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March 31, 2009

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

RE: Decoupling Mechanism Report for CY08

Dear Mr. Danner:

In compliance with **Docket UG-060256 Order 06**, Cascade Natural Gas Corporation hereby submits its Annual Decoupling Mechanism Report for Calendar Year 2008. This report includes documentation of the Company's CY08 therm savings achievements and program expenditures. Additionally, under separate cover, the Company is filing its Commission Basis Report.

Any questions regarding this document should be directed to Allison Spector, Director of Conservation at 206-381-6834 or allison.spector@cngc.com.

Sincerely,

Allison Spector
Director of Conservation

"In The Community To Serve"

Cascade Natural Gas Corporation Annual Decoupling Mechanism Report Calendar Year 2008

Background

On October 1, 2007 the Washington Utilities and Transportation Commission approved an addendum to Cascade Natural Gas's Conservation Plan, which was developed in compliance with the Commission's Order 06 in Docket UG-060256. This document included revised therm savings targets, a modified penalty mechanism, and expanded program offerings for the Commercial, Residential, and Low Income conservation programs. The document also provided additional details regarding the accounting and reporting process surrounding the penalty mechanism of the earnings cap.

Specifically, the Company agreed to submit "an annual report to the Commission on the achievement of the Calendar year therm savings target, along with its Commission Basis results of operations report for calendar 2008, no later than March 31, 2009". The entire requirement can be found on page two of the *Addendum to Cascade Natural Gas Corporation Conservation Plan Docket UG-060256 Order 06*.

Below you will find a summary of Conservation Achievements for the period of Jan 1, 2008 through December 31, 2008 as well as a description of Associated Program Costs, and the Company's CAP Mechanism Deferral Calculations (provided as Appendix A). Our Commission Basis report is being filed under a separate cover.

Any questions regarding this annual report should be directed to Allison Spector, Director of Conservation at 206-381-6834 or allison.spector@cngc.com.

Summary of Therm Achievements

As of February 28, 2009, Cascade Natural Gas Corporation has calculated an official 2008 therm savings achievement of **450,905** in the State of Washington. These savings were achieved through **5,956** customers who installed (within CY2008) and received incentives for **6,413** tariff-approved therm-savings measures.

This achievement meets **140%** the annual goal of **322,500** and comprises:

- **191,837** therms saved from its Commercial Program
- **143,127** from its Residential
- **101,982** from Energy Savers Kits, and
- **13,959** through partnership with the Weatherization Assistance Program.

Total therm savings from all programs can be translated into a benefit of **5.2** million pounds of mitigated CO₂ for calendar year 2008. This figure is based on the Company's latest 2008 Integrated Resources Plan and the EIA 2007 International Outlook, which recognizes the conversion of natural gas emissions to CO₂ as approximately **11.6** pounds per therm.

Table A

<i>Totals</i>	Residential	Energy Kits	Commercial	Low Income	Total
Therms Achieved	143,127	101,982	191,837	13,959	450,905
Measures Performed/Installed	2,648	3,586	117	123	6,413
Customers Served	2,283	3,586	44	43	5,956
Carbon Offset (CO2 avoided)	1,660,273 lbs	1,182,991 lbs	2,225,309 lbs	161,924 lbs	5,231,564

As Table A indicates, the program has achieved a savings of **348,920** therms, or **26,420** above the 2008 target, even without the inclusion of an additional **101,982** therms derived from residentially targeted Energy Savers Kits.

It is important to note that therms saved from venues outside the Residential Program helped mitigate a significant loss of potential resulting from the economic downturn in the new construction market. This was based on a prior assumption that approximately **99,380** therms would be achieved through new construction measures, as documented in CNGC Bench Request #5. It is uncertain whether or not the success experienced in 2008 will be easily replicated if economic conditions continue to decline. In the event of a slowed economy we can expect both residential and commercial customers find themselves reticent to make costly investments in building/home improvements. Cascade is aware of such conditions and will continue to balance its conservation portfolio with larger, high yield custom commercial projects balanced with a series of smaller but highly effective prescribed measures found in both its residential and commercial programs. The Company will strive to increase customer awareness of conservation tax incentives and other opportunities to afford CNGC tariff-prescribed energy efficiency improvements in their homes. We will also consider expanding Program offerings and rebate amounts commiserate with those of neighboring utilities.

Summary of Costs

The Cascade Natural Gas Conservation Incentive Program paid a total of **\$916,496** in incentives for conservation measures and activities outlined in its Residential, Commercial, and Low Income tariffs. Programmatic costs totaled **\$1,465,991**.

Table B

<i>Total Costs</i>	Residential	Commercial	Low Income
Incentives Paid	\$603,481	\$217,671	\$95,344
Programmatic Costs	\$1,465,991		

Residential Participation

In calendar year 2008, the Residential Conservation Program achieved a total savings of **143,127** therms through incentives for **2,648** tariff-qualified measures. **2,283** residential customers were served through these efforts.

117,310 therms were achieved through qualified retrofit measure performed in existing construction, with only **25,817** therms reduced through Energy Star and other New Homes measures. Cascade's residential contractors had hinged much of their 2008 therm savings efforts

on the assumption that new construction would continue to flourish. A slowed housing market and lower than expected participation in new home conservation resulted in the need for alternative avenues for therm savings. It is likely that Cascade will continue to experience significantly reduced therm savings potential in this market until the economy improves.

A full breakdown of therm savings by all Residential measures can be found in Tables C and D below:

Table C

<i>Residential Measures Installed (existing construction)</i>	Number	Therms Saved Per Measure	Total Therm Savings
Gas Furnace & PTCS Duct Sealing – Z1	3	173	519
Gas Furnace & PTCS Duct Sealing – Z2	2	160	320
Gas Furnace in Existing Structure – Z1	453	81	36,693
Gas Furnace in Existing Structure – Z2	81	75	6,075
Gas Furnace in Existing Structure – Z3	118	99	11,682
Tankless Water Heater Replacement – Z1	197	43	8,471
Tankless Water Heater Replacement – Z2	32	43	1,376
Tankless Water Heater Replacement – Z3	21	43	903
Energy Star Clothes Washer – Z1	345	6	2,070
Energy Star Clothes Washer – Z2	65	6	390
Energy Star Clothes Washer – Z3	97	6	582
New High Efficiency Gas Hearth – Z1	1	80	80
New High Efficiency Gas Hearth – Z3	1	80	80
Wall Insulation – Z1	73	.067/sq ft	3827
Wall Insulation – Z2	16	.065/sq ft	802
Wall Insulation – Z3	37	.076/sq ft	2,349
Ceiling Insulation – Z1	165	.057/sq ft	10,634
Ceiling Insulation – Z2	32	.055/sq ft	2,177
Ceiling Insulation – Z3	87	.066/sq ft	7,358
Floor Insulation – Z1	220	.057/sq ft	13,517
Floor Insulation – Z2	39	.055/sq ft	2,104
Floor Insulation – Z3	69	.065/sq ft	4,170
High Efficiency Water Heater – Z1	50	13	650
High Efficiency Water Heater – Z2	14	13	182
High Efficiency Water Heater – Z3	23	13	299
GRAND TOTAL	2,241		117,310

Table D

<i>Residential Measures Installed (new construction)</i>	Number	Therms Saved Per Measure	Total Therm Savings
Energy Star Home – Z1	141	95	13,395
Energy Star Home – Z2	30	102	3,060
Energy Star Home – Z3	8	126	1,008
Energy Star Plus Home – Z1	1	221	221
Energy Star Plus Home – Z2	14	235	3,290
Premium Gas Furnace Upgrade – Z1	1	124	124
Premium Gas Furnace Stand Alone –Z2	2	118	236
Premium Gas Furnace Upgrade – Z3	1	142	142
Gas Furnace & PTCS Duct Sealing – Z3	2	210	420
Tankless Water Heater Replacement – Z1	5	43	215
Tankless Water Heater Replacement – Z2	19	43	817
Tankless Water Heater Replacement – Z3	1	43	43
Upgrade to Tankless Water Heater – Z2	15	43	645
Upgrade to Tankless Water Heater – Z3	1	43	43
High Efficiency Water Heater – Z1	41	13	533
High Efficiency Water Heater – Z2	125	13	1,625
GRAND TOTAL	407		25,817

Energy Savers Kits

In addition to the Residential therm savings listed above, customers saved an extra **101,982** through home Energy Savers Kits.

- Energy Saver Kit #1 was designed for homes with one bathroom and contained (1) 2.0gpm showerhead, (1) bathroom faucet aerator, and (1) kitchen faucet aerator.
- Energy Saver Kit #2 contained (2) 2.0gpm showerheads, (2) bathroom faucet aerators and (1) kitchen aerator and was meant for two bathroom homes.

Each kit also included a list of energy savings tips and “coupons” encouraging participation in our Residential rebate program.

The total number of kits distributed and therms saved can be found in the table below:

Table E

<i>Residential Measures Installed (energy saving kits)</i>	Number	Therms Saved Per Measure	Total Therm Savings
Energy Saver Kit #1	656	17	11,152
Energy Saver Kit #2	2930	31	90,830
GRAND TOTAL	3,586		101,982

Commercial Participation

In 2008, 44 commercial customers saved a total of 191,837 therms. This savings was achieved though incentives for 117 qualified measures (89 standard, 28 custom). Custom projects yielded approximately 77% of this achievement with an average of 5,312 therms saved per project. Standard projects provided approximately 22% of all Commercial savings with 484 therms saved on average.

Table F

<i>Commercial Measures Installed (prescribed)*</i>	Number	Therm Savings Per Measure	Total Therm Savings
Warm-Air Furnace <225 kBtu/h	31	1.10 /kBtu/hr	3,433
Radiant Heating	7	4.33 1.10/kBtu/hr	3,679
Attic Insulation	3	.18/sq ft	987
Roof Insulation	6	.24/sq ft	16,471
Wall Insulation	5	.16/sq ft	2,828
Domestic Hot Water Tanks	3	16.40/gpm	473
Domestic Tankless/Instantaneous Water Heaters	15	21.70/gpm	2,761
Boiler	6	.88/kBtu/hr	6,556
Gas Convection Oven	10	564/oven	5,640
Clothes Washer	3	90/washer	270
Total	89		43,098
Plus Custom Measures	28		148,739
GRAND TOTAL	117		191,837

* Therm savings calculated in the above chart are a result of calculation from the Company's Stellar Study and are reconciled as an average savings between Cascade's three climate zones.

Low Income Participation

Working in partnership with local Weatherization Assistance Program (WAP) agencies within Cascade's service territory, the Company achieved a savings of **13,959** therms or **834** therms above our target goal. The program served **43** low-income customers within CNGC's service territory by funding agencies for **123** critical tariff-prescribed conservation measures.

It is important to note that all therm savings achieved within the Washington Weatherization Assistance Program are calculated as a result of the state-mandated TREAT audit. Full details on incentives by type, and total savings can be found below:

Table G

<i>Low Income Measures Installed</i>	Number	Total Therm Savings
Attic/Ceiling Insulation	26	6,757
Floor Insulation	24	2,969
Wall Insulation	19	3,711
Duct Insulation	21	2,598
Air Infiltration Reduction	33	1,929

2008 CAP Deferrals

The deferral for the 15 month period beginning October 1, 2007 and ending December 31, 2008 was a negative balance of **\$(401,328.82)**. Since the balance represents a reduction for customers, the balance is not subject to the earnings test. The balance, along with interest, will be passed back to ratepayers with the 2009 PGA which will be filed in the fall.

Please refer to Appendix A for a full listing of the CAP deferral calculations by month for the above-listed period.

Appendix A

Cascade Natural Gas Corporation
CONSERVATION ALLIANCE PLAN USING CASCADE HDD COEFFICIENTS WITH NO ANNUAL CAP UPDATE
 DEFERRED ACCOUNTING DETAILS - TWELVE MONTHS ENDED SEPTEMBER 30, 2008

DESCRIPTION	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Rate Schedule 503															
Bellingham (5, 17)															
Customers	72,417	72,842	73,154	73,392	73,539	73,651	73,683	73,670	73,591	73,515	73,521	73,636	74,003	74,275	74,539
Actual DD	485	700	816	863	690	726	600	367	295	134	126	251	522	565	980
Normal DD	465.2	619.8	826.5	756.3	660.8	600.8	458.8	332.3	187	93.9	83.6	210.8	465.2	619.8	826.5
Difference	(20)	(80)	11	(107)	(29)	(141)	(125)	(35)	(108)	(40)	(42)	(40)	(57)	55	(154)
Coefficient for Therms per DD	0.113697037	0.149686507	0.128623937	0.147704545	0.111345229	0.116988104	0.112955738	0.081583995	0.080390205	0.106264819	0.120641285	0.066645888	0.113697037	0.149686507	0.128623937
Weather Normalization Adjustment	(163,025)	(874,458)	98,798	(1,156,663)	(239,096)	(1,078,760)	(1,175,196)	(208,557)	(638,928)	(313,264)	(376,074)	(197,283)	(477,911)	609,264	(1,471,681)
Bremerton (8,9,11)															
Customers	34,718	34,973	35,024	35,268	35,325	35,383	35,441	35,431	35,381	35,339	35,321	35,304	35,502	35,650	35,805
Actual DD	367	536	667	717	545	613	531	347	332	214	151	205	426	490	805
Normal DD	376	546	696	657	580	544	448	359	240	145	128	172	376	546	696
Difference	9	10	29	(61)	35	(69)	(83)	12	(92)	(70)	(23)	(33)	(51)	56	(109)
Coefficient for Therms per DD	0.13206882	0.16862210	0.15008744	0.17041032	0.13049815	0.12800145	0.11503504	0.08321587	0.07692015	0.07524770	0.08135046	0.08027097	0.13206882	0.16862210	0.15008744
Weather Normalization Adjustment	38,974	58,972	151,918	(363,607)	162,728	(310,695)	(339,203)	35,086	(251,468)	(184,813)	(66,950)	(94,368)	(236,780)	336,637	(586,290)
Walla Walla (23, 26)															
Customers	26,656	26,988	27,188	27,336	27,445	27,503	27,528	27,502	27,490	27,580	27,684	27,782	27,989	28,246	28,436
Actual DD	384	691	821	910	657	646	490	164	88	-	9	60	387	616	1,075
Normal DD	331	680	1,000	908	740	528	345	191	54	9	7	84	331	680	1,000
Difference	(53)	(11)	179	(2)	83	(118)	(145)	27	(34)	9	(3)	24	(56)	64	(75)
Coefficient for Therms per DD	0.07546702	0.11088408	0.10314337	0.12255870	0.10155735	0.11001748	0.08343056	0.05813598	0.04970585	0.23360963	0.29106957	0.08631544	0.07546702	0.11088408	0.10314337
Weather Normalization Adjustment	(107,020)	(33,816)	502,524	(5,695)	232,177	(357,348)	(332,788)	42,370	(46,868)	56,698	(20,145)	56,593	(118,708)	199,510	(219,387)
Yakima (20, 29, 32)															
Customers	26,316	26,970	27,316	27,427	27,463	27,341	27,182	26,927	26,613	26,447	26,412	26,384	26,718	27,229	27,550
Actual DD	548	827	1,048	1,166	751	764	628	198	123	8	36	124	493	732	1,265
Normal DD	509	826	1,113	1,008	801	655	466	274	102	29	27	152	509	826	1,113
Difference	(39)	(2)	65	(158)	50	(109)	(162)	76	(21)	21	(9)	28	16	94	(153)
Coefficient for Therms per DD	0.06102028	0.10036499	0.10245797	0.11783826	0.09759677	0.09643744	0.07871321	0.05725488	0.05337709	0.16968164	0.13733187	0.04830242	0.06102028	0.10036499	0.10245797
Weather Normalization Adjustment	(62,787)	(4,060)	180,519	(510,648)	134,015	(287,400)	(347,254)	117,478	(29,263)	95,136	(33,370)	35,301	25,922	255,520	(430,464)
Total Washington															
Customers	160,107	161,773	162,682	163,423	163,772	163,878	163,834	163,530	163,075	162,881	162,938	163,106	164,212	165,400	166,330
Baseline Commodity Margin/Customer	\$ 11.82	\$ 22.70	\$ 32.66	\$ 32.14	\$ 17.82	\$ 18.33	\$ 16.10	\$ 7.05	\$ 6.44	\$ 4.65	\$ 4.69	\$ 5.30	\$ 11.82	\$ 22.70	\$ 32.66
Expected Commodity Margin	\$ 1,892,464.74	\$ 3,672,247.10	\$ 5,313,194.12	\$ 5,252,415.22	\$ 2,918,417.04	\$ 3,003,883.74	\$ 2,637,727.40	\$ 1,152,886.50	\$ 1,050,203.00	\$ 757,396.65	\$ 764,179.22	\$ 864,461.80	\$ 1,940,985.84	\$ 3,754,580.00	\$ 5,432,337.80
Actual Therms	8,506,217	15,579,216	18,028,012	20,015,551	14,879,427	14,301,792	10,073,712	5,256,951	4,298,355	2,886,982	2,956,920	3,595,986	7,896,781	11,868,052	21,810,811
Actual Commodity Margin	\$ 2,232,711.84	\$ 4,089,232.62	\$ 4,731,992.59	\$ 5,253,681.83	\$ 3,905,552.00	\$ 3,753,934.36	\$ 2,644,147.93	\$ 1,379,844.50	\$ 1,128,232.22	\$ 757,775.04	\$ 776,132.36	\$ 943,874.41	\$ 2,072,747.08	\$ 3,115,126.29	\$ 5,724,901.67
Weather Normalization Adjustment	(293,858)	(853,362)	933,758	(2,036,614)	289,824	(2,034,202)	(2,194,441)	(13,624)	(966,526)	(346,242)	(496,539)	(199,757)	(807,476)	1,400,932	(2,707,823)
Weather Normalized Therms	8,212,359	14,725,854	18,961,770	17,978,937	15,169,251	12,267,590	7,879,271	5,243,327	3,331,829	2,540,740	2,460,381	3,396,229	7,089,305	13,268,984	19,102,988
Weather Normalized Commodity Margin	\$ 2,155,579.93	\$ 3,865,242.26	\$ 4,977,085.49	\$ 4,719,111.42	\$ 3,981,624.98	\$ 3,219,996.95	\$ 2,068,150.93	\$ 1,376,268.59	\$ 874,538.47	\$ 666,893.44	\$ 645,800.83	\$ 891,442.18	\$ 1,860,800.69	\$ 3,482,843.04	\$ 5,014,152.24
Margin Change Due to Weather Normalization	\$ (77,131.91)	\$ (223,990.36)	\$ 245,092.90	\$ (534,570.41)	\$ 76,072.98	\$ (533,937.42)	\$ (575,996.99)	\$ (3,575.91)	\$ (253,693.75)	\$ (90,881.59)	\$ (130,331.53)	\$ (52,432.22)	\$ (211,946.38)	\$ 367,716.75	\$ (710,749.43)
T Accounts:															
Do Not Book Weather related Margin loss															
Do Not Book Weather related Margin loss															
Conservation Difference-Res	\$ (263,115.19)	\$ (192,995.16)	\$ 336,108.63	\$ 533,303.80	\$ (1,063,207.94)	\$ (216,113.21)	\$ 569,576.47	\$ (223,382.09)	\$ 175,664.53	\$ 90,503.21	\$ 118,378.39	\$ (26,980.38)	\$ 80,185.15	\$ 271,736.96	\$ 418,185.56
T Accounts:															
FERC 4800 - Residential Revenue	\$ 263,115.19	\$ 192,995.16	\$ (336,108.63)	\$ (533,303.80)	\$ 1,063,207.94	\$ 216,113.21	\$ (569,576.47)	\$ 223,382.09	\$ (175,664.53)	\$ (90,503.21)	\$ (118,378.39)	\$ 26,980.38	\$ (80,185.15)	\$ (271,736.96)	\$ (418,185.56)
FERC 1860	\$ (263,115.19)	\$ (192,995.16)	\$ 336,108.63	\$ 533,303.80	\$ (1,063,207.94)	\$ (216,113.21)	\$ 569,576.47	\$ (223,382.09)	\$ 175,664.53	\$ 90,503.21	\$ 118,378.39	\$ (26,980.38)	\$ 80,185.15	\$ 271,736.96	\$ 418,185.56

Cascade Natural Gas Corporation
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 DEFERRED ACCOUNTING DETAILS - TWELVE MONTHS ENDED SEPTEMBER 30, 2008

DESCRIPTION	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Rate Schedule 504															
Bellingham (5, 17)															
Customers	8,691	8,746	8,827	8,900	8,973	8,973	8,948	8,934	8,919	8,909	8,895	8,899	8,936	9,023	9,096
Actual DD	485	700	816	863	690	726	600	367	295	134	126	251	522	565	980
Normal DD	465	620	827	756	661	601	459	332	187	94	84	211	465	620	827
Difference	(20)	(80)	11	(107)	(29)	(125)	(141)	(35)	(108)	(40)	(42)	(40)	(57)	55	(154)
Coefficient for Therms per DD	0.382270149	0.478060942	0.446440959	0.518738513	0.40030118	0.398774115	0.365201477	0.266083778	0.294629715	0.418610051	0.568003092	0.267060364	0.382270149	0.478060942	0.446440959
Weather Normalization Adjustment	(65,782)	(335,326)	41,378	(492,610)	(104,884)	(447,991)	(461,417)	(82,489)	(283,803)	(149,549)	(214,221)	(95,538)	(194,027)	236,382	(623,337)
Bremerton (8,9,11)															
Customers	4,540	4,568	4,596	4,602	4,611	4,604	4,615	4,611	4,590	4,580	4,583	4,592	4,619	4,651	4,683
Actual DD	367	536	667	717	545	613	531	347	332	214	151	205	426	490	805
Normal DD	376	546	696	657	580	544	448	359	240	145	128	172	376	546	696
Difference	9	10	29	(61)	35	(69)	(83)	12	(92)	(70)	(23)	(33)	(51)	56	(109)
Coefficient for Therms per DD	0.52539202	0.63564312	0.59727797	0.68631889	0.51697762	0.46275795	0.40087850	0.28143112	0.31018069	0.28799331	0.39442053	0.37326253	0.52539202	0.63564312	0.59727797
Weather Normalization Adjustment	20,275	29,036	79,333	(191,086)	84,148	(146,155)	(153,925)	15,442	(131,553)	(91,671)	(42,118)	(57,077)	(122,553)	165,557	(305,158)
Walla Walla (23, 26)															
Customers	3,874	3,914	3,957	3,976	4,001	3,991	3,976	3,962	3,961	3,947	3,965	3,975	3,994	4,038	4,093
Actual DD	384	691	821	910	657	646	490	164	88	-	9	60	387	616	1,075
Normal DD	331	680	1,000	908	740	528	345	191	54	9	7	84	331	680	1,000
Difference	(53)	(11)	179	(2)	83	(118)	(145)	27	(34)	9	(3)	24	(56)	64	(75)
Coefficient for Therms per DD	0.39900467	0.51133810	0.50951419	0.61512845	0.52681898	0.49955879	0.35222098	0.19470840	0.24305085	0.73051163	3.01703063	0.68106546	0.39900467	0.51133810	0.50951419
Weather Normalization Adjustment	(82,234)	(22,616)	361,294	(4,158)	175,580	(235,461)	(202,922)	20,443	(33,021)	25,373	(29,906)	63,891	(89,562)	131,527	(155,991)
Yakima (20, 29, 32)															
Customers	5,753	5,811	5,878	5,895	5,924	5,904	5,875	5,830	5,806	5,787	5,768	5,768	5,792	5,867	5,944
Actual DD	548	827	1,048	1,166	751	764	628	198	123	8	36	124	493	732	1,265
Normal DD	509	826	1,113	1,008	801	655	466	274	102	29	27	152	509	826	1,113
Difference	(39)	(2)	65	(158)	50	(109)	(162)	76	(21)	21	(9)	28	16	94	(153)
Coefficient for Therms per DD	0.33274597	0.43026399	0.49268093	0.56443634	0.48094678	0.44511808	0.33032019	0.22754347	0.33906771	1.37487829	1.17475569	0.42479709	0.33274597	0.43026399	0.49268093
Weather Normalization Adjustment	(74,849)	(3,750)	186,791	(525,722)	142,456	(286,450)	(314,964)	101,085	(40,554)	168,676	(62,339)	67,871	30,644	236,028	(446,596)
Total Washington															
Customers	22,858	23,039	23,258	23,373	23,509	23,472	23,414	23,337	23,276	23,223	23,211	23,234	23,341	23,579	23,816
Baseline Commodity Margin/Customer	\$ 50.36	\$ 86.30	\$ 135.71	\$ 131.95	\$ 84.72	\$ 74.05	\$ 62.45	\$ 34.28	\$ 33.74	\$ 28.73	\$ 30.41	\$ 33.30	\$ 50.36	\$ 86.30	\$ 135.71
Expected Commodity Margin	\$ 1,151,128.88	\$ 1,988,265.70	\$ 3,156,343.18	\$ 3,084,067.35	\$ 1,991,682.48	\$ 1,738,101.60	\$ 1,462,204.30	\$ 799,992.36	\$ 785,332.24	\$ 667,196.79	\$ 705,846.51	\$ 773,692.20	\$ 1,175,452.76	\$ 2,034,867.70	\$ 3,232,069.36
Actual Therms	6,372,450	10,302,474	12,154,663	13,691,161	10,996,407	9,735,639	6,578,637	3,697,127	3,402,745	3,073,229	2,938,876	3,461,944	6,171,505	7,804,511	15,754,106
Actual Commodity Margin	\$ 1,477,070.19	\$ 2,388,010.45	\$ 2,817,329.34	\$ 3,173,474.21	\$ 2,548,857.18	\$ 2,256,623.76	\$ 1,524,862.27	\$ 856,957.07	\$ 788,722.26	\$ 712,343.75	\$ 681,202.07	\$ 802,444.00	\$ 1,430,493.14	\$ 1,809,007.60	\$ 3,651,644.23
Weather Normalization Adjustment	(202,589)	(332,656)	668,795	(1,213,575)	297,300	(1,116,056)	(1,133,228)	54,482	(488,930)	(47,171)	(348,584)	(20,853)	(375,498)	769,494	(1,531,082)
Weather Normalized Therms	6,169,861	9,969,818	12,823,458	12,477,586	11,293,707	8,619,583	5,445,409	3,751,609	2,913,815	3,026,058	2,590,292	3,441,091	5,796,007	8,574,005	14,223,024
Weather Normalized Commodity Margin	\$ 1,430,112.06	\$ 2,310,904.19	\$ 2,972,349.35	\$ 2,892,179.73	\$ 2,617,768.44	\$ 1,997,933.23	\$ 1,262,191.37	\$ 869,585.47	\$ 675,393.08	\$ 701,410.09	\$ 600,403.68	\$ 797,610.50	\$ 1,343,456.52	\$ 1,987,368.51	\$ 3,296,754.74
Margin Change Due to Weather Normalization	\$ (46,958.12)	\$ (77,106.26)	\$ 155,020.01	\$ (281,294.47)	\$ 68,911.26	\$ (258,690.54)	\$ (262,670.90)	\$ 12,628.40	\$ (113,329.18)	\$ (10,933.66)	\$ (80,798.38)	\$ (4,833.50)	\$ (87,036.62)	\$ 178,360.90	\$ (354,889.49)
T Accounts:															
Do Not Book Weather related Margin loss															
Do Not Book Weather related Margin loss															
Conservation Difference-Res	\$ (278,983.18)	\$ (322,638.49)	\$ 183,993.83	\$ 191,887.62	\$ (626,085.96)	\$ (259,831.63)	\$ 200,012.93	\$ (69,593.11)	\$ 109,939.16	\$ (34,213.30)	\$ 105,442.83	\$ (23,918.30)	\$ (168,003.76)	\$ 47,499.19	\$ (64,685.38)
T Accounts:															
FERC 4810 - Commercial Revenue	\$ 278,983.18	\$ 322,638.49	\$ (183,993.83)	\$ (191,887.62)	\$ 626,085.96	\$ 259,831.63	\$ (200,012.93)	\$ 69,593.11	\$ (109,939.16)	\$ 34,213.30	\$ (105,442.83)	\$ 23,918.30	\$ 168,003.76	\$ (47,499.19)	\$ 64,685.38
FERC 1860	\$ (278,983.18)	\$ (322,638.49)	\$ 183,993.83	\$ 191,887.62	\$ (626,085.96)	\$ (259,831.63)	\$ 200,012.93	\$ (69,593.11)	\$ 109,939.16	\$ (34,213.30)	\$ 105,442.83	\$ (23,918.30)	\$ (168,003.76)	\$ 47,499.19	\$ (64,685.38)

Cascade Natural Gas Corporation
CONSERVATION ALLIANCE PLAN USING CASCADE HDD COEFFICIENTS WITH NO ANNUAL CAP UPDATE
 DEFERRED ACCOUNTING DETAILS - TWELVE MONTHS ENDED SEPTEMBER 30, 2008

DESCRIPTION	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Monthly Deferral CONSERVATION VARIANCE MONTHLY DEFERRAL	\$ (542,098.37)	\$ (515,633.65)	\$ 520,102.46	\$ 725,191.42	\$ (1,689,293.90)	\$ (475,944.83)	\$ 769,589.40	\$ (292,975.20)	\$ 285,603.68	\$ 56,289.91	\$ 223,821.22	\$ (50,898.68)	\$ (87,818.61)	\$ 319,236.16	\$ 353,500.18
Cumulative Deferred Balance	\$ (542,098.37)	\$ (1,057,732.02)	\$ (537,629.56)	\$ 187,561.86	\$ (1,501,732.04)	\$ (1,977,676.87)	\$ (1,208,087.47)	\$ (1,501,062.67)	\$ (1,215,458.99)	\$ (1,159,169.08)	\$ (935,347.86)	\$ (986,246.54)	\$ (1,074,065.16)	\$ (754,829.00)	\$ (401,328.82)

State: Washington
 Description: Washington CAP Conservation Variance Deferral
 Account number: 47WA.1862.20447 / 18604301-RA47
 Class of customers: Core
 Deferral period: 10/01/07 - 12/31/08
 Amortization period: N/A

Narrative: To record deferrals for WA CAP Conservation Program

Debit (Credit)

Month/Year	Rate	Therms	Deferral	Amortization	Interest	Adjustment	Deferred Balance
Oct-07			\$ (542,098.37)				(542,098.37)
Nov-07			\$ (515,633.65)		(2,217.33)		(1,059,949.35)
Dec-07			\$ 520,102.46		(7,287.15)		(547,134.04)
Jan-08			\$ 725,191.42		(3,656.07)		174,401.31
Feb-08			\$ (1,689,293.90)		1,090.20		(1,513,802.39)
Mar-08			\$ (475,944.83)		(10,115.56)		(1,999,862.78)
Apr-08			\$ 769,589.40		(11,282.56)		(1,241,555.94)
May-08			\$ (292,975.20)		(7,237.93)		(1,541,769.07)
Jun-08			\$ 285,603.68		(8,698.15)		(1,264,863.54)
Jul-08			\$ 56,289.91		(5,772.70)		(1,214,346.33)
Aug-08			\$ 223,821.22		(5,542.14)		(996,067.25)
Sep-08			\$ (50,898.68)		(4,399.30)		(1,051,365.23)
Oct-08			\$ (87,818.61)		(4,526.71)		(1,143,710.56)
Nov-08			\$ 319,236.16		(4,765.46)		(829,239.86)
Dec-08			\$ 353,500.18		(3,570.34)		(479,310.02)