CASCADE NATURAL GAS CORPORATION
Public Counsel
2006 Rate Case Data Request

Request No. PC-30

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PC-30 Has the Company employed any specific technological innovations, efficiency measures or best practices to improve productivity and reduce the cost associated with providing regulated utility services in Washington in the past five years? If affirmative, please provide the following information for each such effort:

a) Describe each of the programs or projects that were undertaken.

b) For each element of your response to part (a), explain and quantify the benefits that were achieved and approximate one-time and annual ongoing savings levels.

c) State whether the benefits/savings identified in part (b) are fully reflected in recorded test year results of operations, or if specific proforma ratemaking adjustments exist to capture such savings.

d) Provide estimated annual capital investments made by year that were required to achieve the specified benefits/savings.

Provide estimated incremental expenses by year that were incurred to achieve the specified benefits/savings.

Response:
Cascade has employed the following technological innovations, efficiency measures or best practices in the past 5 years:

1. Automated Meter Reading (AMR)
   a. As described in the Testimony of David Stevens (page 4, Line 17): "In 2002 the Company began converting from handheld meter reading to automated meter reading (AMR)."
   b. Testimony of David Stevens (page 4, Line 18): The $16 million dollar investment allowed the Company to reduce its meter reading staff from 25 positions down to 5, which represents approximately $1.3 million per year in annual savings over the 2002 meter reading expense levels (approximately $1 million in Washington). Additionally, the technology allows the Company to grow without incurring additional meter reading expenses, which was estimated

at an increase of 1 full-term equivalent (FTE) per year to keep up with the Company's growth. This increased FTE level would substantially increase

c. meter reading costs from the 2002 level if the AMR equipment were not installed."
d. The benefits are fully reflected in the test period.
e. Capital Expenditures for the project were 3.7 Million in FY2003 and 12. 5 Million in FY2004.

2. Revised Employee Benefits
    a. Testimony of David Stevens (page 4, Line 27): "In 2003, the Company made significant changes in benefit plans for non-bargaining unit employees, which included the following:
        - Freezing accruals for salaried employees to the retirement plan (pension);
        - Freezing accruals to the Executive Supplemental Retirement Income Plan (SERP);
        - Increasing contributions to the 401(k) for salaried employees;
        - Reducing benefits provided to salaried employees under the medical plan;
        - Implementing market-level monthly contributions to the medical plan for salaried employees;
        - Reducing medical benefits provided to retirees; and
        - Implementing monthly contributions to the medical plan for retirees."
    b. Testimony of David Stevens (page 5, Line 10): "These changes resulted in the 2004 benefit expenses being approximately $5 million less than the 2003 level, thereby reducing the cost of Washington operations by about $3.9 million."
    c. The benefits are fully reflected in the test period.
    d. No Capital Investment required.

3. Centralized Customer Service Call Center
    a. Testimony of David Stevens (page 5, Line 14): "In January 2005, the Company began centralizing its customer service functions by removing these functions from its district offices to a centralized call center located in Bellingham."
    b. Testimony of David Stevens (page 5, Line 16): "The consolidation, which was completed by the end of March 2005, is estimated to produce annual savings of approximately $800,000 (or approximately $600,000 for Washington operations)."
    c. The test period reflects approximately 415K of savings (Approximately 320K for Washington Operations), as the Company excluded the severance and moving related one time costs associated with the project from the test period.
    d. Capital expenditures for the project were 855k, which was incurred during FY2005.

Additionally, Cascade provided the following answer to a similar data request in Docket UG-051651, DR 9:

> Since the company's last rate case it has pursued a number of operational efficiencies initiatives. The following is a brief summary of the larger initiatives undertaken by the company.
>
> In 1999, the Company consolidated its 14 districts into 5 regions, which allowed the company to streamline management associated with the district operations. Prior to the consolidation, each district had a district manager, a superintendent, and an office manager. This consolidation resulted in a reduction in the elimination of 8 district management

positions, and resulted in approximately $870,000 on a total company basis. Since Washington represents roughly 77% of the total company operations, we estimate that the Washington savings was approximately $670 thousand. In September 2005, the company reorganized the Regional structure reducing the number of regions from 5 to 4 and allowing the elimination of 1 regional director.

In 2000, the company began vigorously pursuing a new business opportunity by establishing its Optional Gas Management tariff which allowed the company to contract with non-core customers for miscellaneous reporting and other gas management services (Rate Schedule 687). The following table summarizes the gas management margins on an annual basis since the programs inception. All of these margins were included above the line, and therefore included in the company's results of operations.

Gas Management Margins
($ in 000's)

	Total Company	Washington Only
FY00	$276	$ 251
FY01	$911	$ 822
FY02	$3,170	$ 2,826
FY03	$4,720	$ 4,219
FY04	$3,199	$ 2,839
FY05	$1,431	$ 1,230

In 2002 the Company began converting from handheld meter reading to AMR. The $16 million dollar investment allowed the company to reduce its meter reading staff from 25 positions down to 5, which represents approximately $1.3 million per year in annual savings over the 2002 meter reading expense levels (approximately $1 million Washington). Additionally, the technology allows the company to grow with out incurring additional meter reading expenses, which was estimated at an increase of 1 FTE per year to keep up with the company's growth. By 2019, it was estimated that meter reading costs would increase by over $5 million from the 2002 level if the AMR equipment was not installed.

In 2003, the company made significant changes in benefit plans for salaried employees, which included the following:

- Freeze accruals for salaried employees to the Retirement plan (pension)
- Freeze accruals to the Executive Supplemental Retirement Plan (SERP)
- Increase contributions to the 401(k) for salaried employees
- Reduce benefits provided to salaried employees under the medical plan
- Implement market-level monthly contributions to the medical plan for salaried employees
- Reduce medical benefits provided to retirees
- Implement monthly contributions to the medical plan for retirees

- These changes resulted in the 2004 benefit expenses being approximately $5 million less than the 2003 level (approximately $3.9 million savings associated with Washington operations).

In January 2005, the company began centralizing its customer service functions by removing these functions from its district offices to a centralized call center located in Bellingham. The consolidation was completed by the end of March, 2005 and it is estimated that it will result in an annual savings of approximately $800 thousand (approximately $600 thousand Washington.).