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May 8, 2006

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

**Re: Cascade Natural Gas Corporation
Docket No. UG-060256**

Dear Ms. Washburn:

Order No. 1 in this proceeding, the Prehearing Conference Order, directed that Cascade Natural Gas Corporation ("Cascade") provide documentation for the restrictions on use of the cost of service ("COS") study included in Cascade's direct case. As described at the prehearing conference and reported at ¶ 9 of Order No. 1, the model is proprietary, not Cascade-owned, and Cascade lacks the rights to make the model available to the parties' use to permit them to enter proposed changes to the model and determine the result.

The computer model, TACOS Gold, was developed by Cascade's COS witness, Lamar Maxwell Dickey and his associate, Dan Drummond. The current version was developed for use on a personal computer and was completed in 1998. Earlier versions ran on main frames and/or micro-computers and were developed starting in 1977. All versions of the model have been used in developing cost allocation studies that have been presented by Mr. Dickey before numerous regulatory agencies. *Dickey, Exhibit No. ___ (LMD-1T) at 15.*

According to Mr. Dickey, the TACOS Gold program can be leased for a fee of \$20,000. Purchasing of a copy of the program would authorize the licensee to use the program, but would not authorize the licensee to pass the program along to another party or to change the program in any way. Attached is a copy of a "License Agreement for TACOS Gold." The License Agreement provides that the software, if purchased, cannot "be given away, installed on non-owned computers or loaned to other parties."

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Ms. Carole J. Washburn
May 8, 2006
Page 2

As described at the prehearing conference, Cascade will make Mr. Dickey available to run the model with the specifications and assumptions prescribed by Staff, Public Counsel or an intervenor, with the output produced thereby provided to the requesting party. The associated costs would be paid by the Cascade and recorded as a rate case expense in this proceeding.

Please give me a call if you have any questions regarding this filing or these arrangements.

Very truly yours,



James M. Van Nostrand

JMV:dxp
Attachment
cc: Service List

THRESHOLD ASSOCIATES, INC.
9611 Trail Hill Drive
Dallas, Texas 75238-1441
214/340-5818

LAMAR M. DICKEY, President

License Agreement for TACOS Gold

This License Agreement between _____ and Threshold Associates, Inc. is effective _____. The software was installed on _____ PC Computers and the Training was held in _____ offices

The License Agreement provides for the User, _____, to install and use the software on any PC Computer used by the Rate Department. This license is for Desktop as well as Notebook Computers. The software is not to be given away, installed on non-owned computers or loaned to other parties. It should not be made available to ex-employees or employees who are leaving the Company.

The annual maintenance fee is billed and is payable each year. The fee is \$500.00 per year. Updates are provided periodically and telephone or email assistance in the use of the software or assistance in solving cost allocation problems that can be provided in a reasonable time period are provided at no additional cost.

Training for new employees is available either in Dallas or in _____. The cost of the training is \$2,000 per student in Dallas. If training is held in _____, transportation, and lodging and out of pocket expenses will be added to the cost per student. The minimum fee for training at the Company's location is \$10,000 plus expenses.

Lamar M. Dickey

CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the foregoing document upon the parties of record in this proceeding by first-class mail, addressed to said parties/attorneys' addresses as shown below:

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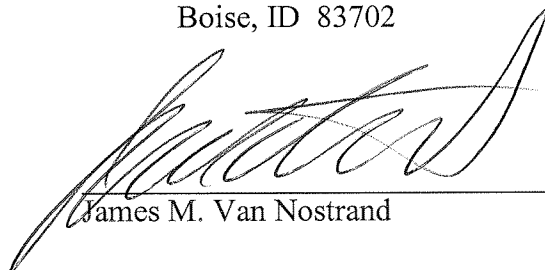
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DATED: May 8, 2006.



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