

CASCADE NATURAL GAS CORPORATION
Washington Utilities & Transportation Commission
2006 Rate Case Data Request

Request No. 143

Date prepared: July 11, 2006

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Likely Witness: Jay Cummings

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WUTC STAFF DATA REQUEST NO. 143:

Re: Direct testimony of F. Jay Cummings (Safety & Reliability Infrastructure Adjustment Mechanism)

Referring to the direct testimony of Mr. Cummings, starting on page 2, line 26, please explain why the company believes it is appropriate to include capacity investment, which is caused by, and should be supported by, customer growth.

Response:

Increased capacity requirements frequently cannot be attributed to a new customer or a new group of customers. For example, the Company may have a four-inch main running through the center of one of its service areas. Two-inch main extensions are connected to the four-inch main as new customers are connected. The four-inch main may provide adequate capacity to accommodate growth for several years but at some point in time this four-inch main becomes inadequate to support the entire connected load. In order to provide reliable service, the Company must reinforce the four-inch main. The reinforcement may involve looping a portion of the four-inch main (adding an additional new pipe along side the existing pipe) to provide adequate delivery pressure throughout the system. The need for the reinforcement is caused by all of the customers that were added throughout the years, which ultimately results in enough connected load to render the four-inch main inadequate. There are three options to recover such reinforcement investments are to 1) include the cost of the reinforcement in the feasibility analysis of the last arriving customer, 2) include a component for future reinforcement investments in all new customers' feasibility analysis, or 3) invest in system reinforcements as needed and recover the investments in a timely manner through a mechanism such as the SRIAM proposed by the Company. The SRIAM is fair to all customers because customers who benefit from the reinforcement investment pay the associated cost, and the SRIAM is based on actual dollars invested and not estimated amounts.