

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Appli-)	
cation of CASCADE NATURAL GAS)	
CORPORATION and WASHINGTON NATURAL)	CAUSE NO. U-9864
GAS company for an Order Author-)	
izing the Former to Sell its Gas)	
Distribution System Located in and)	ORDER GRANTING
Adjacent to the Cities of Snohomish)	APPLICATION
and Monroe, Washington, and for the)	
Latter to Acquire Said System.)	
.....)	

On August 23, 1968 Cascade Natural Gas Corporation (Cascade) and Washington Natural Gas Company (Washington) filed an application with the Commission under the provisions of RCW chapter 80.12 for an order (a) authorizing Cascade to sell its franchises, properties and facilities located in and adjacent to the Cities of Snohomish and Monroe, Washington; (b) authorizing Washington to purchase and acquire said properties and facilities; and (c) authorizing Cascade, pursuant to RCW 80.28.190, to transfer that part of its certificate of public convenience and necessity encompassing the above-described areas to Washington. The last of various amendments and supplements was filed herein on September 4, 1968.

The terms of the proposed transfer are set forth in an agreement dated and executed on August 14, 1968, a copy of which is filed herein as Exhibit A. According to this agreement, Cascade desires to sell and Washington to purchase all of Cascade's assets used for the acquisition, transmission, distribution and sale of natural gas to the public within the Monroe-Snohomish area, designated "proposed area of transfer", in a map attached to the application as Exhibit "C".

These assets consist of all real property, pipes, mains, laterals pertinent thereto, rights-of-way, easements, all work in progress or under construction, all accounts receivable from natural gas sales within the area, certificates of convenience and necessity, franchises, licenses or permits, wholesale gas purchase contracts, all other contracts in connection with the operation and maintenance of the properties, and all properties not otherwise specifically maintained in prescribed accounts for utility plants. Excluded from this transaction will be all rolling stock, tools, equipment; as well as materials, supplies, inventories or personal property held for use or in storage in connection with the operation and maintenance within the area.

The purchase price for the above-described properties is \$1,243,000 less the following adjustments: (1) the amount of customers' deposits and refundable advances for construction; (2) the direct costs of main extensions and service lines not approved for construction at July 11, 1968 but thereafter approved by

Washington; (3) the amount of accounts receivable at the date of closing based on a percentage of the accounts by age; and (4) an adjustment of \$125 for each new service line installation calculated in the manner described in Section 6 (e) of the agreement.

On the date of closing, now scheduled for September 13, 1968, the purchase price, as adjusted, will be paid upon delivery by Cascade of a joint deed and bill of sale and such other transfer documents as may be appropriate to convey title to the property, free and clear, together with an instrument executed by the trustees of Cascade's first mortgage and deed of trust releasing said properties from the lien of the mortgage and such other documents or certificates and legal opinions as called for in the agreement. However, Washington will not take possession of the properties until midnight of the closing date.

Included in the conditions to be met, on or prior to the date of closing, is the issuance by this Commission of an order authorizing the proposed transaction on the terms stated in the agreement and the delivery to Washington all of Cascade's books, files, contracts, commitments and records required to reasonably maintain operation of the properties.

It is agreed that Cascade will bear the cost of documentary stamps in connection with delivering the deed, the 1% excise tax on such conveyance and title insurance on the real property, with both parties sharing on a pro rata basis the taxes, license fees and costs of permits related to the operation of the properties. In addition a method of determining and settling the unbilled revenues for the Monroe-Snohomish systems is prescribed in Section 13 of the agreement.

Cascade's gas distribution systems within the Snohomish-Monroe area consists of two-inch and four-inch mains with existing services capable of serving approximately 1,100 customers. The estimated original cost of the entire utility plant is \$1,079,000 and the estimated depreciation accrued thereon is \$150,000. After adjusting the purchase price by the estimated transfer taxes to be paid by Washington, the investment in the properties in excess of the net book cost thereof is an estimated \$370,000, which amount must be classified in Account 114 - Utility Plant Acquisition Adjustments.

Whatever the exact amount to be recorded in Account 114, this order will require that the amount therein be amortized over a ten-year period by equal annual charges to Account 425 - Miscellaneous Amortization, with an identical credit to Account 115 - Accumulated Provision for Amortization of Utility Plant Acquisition Adjustments, or such shorter period of amortization as may be prescribed by letter from the Commission.

Washington plans to finance the acquisition of the Snohomish-Monroe properties with the proceeds from a short-term bank loan separate from funds obtained under its existing credit agreement. This loan will be evidenced by a note that applicant proposes to discharge with internally generating funds. By resolutions adopted by its board of directors on August 14, 1968, Washington is authorized to borrow not in excess of \$1,300,000 from a Seattle bank and evidenced such borrowing by a promissory note or notes due on or before March 20, 1969.

Prior to the date of closing, both applicants will amend their presently effective tariffs on file with the Commission so that the tariff of Washington, after the date of closing, will apply to the Snohomish-Monroe area and said area will be excluded from Cascade's tariff. Such tariff filings must be filed with the Commission no later than one day prior to the date of closing and they must be satisfactory to the Commission. This order will so provide.

Washington estimates that the natural gas customers will experience some change in their gas billings under Washington's rate schedules which will result in estimated savings of \$1,808 a year in the Monroe area, and \$5,397 per year in the Snohomish area. The residential customers using gas for heating should experience a savings of \$2 to \$6 a year. The gas bills for most large commercial and industrial customers should likewise decrease substantially whereas the bills for the remaining commercial customers will increase, with some exceptions, the details of which are set forth in Washington's letter dated August 28, 1968. On the basis of this analysis, each community should pay slightly less for its total gas purchases under the rate schedules of Washington.

Applicants also report that they met with the mayors and city councils of Snohomish and Monroe, discussed Washington's rates in comparison with Cascade's rate schedules, and requested the transfer of the franchise issued by each city from Cascade to Washington. Attached to this application as exhibits are copies of the ordinances adopted by each city authorizing the transfer to Washington of the respective city franchise previously held by Cascade. Such transfers must be made within ten days after the Commission approves said transfer according to Section 2 of each ordinance.

It is the belief of applicants that the addition of the Snohomish and Monroe properties to Washington's presently certificated Snohomish County area will provide the most orderly development of this area and will best fulfill the public service obligations of Washington to these communities and that Cascade, by the sale of the properties, will create a more economically designed service area for its Mount Vernon district by the transfer of the

franchise and assets as proposed in this application.

In support of the request to transfer the certificated areas encompassing the Cities of Snohomish and Monroe and the surrounding environments, applicants incorporate by reference that part of the record and order in Cause No. U-9360 dealing with this area and sets forth the legal description thereof and a map of the area as attachments to the form of deed and bill of sale designated as Exhibit G-1 and G-2 of the application. Washington states in a letter dated September 3, 1968 that it will take delivery of natural gas required to serve these communities from El Paso Natural Gas Company (El Paso) at the same city gates as now used by Cascade. Furthermore, Cascade is delivering to Washington all rights, title and interest in a service agreement dated March 8, 1963 wherein El Paso will furnish natural gas to the Snohomish-Monroe communities and the environments thereof and an interruptible gas service agreement dated August 31, 1967 for the furnishing of gas to a dairy and a freezing plant at Snohomish. Adequate provisions appear to have been made to insure the continued availability of natural gas to serve the Snohomish-Monroe areas, provided El Paso concurs with the assignment of said agreements or agrees to revisions of the respective service agreements of each applicant to give effect to the changes in gas requirements.

FINDINGS

THE COMMISSION FINDS:

1. Cascade Natural Gas Corporation and Washington Natural Gas Company are public service companies subject to regulation by the Commission under the provisions of RCW chapter 80.12 and RCW 80.28.190.
2. As to form, the application herein meets the requirements of RCW chapter 80.12 and RCW 80.28.190 and the applicable rules and regulations of the Commission.
3. It will not be contrary to the public interest for Cascade Natural Gas Corporation to transfer its franchises, properties and facilities located in and adjacent to the Cities of Snohomish and Monroe to Washington Natural Gas Company and for the latter to purchase and acquire the same.
4. Public convenience and necessity requires the transfer of that part of Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire, No. 4 amended, issued to Cascade Natural Gas Corporation and covering the Stanwood-Monroe area, as heretofore outlined, to the Certificate of Public Convenience and Necessity No. 2 held by Washington Natural Gas Company.

ORDER

THE COMMISSION ORDERS:

1. Subject to the conditions of this order, Cascade Natural Gas Corporation is hereby authorized to sell its franchises, properties and facilities located in and adjacent to the Cities of Snohomish and Monroe to Washington Natural Gas Company and the latter is authorized to purchase and acquire the same in accordance with the terms of an agreement dated August 14, 1968 filed herein as Exhibit A of the application.

2. Cascade Natural Gas Corporation is hereby authorized to delete from its Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire, No. 4 amended, and Washington Natural Gas Company is authorized to include an additional area in Snohomish County to its Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire, No. 2 amended, as follows:

All of the incorporated area comprising the Cities of Snohomish and Monroe and additional portions of the Snohomish County adjacent thereto lying within the areas described as follows:

Beginning at a point which is the northwest corner of Sec. 2, T. 28 N., R. 5 E.W.M.; thence easterly along the north lines of Secs. 2 and 1, T. 28 N., R. 5 E., and of Secs. 6, 5, 4 and 3, T. 28 N., R. 6 E., to the northeast corner of said Sec. 3; thence southerly along the east lines of Secs. 3, 10 and 15, T. 28 N., R. 6 E., to the southeast corner of Sec. 15; thence easterly along the north lines of Secs. 23 and 24, T. 28 N., R. 6 E., and of Sec. 19, T. 28 N., R. 7 E., to the northeast corner of said Sec. 19; thence southerly along the east lines of Secs. 19, 30 and 31, T. 28 N., R. 7 E., and of Secs. 6, 7, 18, 19, 30 and 31, T. 27 N., R. 7 E., to the southeast corner of said Sec. 31; thence westerly along the south line of Sec. 31, T. 27 N., R. 7 E., and of Secs. 36, 35, 34, 33, 32 and 31, T. 27 N., R. 6 E., to the southwest corner of said Sec. 31; thence northerly along the range line to the northwest corner of Sec. 7, T. 27 N., R. 6 E.; thence westerly along the south lines of Secs. 1 and 2, T. 27 N., R. 5 E., to the southwest corner of said Sec. 2; thence northerly along the west line of Sec. 2, T. 27 N., R. 5 E., and along the west lines of Secs. 35, 26, 23, 14, 11 and 2, T. 28 N., R. 5 E., to the point of beginning,

and as further shown on Appendix A-14, attached hereto and by this reference made a part hereof.

3. The Certificate of Public Convenience and Necessity issued to Washington Natural Gas Company, pursuant to order paragraph No. 2 above, supersedes and cancels its Certificate of Public Convenience and Necessity No. 2, as amended, issued on August 29, 1968 in Cause No. U-9412. Said certificate dated August 29, 1968 shall be forthwith returned to this Commission.

4. The Certificate of Public Convenience and Necessity issued to Cascade Natural Gas Corporation, pursuant to Section 2 of this order, supersedes and cancels its Certificate of Public Convenience and Necessity No. 4, as amended, issued on July 26, 1968 in Cause No. U-9822. Said certificate dated July 26, 1968 shall be forthwith returned to this Commission.

5. Jurisdiction over the cause is hereby retained to effectuate provisions of this order and, further, consideration to determine alterations, if any, to be made in either the Commission's Certificates No. 2, as amended, or No. 4, as amended, to reflect the authority granted in Section 2 of this order to conform with the requirements of public convenience and necessity as the same may then be made to appear.

6. Within 45 days after the above-authorized transaction has been completed, Cascade Natural Gas Corporation shall file with the Commission a certified true copy of the deed and the bill of sale actually executed and delivered to Washington Natural Gas Company, together with a report as to the date of delivery thereof and the closing journal entry recording the transaction on its books.

7. Washington Natural Gas Company shall notify the Commission in writing as to the date the authority granted by Sections 1 and 2 of this order has been exercised and within 60 days after exercising said authority, shall file with the Commission for its prior written approval the journal entry by which it proposes to record on its books the transaction authorized by this order.

8. Washington Natural Gas Company shall amortize the Utility Plant Acquisition Adjustment arising from the transaction approved above by charges to Account 425 - Miscellaneous Amortization, with concurrent credits to Account 115 - Accumulated Provision for Amortization of Utility Plant Acquisition Adjustments, in equal annual amounts over a ten-year period, or such shorter period of amortization as may be prescribed by letter from the Commission.

9. On not less than one day's notice and prior to exercising the authority granted herein, Washington Natural Gas Company shall file an appropriate amendment to its tariff WN U-2, and Cascade shall likewise do so with reference to its tariff

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7.

designated WN U-3 to reflect the above authority as of the date it is exercised.

10. This order shall in no way affect the authority of this Commission over rates, service, accounts valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as an acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

DATED at Olympia, Washington on September 6, 1968, and effective the 13th day of September, 1968.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

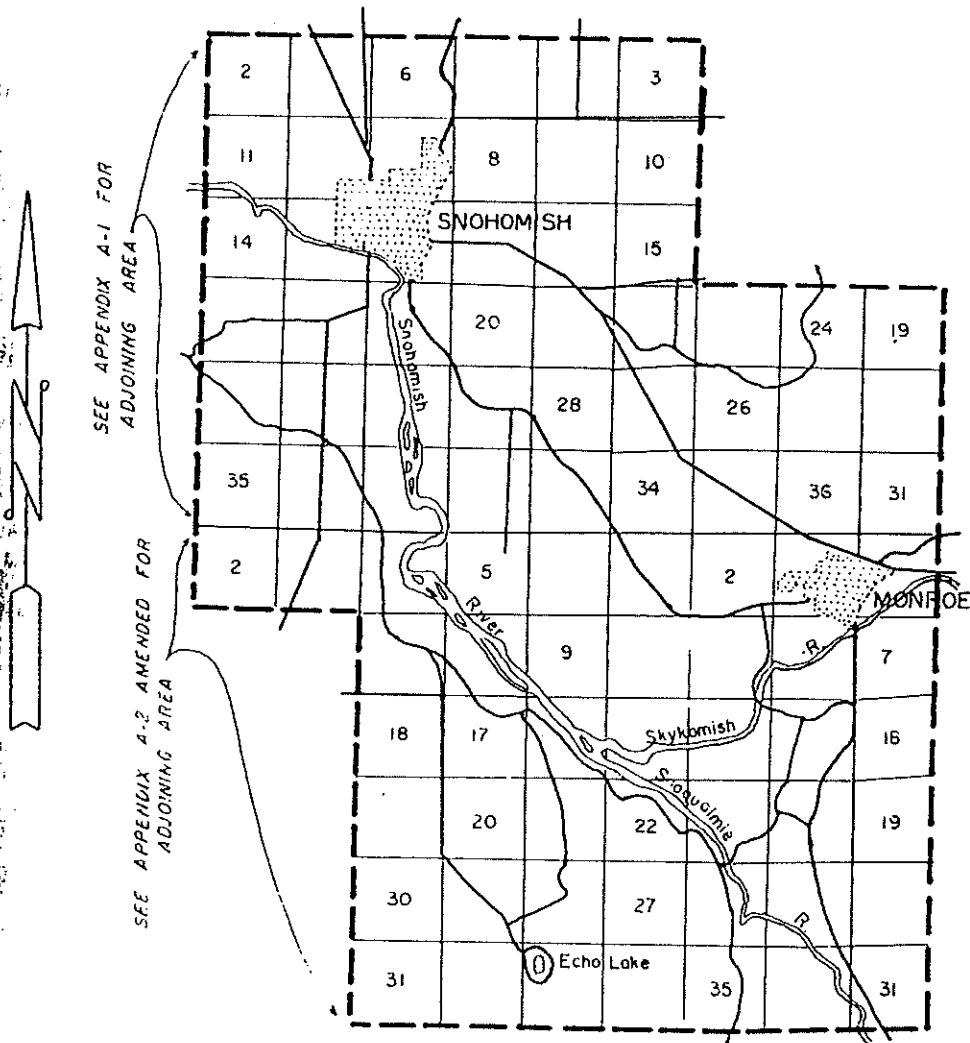
Robert D. Timm
ROBERT D. TIMM, Chairman

Francis Pearson
FRANCIS PEARSON, Commissioner

Dayton A. Witten
DAYTON A. WITTEN, Commissioner

R. 5 E.

R. 6 E.



APPENDIX A-14
 CAUSE NO. U-9864
 WASHINGTON NATURAL GAS COMPANY
 BOUNDARY OF SERVICE AREA — — — — —
 (SNOHOMISH, MONROE, AND VICINITY)

WASHINGTON
 UTILITIES AND TRANSPORTATION
 COMMISSION

DATE: SEPT. 13, 1968

BY: T.W.

3. The regular and special redemption prices applicable to the bonds are established as described in Sections (3) (b) and (c) of the first supplemental application.