

CASCADE NATURAL GAS CORPORATION
Public Counsel
2006 Rate Case Data Request

Request No. PC-42

Date prepared: April 25, 2006

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PC-42 Ref: Direct Testimony of F. Jay Cummings page 5

According to Mr. Cummings, "As indicated in Rule 21, required SRIAM revenue and the resulting rate adjustments applicable to all firm distribution rate schedules will be calculated on an annual basis. On December 1 each year, the Company will make a filing with the Washington Utilities and Transportation Commission ("Commission") to adjust rates based on eligible investments in service as of the end of the most recent fiscal year, ended September 30 of the current year." Please provide the following information:

- a) A complete listing of all input accounting values and data sources required for Cascade to prepare the calculations for the annual filings.
- b) Define what is meant by "eligible investment balances" and provide examples of the types of investments that would be included and excluded by such criteria.
- c) State with specificity which types of new investment would not be "eligible" for inclusion in the SRIAM and the reasons for such exclusion.
- d) Please provide complete specimen copies of the form of all documents proposed to be submitted by Cascade to the Commission for annual calculation and administration of the proposed SRIAM tracker rates, including all data anticipated to be filed pursuant to proposed Rule 21, item 6.
- e) Please provide specimen calculations for the first projected year of SRIAM tracker rates for each customer class in your illustrative documentation, based upon projected investment costs for the year 2007 from the testimony page 4 data table, in relation to test year adjusted cost levels. Identify each investment amount/item treated as eligible under the Rule 21 approach that is proposed.

Response:

- a) The primary data source will be level of SRIAM investment, which, as stated in the proposed tariff, will be based on the net plant balance at the end of the fiscal year. The level of SRIAM investments will be obtained from the Company's fixed asset system as each SRIAM project will be tracked with a specific type of project code within the system. The accumulated depreciation and accumulated deferred taxes will be calculated within a spreadsheet similar to the example provided in response to NWIGU DR14 and item (d) below.

- b) For an investment to be considered eligible for inclusion in the SRIAM it must meet one of following three criteria:
- Investments in mains, service lines, and related facilities that replace existing facilities that have worn out or are in deteriorated condition,
 - facility relocations required due to public works projects by or on behalf of any government agency provided that the costs related to such projects have not been completely reimbursed to the company;
 - additional mains, gate station facility expansions, compressed natural gas and liquefied natural gas equipment or any other infrastructure improvements designed to improve the reliability and/or capacity of the distribution system during peak weather events.
- c) Investments that would not be eligible would be those projects directly initiated as a result of a customer's request for new service, along with investments in system wide computer technology investments (i.e., a new customer information system), office buildings/warehouses and other non-distribution system investments.
- d) The company envisions that the annual SRIAM filing calculation would be prepared as shown in the attached spreadsheet. The Supporting documentation for the filing would include the calculation and description of the investments completed during the most recent fiscal year. An example of the material that would be provided for a projected is attached. The accumulated depreciation balance and depreciation expense levels would be calculated based on the attached depreciation rates, which were approved by the WUTC in the late 1990's. Accumulated Deferred Income Taxes would be calculated based on the applicable MACRS schedule. This information combined will provide the level of net SRIAM investment.
- e) An example of the SRIAM calculation for the 2007 period has been provided in item (d) above. As far as providing documentation of each project proposed, as stated in PC-41, the company is not proposing the recovery of the level of estimated SRIAM investments shown in Mr. Cumming's testimony. The information included in the table was merely provided to illustrate the magnitude of the capital investment involved.

Estimated Customers-Washington

	Plan FY2006	Plan FY2007
Residential	154,626	159,249
Commercial	22,457	22,675
Industrial	637	634
Total	<u>177,720</u>	<u>182,558</u>

Estimated Breakdown by Rate Schedule

	Per JTS-3 Schedule 1	Allocation %	FY2006	FY2007
502-Res	1,463	0.98%	1,519	1,565
503	147,373	99.02%	153,107	157,684
Residential Estimate	<u>148,836</u>	100.00%	154,626	159,249
502-Comm	42	0.19%	43	43
504	22,030	99.53%	22,351	22,567
511-Comm	63	0.28%	64	64
Commercial Estimate	<u>22,134</u>	100.00%	22,457	22,675
505	405	71.12%	453	451
511-Industrial	7	1.29%	8	8
663	133	23.37%	149	148
664	24	4.22%	27	27
	<u>569</u>	100.00%	637	634

Estimated Customers By Rate Schedule Summary

	FY2007
502	1,608
503	157,684
504	22,567
505	451
511	72
663	148
664	27
	<u>182,557</u>

Based on Estimated Reinforcement, Replacement & Relocation Expenditures for WA

2007	SRIAM Investments		Accumulated Depreciation Reserve		Accumulated Deferred Taxes			SRIAM Investment
	Beginning Balance	Annual Capital Expenditures	Beginning Balance	Ending Bal. Balance	Tax Dep'n Exp	Deferred Tax Expense	Accumulated Deferred FIT	
	-	4,628,016	-	4,628,016	231,401	62,484	62,484	4,512,557

2007	Return at 9.37% Rule 21 Section 3a	422,836	Property Tax Expenses @ 1.17% Rule 21 Section 3b	54,148	Depreciation Expense @ 1.17% Rule 21 Section 3c	52,875	SRIAM Revenues Rule 21 Section 3 Total	529,859
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Cascade natural Gas Corporation
 Current Depreciation Rates

FERC Plant Account	Account Description	Current Depreciation Rate	
3010	Organization	0.00%	
3020	Franchises and Consents	0.00%	
3651	Land & Land Rights - Transmission	0.00%	
3652	Rights-of-Way - Transmission	1.36%	
3670	Mains - Transmission	1.92%	
3690	Meas. & Reg. Stations - Transmission	2.44%	
3700	Communication Equipment - Transmission	4.21%	
3740	Land - Distribution	0.00%	
3741	Land Rights - Distribution	1.66%	
3750	Structures and Improvements - Distribution	2.19%	
3751	Leasehold Improvements - Distribution	0.00%	
3760	Mains (Steel) - Distribution	2.58%	Assume replacements will be 50/50 blend of Steel & Plastic Mains
3761	N/A (was Cathodic Protection)	2.58%	
3762	Mains (High Pressure) - Distribution	1.81%	
3763	Mains (Plastic) - Distribution	1.99%	2.58%
3770	Compressor Stations - (Distribution)	5.00%	1.99%
3780	Meas. & Reg. Stations - Distribution	2.92%	<u>2.29%</u> Average Depreciation Rate
3800	Services (Steel)	4.96%	
3801	Services (Plastic)	3.31%	
3810	Meters - Purchased	1.66%	
3820	Meter & Regulator Installation	2.67%	
3830	Regulators - Purchased	1.71%	
3840	House Regulator Installations	0.00%	
3850	Industrial Meas. And Reg. Station Equip.	3.48%	
3860	Other Property on Customer's Premises	0.00%	
3861	N/A (was House Piping)	0.00%	
3890	Land & Land Rights - General Plant	0.00%	
3900	Structures and Improvements - General Plant	1.95%	
3901	Leasehold Improvements - General Plant	0.00%	
3910	Office Furniture and Fixtures	2.23%	
3911	Mainframe Equipment	4.41%	
3912	Software	14.29%	
3913	Servers and PC Equipment	10.34%	
3914	Office Equipment	3.54%	
3920	Vehicles	8.01%	
3921	N/A (was General Office Vehicles)	0.00%	
3930	Stores Equipment	2.95%	
3940	Tools	2.94%	
3941	CNG Equipment	0.00%	
3950	Laboratory Equipment	2.71%	
3960	Power Operated Equipment	3.76%	
3970	Communication Equipment - Mobile Radios	3.44%	
3971	Communication Equipment - Base Stations	3.41%	
3972	Communication Equipment - Telemetry	6.37%	
3973	Communication Equipment - Telex/Telephone	6.31%	
3980	Misc. Equipment	3.09%	

MACRS Depreciation Schedules

Year	5YR Prop	7YR Prop	15 YR Prop
1	0.20000	0.14286	0.05000
2	0.32000	0.24490	0.09500
3	0.19200	0.17493	0.08550
4	0.11520	0.12495	0.07700
5	0.11520	0.08925	0.06930
6	0.05760	0.08925	0.06230
7		0.08925	0.05900
8		0.04461	0.05900
9			0.05910
10			0.05900
11			0.05910
12			0.05900
13			0.05910
14			0.05900
15			0.05910
16			0.02950

J Haug:
Mains and Service Lines
are 15-year MACRS
property.