

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**  
SEC Accession No. **0000892917-95-000096**

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FILER

**CASCADE NATURAL GAS CORP**

CIK: **18072** | IRS No.: **910599090** | State of Incorp.: **WA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-07196** | Film No.: **95536360**  
SIC: **4924** Natural gas distribution

Mailing Address  
222 FAIRVIEW AVENUE N  
SEATTLE WA 98109

Business Address  
222 FAIRVIEW AVE N  
SEATTLE WA 98109  
2066243900

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 1995

Commission File Number 1-7196

CASCADE NATURAL GAS CORPORATION  
(Exact name of registrant as specified in its charter)

Washington  
(State of incorporation or organization)

91-0599090  
(IRS Employer  
Identification Number)

222 Fairview Avenue North  
Seattle, Washington  
(Address of principal executive office)

98109  
(Zip Code)

Registrant's telephone number  
including area code

206-624-3900

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.

Yes        No

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date.

Class	Outstanding at April 28, 1995
Common Stock, \$1.00 par value	8,971,190

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CASCADE NATURAL GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF NET EARNINGS AVAILABLE TO COMMON  
SHAREHOLDERS

<TABLE>  
<CAPTION>

(Unaudited)

(Dollars in Thousands Except Per Share Data)

	THREE MONTHS ENDED	
	31-Mar-95	31-Mar-94
<S>	<C>	<C>
Operating revenues:		
Gas sales	\$62,110	\$63,541
Transportation revenue	2,438	1,145
Other operating income	62	60
	-----	-----
	64,610	64,746
Less: Gas purchases	37,253	40,067
Revenue taxes	4,332	4,112
	-----	-----
Operating margin	23,025	20,567
	-----	-----
Cost of operations:		
Operating expenses	8,018	7,636
Depreciation and amortization	2,614	2,435
Property and payroll taxes	1,013	1,104
	-----	-----
	11,645	11,175
	-----	-----
Earnings from operations	11,380	9,392
Less interest and other deductions - net	2,337	1,837
	-----	-----
Earnings before income taxes	9,043	7,555
Income taxes	3,310	2,744
	-----	-----
Net earnings	5,733	4,811
Preferred dividends	136	141
	-----	-----
Net earnings available to Common Shareholders	\$5,597	\$4,670
	-----	-----
Common shares outstanding (thousands):		
Weighted average	8,931	8,588
End of period	8,968	8,690
Net earnings per common share	\$0.63	\$0.54
	-----	-----
Cash dividends per share	\$0.24	\$0.24
	-----	-----

</TABLE>

CASCADE NATURAL GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS

<TABLE>  
<CAPTION>

	(Thousands of Dollars)	
	(UNAUDITED)	
	31-Mar-95	31-Dec-94
	-----	-----
	(dollars in thousands)	
<S>	<C>	<C>
ASSETS		
Utility Plant, net after accumulated depreciation of \$130,613 and \$127,806	\$209,222	\$206,057
Construction work in progress	9,388	7,872
	-----	-----
	218,610	213,929
	-----	-----
Other Assets:		
Investments	919	919
Notes receivable, less current maturities	2,827	2,915
	-----	-----
	3,746	3,834
	-----	-----
Current Assets:		
Cash and cash equivalents	205	3,949
Securities available for sale	2,255	1,466
Accounts receivable, less allowance of \$524 and \$461 for doubtful accounts	22,687	28,885
Current maturities of notes receivable	952	988
Materials, supplies and inventories	5,646	5,583
Prepaid expenses and other assets	709	1,653
	-----	-----
	32,454	42,524
	-----	-----
Deferred Charges	13,318	12,010
	-----	-----
	\$268,128	\$272,297
	-----	-----
COMMON SHAREHOLDERS' EQUITY, PREFERRED STOCKS AND LIABILITIES		
Common Shareholders' Equity:		
Common stock, par value \$1 per share Authorized, 15,000,000 shares Issued and outstanding 8,967,648 and 8,911,661 shares	\$8,968	\$8,912
Additional paid-in capital	68,676	67,992
Retained earnings	14,249	10,806
	-----	-----
	91,893	87,710
	-----	-----
Redeemable Preferred Stocks, aggregate redemption amount of \$7,499 and \$7,499	7,217	7,217
	-----	-----

Long-term Debt	100,000	100,000
	-----	-----
Current Liabilities:		
Notes payable	6,000	14,501
Accounts payable	10,039	18,366
Property, payroll and excise taxes	5,030	4,541
Dividends and interest payable	2,423	4,202
Other current liabilities	3,491	1,620
Current maturities of long-term debt	5,000	5,000
	-----	-----
	31,983	48,230
	-----	-----
Deferred Credits:		
Gas cost changes	11,830	4,407
Other	25,205	24,733
	-----	-----
	37,035	29,140
	-----	-----
Commitments and Contingencies	-	-
	-----	-----
	\$268,128	\$272,297
	-----	-----

</TABLE>

<TABLE>

PART I (Continued)

CASCADE NATURAL GAS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

<CAPTION>

	Three Months Ended March 31	
	1995	1994
	(dollars in thousands)	
	<C>	<C>
Operating Activities:		
Net earnings	\$5,733	\$4,811
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	2,878	2,687
Amortization of gas cost changes	1,438	(1,061)
Increase in deferred income taxes	502	1,174
Decrease in deferred investment tax credits	(60)	(68)
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	6,198	3,413
Income taxes	2,858	2,356
Inventories	283	47
Gas cost changes	5,086	2,821
Deferred items	(553)	(606)
Accounts payable and accrued expenses	(10,120)	(6,714)
Prepaid expenses and other assets	460	148
Other	(17)	(367)
	-----	-----
Net cash provided by operating activities	14,686	8,641

Investing Activities:		
Capital expenditures	(7,731)	(5,820)
New consumer loans	(312)	(501)
Receipts on consumer loans	466	806
Purchase of securities available for sale	(802)	-
Proceeds from securities available for sale	-	102
Net cash used by investing activities	(8,379)	(5,413)
Financing Activities:		
Issuance of common stock, net	490	1,821
Repayment of notes payable, net	(8,501)	(3,250)
Dividends paid	(2,040)	(2,045)
Net cash used by financing activities	(10,051)	(3,474)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,744)	(246)
Cash and Cash Equivalents:		
Beginning of period	3,949	3,138
End of period	\$205	\$2,892

</TABLE>

PART I. (Cont.)

#### CASCADE NATURAL GAS CORPORATION AND SUBSIDIARIES

##### Notes to Consolidated Financial Statements Three Month Period Ending March 31, 1995

The preceding statements were taken from the books and records of the Corporation and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. All adjustments were of a normal and recurring nature.

Because of the highly seasonal nature of the business, earnings or loss for any portion of the year are disproportionate in relation to the full year.

Reference is directed to the Notes to Consolidated Financial Statements contained in the 1994 Annual Report on Form 10-K and comments included therein under "Managements's Discussion and Analysis of Financial Condition and Results of Operations".

#### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

##### Liquidity and Capital Resources

The seasonal nature of the Corporation's business creates short-term cash requirements to finance customer accounts receivable and construction expenditures. To provide working capital for these requirements, the Corporation has \$25,000,000 of committed lines from two banks which are used to support a money market facility of a similar amount. The Corporation also

has \$30,000,000 of uncommitted lines from three banks. Long-term debt requirements are met primarily through the issuance of Medium-Term Notes. At the end of the quarter, there was \$100,000,000 outstanding and \$50,000,000 registered under the Securities Act of 1933 and available for issuance.

After preferred and common dividends of \$2,040,000 there was \$12,646,000, of cash flow from year-to-date operations. This cash flow and proceeds of \$490,000 from common stock issued to participants in the Corporation's dividend reinvestment plan and 401(k) plan were used primarily for capital expenditures of \$7,731,000 and reductions in short-term borrowing. Capital expenditures for the remainder of the year are budgeted at \$31,769,000 which will be funded initially with operating cash flow and secondly from the lines of credit described above.

#### Results of Operations

Net earnings available to common shareholders for the first quarter of 1995 were \$5,597,000, or \$0.63 per share, compared to \$4,670,000, or \$0.54 per share, for the first quarter of 1994, an increase of 16.7%.

A major factor in the improved earnings was the increase in operating margin. Despite weather estimated to be 8% warmer than normal for the quarter and about the same as was experienced in the first quarter last year, core residential and commercial margin increased 9.5% and non-core industrial margin increased 21%. Core margins were up, in part, as a result of continued customer growth. Total core customers at March 31, 1995 were 144,534, an increase of 9,475 from the customer base at March 31, 1994. Also contributing to core margin improvement were increases in Oregon rates to cover costs associated with additional interstate transmission capacity to meet growth. These costs were not covered in 1994 rates because such inclusion would have resulted in earnings in excess of a 12.75% target rate of return on equity in that state.

Increases in non-core margins for the quarter came from a broad spectrum of the industrial base. The largest impact came from the addition of a new large cogeneration customer in the Spring of 1994. During the quarter ended March 31, 1995, total margins from these customers was \$1.2 million on an investment of \$25 million in facilities to serve them.

#### Margin and Throughput Changes First Quarter 1995 Compared to First Quarter 1994

	Margin Contribution		Throughput	
	(\$ in thousands)		(thousands of therms)	
	Increase Amount	(Decrease) Percent	Increase Amount	(Decrease) Percent
	-----	-----	-----	-----
Core	\$ 1,524	9.0%	4,215	5.0%
Non-Core	934	21.0%	39,077	26.0%
	-----	-----	-----	-----
Total	\$ 2,458	12.0%	43,292	19.0%

Total customer growth continues at one of the fastest rates in the industry. The rate during the twelve months ended March 31, 1995 was 7.0%, which is down from the 7.8% growth rate experienced for the twelve months ended March 31, 1994. Growth in residential customers was 7.6% for the twelve

months ended March 31, 1995.

Operating expenses for the quarter were up \$382,000, or 5%, over the quarter ended March 31, 1994. Payroll and fringe benefit costs associated with general salary and wage increases and the addition of four employees accounted for 65.5% of the operating expense increase. Depreciation expense increased 7.4% which is related to increased capital spending in response to the high customer growth. Property and payroll taxes decreased 8.2% due to general property tax reductions in the state of Oregon and savings realized from a detail review of all Cascade taxable property with the Departments of Revenue in Washington and Oregon.

Interest expense and other deductions increased \$500,000 from March 31, 1994 to March 31, 1995 primarily due to a \$14,000,000 net increase in average short and long-term debt outstanding and, to a lesser extent, an increase in short-term interest rates.

PART II OTHER INFORMATION

Item 2. Changes in Securities

Under the terms of its bank credit agreement, the Corporation is required to maintain a minimum of \$64,468,000 of net worth. Under this restriction approximately \$27,425,000 was available for the payment of dividends at March 31, 1995.

Item 4. Submission of Matters to a Vote of Security Holders

The 1995 annual meeting of Shareholders of the Corporation was held on April 26, 1995.

The following directors were elected at the meeting for terms of office expiring in 1996 by the vote indicated below:

	For	Withheld	Abstentions and Broker Non-Votes
Donald E. Bennett	7,657,821	114,912	-0-
Carl Burnham, Jr.	7,655,599	117,134	-0-
Melvin C. Clapp	7,658,760	113,973	-0-
David A. Ederer	7,654,399	118,334	-0-
Howard L. Hubbard	7,656,574	116,159	-0-
W. Brian Matsuyama	7,656,248	116,485	-0-
Brooks G. Ragen	7,650,023	122,710	-0-
Andrew V. Smith	7,655,524	117,209	-0-
Mary A. Williams	7,655,524	117,209	-0-

Item 5. Other Information

Ratio of Earnings to Fixed Charges

Twelve Months Ended March 31,		Year Ended December 31				
1995	1994	1994	1993	1992	1991	1990
2.16	2.50	2.07	2.86	1.97	2.45	2.48



For purposes of this calculation, earnings include income before income taxes plus fixed charges. Fixed charges include interest expense and the amortization of debt issuance expenses. Refer to Exhibit 12 for calculation of these ratios as well as the ratio of earnings to fixed charges including preferred dividends.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits:

No.	Description
12	Computation of Ratio of Earnings to Fixed Charges
27	Financial Data Schedule UT, filed electronically via EDGAR only

b. Reports on Form 8-K:

No Form 8-K was filed during the quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CASCADE NATURAL GAS CORPORATION  
(Registrant)

By /s/ Donald E. Bennett  
Donald E. Bennett  
Executive Vice President,  
Chief Financial Officer  
and Secretary

DATED: May 9, 1995

<TABLE>

EXHIBIT 12  
CASCADE NATURAL GAS CORPORATION AND SUBSIDIARIES  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
AND PREFERRED DIVIDEND REQUIREMENTS

<CAPTION>

	Twelve Months Ended March 31		Year Ended December 31				
	1995	1994	1994	1993	1992	1991	1990
			(dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed charges, as defined:							
Interest expense	\$8,670	7,031	8,090	7,038	7,478	7,793	\$8,374
Amortization of debt issuance expense	596	578	593	562	402	362	373
Total fixed charges	9,266	7,609	8,683	7,600	7,880	8,155	8,747
Earnings, as defined:							
Net earnings	6,682	7,150	5,760	9,103	4,843	7,651	8,376
Add (deduct):							
Income taxes	4,071	4,264	3,505	5,224	2,817	4,206	4,547
Cumulative effect of change in accounting method	-	-	-	(209)	-	-	-
Fixed charges	9,266	7,609	8,683	7,600	7,880	8,155	8,747
Total earnings	\$20,019	19,023	17,948	21,718	15,540	20,012	\$21,670
Ratio of earnings to fixed charges	2.16	2.50	2.07	2.86	1.97	2.45	2.48
Fixed charges and preferred dividend requirements:							
Fixed charges	\$9,266	7,609	8,683	7,600	7,880	8,155	\$8,747
Preferred dividend requirements	890	916	898	913	941	229	238
Total	\$10,156	8,525	9,581	8,513	8,821	8,384	\$8,985
Ratio of earnings to fixed charges and preferred dividend requirements	1.97	2.23	1.87	2.55	1.76	2.39	2.41

</TABLE>

<TABLE> <S> <C>

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<LEGEND> This schedule contains summary financial information extracted from the Company's Consolidated Condensed Balance Sheets and related Consolidated Condensed Statements of Net Earnings Available to Common Shareholders for the period ended March 31, 1995 and is qualified in its entirety by reference to such financial statements.  
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<F1> Amount represents total common stock dividends declared. This amount differs from the \$2,040 shown on the Consolidated Statement of Cash Flows, which is net of reinvested dividends of \$249, and includes \$136 of preferred dividends.

</FN>

</TABLE>