated Wages and Related Costs (g)	Restated Property Tax Expense (h)	Restated Franchise Fees Expense (i)	Adjustment to Remove Promotional Expense (j)	Restate Test Period For Normal Weather (k)	Restate per books to actual uncollectibles (l)	Total Restating Adjustments (m) = sum(b)-(l)
<b>Operating Revenues</b>													
1	Natural Gas Sales	\$ 37,836,114	\$ 0	\$ 0	\$ 18,411,461	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,192,757	\$ 0	\$ 58,440,332
2	Gas Transportation Revenue	0	0	0	(18,411,461)	0	0	0	0	0	0	0	(18,411,461)
3	Other Operating Revenue	0	0	0	0	0	0	0	0	0	0	0	0
4	Total	\$ 37,836,114	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,192,757	\$ 0	\$ 40,028,871
<b>Operating Expenses</b>													
5	Natural Gas Purchased	\$ 35,812,291	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,812,291
6	Manufactured Gas Production	0	0	0	0	0	0	0	0	0	0	0	0
7	Distribution	0	0	0	0	0	0	0	0	0	0	0	0
8	Customer Accounts	116,510	0	0	0	0	0	0	0	0	6,752	(191,006)	(67,744)
9	Customer Service & Information	0	0	0	0	0	0	0	0	0	0	0	0
10	Sales	0	0	0	0	0	0	0	0	(183,585)	0	0	(183,585)
11	Administrative & General	0	0	0	0	(2,143,627)	0	0	0	0	0	0	(2,143,627)
12	Wage Adjustment	0	0	0	0	0	188,561	0	0	0	0	0	188,561
13	Depreciation & Amortization	0	0	0	0	0	0	0	0	0	0	0	0
14	Total Operating Expenses	\$ 35,928,801	\$ 0	\$ 0	\$ 0	\$ (2,143,627)	\$ 188,561	\$ 0	\$ 0	\$ (183,585)	\$ 6,752	\$ (191,006)	\$ 33,605,896
<b>Operating Taxes</b>													
15	Other Than Income	\$ 1,524,848	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,974	\$ (495,002)	\$ 0	\$ 88,371	\$ 0	\$ 1,205,191
16	State Income	0	0	0	0	0	0	0	0	0	0	0	0
17	Federal Income	130,038	0	0	0	728,833	(64,111)	(29,571)	168,301	62,419	713,196	64,942	1,774,047
18	Total Taxes	\$ 1,654,886	\$ 0	\$ 0	\$ 0	\$ 728,833	\$ (64,111)	\$ (57,403)	\$ (326,701)	\$ 62,419	\$ 801,567	\$ 64,942	\$ 2,979,238
19	Total Op. Rev. Deductions	\$ 37,583,687	\$ 0	\$ 0	\$ 0	\$ (1,414,794)	\$ 124,450	\$ 57,403	\$ (326,701)	\$ (121,166)	\$ 808,319	\$ (126,064)	\$ 36,585,134
20	Net Operating Income	\$ 252,427	\$ 0	\$ 0	\$ 0	\$ 1,414,794	\$ (124,450)	\$ (57,403)	\$ 326,701	\$ 121,166	\$ 1,384,438	\$ 126,064	\$ 3,443,737
21	Rate Base	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Reference  
Exhibit (MPP-3)  
Page

5 of 25

6 of 25

7 of 25

8 of 25

9 of 25

10 of 25

11 of 25

12 of 25

Cascade Natural Gas Corporation										
SCHEDULE OF PRO FORMA ADJUSTMENTS										
State of Washington										
Line No.	Description (a)	Pipeline Safety Public Awareness (b)	Pro forma Wages & Related Costs (c)	Pro forma Industrial Contract Changes (d)	Estimated Rate Case Expense (e)	Income Tax on Pre 1981 Assets (f)	Income Tax on Proforma Capitalization (g)	Insurance Expense Adjustment (h)	Postage Expense (i)	Pro forma Property Tax Adjustment (j)
	<b>Operating Revenues</b>									
1	Natural Gas Sales	\$ 0	\$ 0	\$ (156,632)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	Gas Transportation Revenue	0	0	0	0	0	0	0	0	0
3	Other Operating Revenue	0	0	0	0	0	0	0	0	0
4	Total	\$ 0	\$ 0	\$ (156,632)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	<b>Operating Expenses</b>									
5	Natural Gas Purchased	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	Manufactured Gas Production	0	0	0	0	0	0	0	0	0
7	Distribution	0	0	0	0	0	0	0	0	0
8	Customer Accounts	0	0	(482)	0	0	0	0	0	0
9	Customer Service & Information	0	0	0	0	0	0	0	0	0
10	Sales	0	0	0	0	0	0	0	0	0
11	Administrative & General	92,472	0	0	173,333	0	0	117,438	43,525	0
12	Wage Adjustment	0	832,522	0	0	0	0	0	0	0
13	Depreciation & Amortization	0	0	0	0	0	0	0	0	0
14	Total Operating Expenses	\$ 92,472	\$ 832,522	\$ (482)	\$ 173,333	\$ 0	\$ 0	\$ 117,438	\$ 43,525	\$ 0
	<b>Operating Taxes</b>									
15	Other Than Income	\$ 0	\$ 0	\$ (6,312)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,381
16	State Income	0	0	0	0	0	0	0	0	0
17	Federal Income	(31,440)	(283,057)	(50,945)	(58,933)	171,461	(148,881)	(39,929)	(14,799)	(32,430)
18	Total Taxes	\$ (31,440)	\$ (283,057)	\$ (57,257)	\$ (58,933)	\$ 171,461	\$ (148,881)	\$ (39,929)	\$ (14,799)	\$ 62,951
19	Total Op. Rev. Deductions	\$ 61,032	\$ 549,465	\$ (57,739)	\$ 114,400	\$ 171,461	\$ (148,881)	\$ 77,509	\$ 28,726	\$ 62,951
20	Net Operating Income	\$ (61,032)	\$ (549,465)	\$ (98,893)	\$ (114,400)	\$ (171,461)	\$ 148,881	\$ (77,509)	\$ (28,726)	\$ (62,951)
21	Rate Base	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Reference  
 Exhibit (MPP-3)  
 Page

Cascade Natural Gas Corporation  
**SCHEDULE OF PRO FORMA ADJUSTMENTS**  
 State of Washington

Line No.	Description (a)	Pro forma Membership /Dues Adjustment (k)	Pro forma Amortization Of Gain On Propane Plant (l)	Pro forma Gas Management & Risk Software (m)	Pro forma Adjustment For Integrated Resource Planning Costs (n)	Pro forma CIS Hardware Upgrade (o)	Conservation Promotional Advertising (p)	Low Income Assistance (q)	Special Contracts (r)	Total Pro forma Adjustments (s) = sum(b)(r)
	<b>Operating Revenues</b>									
1	Natural Gas Sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,748	\$ 6,116
2	Gas Transportation Revenue	0	0	0	0	0	0	0	0	0
3	Other Operating Revenue	0	0	0	0	0	0	0	0	0
4	Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,748	\$ 6,116
	<b>Operating Expenses</b>									
5	Natural Gas Purchased	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
6	Manufactured Gas Production	0	0	0	0	0	0	0	0	0
7	Distribution	0	0	0	0	0	0	0	0	0
8	Customer Accounts	0	0	0	0	0	0	0	501	19
9	Customer Service & Information	0	0	0	0	0	0	0	0	0
10	Sales	0	0	0	0	0	0	0	0	0
11	Administrative & General	105,856	0	0	0	0	0	0	0	532,624
12	Wage Adjustment	0	0	0	0	0	0	0	0	832,522
13	Depreciation & Amortization	0	(35,514)	0	0	0	0	0	0	(35,514)
14	Total Operating Expenses	\$ 105,856	\$ (35,514)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 501	\$ 1,329,652
	<b>Operating Taxes</b>									
15	Other Than Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,069
16	State Income	0	0	0	0	0	0	0	0	0
17	Federal Income	(35,991)	12,075	0	0	0	0	0	55,164	(457,705)
18	Total Taxes	\$ (35,991)	\$ 12,075	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,164	\$ (368,636)
19	Total Op. Rev. Deductions	\$ 69,865	\$ (23,439)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,665	\$ 961,015
20	Net Operating Income	\$ (69,865)	\$ 23,439	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,083	\$ (954,899)
21	Rate Base	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Reference  
 Exhibit \_\_\_\_\_ (MPP-3)  
 Page

Cascade Natural Gas Corporation									
TEST PERIOD THERM SALES REPRICED AT RATES									
EFFECTIVE AT NOVEMBER 1, 2005									
State of Washington									
Line No.	Description	Rate Schedule	Adjusted Average # of Bills	Adjusted Actual Therms Sales	Adjusted Actual Revenue	Restated Revenue @ 11-1-05 Rates	11/01/05 Gas Cost Revenue In Rates	Gas Cost (Removal of Gross Rev Fees)	Margin
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)-(f)-(g)
<b>CORE MARKET RATE SCHEDULES</b>									
<b>Residential</b>									
1	Dry-out	502	1,463	1,329,808	\$ 1,307,132	\$ 1,559,617	\$ 1,206,984	\$ 1,151,064	\$ 352,633
2	General Service	503	147,373	99,122,776	101,582,760	120,718,621	91,194,796	86,969,741	29,523,824
3	Compressed Natural Gas	512	-	-	0	0	0	0	-
4	Gas Air Conditioning	541	44	73,433	71,448	86,003	69,105	65,903	16,899
5	Total		<u>148,879</u>	<u>100,526,017</u>	<u>\$ 102,961,340</u>	<u>\$ 122,364,241</u>	<u>\$ 92,470,885</u>	<u>\$ 88,186,709</u>	<u>\$ 29,893,356</u>
<b>Commercial</b>									
6	Dry-out	502	42	101,667	\$ 93,375	\$ 113,339	\$ 93,120	\$ 88,806	\$ 20,218
7	General Service	504	22,030	73,180,576	69,207,960	83,253,645	67,157,746	64,046,328	16,095,899
8	Large Volume	511	63	6,477,837	5,515,046	6,769,190	5,898,436	5,625,161	870,754
9	Compressed Natural Gas	512	1	55,917	51,656	62,621	51,332	48,954	11,289
10	Gas Air Conditioning	541	27	88,291	83,409	100,810	81,970	78,173	18,840
11	Total		<u>22,162</u>	<u>79,904,288</u>	<u>\$ 74,951,446</u>	<u>\$ 90,299,605</u>	<u>\$ 73,282,605</u>	<u>\$ 69,887,422</u>	<u>\$ 17,017,000</u>
<b>Industrial Firm</b>									
12	General Service	505	405	10,198,314	\$ 8,776,625	\$ 10,814,281	\$ 9,406,356	\$ 8,970,559	\$ 1,407,925
13	Large Volume	511	7	1,351,604	1,121,838	1,374,604	1,230,644	1,173,628	143,960
14	Compressed Natural Gas	512	1	5,379	5,031	6,100	4,937	4,708	1,163
15	Total		<u>413</u>	<u>11,555,297</u>	<u>\$ 9,903,494</u>	<u>\$ 12,194,985</u>	<u>\$ 10,641,937</u>	<u>\$ 10,148,896</u>	<u>\$ 1,553,048</u>
<b>Industrial Interruptible</b>									
16	General (Industrial)	570	5	877,330	\$ 687,699	\$ 855,127	\$ 791,399	\$ 754,733	\$ 63,728
17	Total		<u>5</u>	<u>877,330</u>	<u>\$ 687,699</u>	<u>\$ 855,127</u>	<u>\$ 791,399</u>	<u>\$ 754,733</u>	<u>\$ 63,728</u>
<b>Institutional Interruptible</b>									
18	General	570	7	2,386,834	\$ 1,821,143	\$ 2,278,529	\$ 2,153,115	\$ 2,053,361	\$ 125,414
19	Institutional	577	3	407,759	326,699	404,808	367,831	350,790	36,976
20	Total		<u>10</u>	<u>2,794,593</u>	<u>\$ 2,147,842</u>	<u>\$ 2,683,337</u>	<u>\$ 2,520,946</u>	<u>\$ 2,404,151</u>	<u>\$ 162,390</u>
21	Subtotal Core		<u>171,469</u>	<u>195,657,525</u>	<u>\$ 190,651,821</u>	<u>\$ 228,397,295</u>	<u>\$ 179,707,773</u>	<u>\$ 171,381,912</u>	<u>\$ 48,689,523</u>
22	Gas Supply			197,786,463					
<b>NON-CORE RATE SCHEDULES</b>									
<b>Distribution</b>									
23	General	663	133	90,046,672	\$ 10,501,343	\$ 8,700,915	\$ -	\$ -	\$ 8,700,915
24	Large Volume	664	24	155,323,148	5,732,451	5,998,036	-	-	5,998,036
25	Electric Generation	678	-	0	-	-	-	-	-
26	Special Contracts	901	12	257,718,509	5,573,927	5,832,167	-	-	5,832,167
27	Total		<u>170</u>	<u>503,088,329</u>	<u>\$ 21,807,721</u>	<u>\$ 20,531,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,531,118</u>
<b>Non-Core Competitive Services</b>									
28	Non-Core Competitive Services			45,794,971	\$ 29,510,824	\$ 30,875,879	\$ 28,268,010	\$ 28,268,010	\$ 2,607,869
29	Total			<u>45,794,971</u>	<u>\$ 29,510,824</u>	<u>\$ 30,875,879</u>	<u>\$ 28,268,010</u>	<u>\$ 28,268,010</u>	<u>\$ 2,607,869</u>
30	<b>TOTAL CORE &amp; NON-CORE</b>		<u>171,639</u>	<u>698,745,854</u>	<u>\$ 241,970,366</u>	<u>\$ 279,804,293</u>	<u>\$ 207,975,783</u>	<u>\$ 199,649,922</u>	<u>\$ 71,828,510</u>
<b>ADJUSTMENTS</b>									
31	B&O Tax				\$ 8,938,664	\$ 8,938,664	\$ -	\$ -	\$ 8,938,664
32	Other Operating Revenue				889,298	891,485	-	-	891,485
33	Billing & Technical Adjustments				(69,458)	(69,458)	-	-	(69,458)
34	Total Other Revenues & Taxes				<u>\$ 9,758,504</u>	<u>\$ 9,760,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,760,691</u>
35	<b>TOTAL</b>			<u>698,745,854</u>	<u>\$ 251,728,870</u>	<u>\$ 289,564,984</u>	<u>\$ 207,975,783</u>	<u>\$ 199,649,922</u>	<u>\$ 81,589,201</u>
36	Booked Gas Cost							<u>\$ 163,837,631</u>	
37	Restating Adjustment					<u>\$ 37,836,114</u> 1/		<u>\$ 35,812,291</u> 2/	

1/ The difference between test period booked revenues and margin restated at base rates effective 11/1/05 is carried forward to Exhibit \_\_\_ (MPP-3), page 2 of 4, column (b), line 1.

2/ The difference between test period booked gas cost and the gas cost reflected in rates effective 11/1/05 is carried forward to Exhibit \_\_\_ (MPP-3), page 2 of 4, column (b), line 5.

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)
1	Call Center Severance & Relocation 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 Cost	\$ 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 \_\_\_\_ (MPP-3), Page 2 of 25, Column (f), Line 11

Cascade Natural Gas Corporation <b>RESTATE PAYROLL AND RELATED COSTS</b> State of Washington				
Line No.	Description		Amount	Amount
	( a )		( b )	( c )
1	Wage & Salary Increases		\$ 177,654	
2	Social Security & Medicare Taxes		\$ 10,907	
3	Total			<b>\$ 188,561</b>

1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 2 of 25, Column (g), Line 12

Cascade Natural Gas Corporation <b>RESTATEMENT OF WASHINGTON PROPERTY TAXES</b> 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			<b>\$ 86,974</b>

1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 2 of 25, 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/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 2 of 25, Column (i), Line 15

Cascade Natural Gas Corporation <b>REMOVAL OF CERTAIN PROMOTIONAL EXPENSES</b> State of Washington				
Line No.	Description		FY 2005	Amount
	(a)		(b)	(c)
	<b>Promotional Advertising (9130)</b>			
1	Twelve Months Ending 09/30/05		\$ 60,270	
2	Removal			\$ (60,270)
	<b>Consumer Representative Incentive Pay</b>			
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 \_\_\_\_ (MPP-3), Page 2 of 25, Column (j), Line 10

<b>Cascade Natural Gas Corporation</b>				
<b>Weather Normalization Adjustment For Twelve Months Ended 9/30/05</b>				
<b>State of Washington</b>				
<b>Line</b>	<b>Description</b>	<b>Current Rate</b>	<b>Therms</b>	<b>Margin</b>
<b>No.</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
	<b><u>Residential</u></b>			
1	Rate Schedule No. 503 Therm Adjustment		5,862,710	
2	Commodity Margin	0.22658		\$ 1,328,373
	<b><u>Commercial</u></b>			
3	Rate Schedule No. 504 Therm Adjustment		4,439,798	
4	Commodity Margin	0.19469		\$ 864,384
5	Totals		10,302,508	\$ 2,192,757 1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), page 2, column (k), line 1.

Cascade Natural Gas Corporation				
<b>RESTATE PER BOOKS TO ACTUAL UNCOLLECTIBLES</b>				
State of Washington				
Line No.	Description		Amount	Amount
	(a)		(b)	(c)
1	Actual Test Period Write-Offs		\$ 775,414	
2	Test Period Booked Accruals		\$ 966,420	
3	Adjustment			<b>\$ (191,006)</b> 1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 2 of 25, Column (1), Line 8

Cascade Natural Gas Corporation <b>PRO FORMA PUBLIC AWARENESS PROGRAM ADJUSTMENT</b> 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 \_\_\_\_\_(MPP-3), Page 3 of 25, Column (b), Line 11

Cascade Natural Gas Corporation <b>PROFORMA WAGE AND RELATED COSTS ADJUSTMENT</b> State of Washington				
Line No.	Description		Amount	Amount
	( a )		( b )	( c )
1	Wage & Salary Increases		\$ 776,679	
2	Social Security & Medicare Taxes		\$ 55,843	
3	Total			\$ 832,522 1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 3 of 25, Column (c), Line 12

<b>Cascade Natural Gas Corporation</b>		
<b>Industrial Plant Closure Pro Forma Adjustment</b>		
<b>State of Washington</b>		
Line No.	Description	Amount
	(a)	(b)
	<b>Plant Closure</b>	
1	Account Number 2380	
2	Removal of Test Period Therms Sold	(694,414)
3	Removal of Test Period Revenue	<u>\$ (81,296)</u>
	<b>Facilities Contract Expiration</b>	
4	Account Number 0175	
5	Removal of Facilities Charges	<u>\$ (75,336)</u>
6	Total Industrial Contract Changes	<u>\$ (156,632)</u> 1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), page 3, column (d), line 1.

Cascade Natural Gas Corporation			
<b>ESTIMATED RATE CASE EXPENSES</b>			
State of Washington			
Line No.	Description	Amount	Amount
	(a)	(b)	(c)
	Estimated Rate Case Expense - 2006		
1	Professional Services	\$ 510,000	
2	Transcript and Misc.	10,000	
3	Total		\$ 520,000
	Rate Case Expense Amortized During the Test Period	\$ 0	
5	Total		0
6	Estimated Total Rate Case Expense		\$ <u>520,000</u>
7	Estimated years before next rate case	3 years	
8	Pro Forma Expense		\$ <u>173,333</u> <u>1/</u>

1/ Carried forward to Exhibit \_\_ (MPP-3), Page 3,  
Column (e), Line 11

**Cascade Natural Gas Corporation**  
**Increase in Federal Income Taxes from Non-**  
**normalized Depreciation Differences on Pre-1981**

Line #	Description	Year Ended Sep 30, 2005	Year Ended Sep 30, 2007	Difference
	(a)	(b)	(c)	(d)
1	Book Depreciation on Pre-1981 Asset	\$2,687,532	\$2,687,532	\$ -
2	Tax Depreciation on Pre-1981 Assets	1,725,767	971,169	(754,598)
3	Non-Normalized Depreciation Differe	961,765	1,716,363	754,598
4	Income Tax Rate	34%	34%	
5	Income Tax Effect	327,000	583,563	256,563
6	Washington Allocation Rate	66.83%	66.83%	66.83%
7	Amount Allocated To Washington	\$ 218,534	\$ 389,995	\$ 171,461

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

<b>Cascade Natural Gas Corporation</b>			
<b>Income Tax Adjustment for Pro forma Capitalization</b>			
Line No	Description	Exhibit Reference	Amount
	(a)	(b)	(c)
1	Test year rate base as recorded	Exh MPP-3, Page 1, Column (h), Line 21	\$ 231,460,401
2	Weighted average rate for cost of de	Exh DCP-1, Sched 13, Page 1, Line 1 + Line 2	4.42%
3	Pro forma interest expense (line 1 times line 2)		\$ 10,230,550
4	Test year interest expense deduction used in calculation of federal income taxes charged to Washington utility operating income		9,792,663
5	Pro forma increase in interest expense (line 3 minus line 4)		437,887
6	Federal income tax rate		34%
7	Pro forma decrease in federal income taxes		\$ (148,881) 1/

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

Cascade Natural Gas Corporation <b>PRO FORMA INSURANCE EXPENSE ADJUSTMENT</b> State of Washington			
Line No.	Description	Amount	
( a )		( b )	
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		<b>\$ 117,438</b> 1/

(\*) 3-Factor Allocation

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 3, Column (h), Line 11

CASCADE NATURAL GAS CORPORATION				
PRO FORMA 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	\$ 806,011		\$ 43,525

1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 3 of 25, Column (i), Line 11

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

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 3 , Column (j), Line 15

Cascade Natural Gas Corporation					
PRO FORMA MEMBERSHIP/DUES ADJUSTMENT					
State of Washington					
Line No.	Description	Total	Allocation		Adjustment
			Formula	Washington	
	(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 \_\_\_\_ (MPP-3), Page 4, Column (k), Line 11

(1) Three Factor Formula

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

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 4, Column (I), Line 13

<b>Cascade Natural Gas Corporation</b>		
<b>PRO FORMA SPECIAL CONTRACT REVENUE</b>		
Line No	Description	Amount
	(a)	(c)
1	2005 Revenue Escalation Derived from Response to Staff Data Request No 112	\$ 81,374
2	Second Year Escalation Based on First Year	\$ 81,374
3	Rate Year Increase in Revenues	\$ 162,748

1/

1/ Carried forward to Exhibit \_\_\_\_ (MPP-3), Page 4, Column (r), Line 1

Cascade Natural Gas Corporation		
<b>CONVERSION FACTOR</b>		
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 (.99788 x 3.852%)	0.03840 0.04030
7	Net Before Federal Income Tax	0.956619
8	Federal Income Tax @ 34%	0.325251
9	Net to Gross Conversion Factor	<u><u>0.631369</u></u>