

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 IN OPPOSITION TO  
CASCADE'S MOTION TO STRIKE

1           This docket directly concerns Cascade Natural Gas Corporation's practices in making sales of natural gas to its non-core customers. Cost Management Services, Inc. (CMS) contends that Cascade has violated various provisions of RCW 80.28, as well as the special contracts rule, WAC 480-80-143. The Commission has set these matters for hearing, has directed Cascade to file its natural gas tariffs and gas supply contracts with the Commission, and has directed Staff to "investigate Cascade's competitive activities thoroughly in reviewing these filings." (Order 03, ¶ 99).

2           On March 22, 2007, Staff and CMS both sought clarification over the nature and extent of the investigation of Cascade's activities contemplated by the Commission, and also the extent to which Cascade's activities are consistent with the WAC 480-80-143. Subsequently, on March 30, 2007—eight days after the motions for clarification were filed—Cascade sent a notification filing to Carole Washburn, the Commission's Executive Secretary, alleging that filing special contracts "was not an option" for Cascade, and that instead, Cascade was unilaterally deciding to "reactivate" its wholly-owned subsidiary, CGC

Energy, on April 1, 2007, to provide gas supply sales to non-core customers in Washington. Cascade does not explain why this reactivation of its wholly owned subsidiary was necessary.

3            Obviously, Staff could not respond to this significant last-minute filing at the time it filed its motion for clarification. Had Cascade made its intentions known in a more timely manner, Staff surely would have been within its rights to seek clarification of whether Order 03 contemplated that Cascade's corporate relationships regarding the sale of natural gas should be fundamentally changed during the pendency of this docket—a docket in which the Commission has directed the Staff to investigate the competitive activities of Cascade concerning this very matter, namely, its sales of natural gas to non-core customers. It is simply incorrect for Cascade to assert that the issues raised by its March 30, 2007, filing are unrelated to the issues addressed by Order 03. How Cascade arranges its sales of natural gas is *directly* related to all of these issues, and is a fundamental question that should be clarified by the Commission.

4            It is also quite disingenuous for Cascade to argue that Staff's response on April 9, 2007, was "untimely" because Order 04 required motions for clarification to be filed by March 22, 2007. (Cascade's Motion to Strike, ¶ 3.) Cascade cannot be allowed to have its own late filing escape scrutiny in this docket merely because it chose to file it at the last minute. Furthermore, the fact that Cascade chose not to make its March 30, 2007, filing within this docket, (Cascade's Motion to Strike, n. 1), and that it currently has been given a different docket number (Docket UG-070639), is not determinative. To the contrary, it is important that the Commission clarify whether these dockets should be consolidated, and

again, to determine whether Cascade's actions are consistent with the pending investigation of Cascade's competitive activities directed by Order 03.

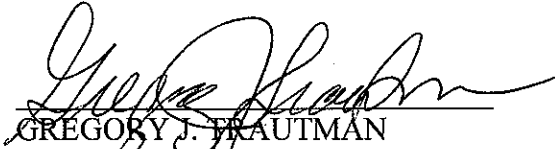
5           Finally, Staff takes strong exception to Cascade's allegation that it advised Cascade in early March 2007 that the best course for Cascade to pursue was simply to make sales of natural gas to non-core customers through an unregulated subsidiary. (Cascade's Motion to Strike, ¶ 8.) While Staff indicated to Cascade that it might be receptive to the setting up of a subsidiary, Staff clearly envisioned a clear wall between the regulated and unregulated entities, with carefully prescribed parameters to ensure no cross-subsidization of nonregulated activities by core customers, and to ensure that Cascade reaped no unfair advantage and caused no unfair prejudice by its natural gas sales and brokering services to non-core customers. None of that is apparent in the unilateral "reactivation" by Cascade of its unregulated affiliate on April 1, 2007, and none of this has been acceded to by Staff.

6           In summary, Cascade's motion to strike Commission Staff's response to the motions for clarification is wholly without merit and should be denied.

DATED this 26<sup>th</sup> day of April, 2007.

Respectfully submitted,

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