

**STATEMENT  
OF  
OPERATIONS**

Cascade Natural Gas Corporation  
State of Washington  
Statement of Operations and Rate of Return  
Month and Twelve Months Ended December 31, 2009

	Month	Twelve Months
<b>OPERATING REVENUES</b>		
Natural Gas Sales	44,906,666	301,404,503
Transportation Revenue	1,975,471	19,089,737
Other Operating Revenue	136,417	1,854,137
	<u>47,018,554</u>	<u>322,348,377</u>
Less: Natural Gas & Production Costs	31,938,661	214,368,650
Revenue Taxes	3,373,809	26,134,912
<b>OPERATING MARGIN</b>	<u>11,706,084</u>	<u>81,844,815</u>
<b>OPERATING EXPENSES</b>		
Distribution	789,834	9,637,803
Customer Accounts	613,858	6,185,991
Customer Service & Informational	67,167	836,985
Sales	1,942	16,441
Administrative & General	1,628,422	15,713,316
Depreciation & Amortization	1,203,948	14,552,715
Property, Payroll & Misc. Taxes	320,841	3,877,376
Federal Income Taxes	2,379,118	8,255,187
Total Operating Expenses	<u>7,005,130</u>	<u>59,075,814</u>
<b>NET OPERATING INCOME</b>	<u>4,700,954</u>	<u>22,769,001</u>
<b>RATE BASE</b>	<u>217,221,815</u>	<u>219,055,277</u>
<b>RATE OF RETURN</b>	<u>2.16%</u>	<u>10.39%</u>

**SCHEDULE OF RATE BASE**

Utility Plant In Service	516,957,767	513,234,857
Accumulated Depreciation	(254,677,809)	(249,485,848)
Net Utility Plant	<u>262,279,958</u>	<u>263,749,009</u>
Other:		
Contributions in Aid of Construction		
Customer Advances for Construction	(4,700,990)	(4,512,270)
Accumulated Deferred Income Taxes	(49,980,671)	(49,980,671)
Deferred Debits		-
Subtotal	<u>207,598,297</u>	<u>209,256,068</u>
Working Capital	9,623,518	9,799,209
<b>TOTAL RATE BASE</b>	<u>217,221,815</u>	<u>219,055,277</u>

All rate base items except accumulated deferred income taxes represent monthly average and average of monthly average balances. Accumulated deferred income taxes represent the end-of-period balance.

This report is derived directly from the amounts recorded on the books of the Corporation for the period covered, as adjusted for the depreciation adjustment prescribed in WUTC Order No. 991923. It reflects no ratemaking or other normalized adjustments.

**CASCADE NATURAL GAS CORPORATION**

**Adjusted Statement of Operations and Rate of Return**

**Twelve Months Ended December 31, 2009**

**State of Washington Operations**

**Cascade Natural Gas Corporation**  
**SUMMARY OF OPERATIONS & ADJUSTMENTS**  
**FOR THE 12 MONTH PERIOD ENDED 12/31/09**

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)	Commission Basis Restated Total (h)
	<b>Operating Revenue</b>							
1	Natural Gas Sales	\$ 301,404,503	\$ (13,713,495)	\$ 0	\$ 0	\$ 672,000	\$ 0	\$ 288,363,008
2	Gas Transportation Revenue	19,089,737		0	0	0	0	19,089,737
3	Other Operating Revenue	1,854,137		0	0	0	0	1,854,137
4	Subtotal	\$ 322,348,377	\$ (13,713,495)	\$ 0	\$ 0	\$ 672,000	\$ 0	\$ 309,306,882
5	LESS: Nat. Gas/Production Costs	214,368,650	(10,520,380)					203,848,270
6	Revenue Taxes	26,134,912						26,134,912
7	Operating Margin	81,844,815	\$ (3,193,115)	\$ 0	\$ 0	\$ 672,000	\$ 0	\$ 79,323,700
	<b>Operating Expenses</b>							
8	Distribution	9,637,803	0	0	0	0	0	9,637,803
9	Customer Accounts	6,185,991	(12,891)	0	0	632	0	6,173,732
10	Customer Service & Information	836,985	0	0	0	0	0	836,985
11	Sales	16,441	0	0	(16,441)	0	0	0
12	Administrative & General	15,713,316	0	1,077,862	0	0	1,164,693	17,955,871
13	Depreciation & Amortization	14,552,715	0	0	0	0	0	14,552,715
14	Prop./Payroll/Misc. Taxes	3,877,376	(581,726)	2,668	0	0	0	3,298,318
15	Federal Income Taxes	8,255,187	(909,474)	(378,186)	5,754	234,979	(407,642)	6,800,618
16	Total Operating Expenses	\$ 59,075,814	\$ (1,504,091)	702,345	(10,686)	235,611	757,050	\$ 59,256,042
17	Net Operating Income	\$ 22,769,001	\$ (1,689,023)	(702,345)	10,686	436,389	(757,050)	\$ 20,067,659
	<b>Rate Base</b>							
18	Plant In Service	\$ 513,234,857						\$ 513,234,857
19	Accumulated Depreciation	(249,485,848)						(249,485,848)
20	Contributions In Aid	0						0
21	Cust. Adv. For Constr.	(4,512,270)						(4,512,270)
22	Accum. Deferred Income Taxes	(49,980,671)						(49,980,671)
23	Deferred Debits							0
24	Working Capital Allowance	9,799,209						9,799,209
25	Total	\$ 219,055,277	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 219,055,277
26	Rate Of Return	10.39%						9.16%

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 12/31/2009  
State of Washington**

<u>Line No.</u>	<u>Description</u>		<u>Therms</u>	<u>Revenues</u>
<b><u>Residential</u></b>				
	Rate Schedule No. 503			
1	Therm Adjustment		(8,003,999)	
2	Revenue at Restating Rate	\$ 1.09048		\$ (8,728,201)
<b><u>Commercial</u></b>				
	Rate Schedule No. 504			
3	Therm Adjustment		(4,712,131)	
4	Revenue at Restating Rate	\$ 1.05797		\$ (4,985,294)
5	Totals		<u>(12,716,131)</u>	<u>\$ (13,713,495)</u>
<b><u>Gas Cost</u></b>				
6	Change in Gas Cost - Residential (WACOG x Adjustment)	\$ 0.82800	(8,003,999)	\$ (6,627,311)
7	Change in Gas Cost - Commercial (WACOG x Adjustment)	\$ 0.82618	(4,712,131)	\$ (3,893,069)
8	Totals		<u>(12,716,131)</u>	<u>\$ (10,520,380)</u>

**CASCADE NATURAL GAS CORPORATION**  
**Washington Weather Normalization Therm Adjustment**  
**January 2009 - December 2009**

	Residential Therm Adjustment					Commercial Therm Adjustment					
	Bellingham	Bremerton	Walla Walla	Yakima	Total	Bellingham	Bremerton	Walla Walla	Yakima	Total	
Jan-09	(1,115,355)	(389,543)	(31,597)	(178,805)	(1,715,301)	(499,316)	(226,425)	(24,560)	(163,891)	(914,191)	(2,629,492)
Feb-09	(732,589)	(299,522)	(109,112)	(107,541)	(1,248,765)	(333,267)	(168,620)	(87,516)	(108,563)	(697,966)	(1,946,731)
Mar-09	(1,270,223)	(622,500)	(474,937)	(353,544)	(2,721,204)	(547,715)	(337,059)	(342,538)	(440,592)	(1,667,904)	(4,389,109)
Apr-09	(341,073)	(274,283)	(96,857)	(58,792)	(771,005)	(141,183)	(136,614)	(64,779)	(57,809)	(400,385)	(1,171,390)
May-09	(80,370)	(49,770)	34,867	26,312	(68,960)	(33,694)	(20,934)	18,544	25,683	(10,401)	(79,362)
Jun-09	276,130	26,647	63,561	59,855	426,193	120,127	12,924	50,582	105,941	289,574	715,767
Jul-09	106,749	2,982	(291,455)	(24,002)	(205,727)	53,976	2,367	(440,091)	108,151	(275,597)	(481,324)
Aug-09	(4,180)	14,475	(7,349)	(543)	2,403	(2,906)	5,999	5,416	43,507	52,016	54,419
Sep-09	156,464	5,821	91,225	21,354	274,864	90,547	5,006	110,600	60,907	267,059	541,924
Oct-09	(72,142)	(150,811)	(144,475)	(52,487)	(419,915)	(28,694)	(71,541)	(124,814)	(87,549)	(312,597)	(732,512)
Nov-09	402,009	(9,242)	224,217	54,279	671,263	160,966	(4,628)	160,202	60,752	377,292	1,048,556
Dec-09	(868,890)	(662,354)	(301,414)	(395,189)	(2,227,846)	(378,552)	(367,747)	(225,832)	(446,900)	(1,419,031)	(3,646,877)
<b>Total</b>	<b>(3,543,469)</b>	<b>(2,408,101)</b>	<b>(1,043,325)</b>	<b>(1,009,104)</b>	<b>(8,003,999)</b>	<b>(1,539,710)</b>	<b>(1,307,271)</b>	<b>(964,788)</b>	<b>(900,363)</b>	<b>(4,712,131)</b>	<b>(12,716,131)</b>

**ACCOUNTING  
ADJUSTMENTS**



Accounting Adjustments  
Twelve Months Ended 12/31/09

The following accounting adjustments are necessary to restate recorded utility operating results for the 12 months ended December 31, 2009.

1. **Restated Wages and Related Costs Adjustment** - Increases Administrative & General Expense by \$1,077,862 and Payroll related taxes by \$2,668. Test period operating expenses are adjusted to reflect the effect of the general wage increase for hourly employees on April 1, 2009 as if they had been in effect for the entire test period. The general wage increase for salaried employee's wages occurred on January 1, 2009 so no adjustment was necessary. Additionally, the operating expenses were adjusted to reflect the capitalized wages that went towards the CIS project during CY09.
2. **Advertising Adjustment** – Reduce Sales Expense by \$16,442 to account for below-the-line advertising.
3. **UG-061721 Rate Credit Adjustment** – Increase operating revenues by \$672,000 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 \$1,164,693 to adjust for the retiree medical credits that were received during CY09.
5. **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	\$ 34,866	
2	Social Security & Medicare Taxes	\$ 2,668	
3	Total Wage Adjustment		\$ 37,534
4	Capitalized Wage Adjustment - CIS Project	\$ 1,042,996	
5	Total Restatement of Payroll & Related Costs		<u>\$ 1,080,530</u>

Cascade Natural Gas Corporation  
**PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT**  
 State of Washington

Line No.	Description	CY 2009	Amount
	(a)	(b)	(c)
	<b>Promotional Advertising</b>		
1	Twelve Months Ending 12/31/09	\$ 16,441	
2	Removal		\$ (16,441)

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

Line No.	Description	CY 2009	Amount
	(a)	(b)	(c)
	<b>UG-061721 Rate Credit Amortization</b>		
1	Twelve Months Ending 12/31/09	\$ (672,000)	
2	Revenue Adjustment		\$ 672,000

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

Line No.	Description	CY 2009	Amount
	(a)	(b)	(c)
	<b>Retiree Medical Credits</b>		
1	Twelve Months Ending 12/31/09	\$ (1,164,693)	
2	Removal		\$ 1,164,693

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

Line No.	Description	CY 09 Amount
	(a)	(b)
1	2006 A&G Benchmark (per UG-061721)	\$ 21,642,845
2	CPI Increase (2006 to 2009)	6.42%
3	2009 A&G Benchmark	\$ 23,032,654
4	Cascade Actual CY09 A&G Expense	\$ 19,455,728
5	Commission Basis Adjustments	\$ 2,213,854
6	Cascade Adjusted CY09 A&G Expense	\$ 21,669,582
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 2009**

	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 CY09 Salaries/Wages
<b><u>CY09 WA Hourly</u></b>	\$ 2,227,748	\$ (484,458)	\$ 1,743,290	2.00%	<u>\$ 34,866</u>	\$ 2,162	\$ 506	<u>\$ 2,668</u>	<u>\$ 37,534</u>
<b>Adjustment to Restate CY09 Wages for Annual Increase</b>					<u>\$ 34,866</u>			<u>\$ 2,668</u>	<u>\$ 37,534</u>

Note: Salaried increase effective 1/1/09  
Hourly increase effective 4/1/09



Cascade Natural Gas Corp  
 Capitalized Wage Adjustment - CIS Project  
 CY 2009

Work Order	Do Ty	Account Code	Amount of transaction	% WA	WA Assignment
J161295	T2		994,913.97		
J161295	T3		360,335.58		
J161295	TA		28,952.69		
<b>Total Capitalized Wages</b>			<b>\$ 1,384,202.24</b>	<b>75.35%</b>	<b>\$ 1,042,996.39</b>

**Cascade Natural Gas Corporation  
Promotional Advertising Detail  
CY 2009**

<b>State</b>	<b>FERC</b>	<b>Object Account</b>	<b>Account Description</b>	<b>Amount of transaction</b>	<b>Allocation to WA</b>	<b>Total Washington</b>
General Office	9120	-	Advertising	\$ -	75.35%	-
Washington Direct	9120	-	Advertising	\$ -	100.00%	-
General Office	9130	5211	Advertising	\$ 18,987	75.35%	14,307
Washington Direct	9130	5712	Advertising	\$ 550	100.00%	550
Washington Direct	9130	5714	Advertising	\$ 330	100.00%	330
Washington Direct	9130	5715	Advertising	\$ 1,254	100.00%	1,254
Total Washington						16,441

Cascade Natural Gas Corp  
 Removal of Retiree Medical Credits  
 CY 2009

Account	Do Ty	Doc Number	G/L Date	Explanation	Explanation -Remark-	Amount	3-factor WA Allocation Factor	Total Washington
4760100.5196.29260	JE	1817	1/31/2009	RECLS0509-RECLS SERP & RET MED	Recls SERP & Ret Medical	\$ (158,667)	75.35%	\$ (119,556)
4760100.5196.29261	JE	1831	2/28/2009	RECLS0509-RECLS SERP & RET MED	Recls SERP & Ret Medical	\$ (158,667)	75.35%	\$ (119,556)
4760100.5196.29262	JE	1832	3/31/2009	RECLS0509-RECLS SERP & RET MED	Recls SERP & Ret Medical	\$ (158,667)	75.35%	\$ (119,556)
4760100.5196.29263	JE	1833	4/30/2009	RECLS0509-RECLS SERP RET MED	Recls SERP & Ret Medical	\$ (158,667)	75.35%	\$ (119,556)
4760100.5196.29264	JE	1890	5/31/2009	BENAD0509 - Pension Adjustment	To record Retiree Medical cost	\$ (158,667)	75.35%	\$ (119,556)
4760100.5196.29265	JE	2119	6/30/2009	BENAD0609 - Pension Adjustment	To record Retiree Medical cos	\$ (128,809)	75.35%	\$ (97,058)
4760100.5196.29266	JE	2119	6/30/2009	BENAD0609 - Pension Adjustment	True up of Jan-May expense	\$ 149,289	75.35%	\$ 112,489
4760100.5196.29267	JE	2392	7/31/2009	BENAD0709 - Pension Adjustment	To record Retiree Medical cost	\$ (128,809)	75.35%	\$ (97,058)
4760100.5196.29268	JE	2608	8/31/2009	BENAD0809 - Pension Adjustment	To record Retiree Medical cost	\$ (128,809)	75.35%	\$ (97,058)
4760100.5196.29269	JE	2901	9/30/2009	BENAD0909 - Pension Adjustment	To record Retiree Medical cost	\$ (128,809)	75.35%	\$ (97,058)
4760100.5196.29270	JE	3133	10/31/2009	BENAD1009 - Pension Adjustment	To record Retiree Medical cost	\$ (128,809)	75.35%	\$ (97,058)
4760100.5196.29271	JE	3440	11/30/2009	BENAD1109-Pension Adjustment	To record Retiree Medical cost	\$ (128,809)	75.35%	\$ (97,058)
4760100.5196.29272	JE	4169	12/31/2009	BENAD1209 - Pension Adjustment	To record Retiree Medical cost	\$ (128,809)	75.35%	\$ (97,058)
						<u>\$ (1,545,710)</u>		<u>\$ (1,164,693)</u>

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

**Consumer Price Index - All Urban Consumers**

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
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
2009	211.143	212.193	212.709	213.24	213.856	215.693	215.351	215.834	215.969	216.177	216.33	215.949	214.537	213.139	215.935

CY06 Average 201.5917  
 CY07 Average 207.3424  
 CY08 Average 215.3025  
 CY09 Average 214.537

**CPI % Increase (2006 to 2009) 6.42%**

**Cascade Natural Gas  
UG-061721 A&G Benchmark Development  
CY 2009 Actual Washington Expenses**

		Washington
<b>CUSTOMER ACCOUNTS EXPENSES</b>		
901	Supervision	\$ 7,430
902	Meter Reading Exp.	\$ 363,582
903	Cust. Records & Collection Exp.	\$ 3,271,174
904	Uncollectible Accounts	\$ 2,495,166
905	Misc. Exp.	\$ 48,639
TOTAL CUSTOMER ACCOUNTS EXP.		\$ 6,185,991
<b>CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>		
907	Supervision	\$ 1,847
908	Cust. Assistance Exp.	\$ 801,841
909	Info. & Instr. Advertising Exp.	\$ 19,988
910	Misc. Cust. Serv. & Info. Exp.	\$ 13,308
TOTAL CUST. SRVC. & INFO. EXPENSES		\$ 836,985
<b>SALES EXPENSES</b>		
911	Supervision	\$ -
912	Demonstrating & Selling	\$ -
913	Advertising	\$ 16,441
916	Misc. Sales Exp.	\$ -
TOTAL SALES EXPENSES		\$ 16,441
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
920	Admin. & General Salaries	\$ 6,609,338
921	Office Supplies & Exp.	\$ 3,280,043
923	Outside Services Employed	\$ 968,277
924	Property Insurance	\$ 51,184
925	Injuries & Damages	\$ 1,010,032
926	Employee Pensions & Benefits	\$ 2,359,365
928	Regulatory Commission Exp.	\$ -
930.1	General Advertising Exp.	\$ 13,701
930.2	Misc. General Exp.	\$ 1,630,703
931	Rents	\$ 24,691
932	Maintenance of General Plant	\$ 268,698
		\$ 16,216,033
922	Capitalized Exp.	\$ (502,716)
TOTAL ADM. & GEN. EXPENSES		\$ 15,713,316
TOTAL		<u>\$ 22,752,734</u>
<b>REMOVE</b>		
904	Uncollectible Accounts	\$ 2,495,166
908	Cust. Assistance Exp.	\$ 801,841
TOTAL A&G EXPENSES		<u>\$ 19,455,728</u>