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March 31, 2009

Mr. Dave Danner, Secretary & Executive Director
Washington Utilities
& Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-9022

Re: WAC 480-90-257 Annual Financial Reporting

Dear Mr. Danner:

In compliance with WAC 480-90-257, please find enclosed Cascade Natural Gas Corporation's Annual Commission Basis Report for the 12-month period ending December 31, 2008.

The attached summary sheets and supporting workpapers detail the procedures used to develop reporting adjustments consistent with WAC "Commission Basis" requirements.

If there are any questions regarding this filing please contact Paul Schmidt at (206) 381-6825.

Sincerely,



Katherine J. Barnard
Sr. Director,
Gas Supply & Regulatory Affairs

attachments

CASCADE NATURAL GAS CORPORATION

Adjusted Statement of Operations and Rate of Return

Twelve Months Ended December 31, 2008

State of Washington Operations

Cascade Natural Gas Corporation
SUMMARY OF OPERATIONS & ADJUSTMENTS
FOR THE 12 MONTH PERIOD ENDED 12/31/08

Line No.	Description (a)	Statement of Operations Per Books (b)	Weather Normalization Adjustment (c)	Restated Wages And Related Costs (d)	Advertising Adjustment (e)	UG-061721 Rate Credit Adjustment (f)	Removal of Retiree Medical Credits (g)	Removal of Gas Management Margin (h)	Commission Basis Restated Total (i)
	Operating Revenue								
1	Natural Gas Sales	\$ 332,946,250	\$ (17,062,831)	\$ 0	\$ 0	\$ 106,882	\$ 0	\$ 0	\$ 315,990,301
2	Gas Transportation Revenue	16,383,230	0	0	0	0	0	0	16,383,230
3	Other Operating Revenue	1,696,116	0	0	0	0	0	0	1,696,116
4	Subtotal	\$ 351,025,596	\$ (17,062,831)	\$ 0	\$ 0	\$ 106,882	\$ 0	\$ 0	\$ 334,069,647
5	LESS: Nat. Gas/Production Costs	237,356,064	(13,213,929)						224,142,135
6	Revenue Taxes	25,146,277							25,146,277
7	Operating Margin	\$ 88,523,255	\$ (3,848,902)	\$ 0	\$ 0	\$ 106,882	\$ 0	\$ (5,480,510)	\$ 79,300,725
	Operating Expenses								
8	Distribution	9,148,174	0	0	0	0	0	0	9,148,174
9	Customer Accounts	4,934,820	(16,039)	0	0	100	0	0	4,918,881
10	Customer Service & Information	856,461	0	0	0	0	0	0	856,461
11	Sales	16,003	0	0	(15,443)	0	0	0	560
12	Administrative & General	15,391,139	0	1,316,986	0	0	1,639,130	0	18,347,256
13	Depreciation & Amortization	14,527,076	0	0	0	0	0	0	14,527,076
14	Prop./Payroll/Misc. Taxes	4,344,072	(723,805)	2,537	0	0	0	0	3,622,804
15	Federal Income Taxes	10,981,295	(1,088,170)	(461,833)	5,405	37,374	(573,696)	(1,918,178)	6,982,196
16	Total Operating Expenses	\$ 60,199,040	\$ (1,828,015)	\$ 857,690	\$ (10,038)	\$ 37,474	\$ 1,065,435	\$ (1,918,178)	\$ 58,403,408
17	Net Operating Income	\$ 28,324,215	\$ (2,020,888)	\$ (857,690)	\$ 10,038	\$ 69,408	\$ (1,065,435)	\$ (3,562,331)	\$ 20,897,317
	Rate Base								
18	Plant In Service	\$ 503,598,698	\$						\$ 503,598,698
19	Accumulated Depreciation	(239,974,499)							(239,974,499)
20	Contributions In Aid	0							0
21	Cust. Adv. For Constr.	(4,126,771)							(4,126,771)
22	Accum. Deferred Income Taxes	(46,224,217)							(46,224,217)
23	Deferred Debits								0
24	Working Capital Allowance	10,050,383							10,050,383
25	Total	\$ 223,323,594	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,323,594
26	Rate Of Return	12.68%							9.36%

Note: This report does not include all ratemaking adjustments that would be included in the context of a general rate case

WEATHER

ANALYSIS

**Cascade Natural Gas Corporation
Weather Normalization Adjustment
For Twelve Months Ended 12/31/08
State of Washington**

<u>Line No.</u>	<u>Description</u>		<u>Therms</u>	<u>Revenues</u>
<u>Residential</u>				
1	Rate Schedule No. 503 Therm Adjustment		(10,112,488)	
2	Revenue at Restating Rate	\$ 1.12871		\$ (11,414,067)
<u>Commercial</u>				
3	Rate Schedule No. 504 Therm Adjustment		(5,153,700)	
4	Revenue at Restating Rate	\$ 1.09606		\$ (5,648,765)
5	Totals		<u>(15,266,189)</u>	<u>\$ (17,062,831)</u>
<u>Gas Cost</u>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.86623	(10,112,488)	\$ (8,759,741)
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.86427	(5,153,700)	\$ (4,454,189)
8	Totals		<u>(15,266,189)</u>	<u>\$ (13,213,929)</u>

CASCADE NATURAL GAS CORPORATION
 Washington Weather Normalization Therm Adjustment
 January 2008 - December 2008

	Residential Therm Adjustment					Commercial Therm Adjustment				
	Bellingham	Bremerton	Walla Walla	Yakima	Total	Bellingham	Bremerton	Walla Walla	Yakima	Total
Jan-08	(1,156,663)	(363,607)	(5,695)	(510,648)	(2,036,614)	(492,610)	(191,086)	(4,158)	(525,722)	(1,213,575)
Feb-08	(239,096)	162,728	232,177	134,015	289,824	(104,884)	84,148	175,580	142,456	297,300
Mar-08	(1,078,760)	(310,695)	(357,348)	(287,400)	(2,034,202)	(447,991)	(146,155)	(235,461)	(286,450)	(1,116,056)
Apr-08	(1,175,196)	(339,203)	(332,788)	(347,254)	(2,194,441)	(461,417)	(153,925)	(202,922)	(314,964)	(1,133,228)
May-08	(208,557)	35,086	42,370	117,478	(13,624)	(82,489)	15,442	20,443	101,085	54,482
Jun-08	(638,928)	(251,468)	(46,868)	(29,263)	(966,526)	(283,803)	(131,553)	(33,021)	(40,554)	(488,930)
Jul-08	(313,264)	(184,813)	56,698	95,136	(346,242)	(149,549)	(91,671)	25,373	168,676	(47,171)
Aug-08	(376,074)	(66,950)	(20,145)	(33,370)	(496,539)	(214,221)	(42,118)	(29,906)	(62,339)	(348,584)
Sep-08	(197,283)	(94,368)	56,593	35,301	(199,757)	(95,538)	(57,077)	63,891	67,871	(20,853)
Oct-08	(477,911)	(236,780)	(118,708)	25,922	(807,476)	(194,027)	(122,553)	(89,562)	30,644	(375,498)
Nov-08	609,264	336,637	199,510	255,520	1,400,932	236,382	165,557	131,527	236,028	769,494
Dec-08	(1,471,681)	(586,290)	(219,387)	(430,464)	(2,707,823)	(623,337)	(305,158)	(155,991)	(446,596)	(1,531,082)
Total	(6,724,148)	(1,899,722)	(513,592)	(975,027)	(10,112,488)	(2,913,481)	(976,148)	(334,208)	(929,864)	(5,153,700)

**ACCOUNTING
ADJUSTMENTS**

Accounting Adjustments
Twelve Months Ended 12/31/08

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2008.

1. **Restated Wages and Related Costs Adjustment** - Increases Administrative & General Expense by \$1,319,523 and Payroll related taxes by \$2,537. Test period operating expenses are adjusted to reflect the effect of the general wage increase for hourly employees on April 1, 2008 as if they had been in effect for the entire test period. There was no increase to salaried employee's wages during CY08. Additionally, the operating expenses were adjusted to reflect the capitalized wages that went towards the CIS, JDE, and UI projects.
2. **Advertising Adjustment** – Reduce Sales Expense by \$15,443 to account for below-the-line advertising.
3. **UG-061721 Rate Credit Adjustment** – Increase operating revenues by \$106,882 to adjust for the \$672,000 annual rate credits that are being provided to Cascade customers as part of merger commitment #11 in docket UG-061721.
4. **Removal of Retiree Medical Credits** – Increase Administrative & General Expense by \$1,639,130 to adjust for the retiree medical credits that were received during CY08.
5. **Removal of Gas Management Margin** – Reduce Operating Margin by \$5,480,431 to adjust for Cascade's withdrawing from this line of business during 2008. This amount represents the net margin after 50% sharing with Washington customers.
6. **UG-061721 A&G Expense Adjustment** – Adjust Administrative & General Expense by \$0 to reflect that Cascade's commission basis adjusted actual A&G expenses are below the benchmark as set forth in docket UG-061721.

Cascade Natural Gas Corporation
RESTATEMENT OF PAYROLL & RELATED COSTS
State of Washington

Line No.	Description (a)	Amount (b)	
1	Wage & Salary Increases	\$ 33,167	
2	Social Security & Medicare Taxes	\$ 2,537	
3	Total Wage Adjustment		\$ 35,704
4	Capitalized Wage Adjustment - CIS, JDE, UI Projects	\$ 1,283,819	
5	Total Restatement of Payroll & Related Costs		\$ 1,319,523

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description (a)	CY 2008 (b)	Amount (c)
	Promotional Advertising		
1	Twelve Months Ending 12/31/08	\$ 15,443	
2	Removal		\$ (15,443)
	Consumer Representative Incentive Pay		
3	Twelve Months Ending 12/31/08	\$ -	
4	Removal		\$ -
5	Total		<u>\$ (15,443)</u>

Cascade Natural Gas Corporation
UG-061721 Rate Credit Restatement of Revenues
 State of Washington

Line No.	Description (a)	CY 2008 (b)	Amount (c)
1	UG-061721 Rate Credit Amortization Twelve Months Ending 12/31/08	\$ (106,882)	
2	Revenue Adjustment		\$ 106,882

Cascade Natural Gas Corporation
REMOVAL OF RETIREE MEDICAL CREDITS
 State of Washington

Line No.	Description	CY 2008	Amount
	(a)	(b)	(c)
	Retiree Medical Credits		
1	Twelve Months Ending 12/31/08	\$ (1,639,130)	
2	Removal		\$ 1,639,130

Cascade Natural Gas Corporation
REMOVAL OF GAS MANAGEMENT MARGINS
 State of Washington

Line No.	Description	CY 2008	Amount
	(a)	(b)	(c)
	Gas Management Margins		
1	Twelve Months Ending 12/31/08	\$ 5,480,510	
2	Removal		\$ (5,480,510)

Cascade Natural Gas Corporation
UG-061721 A&G EXPENSE ADJUSTMENT
 State of Washington

Line No.	Description	CY 08 Amount
	(a)	(b)
1	2006 A&G Benchmark (per UG-061721)	\$ 21,642,845
2	CPI Increase (2006 to 2008)	6.80%
3	2008 A&G Benchmark	\$ 23,114,838
4	Cascade Actual CY08 A&G Expense	\$ 19,042,186
5	Commission Basis Adjustments	\$ 2,924,735
6	Cascade Adjusted CY08 A&G Expense	\$ 21,966,921
7	Below Threshold (Yes/No)	Yes
8	A&G Adjustment (if line 7 is Yes then no adjustment)	\$ -

**SUPPORTING
WORKPAPERS**

Cascade Natural Gas Corporation
Washington Wage Adjustment
Adjustment to Restate CY 2008

	Gross Salaries/Wages	Capitalized Salaries/Wages	Net Salaries/Wages	% Salary/Wage Increase	Salary/Wage Adjustment Before Taxes	Social Security Tax @ 6.2%	Medicare Tax @ 1.45%	Total Taxes	Adjustment to Restate CY08 Salaries/Wages
CY08 WA Salaried									
General salaries	\$ 9,278,093	\$ (1,776,427)	\$ 7,501,666						
WA 3-Factor Allocation Ratio	75.74%	75.74%	75.74%						
General salaries allocated to WA	7,027,228	(1,345,466)	5,681,762	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
WA Direct salaries	1,919,565	(889,637)	1,029,928	0.00%	-	-	-	-	-
Total WA salaries	8,946,793	(2,235,103)	6,711,690	0.00%	-	-	-	-	-
CY08 WA Hourly	\$ 2,060,632	\$ (402,297)	\$ 1,658,335	2.00%	\$ 33,167	\$ 2,056	\$ 481	\$ 2,537	\$ 35,704

Adjustment to Restate CY08 Wages for Annual Increase

	\$ 33,167	
	\$ 2,537	\$ 35,704

Note: There was no increase to Salaried employees wages during CY08

Cascade Natural Gas Corp
 Capitalized Wage Adjustment - JDE, CIS, UI Projects
 CY 2008

Work Order	Tran	Account Code	Amount of transaction	% WA	WA Assignment
CIS08HW	LAB	D001000107000000601011	2,461.37		
CIS08HW	LON		1,215.91		
CIS08SW	LAB		630,247.41		
CIS08SW	LON		311,171.05		
Total CIS			\$ 945,095.74		
JDECAP08	LAB		492,961.26		
JDECAP08	LON		245,736.43		
Total JDE			\$ 738,697.69		
UICAP-08	LAB	D001000107000000601011	7524.4		
UICAP-08	LON		3717.05		
Total UI			\$ 11,241.45		
Total Capitalized Wages			\$ 1,695,034.88	75.74%	\$ 1,283,819.42

**Cascade Natural Gas Corporation
Promotional Advertising Detail
CY 2008**

State	FERC	Expense	Amount of transaction	Loc	District Code	District Name
General Office	9120	619020	-	D001	CNGC	CNGC ELLIPSE PRODUCTION
		Washington 9120:				
		GO Exp. @ .7574	<u>-</u>			
General Office	9130	621010	495.00			
General Office	9130	652020	19,115.43	D001	CNGC	CNGC ELLIPSE PRODUCTION
		Total General Office	<u>19,610.43</u>			
Washington Direct	9130	621020	550.00		CNGC	CNGC ELLIPSE PRODUCTION
Washington Direct	9130	621035	40.00	R030	CNGC	CNGC ELLIPSE PRODUCTION
		Total Washington Direct	<u>590.00</u>			
		Washington 9130:				
		GO Exp. @ .7574	14,852.94			
		Washington Direct	590.00			
		Total WA 9130	<u>\$ 15,442.94</u>			

Cascade Natural Gas
 UG-061721 Rate Credit Adjustment
 Washington

Nov-08 Rate Credit Amortization Calculation

	503	502	504	512	541	505	511	570	577	663-C	663-D	Total 663	Totals
UG - 061721 No subledger (for tracking only)	(0.00284)	(0.00239)	(0.00229)	(0.00185)	(0.00459)	(0.00142)	(0.00117)	(0.00056)	(0.00066)			(0.00034)	
WA Sales Therms	4,484,366	32,408	2,852,342	2,109	4,911	388,358	479,705	91,916	542,766	23,856,980	1,599,369	23,856,980	
Calculation of WA Rate Credit by Class	\$ (12,735.60)	\$ (77.46)	\$ (6,531.86)	\$ (3.90)	\$ (22.54)	\$ (551.47)	\$ (561.25)	\$ (51.47)	\$ (466.78)	\$ -	\$ -	\$ (8,111.37)	\$ (29,113.71)

Dec-08 Rate Credit Amortization Calculation

	503	502	504	512	541	505	511	570	577	663-C	663-D	Total 663	Totals
UG - 061721 No subledger (for tracking only)	(0.00284)	(0.00239)	(0.00229)	(0.00185)	(0.00459)	(0.00142)	(0.00117)	(0.00056)	(0.00066)			(0.00034)	
WA Sales Therms	15,006,173	112,046	10,060,664	3,154	16,265	1,025,839	1,350,429	662,473	64,187	24,397,432	2,382,829	24,397,432	
Calculation of WA Rate Credit by Class	\$ (42,623.21)	\$ (287.79)	\$ (23,038.92)	\$ (5.83)	\$ (74.66)	\$ (1,456.69)	\$ (1,580.00)	\$ (370.98)	\$ (55.20)	\$ -	\$ -	\$ (8,295.13)	\$ (77,768.42)

November Rate Credit Amort
 December Rate Credit Amort
 Total

\$ (29,113.71)
 \$ (77,768.42)
 \$ (106,882.13)

**Cascade Natural Gas Corp
 Removal of Retiree Medical Credits
 CY 2008**

Location	FERC	Expense	Account Period (YYP)	Amount of transaction	% WA	WA Assignment
D001	9260	607030	0804 - 0903	\$ (2,164,154.04)	75.74%	\$ (1,639,130.27)

Cascade Natural Gas
2008 Gas Management Margins
Washington

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
WA Margin - Cascade	\$ (136,565)	\$ 103,297	\$ (65,851)	\$ 171,934	\$ 222,824	\$ 9,864,155	\$ (18,359)	\$ -	\$ -	\$ (3,425)	\$ (29,213)	\$ 219	\$ 10,049,017
WA Margin - CGCE	\$ 214,369	\$ 384,549	\$ 206,750	\$ 106,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 912,002
Total WA Margin	\$ 17,805	\$ 487,845	\$ 140,899	\$ 278,269	\$ 222,824	\$ 9,864,155	\$ (18,359)	\$ -	\$ -	\$ (3,425)	\$ (29,213)	\$ 219	\$ 10,961,020
Remove													
WA Deferred Amt - Cascade (50%)	\$ (98,282)	\$ 51,648	\$ (32,926)	\$ 85,867	\$ 111,412	\$ 4,932,078	\$ (9,179)	\$ -	\$ -	\$ (1,713)	\$ (14,606)	\$ 110	\$ 5,024,509
WA Deferred Amt - CGCE (50%)	\$ 107,185	\$ 192,274	\$ 103,375	\$ 53,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 456,001
Total WA Deferred	\$ 8,902	\$ 243,923	\$ 70,449	\$ 139,134	\$ 111,412	\$ 4,932,078	\$ (9,179)	\$ -	\$ -	\$ (1,713)	\$ (14,606)	\$ 110	\$ 5,480,510
Net Margin	\$ 8,902	\$ 243,923	\$ 70,449	\$ 139,134	\$ 111,412	\$ 4,932,078	\$ (9,179)	\$ -	\$ -	\$ (1,713)	\$ (14,606)	\$ 110	\$ 5,480,510

Cascade Natural Gas
UG-061721 A&G Benchmark Development
CPI Increase % Calculation

Consumer Price Index - All Urban Consumers

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
1999	164.3	164.5	165	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	165.4	167.8
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174	174.1	174	172.2	170.8	173.6
2001	175.1	175.8	176.2	176.9	177.7	178	177.5	177.5	178.3	177.7	177.4	176.7	177.1	176.6	177.5
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181	181.3	181.3	180.9	179.9	178.9	180.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185	184.5	184.3	184	183.3	184.6
2004	185.2	186.2	187.4	188	189.1	189.7	189.4	189.5	189.9	190.9	191	190.3	188.9	187.6	190.2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.49	208.936	210.177	210.036	207.342	205.709	208.976
2008	211.08	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303	214.429	216.177

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982-84=100

CY06 Average 201.59167
 CY07 Average 207.34242
 CY08 Average 215.3025

CPI % Increase (2006 to 2008) 6.80%

**Cascade Natural Gas
UG-061721 A&G Benchmark Development
CY 2008 Actual Washington Expenses**

CUSTOMER ACCOUNTS EXPENSES		Washington
901	Supervision	\$ 36,977.30
902	Meter Reading Exp.	\$ 369,187.60
903	Cust. Records & Collection Exp.	\$ 3,134,441.17
904	Uncollectible Accounts	\$ 1,324,109.87
905	Misc. Exp.	\$ 70,103.89
TOTAL CUSTOMER ACCOUNTS EXP.		\$ 4,934,819.83
CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
907	Supervision	\$ 8,322.24
908	Cust. Assistance Exp.	\$ 832,127.64
909	Info. & Instr. Advertising Exp.	\$ 15,403.64
910	Misc. Cust. Serv. & Info. Exp.	\$ 607.46
TOTAL CUST. SRVC. & INFO. EXPENSES		\$ 856,460.98
SALES EXPENSES		
911	Supervision	\$ 314.97
912	Demonstrating & Selling	\$ -
913	Advertising	\$ 15,465.62
916	Misc. Sales Exp.	\$ 222.60
TOTAL SALES EXPENSES		\$ 16,003.19
ADMINISTRATIVE AND GENERAL EXPENSES		
920	Admin. & General Salaries	\$ 5,552,889.25
921	Office Supplies & Exp.	\$ 3,041,821.04
923	Outside Services Employed	\$ 817,207.92
924	Property Insurance	\$ 109,137.36
925	Injuries & Damages	\$ 826,181.91
926	Employee Pensions & Benefits	\$ 3,931,278.16
928	Regulatory Commission Exp.	\$ 48,148.98
930.1	General Advertising Exp.	\$ 5,741.00
930.2	Misc. General Exp.	\$ 3,140,722.82
931	Rents	\$ 39,635.68
932	Maintenance of General Plant	\$ 367,491.09
		\$ 17,880,255.21
922	Capitalized Exp.	\$ (2,489,116.03)
TOTAL ADM. & GEN. EXPENSES		\$ 15,391,139.18
TOTAL		<u>\$ 21,198,423.18</u>
REMOVE		
904	Uncollectible Accounts	\$ 1,324,109.87
908	Cust. Assistance Exp.	\$ 832,127.64
TOTAL A&G EXPENSES		<u>\$ 19,042,185.67</u>