

CASCADE NATURAL GAS CORP  
Form 10-Q  
August 09, 2004

## FORM 10-Q

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

Commission file number: 1-7196

## CASCADE NATURAL GAS CORPORATION

(Exact name of Registrant as specified in its charter)

**Washington**

(State or other jurisdiction of  
incorporation or organization)

**91-0599090**

(I.R.S. Employer  
Identification No.)

**222 Fairview Avenue North, Seattle, WA**

(Address of principal executive offices)

**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 by check mark whether the registrant is an accelerated filer (as defined in Rule 23b-2 of the Exchange Act). Yes  No

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

Title	Outstanding
Common Stock, Par Value \$1 per Share	11,245,757 as of July 30, 2004

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**CASCADE NATURAL GAS CORPORATION**

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**PART I. Financial Information****Item 1. Financial Statements**

**CASCADE NATURAL GAS CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF INCOME**  
**(unaudited)**

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	Jun 30, 2004	Jun 30, 2003	Jun 30, 2004 (Restated See Note 1)	Jun 30, 2003
	(thousands except per share data)			
Operating revenues	\$ 52,077	\$ 53,793	\$ 276,416	\$ 263,575
Less: Gas purchases	31,896	32,652	178,019	169,481
Revenue taxes	3,544	3,813	18,924	17,610
Operating margin	16,637	17,328	79,473	76,484
Cost of operations:				
Operating expenses	9,729	12,465	30,656	34,601
Depreciation and amortization	4,026	3,846	11,882	11,466
Property and miscellaneous taxes	941	938	2,748	2,720
	14,696	17,249	45,286	48,787
Income from operations	1,941	79	34,187	27,697
Less interest and other deductions - net	3,099	3,197	9,337	9,508
Income (loss) before income taxes	(1,158)	(3,118)	24,850	18,189
Income taxes	(492)	(1,138)	8,943	6,639
Net Income (Loss)	\$ (666)	\$ (1,980)	\$ 15,907	\$ 11,550
Weighted average common shares outstanding	11,227	11,086	11,193	11,063
Net earnings (loss) per common share				
Basic	\$ (0.06)	\$ (0.18)	\$ 1.42	\$ 1.04
Diluted	\$ (0.06)	\$ (0.18)	\$ 1.42	\$ 1.04
Cash dividends per share	\$ 0.24	\$ 0.24	\$ 0.72	\$ 0.72

The accompanying notes are an integral part of these financial statements



**CASCADE NATURAL GAS CORPORATION**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

(Dollars in Thousands)

	Jun 30, 2004 (Unaudited)	Sep 30, 2003
<b>ASSETS</b>		
Utility Plant, net of accumulated depreciation of \$239,530 and \$227,582	\$ 316,619	\$ 302,225
Construction work in progress	12,938	10,078
	329,557	312,303
Other Assets:		
Investments in non-utility property	202	202
Notes receivable, less current maturities	49	52
	251	254
Current Assets:		
Cash and cash equivalents	562	7,452
Accounts receivable and current maturities of notes receivable, less allowance of \$946 and \$877 for doubtful accounts	19,213	12,296
Materials, supplies and inventories	11,866	14,737
Prepaid expenses and other assets	7,946	6,144
Deferred income taxes	911	755
	40,498	41,384
Deferred Charges		
Gas cost changes	9,288	11,584
Other	7,668	5,931
	16,956	17,515
	\$ 387,262	\$ 371,456

## CASCADE NATURAL GAS CORPORATION

## CONSOLIDATED CONDENSED BALANCE SHEETS (Continued)

(Dollars in Thousands)

	Jun 30, 2004 (Unaudited)	Sep 30, 2003
<b>COMMON SHAREHOLDERS EQUITY AND LIABILITIES</b>		
Common Shareholders Equity:		
Common stock, par value \$1 per share, authorized 15,000,000 shares, issued and outstanding 11,240,716 and 11,131,860 shares	\$ 11,241	\$ 11,132
Additional paid-in capital	100,837	98,877
Accumulated other comprehensive income (loss)	(13,430)	(13,430)
Retained earnings	23,811	15,981
	122,459	112,560
Long-term Debt	133,930	142,930
Current Liabilities:		
Notes payable and commercial paper	1,000	3,800
Current maturities of long-term debt	31,000	22,000
Accounts payable	14,644	10,501
Property, payroll and excise taxes	4,996	5,387
Dividends and interest payable	5,504	7,884
Other current liabilities	8,654	6,431
	65,798	56,003
Deferred Credits and Other Liabilities	65,075	59,963
Commitments and Contingencies	\$ 387,262	\$ 371,456

The accompanying notes are an integral part of these financial statements

## CASCADE NATURAL GAS CORPORATION

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	NINE MONTHS ENDED	
	(dollars in thousands)	
	Jun 30, 2004	Jun 30, 2003
	(Restated	
	See Note 1)	
<b>Operating Activities</b>		
Net income	\$ 15,907	\$ 11,550
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,882	11,466
Deferrals of gas cost changes	(3,378)	3,391
Amortization of gas cost changes	5,674	5,268
Other deferrals and amortizations	(453)	2,692
Deferred income taxes and tax credits - net	3,982	1,992
Change in current assets and liabilities	(2,252)	2,595
Net cash provided by operating activities	31,362	38,954
<b>Investing Activities</b>		
Capital expenditures	(29,762)	(17,553)
Customer contributions in aid of construction	318	713
Other		10
Net cash used by investing activities	(29,444)	(16,830)
<b>Financing Activities</b>		
Proceeds from issuance of common stock	2,070	1,041
Changes in notes payable and commercial paper, net	(2,800)	
Dividends paid	(8,078)	(7,974)
Net cash used by financing activities	(8,808)	