

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

COST MANAGEMENT SERVICES, INC.,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-061256

COMMISSION STAFF'S
RESPONSE TO MOTION FOR
CLARIFICATION

1 Staff responds to an issue raised in Cost Management Services, Inc.'s Motion for Clarification, filed March 22, 2007 — namely, whether Cascade is in compliance with WAC 480-80-143, the Commission's rule governing special contracts. CMS contends that Cascade has not complied with this rule. *CMS Motion for Clarification*, ¶¶ 13-22.

2 Staff notes, in this regard, that Cascade sent a notification filing to Carole Washburn on March 30, 2007 (revised version), entitled, "Re: Notification of Contract and Arrangement between Cascade Natural Gas Corporation and its subsidiary, CGC Energy, Inc." In this letter, Cascade states that, rather than file non-core gas supply sales contracts as special contracts pursuant to WAC 480-80-143, "Cascade has elected to perform these services under its whole-owned subsidiary, CGC Energy." Cascade asserts that since its proposed gas supply tariffs were suspended on March 14, 2007, filing sales contracts as special contracts "was not an option for Cascade." Cascade further asserts that assuming that this was an option, it would need to file these contracts at least 30 days in advance and that it simply could not have done this.

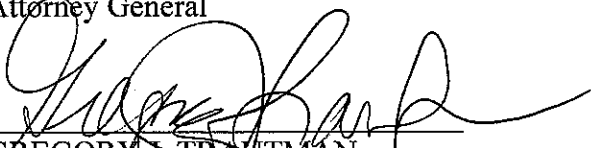
3 Staff is concerned with the actions taken by Cascade, particularly in light of the fact that the Commission has squarely placed the issue of Cascade's compliance with the laws governing special contracts at issue in this proceeding. In Order 03, at paragraph 58, the Commission stated: "Allowing Cascade to cancel its tariff schedules does not result in a waiver of statutory requirements to file contracts, or the Commission's rules requiring filing of special contracts." At paragraph 98 of the order, last sentence, the Commission added: "We will review existing contracts to ensure that Cascade is in compliance with state laws and regulations governing special contracts."

4 Staff seeks clarification of whether the activity set forth in Cascade's March 30, 2007, letter, especially the Company's decision to use a wholly-owned subsidiary to perform non-core gas supply sales, rather than follow WAC 480-80-143, effectively negates the Commission's stated intent in Order 03. Staff further seeks clarification of how this issue will impact the Staff investigation of Cascade's competitive activities that is referenced in paragraph 99 of Order 03. Finally, did the Commission's Order 03 envision that the corporate relationships between the parties would remain unchanged during the pendency of this docket?

DATED this 9th day of April, 2007.

Respectfully submitted,

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