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**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

COST MANAGEMENT SERVICES,
INC.,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

No. UG-061256

DECLARATION OF JON T. STOLTZ IN
SUPPORT OF CASCADE'S MOTION FOR
SUMMARY DETERMINATION

Jon T. Stoltz declares as follows:

1. I am Senior Vice President – Gas Supply and Regulatory for Cascade Natural Gas Corporation ("Cascade") and I make this declaration in support of Cascade's motion for summary determination. The facts stated herein are submitted in addition to those set forth in the Stipulated Facts filed November 8, 2006.

2. Cascade has provided unbundled gas sales and transportation services to its "non-core" customers since 1988. The Commission authorized the unbundling of local

DECLARATION OF JON T. STOLTZ – 1

Perkins Coie LLP
1120 N.W. Couch Street, Tenth Floor
Portland, OR 97209-4128
Phone: 503.727.2000
Fax: 503.727.2222

1 distribution system transportation from gas sales in order to encourage the development of a
2 competitive market for gas supply which, in turn, would provide non-core customers with
3 more options for obtaining gas at the lowest possible cost. This permitted Cascade's non-
4 core customers to purchase gas and pipeline transportation services in the same wholesale
5 market in which Cascade makes its purchases.
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11 3. In 2004, Cascade understood that many of the unbundled gas sales and other
12 services it provided to non-core customers located in Washington were also authorized
13 pursuant to federal authority by the blanket marketing certificate FERC granted to Cascade
14 pursuant to 18 C.F.R. § 284.402. In addition, Cascade believed that several of its existing
15 tariffs contained both state jurisdictional and federal jurisdictional services, thereby creating
16 an overlap of state and federal authority and the potential for confusion. Accordingly,
17 Cascade canceled Supplemental Schedule Nos. 681, 682, 683, and 684 by tariff filings
18 effective March 1, 2004.
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27 4. The sales that Cascade made pursuant to its optional gas supply rate
28 schedules were at prices based upon Cascade's costs. Cascade's standard practice when a
29 customer requests to purchase unbundled gas supply has been to enter into a supply contract
30 that matches the needs of a specific customer or group of customers. Cascade enters into
31 either a variable index price or fixed price supply arrangement, depending upon whether the
32 customer wants a variable index or a fixed price. Prior to March 1, 2004, Cascade charged
33 its customers based on the price it paid for the gas commodity, as stated in Rate Schedule
34 No. 681 ("The charges for the commodity cost of gas for customers electing this option shall
35 include all the cost of such supply at the city gate (excluding pipeline transportation
36 charges).") For customers with published *Inside FERC* index-price contracts, Cascade
37 communicated the published index price to the customers on a monthly basis, as reflected in
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1 Rate Schedule No. 681. Cascade charged its fixed-price customers the cost established by
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3 their specific supply contracts, as stated in Rate Schedule No. 684. These customers also
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5 obtained access to pipeline transportation either from the pipeline through the capacity
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7 release mechanism or from Cascade pursuant to Rate Schedule Nos. 685 or 686. Cascade
8
9 also charged its customers fees and other charges as set forth in the applicable rate
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11 schedules.

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13 5. Since March 1, 2004, Cascade has conducted and priced its sales of non-core
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15 gas supply and related services in largely the same manner as it did prior to that date. The
16
17 majority of Cascade's unbundled gas sales to its transportation customers are priced based on
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19 a published *Inside FERC* index, with the published *Inside FERC* price communicated to
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21 customers on a monthly basis. Whether the customer selects an index price or a fixed price,
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23 Cascade includes the price for gas commodity that Cascade pays in the price negotiated with
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25 the customer. Cascade also includes in the price offered to the customer a component to
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27 cover the various risks to Cascade inherent in the transaction, including the risk that the
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29 customer will purchase less than its anticipated volume of gas. If the customer obtains
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31 pipeline capacity from Cascade, Cascade also includes the market price for released pipeline
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33 capacity and the rate Cascade pays pursuant to pipeline fuel reimbursement provisions.

34
35 6. In establishing the price offered to the customer, Cascade also includes an
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37 amount for its Gas Management Fee. This fee covers the nomination process, daily
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39 monitoring and balancing, and other services Cascade performs in connection with
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41 providing unbundled gas supply, and ranges between \$.005 and \$.10 per MMBTU, as set
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43 forth in Rate Schedule No. 687. Cascade also charges a Gross Revenue Fee reimbursement
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45 charge to cover state utility tax and other governmental levies imposed upon Cascade, as set
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1 forth in Rate Schedule No. 687. Cascade fully recovers its costs of selling unbundled gas to
2 non-core customers in its prices for that gas supply.
3

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5 7. Since March 1, 2004, Cascade no longer filed form contracts with the
6 Commission because it was informed by Commission Staff that it is no longer necessary to
7 file updated forms of these contracts.
8

9
10 8. Approximately 85 percent of Cascade's current customers for unbundled gas
11 have contracts with a term of one year or less.
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13
14 I CERTIFY UNDER PENALTY OF PERJURY under the laws of the State of
15 Washington that the foregoing is true and correct.
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18 DATED at Seattle, Washington, this 15th day of November, 2006.
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Jon T. Stoltz

CERTIFICATE OF SERVICE

I hereby certify that I have this day served this **DECLARATION OF JON T. STOLTZ IN SUPPORT OF CASCADE'S MOTION FOR SUMMARY DETERMINATION** upon all parties of record in this proceeding by causing a copy to be sent by electronic mail to:

John Cameron
Ryan Flynn
Davis Wright Tremaine LLP
Suite 2300
1300 SW Fifth Avenue
Portland, OR 97201

Doug Betzold
Cost Management Services, Inc.
2737 - 78th Avenue SE, Suite 101
Mercer Island, WA 98040

Edward A. Finklea
Chad M. Stokes
Cable Huston Benedict
Haagensen & Lloyd LLP
Suite 2000
1001 SW Fifth Avenue
Portland, OR 97204


Judy Krebs
Public Counsel Section
Office of Attorney General
Suite 2000
800 Fifth Avenue
Seattle, WA 98104

Greg Trautman
Assistant Attorney General
1400 S. Evergreen Park Dr. SW
P.O. Box 40128
Olympia, WA 98504

Ann Rendahl
Kippi Walker
Washington Utilities and
Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Dated this 22nd day of November, 2006.

PERKINS COIE LLP

By 
James M. Van Nostrand, WSBA #15897
Lawrence H. Reichman, OSB #86083
Attorneys for Cascade Natural Gas Corporation