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April 9, 2010

Mr. Dave Danner  
Secretary and Executive Director  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-9022

RE: Petition for an Accounting Order Authorizing Deferred Accounting Treatment of  
Expenses Relating to the Environmental Remediation at the Old Bremerton Gasworks  
and Sesko Property Site.

Dear Mr. Danner:

Cascade Natural Gas Corporation encloses for filing one original and twelve (12) copies of  
the above-referenced Petition.

Please direct any questions to Katherine Barnard at 206-381-6824. Thank you for your  
assistance.

Sincerely,

Jon T. Stoltz  
Senior Vice President  
Regulatory & Gas Supply

Enclosures

*"In The Community To Serve"*

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**

In the Matter of the Petition of	)	
	)	DOCKET NO. UG-_____
CASCADE NATURAL GAS	)	
CORPORATION,	)	PETITION OF
	)	
for an accounting order authorizing deferred	)	CASCADE NATURAL GAS
accounting treatment of expenses relating to	)	CORPORATION
the environmental remediation at the Old	)	
Bremerton Gasworks and Sesko Property	)	
Site.	)	

Petition is hereby made to the Washington Utilities and Transportation Commission for an Accounting Order as herein described. In support of this petition, Applicant states as follows:

**I.**

The name of the Applicant is Cascade Natural Gas Corporation (Cascade or Company) a Washington Corporation, whose business address is 222 Fairview Avenue North, Seattle, Washington 98109.

The Applicant is a public utility engaged in the distribution of natural gas in Washington and Oregon. Applicant is subject to the jurisdiction of the Washington Utilities and Transportation Commission (WUTC).

**II.**

**STATEMENT OF PURPOSE:** On March 5, 2010, Cascade was identified as a potentially liable person (PLP) under the Washington Model Toxic Control Act for environmental contamination at the Old Bremerton Gasworks and Sesko Property site in Bremerton, WA (Bremerton Site). Due to the variable and unpredictable nature of environmental remediation costs, the Company is requesting deferred accounting treatment for the costs it expects to incur associated with the remediation program for the Bremerton Site, net of any recoveries from insurance or other third parties. Authorization of Cascade's request would be consistent with Commission approval granted in similar circumstances, most recently the Commission's approval in docket UG-081016, where Puget Sound Energy received authorization to defer its portion of the remediation costs incurred at the South State Street Manufactured Gas Plant site

in Bellingham WA. At this time, cost estimates for the remediation program at the Bremerton Site range from \$340,000 to \$6,400,000, based on preliminary studies prepared by others.

**REQUESTED TREATMENT:** The Company requests that it be allowed to defer, into Account 186, the costs associated with the Company's portion of the environmental remediation program at the Bremerton Site. Costs so deferred, net of third party recoveries, would be recovered in rates to be established in a future general rate proceeding.

### III.

On March 5, 2010, Cascade received a notice from the State of Washington Department of Ecology (Ecology) proposing to find Cascade is a PLP for contamination at the Bremerton Site. Ecology's letter indicates the contamination is attributable to historical operation of a gasification plant. Cascade is investigating the merits of Ecology's proposed finding and its responsibility, if any, for the contamination at the Bremerton Site.

Key facts of the known history of the Bremerton Site are summarized below.

- Cascade is the corporate successor of Bremerton Gas Company, which operated a gasification plant located along the Port Washington Narrows in Bremerton, WA.
- The plant was operated from approximately 1930 to 1953 by other companies (Western Gas and Utilities Corporation, Western Gas Company of Washington, and Bremerton Gas Company). In 1953, Bremerton Gas Company merged with Cascade Natural Gas Corporation.
- Cascade continued operation of the gasification plant until sometime between 1955 and 1958, when the distribution system was converted to a butane-air or propane-air system. The gasification plant structures are believed to have been sold and dismantled in the early 1970s.
- In 2010, Cascade was identified by the Ecology as a PLP.
- Cascade expects to begin negotiating with Ecology to enter into an Agreed Order to investigate the Bremerton site in the near future.
- Estimates of the remediation costs have been prepared by others in the range of \$340,000 to \$6,400,000. Cascade currently does not have sufficient information to prepare a more detailed cost estimate until further investigation is completed.
- Cascade does not know at this time what portion of the remediation costs it may be responsible for in the future and there may be other parties who are responsible for a portion of the costs.

The Company proposes that all environmental investigation and remediation costs deferred pursuant to the requested accounting order would be subject to the following conditions:

- (a) Any deferred costs existing at the time of the Company's general rate proceedings would be subject to review and net deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes. Net deferred costs as detailed in (d) below are the total project expenditures less any recoveries from third parties and or insurance proceeds;
- (b) Costs eligible for such deferred accounting treatment would include only those amounts paid to outside vendors or contractors (i.e., investigation and feasibility studies, sampling, evaluation, monitoring, materials, remediation and removal) and would not include internal employee expenses;
- (c) Costs that are deferred will be reduced by any insurance proceeds or payments from other third parties received by the Company in respect of such costs; and
- (d) The Company will submit information regarding the level of costs being incurred on a monthly basis, similar to deferred balance reporting required under WAC 480-90-233(5).

#### IV.

In summary, the Company requests the Commission order the following:

- 1) Authorize Cascade Natural Gas Corporation to defer the costs associated with the environmental investigation and remediation of the Old Bremerton Gasworks and Sesko Property Site, net of third party recoveries.

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