

e-FILING REPORT COVER SHEET

REPORT NAME: Spring Earnings Review and Statement of Operations and Rate of Return

COMPANY NAME: Cascade Natural Gas Corporation

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water)
 RO (Other)

Report is required by: OAR 860-022-0070
 Statute
 Order 98-543/04-203
 Other

Is this report associated with a specific docket/case? No Yes
If Yes, enter docket number:

Key words: Annual Results of Operations Reports

If known, please select the PUC Section to which the report should be directed:

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- Economic and Policy Analysis
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- Electric Rates and Planning
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April 30, 2012

Oregon Public Utility Commission
550 Capitol Street NE
Salem, OR 97310-1380

ATTN: Ms. Vikie Malkasian

Subject: Spring Earnings Review and Statement of Operations and Rate of
Return - Twelve Months Ended December 31, 2011

Dear Ms. Malkasian:

Enclosed is Cascade Natural Gas Corporation's Spring Earnings Review and Statement of Operations and Rate of Return Report for the Twelve Months Ended December 31, 2011 for the State of Oregon.

The Spring Earnings Review has been prepared pursuant to the Earnings Sharing Stipulation approved in OPUC Order No. 98-543, as amended in Order No. 04-203 and in accordance with OAR 860-022-0070. A list of Type I adjustments that should be included in the earnings review was attached to Order No. 99-272 as Appendix B. Based upon that list, this report contains normalizing adjustments (Type I Adjustments) to normalize Cascade's earnings. The resulting normalized earnings are compared to the Earnings Threshold for the reporting period. For Cascade, the normalized earnings result in an implied return on equity of 12.77%, which is above the current earnings threshold of 10.92%.

Additionally, the remaining portion of the report shows that Cascade's implied return on equity would be 11.87% after "Type II" or annualizing adjustments.

If there are any questions regarding these documents or the filing in general, please contact me at (509) 734-4593.

Sincerely,

Michael Parvinen
Manager
Regulatory Affairs

attachments

We make warm neighbors

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2011

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2011
Description of Adjustments

Type I Adjustments

(a) CAP Deferral Adjustment

Removes out of period Oregon CAP deferrals accrued during Calendar Year 2011

(b) Removal of Promotional Advertising Expense

Removes all promotional advertising for the test period

(c) Removal of 25% of Membership Fees

Removes 25% of Membership Fees paid in the test period

(d) Normalize Uncollectible Expense

Restates uncollectible expense to the 3 year average of actual net write offs

(e) Incentive Compensation Adjustment

Adjusts test period expense for Officer incentive compensation

(f) Interest Coordination Adjustment

Adjusts interest expense to the level associated with the current weighted average cost of debt

(g) UM 1283 A&G Expense Adjustment

Adjusts administrative & general expense to the lower of the benchmark for A&G expenses as detailed in UM 1283 (Commitment 10) or Cascade's adjusted actual A&G expenses. No adjustment was necessary in 2011 since Cascade's adjusted A&G expenses were below the benchmark.

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2011
Description of Adjustments

Type II Adjustments

(a) Annualized Wage Rate

Adjusts the reporting period operating expenses to reflect the effects of the general wage increase as if it had been in effect for the entire period.

(b) PGA Commodity Sharing Adjustment

Adjusts test period revenue to add the revenues associated with the sharing of commodity costs through the PGA mechanism.

(c) Removal of Retiree Medical Credits

Adjusts administrative & general expense to remove the credits Cascade received during 2011 for the retiree medical plan.

Cascade Natural Gas Corporation

Earnings Deferral

State of Oregon

12 months ended December 31, 2011

Adjusted overall rate of return	9.95%
Less return required for:	
Long term debt	-3.44%
Preferred stock	0.00%
	<hr/>
Return available for common	6.51%
Capitalization ratio for common	50.98%
	<hr/>
Implied ROE (common return / ratio)	12.77%
Threshold per OPUC order	10.92%
	<hr/>
Return on Equity in excess of threshold	1.85%
Capitalization ratio for common	50.98%
	<hr/>
Overall Return in excess of threshold	0.94%
Average rate base	\$ 66,526,347
	<hr/>
Excess earnings	\$ 625,348
Net to Gross Conversion Factor	0.58939
Pre-Tax over the threshold Earnings	\$ 1,061,014
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 11	\$ 350,135
	<hr/>

Cascade Natural Gas Corporation

**ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/11**

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/11 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/11 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/11 (f)
OPERATING REVENUES						
1	Natural Gas Sales	\$ 76,397,481	\$ (1,215,642)	\$ 75,181,839	\$ 0	\$ 75,181,839
2	Gas Transportation Revenue	3,913,606	0	3,913,606	0	3,913,606
3	Other Operating Revenues	295,223	0	295,223	(116,186)	179,037
4	SUBTOTAL	\$ 80,606,310	\$ (1,215,642)	\$ 79,390,668	\$ (116,186)	\$ 79,274,482
5	LESS: Nat. Gas/Production Costs	49,656,631	0	49,656,631	0	49,656,631
6	Revenue Taxes	3,366,737	0	3,366,737	0	3,366,737
7	OPERATING MARGIN	\$ 27,582,942	\$ (1,215,642)	\$ 26,367,300	\$ (116,186)	\$ 26,251,114
OPERATING EXPENSES						
8	Production	22,289	0	\$ 22,289	0	22,289
9	Distribution	\$ 3,895,519	0	3,895,519	\$ 0	\$ 3,895,519
10	Customer Accounts	1,325,859	481,904	1,807,763	0	1,807,763
11	Customer Service	594,887	0	594,887	0	594,887
12	Sales	3,400	(3,400)	0	0	0%
13	Administrative & General	5,516,086	(54,202)	5,461,884	400,646	5,862,530
14	Depreciation & Amortization	4,429,745	0	4,429,745	0	4,429,745
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	1,719,149	(35,476)	1,683,673	(3,391)	1,680,282
17	State & Federal Income Taxes	2,347,235	(496,942)	1,850,293	(205,069)	1,645,224
18	TOTAL OPERATING EXPENSES	\$ 19,854,169	\$ (108,116)	\$ 19,746,053	\$ 192,186	\$ 19,938,239
19	NET OPERATING INCOME	\$ 7,728,773	\$ (1,107,525)	\$ 6,621,248	\$ (308,373)	\$ 6,312,875
RATE BASE						
20	Total Plant in Service	\$ 157,699,754	\$ 0	\$ 157,699,754	\$ 0	\$ 157,699,754
21	Total Accumulated Depreciation	(73,072,307)	0	(73,072,307)	0	(73,072,307)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(1,303,469)	0	(1,303,469)	0	(1,303,469)
24	Deferred Accumulated Income Taxes	(18,756,043)	0	(18,756,043)	0	(18,756,043)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	1,958,412	0	1,958,412	0	1,958,412
27	TOTAL RATE BASE	\$ 66,526,347	\$ 0	\$ 66,526,347	\$ 0	\$ 66,526,347
28	RATE OF RETURN	11.62%		9.95%		9.49%
IMPLIED RETURN ON EQUITY						
29	LESS: Return Required for Long Term Debt	3.44%		3.44%		3.44%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	8.18%		6.51%		6.05%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 50.98%)	16.05%		12.77%		11.87%

Cascade Natural Gas Corporation

**ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/11**

State of Oregon

Line No.	Description	CAP Deferral Adjustment (a)	Promotional Advertising Adjustment (b)	Removal of 25% Membership Fees (c)	Normalize Uncollectible Expense (d)	Officer's Incentive Comp. Adjustment (e)	Interest Coordination Adjustment (f)	Total Type I Adjustments
	<u>OPERATING REVENUES</u>							
1	Natural Gas Sales	\$ (1,215,642)	0	0	0	0	0	\$ (1,215,642)
2	Gas Transportation Revenue	0	0	0	0	0	0	0
3	Other Operating Revenues	0	0	0	0	0	0	0
4	TOTAL OPERATING REVENUES	\$ (1,215,642)	0	0	0	0	0	\$ (1,215,642)
	<u>OPERATING EXPENSES</u>							
5	Natural Gas Purchased	\$						\$ 0
6	Manufactured Gas Production							0
7	Distribution							0
8	Customer Accounting				481,904		0	481,904
9	Customer Service							0
10	Sales		(3,400)					(3,400)
11	Administrative & General			(2,526)		(51,676)	0	(54,202)
12	Depreciation & Amortization							0
13	Regulatory Debits							0
14	Taxes Other Than Income	(35,476)	0	0	0	0	0	(35,476)
15	State & Federal Income Tax	(471,358)	1,358	1,009	(192,472)	20,639	143,882	(496,942)
16	TOTAL OPERATING EXPENSES	\$ (506,834)	(2,042)	(1,517)	289,432	(31,037)	143,882	\$ (108,116)
17	NET OPERATING INCOME	\$ (708,808)	2,042	1,517	(289,432)	31,037	(143,882)	\$ (1,107,525)
	<u>RATE BASE</u>							
18	Total Plant in Service	\$						\$ 0
19	Total Accumulated Depreciation							0
20	Customer Advances for Construct.							0
21	Contributions in Aid of Construct.							0
22	Deferred Income Taxes - ACRS							0
23	Deferred Income Taxes - Other							0
24	Deferred Debits-Oregon Water							0
25	Heater Program							0
26	Deferred Debits-Astoria Cleanup							0
27	Working Capital Allowance							0
28	TOTAL RATE BASE	\$						\$ 0

Cascade Natural Gas Corporation

**TYPE II ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/11**

State of Oregon

Line No.	Description	Annualizing Wage Rate Adjustment (a)	PGA Commodity Sharing Adjustment (b)	Removal of Retiree Medical Credits (c)	Total Type II Adjustments
	<u>OPERATING REVENUE</u>				
1	Natural Gas Sales	\$ 0	0	0	\$ 0
2	Gas Transportation Revenue	0	0	0	0
3	Other Operating Revenue	0	(116,186)	0	(116,186)
4	Total Operating Revenue	\$ 0	(116,186)	0	\$ (116,186)
	<u>OPERATING EXPENSES</u>				
5	Natural Gas Purchased	\$ 0	0	0	\$ 0
6	Manufactured Gas Production				0
7	Distribution				0
8	Customer Accounting	0	0	0	0
9	Customer Service				0
10	Sales				0
11	Administrative & General	53,127	0	347,519	400,646
12	Depreciation & Amortization				0
13	Regulatory Debits	0			0
14	Taxes Other Than Income		(3,391)	0	(3,391)
15	State & Federal Income Tax	(21,219)	(45,051)	(138,799)	(205,069)
16	Total Operating Expenses	\$ 31,908	(48,442)	208,720	\$ 192,186
17	NET OPERATING INCOME	\$ (31,908)	(67,744)	(208,720)	\$ (308,373)
	<u>RATE BASE</u>				
18	Total Plant in Service	\$			\$ 0
19	Total Accumulated Depreciation				0
20	Customer Advances for Construct.				0
21	Contributions Aiding Construct.				0
22	Deferred Income Taxes - ACRS				0
23	Deferred Income Taxes - Other				0
24	Deferred Debits-Oregon Water				0
25	Heater Program				0
26	Deferred Debits-Astoria Cleanup				0
27	Working Capital Allowance				0
28	TOTAL RATE BASE	\$ 0	0	0	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
CAP DEFERRAL ADJUSTMENT
State of Oregon

Adjustment to normalize revenues for out of period CAP deferrals (1,215,642)

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 9130 Advertising Expense

CY 2011	\$ 3,400
Removal	<u><u>\$ (3,400)</u></u>

Cascade Natural Gas Corporation
MEMBERSHIP & DUES EXPENSE ADJUSTMENT
State of Oregon

CY 2011 Membership Fees	\$ 10,105
Removal of 25% of Total	<u><u>\$ (2,526)</u></u>

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
 State of Oregon

<u>Net Write Offs</u>		
Calendar Year 2009		981,004
Calendar Year 2010		580,902
Calendar Year 2011		558,095
		2,120,001
	3 years of Net Write Offs: 2009 - 2011	2,120,001
Calendar Year 2009 Total Operating Revenue		95,995,264
Calendar Year 2010 Total Operating Revenue		77,799,851
Calendar Year 2011 Total Operating Revenue		80,606,310
		254,401,425
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/11		189,812
3 Year Average Net Write Off as a percentage of 2009-2011 Gross Revenues		0.833%
2011 Sales		80,606,310
	Proforma Expense	671,716
Adjustment to normalize Uncollectible Expenses		481,904

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY11 Officer Incentive Compensation	\$ 212,571
Oregon Allocation %	24.31%
Oregon Total	<u>\$ 51,676</u>
Removal	<u><u>\$ (51,676)</u></u>

Cascade Natural Gas Corporation
Interest Coordination Adjustment

1-11 to 12-11

OREGON:

	Avg of Avg	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	161,840,000	49.02%	7.02%	3.44%
Preferred Stock	0	0.00%		0.00%
Common Equity	168,306,814	50.98%	11.20%	5.71%
	<u>330,146,814</u>	<u>100.00%</u>		<u>9.15%</u>

Rate Base 12/31/2011	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
66,526,347	3.44%	2,288,506	2,648,751	(360,245)	0.37847	<u>136,342</u>

Cascade Natural Gas Corporation
UM 1283 A&G Expense Adjustment
 State of Oregon

2005 A&G Benchmark (per UM-1283)	\$	6,848,545
CPI Increase		16.24%
2011 A&G Benchmark	\$	<u>7,960,749</u>
Cascade Actual A&G Expense	\$	6,672,809
A&G Type 1 adjustments	\$	<u>(5,906)</u>
Cascade Adjusted A&G Expense	\$	<u>6,666,903</u>
Below Threshold (Yes/No)		YES
A&G Adjustment (if below threshold then no adjustment)	\$	-

TYPE I ADJUSTMENT WORKPAPERS

Cascade Natural Gas
CAP NORMALIZATION ADJUSTMENTS:

R/S ID#:	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	YTD-11
# of Custom	54,980	55,016	55,001	54,919	54,817	54,659	54,592	54,544	54,585	54,986	55,239	55,359	
Baseline Com	56.25	32.64	28.63	21.49	18.09	13.06	7.62	5.55	6.32	2.09	32.12	37.11	
Allowed Ma	3,095,625	1,795,722	1,574,679	1,180,209	991,640	713,847	415,991	302,719	344,977	114,931	1,774,277	2,054,972	14,355,979
Actual Thern	6,335,121	5,279,197	4,152,730	3,896,152	2,140,588	1,692,464	915,945	861,820	2,352,680	5,157,660	6,124,011		
Margin/Ther	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923
Actual Comr	2,212,414	1,843,654	1,450,258	1,339,699	747,558	591,059	395,394	319,875	300,973	821,626	1,793,766	2,129,135	13,845,412
CAP Adjustm	(880,211)	47,592	(124,431)	159,490	(844,082)	(122,787)	(120,597)	17,156	(44,009)	706,706	19,469	74,762	(510,566)
R/S 104:	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	YTD-11
# of Custom	9,409	9,415	9,393	9,383	9,356	9,317	9,296	9,275	9,266	9,340	9,398	9,433	
Baseline Com	116.05	85.93	63.77	62.37	35.21	22.31	21.58	24.23	27.95	48.95	86.02	112.83	
Allowed Ma	1,097,500	809,031	596,992	585,218	329,425	207,862	200,608	224,733	258,985	457,193	808,416	1,064,325	6,642,347
Actual Thern	4,315,659	3,535,695	2,855,115	2,490,639	1,517,089	1,317,324	839,576	859,183	821,227	1,770,183	3,071,241	4,285,498	
Margin/Ther	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940
Actual Comr	1,076,325	881,802	712,066	621,165	378,362	328,541	209,390	214,280	204,814	441,484	776,482	1,084,231	6,928,942
CAP Adjustm	(21,234)	72,771	113,074	35,948	48,937	120,678	8,783	(10,453)	(94,171)	(15,709)	(31,994)	19,906	286,595
GRAND TOT	(904,445)	120,703	(11,347)	(95,438)	(95,145)	(2,109)	(111,814)	6,703	(86,174)	690,996	(12,448)	94,668	(223,971)

AS ACTUALLY CALCULATED AND RECORDED:

Normalization of Baseline

R/S ID#:	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Baseline Commodity Marg	42.30	28.24	25.26	16.46	10.30	7.04	7.34	5.48	6.02	16.35	28.33	37.93
Baseline Commodity Marg	128.20	87.20	84.50	38.57	37.10	25.80	28.23	24.94	28.79	48.96	77.77	126.08
Baseline Commodity Marg	56.25	32.64	28.63	21.49	18.09	13.06	7.62	5.55	6.32	2.09	32.12	37.11
Baseline Commodity Marg	41.19	29.77	26.16	19.36	8.83	7.27	7.62	5.83	8.11	14.05	32.12	37.11
Normalized Baseline Com	41.96	29.24	26.70	16.17	10.64	6.93	7.34	5.61	7.11	15.73	30.86	37.38

R/S 104:

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Baseline Commodity Marg	127.54	88.92	74.39	47.56	34.87	26.37	27.56	23.31	28.19	45.60	75.18
Baseline Commodity Marg	128.20	87.20	84.50	38.57	37.10	25.80	28.23	24.94	28.79	48.96	77.77
Baseline Commodity Marg	116.65	85.93	63.77	62.37	35.21	22.31	21.58	24.23	27.95	48.95	86.02
Baseline Commodity Marg	115.50	87.38	75.26	55.54	29.45	26.95	18.37	26.72	32.20	45.75	86.02
Normalized Baseline Com	122.08	87.83	78.05	47.22	33.81	26.37	24.72	24.99	29.73	46.77	83.41

The Baseline Commodity Margins calculated for the period of July 2010-June 2011 appeared to be out of the norm of the 11

RECALCULATED USING NORMALIZED BASELINE COMMODITY MARGINS

R/S ID#:	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	YTD-11
# of Custom	54,980	55,016	55,001	54,919	54,817	54,659	54,592	54,544	54,585	54,986	55,239	55,359	
Baseline Com	41.96	29.24	26.70	16.17	10.64	6.93	7.34	5.61	7.11	15.73	30.86	37.38	
Allowed Ma	2,306,951	1,606,851	1,466,343	887,837	583,253	378,605	400,705	305,810	388,099	865,113			9,193,998
Actual Thern	6,335,121	5,279,197	4,152,730	3,896,152	2,140,588	1,692,464	915,945	861,820	2,352,680	5,157,660	6,124,011		
Margin/Ther	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923	0.34923
Actual Comr	2,212,414	1,843,654	1,450,258	1,339,699	747,558	591,059	395,394	319,875	300,973	821,626			9,922,512
CAP Adjustm	(94,546)	234,803	(16,085)	451,842	164,305	212,455	(105,311)	14,065	(87,126)	(43,487)			728,914
R/S 104:	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	YTD-11
# of Custom	9,409	9,415	9,393	9,383	9,356	9,317	9,296	9,275	9,266	9,340	9,398	9,433	
Baseline Com	122.08	87.83	78.05	47.22	33.81	26.37	24.72	24.99	29.73	46.77	83.41	109.72	
Allowed Ma	1,148,651	826,951	733,124	443,097	316,295	245,720	229,797	231,782	275,447	436,832			4,887,696
Actual Thern	4,315,659	3,535,695	2,855,115	2,490,639	1,517,089	1,317,324	839,576	859,183	821,227	1,770,183	3,071,241	4,285,498	
Margin/Ther	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940	0.24940
Actual Comr	1,076,325	881,802	712,066	621,165	378,362	328,541	209,390	214,280	204,814	441,484			5,068,229
CAP Adjustm	(72,325)	54,851	(21,058)	178,069	62,067	82,820	(20,407)	(17,502)	(70,633)	4,652			180,534
GRAND TOT	(166,872)	289,654	(30,143)	(629,911)	(216,371)	(95,275)	(125,718)	(3,437)	(157,759)	(38,435)			909,448
Actual/CAP	(904,445)	120,703	(11,347)	(95,438)	(95,145)	(2,109)	(111,814)	6,703	(86,174)	690,996			(306,191)
Variance to	(734,573)	(168,951)	(27,797)	(434,473)	(421,516)	(297,384)	13,904	10,140	59,585	729,831			(1,215,642)


Nov-10	Dec-10
54,645	54,882
18.80	22.73
1,027,326	1,247,468
5,249,887	5,772,998
0.34923	0.34923
1,333,408	2,016,104
805,082	768,636
Nov-11	Dec-11
9,321	9,394
77.77	126.08
724,894	1,184,396
3,256,521	4,142,323
0.24961	0.24940
812,861	1,033,095
87,967	(151,300)
894,049	617,336
	1,511,385
	1,205,191
	Total Actual CAP Deferral Nov10-Oct11

Nov-10	Dec-10
54,645	54,882
30.86	37.38
1,886,163	2,051,306
5,157,660	6,124,011
0.34923	0.34923
1,793,766	2,138,688
107,603	87,382
Nov-11	Dec-11
9,321	9,394
83.41	109.72
777,434	1,030,741
3,071,241	4,285,498
0.24940	0.24940
776,482	1,068,803
(952)	38,062
106,651	125,444
894,049	617,336
1,511,385	1,511,385
787,398	491,892
	1,279,290
	63,648
	Total var Nov10-Oct11

Cascade Natural Gas Corporation
Oregon
Type 1 Adjustment
Memberships & Dues
CY 2011

Location	Professional/ Organization/ Dues (5811)	Total OR
Oregon Direct	7,500	7,500
General Office	2,605	2,605
		10,105
Removal of 25% of Total		(2,526)

CASCADE NATURAL GAS CORPORATION
CY 2011 Officer Incentive Compensation



Total	<u>\$ 212,571</u>
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**Cascade Natural Gas
Calculation of Actual A&G Expense
CY 2011 - State of Oregon**

	Actual Statement of Operations per Books 12/31/11	Order 99-272 Appendix B Adjustments (Type I)*	Total Adjusted Actuals at 12/31/11
<u>OPERATING EXPENSES</u>			
Customer Accounts	\$ 1,325,859	0	\$ 1,325,859
Customer Service	594,887	0	594,887
Sales	3,400	(3,400)	-
Administrative & General	5,516,086	(2,506)	5,513,580
Total	<u>\$ 7,440,232</u>	<u>\$ (5,906)</u>	<u>\$ 7,434,326</u>
Remove			
Uncollectible Accounts (904)	\$ 189,812	0	\$ 189,812
Cust. Assistance Exp. (908)	577,611	0	577,611
Total (total minus 904 & 908)	<u>\$ 6,672,809</u>	<u>\$ (5,906)</u>	<u>\$ 6,666,903</u>

*Excludes Type 1 Adjustment to Normalize Uncollectible Expense

Cascade Natural Gas

**UM 1283 Oregon A&G Expense Benchmark
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

Download:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
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	210.04%	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
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.23	225.672	224.939	223.598	226.28

FY (OCT-CY 2011)

FY05 Average 193.51
 CY11 Average 224.94

CPI % Increase (2005 to 2011) 16.24%

Source(s): State Allocation Report, Rate Base

		Overall Cost of Capital										
Average of Averages	Ratio	Weighted Cost	Capital									
161,840,000	49.02%	7.02%	3.44%									
-	0.00%		0.00%									
168,306,814	50.98%	11.20%	5.71%									
330,146,814	100.00%		9.15%									
Rate base as of December 31, 2011												
Average cost of debt												
Subtotal												
Period Int Exp: Interest on long-term debt 427.0		2,555,027										
Period Int Exp: Amort. Of debt discount & exp 428.0		29,564										
Period Int. Exp: Amort. Of loss on reacq debt 428.1		64,159										
Adjustment			(360,244)									
Total adjustment @ State & F.I.T of 37.85%												
8.06% MTN Due 9/4/2012	8.11% MTN Due 10/8/2012	7.95% MTN Due 2/4/2013	8.01% MTN Due 2/12/2013	7.95% MTN Due 2.25/2013	5.25% IQN Due 2/1/2035	7.10% MTN Due 3/16/2029	7.48% MTN Due 9/15/2027	5.21% MTN Due 9/1/2020	5.79% MTN Due 3/8/2037	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	26,189,000	15,000,000	20,000,000	15,000,000	40,000,000	162,189,000	164,733,151	164,733,151
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	26,189,000	15,000,000	20,000,000	15,000,000	40,000,000	162,189,000	170,231,183	170,231,183
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,839,000	15,000,000	20,000,000	15,000,000	40,000,000	161,839,000	169,266,809	169,266,809
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,570,000	15,000,000	20,000,000	15,000,000	40,000,000	161,570,000	164,226,733	164,226,733
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,570,000	15,000,000	20,000,000	15,000,000	40,000,000	161,570,000	163,059,367	163,059,367
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,570,000	15,000,000	20,000,000	15,000,000	40,000,000	161,570,000	163,577,224	163,577,224
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,469,000	15,000,000	20,000,000	15,000,000	40,000,000	161,469,000	163,479,075	163,479,075
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,469,000	15,000,000	20,000,000	15,000,000	40,000,000	161,469,000	168,712,762	168,712,762
14,000,000	3,000,000	4,000,000	10,000,000	10,000,000	25,840,000	15,000,000	20,000,000	15,000,000	40,000,000	161,840,000	168,306,814	168,306,814
Avg Rate	9.1216%	8.2032%	9.6460%	9.7141%	5.4643%	7.1800%	7.5650%	5.3286%	5.8071%		11.20%	
Cost	1,277,024	410,160	385,840	971,410	1,411,979	1,077,000	1,513,000	799,295	2,322,854	11,379,561		

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation

CY11 WAGE ADJUSTMENT

State of Oregon

Wage Annualization Adjustment	\$	53,127
Capitalized Wage Adjustment - CIS Project	\$	-
Adjustment to Annualize & Restate	\$	<u>53,127</u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT

State of Oregon

CY 2011 PGA Commodity Sharing Revenue \$ 116,186

Adjustment \$ (116,186)

Cascade Natural Gas Corporation
RETIREE MEDICAL ADJUSTMENT
State of Oregon

CY 2011 Retiree Medical Credits	\$ (1,429,531)
Oregon Allocation %	<u>24.31%</u>
Oregon Total	\$ (347,519)
 Adjustment	 <u><u>\$ 347,519</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2011

2011	Gross Salaries/Wages	% Salary/Wage Increase	Salary/Wage Adjustment Before Taxes	Social Security Tax @	Medicare Tax @ 1.45%	Total Taxes	Adjustment to Restate CY11 Salaries/Wages
January	\$ 531,268						
February	\$ 555,350						
March	\$ 558,444						
CY11 OR Hourly	\$ 1,645,062	3.00%	\$ 49,352	\$ 3,060	\$ 716	\$ 3,775	\$ 53,127

Note: Salaried increase effective 1/1/11
Hourly increase effective 4/1/11

TYPE II ADJUSTMENT WORKPAPERS

**CASCADE NATURAL GAS
STATE OF OREGON
CY11**

PGA Commodity Sharing (I.e. () loss)

Jan-11	\$	(53,960.39)
Feb-11	\$	(20,288.68)
Mar-11	\$	(169,787.07)
Apr-11	\$	47,146.67
May-11	\$	29,359.67
Jun-11	\$	36,302.76
Jul-11	\$	16,511.66
Aug-11	\$	33,549.18
Sep-11	\$	26,578.16
Oct-11	\$	22,926.98
Nov-11	\$	79,645.05
Dec-11	\$	68,202.48
Total	\$	<u>116,186.47</u>

**Cascade Natural Gas Corp
Removal of Retiree Medical Credits
CY 2011**

Account	Amount	3-factor OR Allocation Factor	Total Oregon
Retiree Medical Credits as per Mercer Actuarial Re	<u>\$ (1,429,531)</u>	0.2431	<u>\$ (347,518.99)</u>
	<u><u>\$ (1,429,531)</u></u>		<u><u>\$ (347,518.99)</u></u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/11

Line No.	Description	Amount
1	Gross Revenue	1.00000
2	Less Uncollectibles	<u>0.00833</u>
3	Net Revenue	0.99167
	Less Revenue Sensitive Costs	
4	Gross Revenue Fee	0.00250
5	City Franchise Fees	<u>0.01835</u>
		<u>0.02085</u>
6	Net Before State & Federal Income Taxes	0.97082
7	Oregon Income Tax @6.6%	<u>0.06407</u>
8	Net Before Federal Income Tax	0.90675
9	Federal Income Tax @ 35%	<u>0.31736</u>
10	Net to Gross Conversion Factor	<u><u>0.58939</u></u>

CASCADE NATURAL GAS CORPORATION

Statement of Operations and Rate of Return

Twelve Months Ended

December 31, 2011

State of Oregon Operations

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2011
Description of Adjustments

Type I Adjustments

(a) CAP Deferral Adjustment

Removes out of period Oregon CAP deferrals accrued during Calendar Year 2011

(b) Removal of Promotional Advertising Expense

Removes all promotional advertising for the test period

(c) Removal of 25% of Membership Fees

Removes 25% of Membership Fees paid in the test period

(d) Normalize Uncollectible Expense

Restates uncollectible expense to the 3 year average of actual net write offs

(e) Incentive Compensation Adjustment

Adjusts test period expense for Officer incentive compensation

(f) Interest Coordination Adjustment

Adjusts interest expense to the level associated with the current weighted average cost of debt

(g) UM 1283 A&G Expense Adjustment

Adjusts administrative & general expense to the lower of the benchmark for A&G expenses as detailed in UM 1283 (Commitment 10) or Cascade's adjusted actual A&G expenses. No adjustment was necessary in 2011 since Cascade's adjusted A&G expenses were below the benchmark.

CASCADE NATURAL GAS CORPORATION
State of Oregon
Twelve Months Ending December 31, 2011
Description of Adjustments

Type II Adjustments

(a) Annualized Wage Rate

Adjusts the reporting period operating expenses to reflect the effects of the general wage increase as if it had been in effect for the entire period.

(b) PGA Commodity Sharing Adjustment

Adjusts test period revenue to add the revenues associated with the sharing of commodity costs through the PGA mechanism.

(c) Removal of Retiree Medical Credits

Adjusts administrative & general expense to remove the credits Cascade received during 2011 for the retiree medical plan.

Cascade Natural Gas Corporation
Earnings Deferral
 State of Oregon
12 months ended December 31, 2011

Adjusted overall rate of return	9.95%
Less return required for:	
Long term debt	-3.44%
Preferred stock	0.00%
	<hr/>
Return available for common	6.51%
Capitalization ratio for common	50.98%
	<hr/>
Implied ROE (common return / ratio)	12.77%
Threshold per OPUC order	10.92%
	<hr/>
Return on Equity in excess of threshold	1.85%
Capitalization ratio for common	50.98%
	<hr/>
Overall Return in excess of threshold	0.94%
Average rate base	\$ 66,526,347
	<hr/>
Excess earnings	\$ 625,348
Net to Gross Conversion Factor	0.58939
Pre-Tax over the threshold Earnings	\$ 1,061,014
	<hr/> <hr/>
Earnings sharing percentage	33.00%
	<hr/>
Earnings Sharing for CY 11	\$ 350,135
	<hr/>

Cascade Natural Gas Corporation
ADJUSTED STATEMENT OF OPERATIONS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/11

State of Oregon

Line No.	Description (a)	Actual Statement of Operations per Books 12/31/11 (b)	Order 99-272 Appendix B Adjustments (Type I) (c)	Total Adjusted Actuals at 12/31/11 (d)	Total Annualizing Adjustments (Type II) (e)	Total Adjusted Results at 12/31/11 (f)
	OPERATING REVENUES					
1	Natural Gas Sales	\$ 76,397,481	\$ (1,215,642)	\$ 75,181,839	\$ 0	\$ 75,181,839
2	Gas Transportation Revenue	3,913,606	0	3,913,606	0	3,913,606
3	Other Operating Revenues	295,223	0	295,223	(116,186)	179,037
4	SUBTOTAL	\$ 80,606,310	\$ (1,215,642)	\$ 79,390,668	\$ (116,186)	\$ 79,274,482
5	LESS: Nat. Gas/Production Costs	49,656,631	0	49,656,631	0	49,656,631
6	Revenue Taxes	3,366,737	0	3,366,737	0	3,366,737
7	OPERATING MARGIN	\$ 27,582,942	\$ (1,215,642)	\$ 26,367,300	\$ (116,186)	\$ 26,251,114
	OPERATING EXPENSES					
8	Production	22,289	0	22,289	0	22,289
9	Distribution	\$ 3,895,519	0	3,895,519	\$ 0	\$ 3,895,519
10	Customer Accounts	1,325,859	481,904	1,807,763	0	1,807,763
11	Customer Service	594,887	0	594,887	0	594,887
12	Sales	3,400	(3,400)	0	0	0%
13	Administrative & General	5,516,086	(54,202)	5,461,884	400,646	5,862,530
14	Depreciation & Amortization	4,429,745	0	4,429,745	0	4,429,745
15	Regulatory Debits	0	0	0	0	0
16	Taxes Other Than Income	1,719,149	(35,476)	1,683,673	(3,391)	1,680,282
17	State & Federal Income Taxes	2,347,235	(496,942)	1,850,293	(205,069)	1,645,224
18	TOTAL OPERATING EXPENSES	\$ 19,854,169	\$ (108,116)	\$ 19,746,053	\$ 192,186	\$ 19,938,239
19	NET OPERATING INCOME	\$ 7,728,773	\$ (1,107,525)	\$ 6,621,248	\$ (308,373)	\$ 6,312,875
	RATE BASE					
20	Total Plant in Service	\$ 157,699,754	\$ 0	\$ 157,699,754	\$ 0	\$ 157,699,754
21	Total Accumulated Depreciation	(73,072,307)	0	(73,072,307)	0	(73,072,307)
22	Contributions in Aid of Construct.	0	0	0	0	0
23	Customer Advances for Construction	(1,303,469)	0	(1,303,469)	0	(1,303,469)
24	Deferred Accumulated Income Taxes	(18,756,043)	0	(18,756,043)	0	(18,756,043)
25	Deferred Debits	0	0	0	0	0
26	Working Capital Allowance	1,958,412	0	1,958,412	0	1,958,412
27	TOTAL RATE BASE	\$ 66,526,347	\$ 0	\$ 66,526,347	\$ 0	\$ 66,526,347
28	RATE OF RETURN	11.62%		9.95%		9.49%
	IMPLIED RETURN ON EQUITY					
29	LESS: Return Required for Long Term Debt	3.44%		3.44%		3.44%
30	LESS: Return Required for Preferred Stock	0.00%		0.00%		0.00%
31	Adjusted Return Available for Common Stock	8.18%		6.51%		6.05%
32	IMPLIED RETURN (Divide by Ratio of Common to Total: 50.98%)	16.05%		12.77%		11.87%

Cascade Natural Gas Corporation
ORDER 99-272 APPENDIX B (TYPE I) ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/11

State of Oregon

Line No.	Description	CAP Deferral Adjustment (a)	Promotional Advertising Adjustment (b)	Removal of 25% Membership Fees (c)	Normalize Uncollectible Expense (d)	Officer's Incentive Comp. Adjustment (e)	Interest Coordination Adjustment (f)	Total Type I Adjustments
OPERATING REVENUES								
1	Natural Gas Sales	\$ (1,215,642)	0	0	0	0	0	\$ (1,215,642)
2	Gas Transportation Revenue	0	0	0	0	0	0	0
3	Other Operating Revenues	0	0	0	0	0	0	0
4	TOTAL OPERATING REVENUES	\$ (1,215,642)	0	0	0	0	0	\$ (1,215,642)
OPERATING EXPENSES								
5	Natural Gas Purchased	\$						\$ 0
6	Manufactured Gas Production							0
7	Distribution							0
8	Customer Accounting				481,904		0	481,904
9	Customer Service							0
10	Sales		(3,400)					(3,400)
11	Administrative & General			(2,526)		(51,676)	0	(54,202)
12	Depreciation & Amortization							0
13	Regulatory Debits							0
14	Taxes Other Than Income	(35,476)	0	0	0	0	0	(35,476)
15	State & Federal Income Tax	(471,358)	1,358	1,009	(192,472)	20,639	143,882	(496,942)
16	TOTAL OPERATING EXPENSES	\$ (506,834)	(2,042)	(1,517)	289,432	(31,037)	143,882	\$ (108,116)
17	NET OPERATING INCOME	\$ (708,808)	2,042	1,517	(289,432)	31,037	(143,882)	\$ (1,107,525)
RATE BASE								
18	Total Plant in Service	\$						\$ 0
19	Total Accumulated Depreciation							0
20	Customer Advances for Construct.							0
21	Contributions in Aid of Construct.							0
22	Deferred Income Taxes - ACRS							0
23	Deferred Income Taxes - Other							0
24	Deferred Debits-Oregon Water							0
25	Heater Program							0
26	Deferred Debits-Astoria Cleanup							0
27	Working Capital Allowance							0
28	TOTAL RATE BASE	\$						\$ 0

Cascade Natural Gas Corporation
TYPE II ADJUSTMENTS FOR RATE OF RETURN
FOR THE TWELVE MONTHS ENDED 12/31/11
State of Oregon

Line No.	Description	Annualizing Wage Rate Adjustment (a)	PGA Commodity Sharing Adjustment (b)	Removal of Retiree Medical Credits (c)	Total Type II Adjustments
	<u>OPERATING REVENUE</u>				
1	Natural Gas Sales	\$ 0	0	0	\$ 0
2	Gas Transportation Revenue	0	0	0	0
3	Other Operating Revenue	0	(116,186)	0	(116,186)
4	Total Operating Revenue	\$ 0	(116,186)	0	\$ (116,186)
	<u>OPERATING EXPENSES</u>				
5	Natural Gas Purchased	\$ 0	0	0	\$ 0
6	Manufactured Gas Production				0
7	Distribution				0
8	Customer Accounting	0	0	0	0
9	Customer Service				0
10	Sales				0
11	Administrative & General	53,127	0	347,519	400,646
12	Depreciation & Amortization				0
13	Regulatory Debits	0			0
14	Taxes Other Than Income		(3,391)	0	(3,391)
15	State & Federal Income Tax	(21,219)	(45,051)	(138,799)	(205,069)
16	Total Operating Expenses	\$ 31,908	(48,442)	208,720	\$ 192,186
17	NET OPERATING INCOME	\$ (31,908)	(67,744)	(208,720)	\$ (308,373)
	<u>RATE BASE</u>				
18	Total Plant in Service	\$			\$ 0
19	Total Accumulated Depreciation				0
20	Customer Advances for Construct.				0
21	Contributions Aiding Construct.				0
22	Deferred Income Taxes - ACRS				0
23	Deferred Income Taxes - Other				0
24	Deferred Debits-Oregon Water				0
25	Heater Program				0
26	Deferred Debits-Astoria Cleanup				0
27	Working Capital Allowance				0
28	TOTAL RATE BASE	\$ 0	0	0	\$ 0

TYPE I ADJUSTMENTS

Cascade Natural Gas Corporation
CAP DEFERRAL ADJUSTMENT
State of Oregon

Adjustment to normalize revenues for out of period CAP deferrals (1,215,642)

Cascade Natural Gas Corporation
PROMOTIONAL ADVERTISING EXPENSE ADJUSTMENT
State of Oregon

FERC 9130 Advertising Expense

CY 2011	\$ 3,400
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Removal	<u><u>\$ (3,400)</u></u>
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Cascade Natural Gas Corporation
MEMBERSHIP & DUES EXPENSE ADJUSTMENT
State of Oregon

CY 2011 Membership Fees	\$ 10,105
Removal of 25% of Total	<u><u>\$ (2,526)</u></u>

Cascade Natural Gas Corporation
NORMALIZE UNCOLLECTIBLE EXPENSE
 State of Oregon

<u>Net Write Offs</u>	
Calendar Year 2009	981,004
Calendar Year 2010	580,902
Calendar Year 2011	558,095
	<u>2,120,001</u>
3 years of Net Write Offs: 2009 - 2011	<u><u>2,120,001</u></u>
Calendar Year 2009 Total Operating Revenue	95,995,264
Calendar Year 2010 Total Operating Revenue	77,799,851
Calendar Year 2011 Total Operating Revenue	80,606,310
	<u>254,401,425</u>
Uncollectible Expenses (Bad Debt Provision) for the 12 months ended 12/31/11	189,812
3 Year Average Net Write Off as a percentage of 2009-2011 Gross Revenues	0.833%
2011 Sales	80,606,310
Proforma Expense	671,716
Adjustment to normalize Uncollectible Expenses	<u><u>481,904</u></u>

CASCADE NATURAL GAS CORPORATION
INCENTIVE COMPENSATION ANNUALIZATION ADJUSTMENT

State of Oregon

CY11 Officer Incentive Compensation	\$ 212,571
Oregon Allocation %	<u>24.31%</u>
Oregon Total	<u>\$ 51,676</u>
Removal	<u><u>\$ (51,676)</u></u>

Cascade Natural Gas Corporation
Interest Coordination Adjustment
 1-11 to 12-11

OREGON:

	Avg of Aves	Ratio	Weighted Cost	Overall Cost of Capital
Long Term Debt	161,840,000	49.02%	7.02%	3.44%
Preferred Stock	0	0.00%		0.00%
Common Equity	168,306,814	50.98%	11.20%	5.71%
	<u>330,146,814</u>	<u>100.00%</u>		<u>9.15%</u>

Rate Base 12/31/2011	Avg Cost of Debt	Subtotal	Test period Interest Expense	Adjustment	State and F.I.T.	Total Adjust
66,526,347	3.44%	2,288,506	2,648,751	(360,245)	0.37847	<u>136,342</u>

Cascade Natural Gas Corporation
UM 1283 A&G Expense Adjustment
State of Oregon

2005 A&G Benchmark (per UM-1283)	\$ 6,848,545
CPI Increase	<u>#REF!</u>
2011 A&G Benchmark	<u><u>#REF!</u></u>
Cascade Actual A&G Expense	\$ 6,672,809
A&G Type 1 adjustments	<u>\$ (5,906)</u>
Cascade Adjusted A&G Expense	<u><u>\$ 6,666,903</u></u>
Below Threshold (Yes/No)	YES
A&G Adjustment (if below threshold then no adjustment)	\$ -

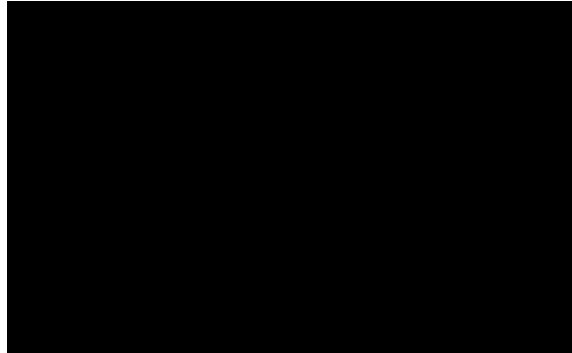
TYPE I
ADJUSTMENT
WORKPAPERS

Nov10-Oct11

**Cascade Natural Gas Corporation
Oregon
Type 1 Adjustment
Memberships & Dues
CY 2011**

<u>Location</u>	Professional/ Organization Dues (5811)	<u>Total OR</u>
Oregon Direct	7,500	7,500
General Office	2,605	2,605
		10,105
Removal of 25% of Total		(2,526)

CASCADE NATURAL GAS CORPORATION
CY 2011 Officer Incentive Compensation



Total

\$ 212,571

**Cascade Natural Gas
Calculation of Actual A&G Expense
CY 2011 - State of Oregon**

	Actual Statement of Operations per Books 12/31/11	Order 99-272 Appendix B Adjustments (Type I)*	Total Adjusted Actuals at 12/31/11
<u>OPERATING EXPENSES</u>			
Customer Accounts	\$ 1,325,859	0	\$ 1,325,859
Customer Service	594,887	0	594,887
Sales	3,400	(3,400)	-
Administrative & General	5,516,086	(2,506)	5,513,580
Total	<u>\$ 7,440,232</u>	<u>\$ (5,906)</u>	<u>\$ 7,434,326</u>
Remove			
Uncollectible Accounts (904)	\$ 189,812	0	\$ 189,812
Cust. Assistance Exp. (908)	577,611	0	577,611
Total (total minus 904 & 908)	<u>\$ 6,672,809</u>	<u>\$ (5,906)</u>	<u>\$ 6,666,903</u>

*Excludes Type 1 Adjustment to Normalize Uncollectible Expense

Cascade Natural Gas

**UM 1283 Oregon A&G Expense Benchmark
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

Download:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
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	21004%	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
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	217.535	218.576
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.23	225.672	224.939	223.598	226.28

FY (OCT-CY 2011)

FY05 Average 193.51
 CY11 Average 224.94

CPI % Increase (2005 to 2011) 16.24%

Source(s): State Allocation Report, Rate Base

	Average of Averages	Ratio	Weighted Cost	Overall Cost of Capital
Long-Term Debt	161,840,000	49.02%	7.02%	3.44%
Preferred Stock	-	0.00%	-	0.00%
Common Equity-excl Accum OCI	168,306,814	50.98%	11.20%	5.71%
	330,146,814	100.00%		9.15%

Rate base as of	December 31, 2011	66,526,347
Average cost of debt		3.44%
Subtotal		2,288,506
Period Int Exp: Interest on long-term debt 427.0	2,555,027	
Period Int Exp: Amort. Of debt discount & exp 428.0	29,564	
Period Int. Exp: Amort. Of loss on reacq debt 428.1	64,159	2,648,750
Adjustment		(360,244)
Total adjustment @ State & F.I.T of 37.85%		(136,352)

	8.06% MTN Due 9/4/2012	8.10% MTN Due 10/8/2012	8.11% MTN Due 10/8/2012	7.95% MTN Due 2/4/2013	8.01% MTN Due 2/12/2013	7.95% MTN Due 2.25/2013	7.48% MTN Due 9/15/2027	7.10% MTN Due 3/16/2029	5.25% IQN Due 2/1/2035	5.21% MTN Due 9/1/2020	5.79% MTN Due 3/8/2037	TOTAL DEBT	COMMON EQUITY	BALANCE SHEET EQUITY	
Dec-10	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	26,189,000	15,000,000	40,000,000	162,189,000	164,733,151	164,733,151	
Jan-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	26,189,000	15,000,000	40,000,000	162,189,000	170,231,183	170,231,183	
Jul-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,839,000	15,000,000	40,000,000	161,839,000	169,266,809	169,266,809	
Aug-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,570,000	15,000,000	40,000,000	161,570,000	164,226,733	164,226,733	
Sep-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,570,000	15,000,000	40,000,000	161,570,000	163,059,367	163,059,367	
Oct-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,570,000	15,000,000	40,000,000	161,570,000	163,577,224	163,577,224	
Nov-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,469,000	15,000,000	40,000,000	161,469,000	163,479,075	163,479,075	
Dec-11	14,000,000	5,000,000	3,000,000	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,469,000	15,000,000	40,000,000	161,469,000	168,712,762	168,712,762	
of Avgs	14,000,000	5,000,000	3,000,000	-	4,000,000	10,000,000	10,000,000	20,000,000	15,000,000	25,840,000	15,000,000	40,000,000	161,840,000	168,306,814	168,306,814
al Rate	9.1216%	8.2032%	8.2133%	-	9.6460%	9.7141%	9.6460%	7.5650%	7.1800%	5.4643%	5.3286%	5.8071%	11.20%		
Cost	1,277,024	410,160	246,399	-	385,840	971,410	964,600	1,513,000	1,077,000	1,411,979	799,295	2,322,854	11,379,561		

TYPE II ADJUSTMENTS

Cascade Natural Gas Corporation
CY11 WAGE ADJUSTMENT
State of Oregon

Wage Annualization Adjustment	\$	53,127
Capitalized Wage Adjustment - CIS Project	\$	-
Adjustment to Annualize & Restate	\$	<u><u>53,127</u></u>

Cascade Natural Gas Corporation
PGA COMMODITY SHARING ADJUSTMENT
State of Oregon

CY 2011 PGA Commodity Sharing Revenue	\$	116,186
Adjustment	\$	<u>(116,186)</u>

Cascade Natural Gas Corporation
RETIREE MEDICAL ADJUSTMENT
State of Oregon

CY 2011 Retiree Medical Credits	\$ (1,429,531)
Oregon Allocation %	<u>24.31%</u>
Oregon Total	\$ (347,519)
Adjustment	<u><u>347,519</u></u>

Cascade Natural Gas Corporation
Oregon Wage Adjustment
Adjustment to Restate CY 2011

2011	Gross Salaries/Wages	% Salary/Wage Increase	Salary/Wage Adjustment Before Taxes	Social Security Tax @ 6.2%	Medicare Tax @ 1.45%	Total Taxes	Adjustment to Restate CY11 Salaries/Wages
January	\$ 531,268						
February	\$ 555,350						
March	\$ 558,444						
CY11 OR Hourly	\$ 1,645,062	3.00%	\$ 49,352	\$ 3,060	\$ 716	\$ 3,775	\$ 53,127

Note: Salaried increase effective 1/1/11
Hourly increase effective 4/1/11

**TYPE II
ADJUSTMENT
WORKPAPERS**

**CASCADE NATURAL GAS
STATE OF OREGON
CY11**

PGA Commodity Sharing (I.e. () loss)

Jan-11	\$	(53,960.39)
Feb-11	\$	(20,288.68)
Mar-11	\$	(169,787.07)
Apr-11	\$	47,146.67
May-11	\$	29,359.67
Jun-11	\$	36,302.76
Jul-11	\$	16,511.66
Aug-11	\$	33,549.18
Sep-11	\$	26,578.16
Oct-11	\$	22,926.98
Nov-11	\$	79,645.05
Dec-11	\$	68,202.48
Total	\$	<u>116,186.47</u>

**Cascade Natural Gas Corp
Removal of Retiree Medical Credits
CY 2011**

Account	Amount	3-factor OR Allocation Factor	Total Oregon
Retiree Medical Credits as per Mercer Actuarial Report	\$ (1,429,531)	0.2431	\$ (347,518.99)
	<u>\$ (1,429,531)</u>		<u>\$ (347,518.99)</u>

Cascade Natural Gas Corporation
Revenue Sensitive Cost Conversion Factor
State of Oregon
FOR THE TWELVE MONTHS ENDED 12/31/11

Line No.	Description	Amount
1	Gross Revenue	1.00000
2	Less Uncollectibles	<u>0.00833</u>
3	Net Revenue	0.99167
	Less Revenue Sensitive Costs	
4	Gross Revenue Fee	0.00250
5	City Franchise Fees	<u>0.01835</u>
6	Net Before State & Federal Income Taxes	<u>0.02085</u>
7	Oregon Income Tax @6.6%	0.97082
8	Net Before Federal Income Tax	<u>0.06407</u>
9	Federal Income Tax @ 35%	0.90675
10	Net to Gross Conversion Factor	<u><u>0.31736</u></u>
		<u><u>0.58939</u></u>

INPUT DATA AND CALCULATIONS

	Annual Thm Sales as of <u>09/30/06</u>	Therms <u>Percentage</u>	Restatement <u>Rates</u>	Weighted <u>Rates</u>	
COMMERCIAL RATES					
R/S 104	23,584,120	0.98955	0.81029	0.80182	
R/S 111-C	249,097	0.01045	0.73502	0.00768	
	23,833,217	1.00000		<u>0.80950</u>	0.80950
WEIGHTED COMMERCIAL RATE				<u>0.80950</u>	0.80950
WACOG RATE - COMMODITY ONLY				<u>0.42807</u>	0.42807
RESIDENTIAL RATE			0.91049	<u>0.91049</u>	0.91049

INPUT ENTRY*****

Test Period Ended	09/30/06		
Unbilled	09/30/05	prior	
Revenue Sensitive			
Uncollectibles	0.00833		
OPUC Fees	0.00250		
City Franchise	0.01835		
	0.02918	0.970816708	
Combo-State & Federal Income Tax		2010	
State	0.07600	0.066	
Federal	0.35000	0.35000	
Combo (calculated)	0.3994	0.3929	