

Exhibit No. ____ (MPP-7)
Docket No. UG-060256
Witness: Michael P. Parvinen

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**CASCADE NATURAL GAS
CORPORATION,**

Respondent.

DOCKET NO. UG-060256

EXHIBIT TO TESTIMONY OF

MICHAEL P. PARVINEN

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

***Company Responses to Staff Data Requests
Nos. 87, 123, 124, 132, 146, 147, 148, and 213***

August 15, 2006

**CASCADE NATURAL GAS CORPORATION
Washington Public Utility Commission
2006 Rate Case Data Request**

Request No. 87

Date prepared: June 15, 2006

Preparer: Kathie Barnard

Likely Witness: Kathie Barnard

Telephone: 206-381-6824

WUTC STAFF DATA REQUEST NO. 87:

Re: Restate FY 2005 Wages Adjustment

Please provide calculations and supporting documentation for the removal of retired executives salaries paid in FY 2005 in the amounts of \$81,125 (CEO) and \$110,166 (CFO), as shown in Katherine Barnard's workpaper, KJB 5 WP, page 2.

Response:

Attached are the original workpapers used to derive the figures shown in KJB-5 for the retired CEO & CFO FY05 wages. Upon further review, the Company has found that the underlying figures were based on Calendar 2005 rather than Fiscal 2005 wages. Therefore, the figures should have been \$139,747 and \$154,310 for the retired CEO and CFO respectively.

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2006 Rate Case Data Request

Request No. 123

Date prepared: June 26, 2006

Preparer: Mark Seller-Vaughn

Likely Witness: Kathie Barnard

Telephone: 206-381-6849

WUTC STAFF DATA REQUEST NO. 123:

Re: Direct testimony of Katherine J. Barnard (Proforma Gas Management Software)

Please provide the rationale and justification for upgrading the gas management system and risk management software.

Response:

Financial derivatives continue to become an increasingly important component of Cascade's long-term core gas supply procurement strategy. Correspondingly, the number of derivative transactions has increased each year. Currently, much of the tracking and reporting of these activities is tied to spreadsheets.

Because we are not currently utilizing the SunGard risk management module, there are reasonable concerns regarding controls in the area of security, tracking and reporting. Mark-to-market activity, transaction tracking and management reporting have grown exponentially, while the GMS application has not been upgraded to have the additional resources and capabilities to more adequately provide controls and ensure SOX compliance. In addition, programmed hedging activity continues to be the direction determined by the Cascade's internal Gas Supply Oversight Committee (GSOC). An application to be used by Gas Supply and Finance departments therefore has become necessary.

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In addition, the life cycle of the current platform of the gas management system (GMS) is nearing its end. The gas management system is critical to managing, scheduling, and reporting all gas supply related transactions, pricing information and non-core distribution contracts. Additionally, GMS is a central component of Cascade's internal controls and audit processes. Therefore, there is a need to ensure that an updated vendor-supported gas management system remains in place at Cascade. Consequently, Cascade is faced with replacing the entire system or working with the current vendor (SunGard) to upgrade to the next platform.

Over the past year, we have spoken with a number of vendors about replacing GMS and acquiring risk management software. Based on Cascade's needs these firms have estimated it will cost approximately \$500,000-\$750,000 to totally replace GMS. In addition, a risk management application would add another \$250,000-\$300,000 to the project. The total price for implementing a new system that would meet all of our GMS and risk management needs would cost over \$1,000,000.

We have been actively pursuing alternatives to avoid or mitigate such a huge expenditure. To that end, we have been negotiating with SunGard, which has agreed in principle to exclude charges for the GMS software upgrade, so long as Cascade agrees to migrate to SunGard's new platform along with upgrading to SunGard's current risk management system. Under this plan, Cascade would be responsible only for hardware (a new server), training and implementation expenses associated with upgrading the risk management module, accompanying maintenance costs, and a commitment to purchase the risk metric data subscription from SunGard's subsidiary, Kiindex.

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Request No. 124

Date prepared: June 26, 2006

Preparer: Mark Seller-Vaughn

Likely Witness: Kathie Barnard

Telephone: 206-381-6849

WUTC STAFF DATA REQUEST NO. 124:

Re: Direct testimony of Katherine J. Barnard (Proforma Gas Management Software)

Please quantify the benefits associated with new system.

Response:

Cascade is not pursuing a replacement system, but rather is upgrading the existing Gas Management Software (GMS) from our current vendor (SunGard), including risk management module. Please note that this proforma rate base adjustment is the result of a GMS software upgrade, i.e. a betterment of the existing GMS asset, and not an asset replacement. Among the many benefits of the upgrade is the ability to:

- Perform mark-to-market valuation using multi-factor forward curve shocks for extremely rigorous Monte Carlo Value at Risk (VaR) calculations
- Calculate VaR, Volumetric Risk and potential exposure analyses using an HJM quasi-Monte Carlo model developed by SES
- Calculate Earnings and Cash Flow using forward shift methodology for earnings at risk (EaR) and cash flow at risk (CfaR) reporting
- Quantify maximum and scaleable potential credit exposures based on Monte Carlo simulation of price and volume shifts
- Perform stress tests and incremental VaR analyses, along with historical VaR and back testing on portfolio
- Keep a single repository of position control data
- Shorten end-of-day closing cycle
- Create hedge strategies

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- Upload, create, and adjust load profiles
- Integrate optional modules for custom contracts and modeling
- Path flows across pipelines, in and out of storage, and to/from pooling points
- Store pipeline rate schedules for fuel and usage calculations and support pipeline quick responses, confirmations and actuals
- Manage gas scheduling and storage and capture long-term transport agreements and capacity release deals
- Support EDI to facilitate information exchange with North American pipelines

The system supports a variety of pricing models, including complex formulas and multiple settlement types. It provides accurate position reporting and P/L by business unit, allows faster deal throughput, and can be customized to accommodate specific business processes without placing unnecessary resource constraints on our organization.

The upgraded system employs an open system architecture through web-services, XML or message service. This offers a consistent user interface across the all the GMS modules, efficient interoperability between each module and other applications, the ability to add and modify third party applications, and re-usable code to minimize programming. Reports can be produced in a variety of formats, including MS Access, MS Excel, HTML, PDF, XML, and comma-delimited in addition to print. The upgraded system will be easier to maintain and can grow with Cascade's ongoing needs.

The upgraded system is deployed on a thin-client, Oracle 9iAS J2EE application server that offers solid database design, scalability, performance, pluggable security, and remote access. The industry-standard Oracle database platform is protocol independent, supports any network environment, and is Internet-ready.

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Request No. 132

Date prepared: June 26, 2006

Preparer: Douglas DiJulio

Likely Witness: Kathie Barnard

Telephone: 206-381-6718

WUTC STAFF DATA REQUEST NO. 132:

Re: Direct testimony of Katherine J. Barnard (Proforma CIS Hardware Upgrade)

If the proposed adjustment is not a replacement the current system, please identify and quantify the benefits to ratepayers of the CIS hardware upgrade.

Response:

CNGC will continue to operate and maintain its current legacy Customer Information System (CIS). A required Operating System (OS) upgrade from IBM is creating a hardware obsolescence issue. As a result, CNGC is migrating its CIS application from 32-bit to 64-bit hardware architecture. The proposed adjustment represents a complete replacement of the computing hardware that hosts CNGC's CIS.

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Request No. 146

Date prepared: July 11, 2006

Preparer: Jon Stoltz

Likely Witness: Jay Cummings

Telephone: 206-381-6823

WUTC STAFF DATA REQUEST NO. 146:

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

Referring to the direct testimony of Mr. Cummings, starting at the top of page 4, for 2000 through 2005, please provide the company's **total** capital expenditures, including the reinforcements, relocations and replacements included in the chart.

Response:

The following is the Company's Total Capital Expenditures for 2000 through 2005, as requested:

Fiscal Year	Total Capital Expenditures (1000s)
2000	\$ 15,937
2001	\$ 21,649
2002	\$ 20,733
2003	\$ 27,693
2004	\$ 39,020
2005	\$ 28,011

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Request No. 147

Date prepared: July 7, 2006

Preparer: Dan Meredith

Likely Witness: Jay Cummings

Telephone: 206-381-6720

WUTC STAFF DATA REQUEST NO. 147:

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

Referring to the direct testimony of Mr. Cummings, starting at the top of page 4, for 2007 through 2011, please provide the company's **total** projected capital expenditures, including the reinforcements, relocations and replacements included in the chart.

Response:

The total estimated capital expenditures are as follows:

FY2006	\$17.2 million
FY2007	\$24.3 million
FY2008	\$26.1 million
FY2009	\$30.7 million
FY2010	\$28.5 million
FY2011	\$35.4 million

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Request No. 148

Date prepared: July 7, 2006

Preparer: Dan Meredith

Likely Witness: Jay Cummings

Telephone: 206-381-6720

WUTC STAFF DATA REQUEST NO. 148:

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

Please provide all studies (or, in the absence of studies, detailed explanations) on how the company was able to distinguish the amounts for reinforcements, relocations and replacements for 2000 through 2005 in the chart on page 4 of Mr. Cummings' direct testimony.

Response:

The Company identified the amounts shown on Mr. Cumming's chart for reinforcements, relocations and replacements from the Company's capital expenditure reports, as they existing for each fiscal year. In some or all of those years, specific projects, generally large individual projects, were listed on those reports under the category of reinforcement, replacement or relocation if the project was primarily initiated for that purpose. There were likely smaller reinforcement, relocation or replacement projects that were completed in those years, but these smaller projects were likely included in the general mains and services line on the capital expenditure reports.

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Request No. 213

Date prepared: August 9, 2006

Preparer: Kathie Barnard

Likely Witness: Jon Stoltz

Telephone: 206-381-6824

WUTC STAFF DATA REQUEST NO. 213:

Re: Miscellaneous Services Adjustment

Please use the actual data from the test period and calculate, based on the company's proposed methodology, the amount of late fee charges that would have been billed during the test period.

Response:

The company's arrearage reports does not provide enough information to allow the company to accurately calculate the level of late charges it would have collected during the test period under the proposed late fee structure.

However, by estimating the number of urgent notices sent to customers as a proxy for the number of accounts that are past due for 30 days for the test period, and assuming that only ¼ of those accounts during the summer months would be over the \$100 minimum past due balance for the fee to apply, the Company estimates the late fee charges would be approximately \$200,000.