



James M. Van Nostrand
PHONE: 503.727.2162
FAX: 503.346.2162
EMAIL: jvannostrand@perkinscoie.com

111 Market Street N.E., Suite 200
Olympia, WA 98501-1008
PHONE: 360.956.3300
FAX: 360.956.1208
www.perkinscoie.com

August 22, 2006

BY HAND DELIVERY

Ms. Carole Washburn
Executive Secretary
Washington Utilities and Transportation
Commission
1300 S Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UG-061256
Cost Management Services, Inc. v. Cascade Natural Gas Corporation

Dear Ms. Washburn:

Enclosed for filing are the original and 12 copies of the Answer of Cascade Natural Gas Corporation in the above-referenced matter, along with a disc including electronic versions of the Answer. Please note that Cascade requests in its Answer that the Commission either dismiss the Complaint or issue a written decision pursuant to WAC 480-07-305(5)(b) deciding not to conduct an adjudicative proceeding, for the reasons set forth in Cascade's Answer.

Thank you for your attention to this matter.

Very truly yours,

James M. Van Nostrand
JMV:dmp
Enclosures
cc: Service List
Jon Stoltz

[32032-0004/PA062340.034.DOC]

**BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

COST MANAGEMENT SERVICES, INC.,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

Docket No. UG-061256

ANSWER

1. Cascade Natural Gas Corporation ("Cascade") submits this Answer to the Complaint filed by Cost Management Services, Inc. ("CMS"). The names, addresses, email addresses, and telephone numbers of the persons to whom communications for Cascade should be addressed are:

James M. Van Nostrand
(jvannostrand@perkinscoie.com)
Lawrence Reichman
(lreichman@perkinscoie.com)
PERKINS COIE LLP
1120 N.W. Couch St.
Portland, OR 97209
(503) 727-2162

Jon Stoltz (JSTOLTZ@cngc.com)
Senior Vice President
Cascade Natural Gas Corporation
222 Fairview Avenue North
Seattle, WA 98109
(206) 624-3900

**I. REQUEST THAT COMMISSION DISMISS COMPLAINT OR
DECIDE NOT TO CONDUCT ADJUDICATIVE PROCEEDING**

2. For the reasons discussed in the Introduction below, Cascade respectfully submits that it is unnecessary for the Commission to conduct an adjudicative proceeding in order to resolve the issues in CMS's Complaint, and requests that the Commission either

dismiss the Complaint or issue a written decision pursuant to WAC 480-07-305(5)(b) deciding not to conduct an adjudicative proceeding.

II. INTRODUCTION

A. Summary

3. CMS challenges Cascade's unbundled sales of natural gas to Washington non-core customers, claiming they are neither authorized by the blanket marketing certificate Cascade obtained pursuant to a regulation of the Federal Energy Regulatory Commission ("FERC"), 18 C.F.R. § 284.402, nor authorized by this Commission. Both claims are incorrect. To the extent Cascade provides retail sales and intrastate transportation to its non-core customers, these services have been fully authorized by the Commission. In addition, the blanket marketing certificate Cascade obtained from FERC, as well as FERC's regulation of the interstate sale and transportation of natural gas, authorizes all of Cascade's activities in the interstate market that have been challenged by CMS. CMS's Complaint essentially challenges Cascade's authority to make sales pursuant to Cascade's FERC blanket marketing certificate. *See* Complaint, ¶¶ 3, 33, 46-47. CMS improperly requests that the Commission decide issues concerning the scope of authority under the Natural Gas Act ("NGA"), 15 U.S.C. § 717 *et seq.*, and concerning FERC's jurisdiction over both transportation and sales of natural gas in interstate commerce. Issues regarding the scope of authority granted to Cascade by FERC must be decided by FERC.

B. The Commission Has Authorized Cascade's Activities on Behalf of Its Non-Core Customers

4. The Commission authorized Cascade to unbundle local distribution system transportation from the sale of natural gas in 1988-1989, when it approved rate schedules that required Cascade to offer its non-core customers a number of separate services

including distribution system transportation, gas supply, pipeline capacity, storage, and balancing. Since that time, in addition to unbundled local transportation, Cascade has continually provided a variety of services to non-core customers in Washington, including gas and transportation management and gas supply services. The Commission authorized the unbundling of local transportation from gas sales in order to encourage the development of a competitive market for gas supply which, in turn, would provide customers with more options for obtaining gas at the lowest possible cost. This permitted non-core customers to purchase gas and transportation services in the same markets in which Cascade makes its purchases.

5. Effective December 1, 1989, the Commission approved tariffs for Cascade which authorized the provision of optional, non-core gas supply services, such as Firm Gas Supply (Schedule No. 681), Best Efforts Spot Market Gas Supply (Schedule No. 682), Customer Owned Gas Supply (Schedule No. 683), and Customer Specific Gas Supply (Schedule No. 684). (Indeed, similar services were offered under Schedule Nos. 586, 587, and 588, effective December 2, 1988.) The sales that Cascade made pursuant to these schedules were at prices based upon the cost established by contract. From the inception of these sales, with express Commission authority, the specific prices Cascade charged to non-core customers for gas commodity were never listed in its rate schedules or otherwise filed with the Commission. Rather, the prices were communicated to the customers on a monthly basis (Schedule Nos. 681 and 682) or were pursuant to customer-specific contracts (Schedule No. 684).

6. In late 2003 and early 2004, Cascade understood that many of the gas sales and other services it provided to non-core customers located in Washington were also authorized pursuant to federal authority by the blanket marketing certificate FERC granted

to Cascade. In addition, several of Cascade's existing tariffs contained both state jurisdictional and federal jurisdictional services, thereby creating a potential overlap of state and federal authority and the potential for confusion. Accordingly, Cascade canceled Schedule Nos. 681, 682, 683, and 684 by tariff filings effective March 1, 2004. By approving these tariff filings canceling Schedule Nos. 681, 682, 683, and 684, the Commission concurred that these sales were authorized by Cascade's FERC certificate. The services Cascade provided to non-core customers were not affected by this filing, because Cascade continued to provide supplies and services according to the terms of existing contracts. In addition, since March 1, 2004, Cascade has conducted and priced its sales of non-core gas supply and related services in largely the same manner as it did prior to that date.

7. In addition to the authority provided by the approval of Schedule Nos. 681, 682, 683, and 684, the Commission has provided additional authorization for Cascade's activities. This can be found, among other places, in the currently effective schedules for Distribution System Transportation Service (Schedule No. 663), Large Volume Distribution System Transportation Service (Schedule No. 664), Optional Firm Pipeline Capacity (Supplemental Schedule No. 685), Optional Gas Management Services (Schedule No. 687), and Rule 20. Cascade has also filed with the Commission the form contracts that it utilizes for these activities, including activities that are within the scope of its blanket marketing certificate. Cascade has more recently been informed by Commission Staff that it is no longer necessary to file updated forms of these contracts, because these activities are not state jurisdictional.

8. Cascade's unbundled local transportation of natural gas has always been, and remains, subject to regulation by the Commission, and the rates and terms are governed by

Schedule Nos. 663 and 664 as well as Rule 20. In contrast, Cascade properly treats its acquisition of gas supply, participation in the interstate transportation and sales markets, and related services provided to and on behalf of non-core customers, as activities that are not regulated by this Commission for ratemaking purposes. Accordingly, Cascade's shareholders, not its core customers, bear the expense and risk of such activities.

C. To the Extent CMS Challenges Cascade's Activities Under Its FERC Certificate, FERC and Not This Commission Should Decide CMS's Claim

9. The boundaries between federal and state jurisdiction over the natural gas industry are not as narrow and circumscribed as CMS portrays in its Complaint. Section 4(a) of the NGA gives FERC jurisdiction over "[a]ll rates and charges made, demanded or received by any natural-gas company for or *in connection with the* transportation or sale of natural gas." 15 U.S.C. § 717c(a) (emphasis added). Using its section 4(a) "in connection with" authority, FERC has asserted jurisdiction over services and facilities that would otherwise be excluded from its jurisdiction by the plain language of the NGA. *See, e.g., Northern Natural Gas Co. v. FERC*, 929 F.2d 1261 (8th Cir. 1991); *Nicole Gas Production Ltd.*, 103 FERC ¶ 61,328 (2003), *rev'd on other grounds*, 404 F.3d 459 (D.C. Cir. 2005).

10. FERC's rules governing the provision of transportation and sales services provided by local distribution companies ("LDCs") and what constitutes a "sale for resale in interstate commerce" under the NGA and Natural Gas Policy Act of 1978, 15 U.S.C. § 3301, are far more complicated than the CMS Complaint portrays. As many years of litigation demonstrate, there is no "bright line" governing many state vs. federal jurisdictional issues involving natural gas sales and transportation. Further, because FERC has substantial expertise in evaluating its own authority, rules, and regulations, the Commission should not

attempt to decide whether Cascade is complying with federal law. In fact, such a role has been completely circumscribed by the courts. *See, e.g., Martin v. OSHRC*, 499 U.S. 144, 151 (1991) ("Because applying an agency's regulation to complex or changing circumstances calls upon the agency's unique expertise and policymaking prerogatives, we presume that the power authoritatively to interpret its own regulations is a component of the agency's delegated lawmaking powers.").

11. Although the CMS Complaint essentially challenges Cascade's authority to make sales pursuant to the blanket marketing certificate conferred by FERC in Order No. 547 and codified at 18 C.F.R. § 284.402, it conveniently ignores FERC's authority over, and Cascade's right to participate in, the interstate sales and transportation market. As an initial matter, FERC regulations allow "any person who is not an interstate pipeline . . . to make sales for resale at negotiated rates in interstate commerce." *Id.* FERC has established rules and regulations that specifically apply to local distribution companies and other "shippers" participating in the interstate transportation market. *See, e.g.,* 18 C.F.R. § 284.224 and 18 C.F.R. § 284.8(g) (2006). Thus, Cascade's activities on behalf of non-core customers are authorized under both the FERC blanket marketing certificate and FERC's rules and regulations concerning the sales and transportation of natural gas in interstate commerce.

12. The activities of Cascade that CMS challenges are varied and involve the provision of a number of services. At best, the Complaint gives only a highly selective discussion of FERC's authority to regulate the interstate sale and transportation of natural gas. Services performed by Cascade on behalf of its non-core customers that are outside of state authority include making nominations and balancing on behalf of customers in connection with the interstate transportation of gas. They also include Cascade's interstate

transportation, gas purchases, and other dealings with gas suppliers in interstate commerce on behalf of its customers. In fact, there are a broad range of services that an LDC may provide which are under FERC's authority. *See, e.g.*, 18 C.F.R. §§ 284.102(a) and (d) (discussing LDC transportation rights); 18 C.F.R. § 284.126 (discussing LDC bypass rights); 18 C.F.R. § 284.221 ("Any local distribution company served by an interstate pipeline may apply for a blanket certificate to perform certain services"); 18 C.F.R. § 284.224(b)(3) (granting blanket certificates "to such local distribution company . . . [to] authorize the local distribution company to engage in the sale or transportation of natural gas that is subject to the Commission's jurisdiction under the Natural Gas Act"). All of these activities are pursuant to FERC-approved tariffs and authority, and are either within the scope of the blanket marketing certificate Cascade has obtained from FERC or are authorized by FERC rules, regulations, and precedent. CMS has not identified any specific activity or service provided by Cascade to a non-core customer that is not authorized by either FERC or by the Commission.

13. The Complaint would require the Commission to decide whether Cascade has received authority from FERC, pursuant to its blanket marketing certificate, to engage in the transactions that CMS challenges. It is well settled that FERC and not state commissions, must decide questions about the scope of authority that FERC has granted. In fact, CMS's Complaint improperly requests that this Commission address matters committed to FERC by the NGA. 15 U.S.C. § 717 *et seq.* ("Federal regulation in matters relating to the transportation of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest"). Only FERC, and not state commissions, must decide questions about the scope of its authority under the Natural Gas Act. Thus, if any agency

has jurisdiction to hear this complaint, it is FERC and not the Commission. A Commission complaint proceeding is not the proper forum for CMS's Complaint.

D. CMS's Motives Are Improper and Anti-Competitive

14. CMS intervened in Cascade's 2006 Washington rate case, Docket No. UG-060256, and issued discovery requests relating to Cascade's gas supply activities. CMS based its Complaint in this case, in large part, on Cascade's discovery responses in the rate case. Complaint, ¶¶ 36-38. Cascade submits that CMS's use of the discovery process in one proceeding in order to pursue a claim in a separate proceeding is an abuse of discovery, a violation of the Commission's rules (WAC 480-07-400(4) ("Data requests must seek only information that is relevant to the issues in the adjudicative proceeding or that may lead to the production of information that is relevant.")),¹ and is inconsistent with paragraph 7 of the Protective Order issued in the rate case, Order 02 ("No Confidential Information . . . may be requested, reviewed, used or disclosed . . . except for purposes of this proceeding.").

15. The sale of gas by CMS is not regulated by the Commission. Complaint, ¶ 5. By requesting that the Commission void Cascade's existing gas supply contracts with its non-core customers (Complaint, ¶ 47(D)) and direct Cascade to "cease and desist from making retail sales of natural gas" (Complaint, ¶ 47(B)), CMS is seeking to eliminate an option that currently exists for Cascade's customers and thereby improve CMS's competitive position, to the detriment of Cascade and the customers currently obtaining this service from Cascade. CMS's request would also impose price regulation on activity that the

¹ It is worth noting that in the new rules recently filed with the Code Reviser's Office, which will become effective on August 27, 2006, WAC 480-07-400(3) will provide that "[d]iscovery through data requests or otherwise must not be used for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the costs of litigation."

Commission has allowed to proceed on a largely unregulated basis for almost 17 years, and would impose regulatory compliance requirements on Cascade with which CMS would not be required to comply. Complaint, ¶ 46. Granting CMS's requested relief would serve only to deprive Washington non-core customers of a competitive option and tend to increase their cost of gas. This would be contrary to the pro-competitive policies that both the Commission and FERC have encouraged for many years.

III. RESPONSE TO SPECIFIC ALLEGATIONS

Cascade responds to the specific allegations of the Complaint as follows:

16. In response to paragraph 5 of the Complaint, Cascade admits that CMS is engaged in the sale and supply of natural gas as a competitive gas marketer, that some of CMS's customers are located within the service territory of Cascade, and that the only Cascade customers that are able to purchase gas from CMS within the service territory of Cascade are those that take transportation-only services from Cascade under Schedules 663 or 664. Cascade is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of paragraph 5 of the Complaint and therefore denies the same.

17. Cascade is without knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 6 of the Complaint and therefore denies the same.

18. In response to the first sentence of paragraph 7 of the Complaint, Cascade admits that it is a "gas company" under RCW 80.04.010, subject to the jurisdiction of this Commission for some of its activities, and alleges that it is subject to the jurisdiction of FERC for other activities. Cascade admits the allegations of the second sentence of paragraph 7 of the Complaint.

19. Paragraph 8 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statutes speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 8 of the Complaint.

20. Paragraph 9 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the allegations in paragraph 9 of the Complaint.

21. Paragraph 10 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 10 of the Complaint.

22. Paragraph 11 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 11 of the Complaint.

23. Paragraph 12 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 12 of the Complaint.

24. Paragraph 13 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 13 of the Complaint.

25. Paragraph 14 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 14 of the Complaint.

26. Paragraph 15 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 15 of the Complaint.

27. Paragraph 16 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself.

28. Paragraph 17 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute speaks for itself.

29. Paragraph 18 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited regulation speaks for itself.

30. Paragraph 19 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statutes speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 19 of the Complaint.

31. Paragraph 20 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute and

regulations speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 20 of the Complaint.

32. Paragraph 21 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited case speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 21 of the Complaint.

33. Paragraph 22 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statutes speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 22 of the Complaint.

34. Paragraph 23 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the allegations in paragraph 23 of the Complaint.

35. Paragraph 24 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the allegations in paragraph 24 of the Complaint.

36. Paragraph 25 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited statute and order speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 25 of the Complaint.

37. Paragraph 26 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order and regulations speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 26 of the Complaint.

38. Paragraph 27 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 27 of the Complaint.

39. Paragraph 28 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 28 of the Complaint.

40. Paragraph 29 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 29 of the Complaint.

41. Paragraph 30 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 30 of the Complaint.

42. Paragraph 31 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 31 of the Complaint.

43. In response to paragraph 32 of the Complaint, Cascade admits that the AGA made the referenced comments (although CMS omitted a footnote) and that Exhibit A includes a complete copy of AGA's comments. Cascade further responds that paragraph 32 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which

no response is required. Furthermore, the cited comments and regulation speak for themselves. To the extent a response is required, Cascade denies the remaining allegations in paragraph 32 of the Complaint.

44. In response to paragraph 33 of the Complaint, Cascade admits that the current effective versions of its Rate Schedules 663 and 664 include the quoted material. Cascade further alleges that prior versions of these Rate Schedules included different language in the referenced sections. Cascade further responds that paragraph 33 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the remaining allegations in paragraph 33 of the Complaint.

45. Paragraph 34 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited rate schedules and regulation speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 34 of the Complaint.

46. Cascade denies the allegations of paragraph 35 of the Complaint.

47. In response to paragraph 36 of the Complaint, Cascade states that its response to the referenced data requests are attached as Exhibit C to the Complaint and that these responses speak for themselves. Cascade further responds that paragraph 36 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the remaining allegations in paragraph 36 of the Complaint.

48. In response to paragraph 37 of the Complaint, Cascade states that its responses to the referenced data requests speak for themselves.

49. In response to paragraph 38 of the Complaint, Cascade states that its responses to the referenced data requests speak for themselves.

50. In response to paragraph 39 of the Complaint, Cascade admits that the referenced exhibit is attached as Exhibit D to the Complaint and states that the referenced testimony and exhibit speak for themselves. Cascade further responds that paragraph 39 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the remaining allegations in paragraph 39 of the Complaint.

51. In response to paragraph 40 of the Complaint, Cascade admits that the referenced portion of testimony is attached as Exhibit E to the Complaint and states that the referenced testimony and exhibit speak for themselves. Cascade denies the remaining allegations in paragraph 40 of the Complaint.

52. In response to paragraph 41 of the Complaint, Cascade states that its referenced testimony and exhibit, and the referenced order and case, speak for themselves. Cascade further responds that paragraph 41 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the remaining allegations in paragraph 41 of the Complaint.

53. Paragraph 42 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited order, statutes, and regulations speak for themselves. To the extent a response is required, Cascade denies the allegations in paragraph 42 of the Complaint.

54. Paragraph 43 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. Furthermore, the cited regulation

speaks for itself. To the extent a response is required, Cascade denies the allegations in paragraph 43 of the Complaint.

55. Paragraph 44 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the allegations in paragraph 44 of the Complaint.

56. Paragraph 45 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the allegations in paragraph 45 of the Complaint.

57. Paragraph 46 of the Complaint sets forth legal contentions, conclusions, and/or characterizations to which no response is required. To the extent a response is required, Cascade denies the allegations in paragraph 46 of the Complaint.

58. In response to paragraph 47 of the Complaint, Cascade states that CMS is not entitled to any of the relief that it requests.

IV. AFFIRMATIVE DEFENSES

First Affirmative Defense

59. Complainant has failed to state a claim on which the Commission may grant relief.

Second Affirmative Defense

60. This Commission lacks jurisdiction over the subject matter of this action.

Third Affirmative Defense

61. Cascade has complied with all provisions of the law applicable to the allegations contained in the Complaint.

Fourth Affirmative Defense

62. All or some of Complainant's claims are barred in whole or in part by a failure to exhaust administrative remedies and/or by applicable statutes of limitations.

Fifth Affirmative Defense

63. Complainant's claims are barred by the equitable doctrines of laches, waiver, and estoppel.

Sixth Affirmative Defense

64. Complainant's claims are barred by the filed tariff doctrine.



V. PRAYER FOR RELIEF

WHEREFORE, respondent Cascade Natural Gas Corporation denies that Complainant is entitled to any relief, and respectfully requests that the Commission issue an order:

- (1) dismissing the Complaint with prejudice, or
- (2) deciding under WAC 480-07-305(5)(b) not to conduct an adjudicative proceeding and issuing a written decision denying relief; and
- (3) providing such other and further relief as the Commission deems just and proper.

DATED: August 22, 2006.

PERKINS COIE LLP

By  for  WSBA #6404
James M. Van Nostrand, WSBA #15897
Lawrence H. Reichman, OSB #86083
Attorneys for Cascade Natural Gas Corporation

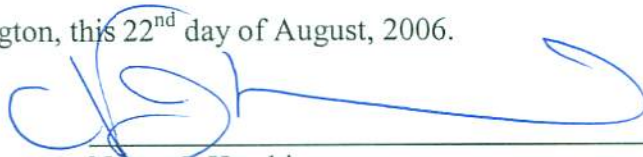
CERTIFICATE OF SERVICE

I hereby certify that I have this day served this ANSWER upon all parties of record in this proceeding by causing a copy to be sent by U.S. 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

Dated at Olympia, Washington, this 22nd day of August, 2006.



Nancy J. Hawkins