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CNG/W10-10-01

October 1, 2010

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

Dear Mr. Danner:

Cascade Natural Gas Corporation ("Cascade") encloses for filing the following tariff sheets:

**Forty-Sixth Rev. Sheet No. 502, Canceling Forty-Fifth Rev. Sheet No. 502**  
**Fifty-First Rev. Sheet No. 503, Canceling Fiftieth Rev. Sheet No. 503**  
**Thirty-Fifth Rev. Sheet No. 504, Canceling Thirty-Fourth Rev. Sheet No. 504**  
**Thirty-Fourth Rev. Sheet No. 505, Canceling Thirty-Third Rev. Sheet No. 505**  
**Fiftieth Rev. Sheet No. 511, Canceling Forty-Ninth Rev. Sheet No. 511**  
**Thirty-First Rev. Sheet No. 512, Canceling Thirtieth Rev. Sheet No. 512**  
**Forty-Eighth Rev. Sheet No. 541, Canceling Forty-Seventh Rev. Sheet No. 541**  
**Forty-Fifth Sheet No. 570, Canceling Forty-Fourth Rev. Sheet No. 570**  
**Forty-Second Rev. Sheet No. 577, Canceling Forty-First Rev. Sheet No. 577**

The proposed tariffs contain a November 1, 2010 effective date and will result in an estimated annual revenue decrease of approximately \$27.0 million.

The purpose of this filing is to pass on rate adjustments designed to reflect the cost of gas in the Company's current gas supply portfolio. The overall impact of this rate activity is to decrease Residential customer rates by \$0.13079 per therm, decrease Commercial customer rates by \$0.13062 per therm, decrease Firm Industrial customer rates by \$0.12980 per therm and decrease Interruptible customers by \$0.12899 per therm.

Exhibit 1 of the Purchased Gas Adjustment Application details the commodity and demand units and costs of Cascade's core market gas supply portfolio including company purchased supplies, pipeline transportation and peaking resources.

Cascade, under Advice No. CNG W10-09-02 has also filed a Temporary Technical Adjustment Application. The combined effects of the two filings on the monthly bill of a residential customer with consumption of 53 therms will be a net decrease of \$5.99 or 9.6%. For small commercial customers, the decrease in the monthly bill for consumption of 266 therms will be \$31.36 or 10.7%. Large volume customers will experience an average decrease of 12.5%, while large volume interruptible industrial customers will experience an average increase of 14.2%, depending on monthly volumes consumed.

In accordance with WAC 480-90-198, the Company declares that notice to customers was made in accordance with WAC 480-90-194(5). Cascade issued bill inserts to customers during August 2010 explaining the PGA process and the anticipated rate change. Additionally, the Company will issue bill inserts to all of its customers following final disposition of this filing. A copy of the August 2010 bill insert and a draft of the post-approval notification have been included with this filing. The proposed change will affect all of Cascade's Washington customers. Cascade serves approximately 166,800 residential, 23,900 commercial and 675 industrial customers in the state of Washington.

If you have any questions, please direct them to Katherine J. Barnard at (509) 734-4593.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Stoltz", written in a cursive style.

John T. Stoltz  
Senior Vice President  
Regulatory & Gas Supply

Attachments

Cascade Natural Gas Corporation  
 WASHINGTON 10/11 PURCHASED GAS COST TRACKING APPLICATION  
DEVELOPMENT OF EMBEDDED SUPPLY & PIPELINE TRANSPORTATION RATES

	UNITS	8/1/2009	CURRENT COST OF GAS		
		RATE	AMOUNT	COMMODITY	DEMAND
COMP PURCH RESERV FEE	468,707	\$5.49091	\$2,573,627		\$2,573,627
COMP PURCH COMMODITY	245,141,366	\$0.66954	\$164,132,763	\$164,132,763	
GTN T-1	104,336	\$3.16711	\$330,444		\$330,444
GTN COMMODITY	37,560,971	\$0.00017	\$6,508	\$6,508	
TF-1 DEMAND	1,497,392	\$13.86416	\$20,760,082		\$20,760,082
TF-1 DEMAND (KITSAP)	210,000	\$10.39812	\$2,183,605		\$2,183,605
TF-1 DEMAND (WEYEHAUSER)	50,000	\$13.86416	\$693,208		\$693,208
TF-1 COMMODITY	245,141,366	\$0.00317	\$777,098	\$777,098	
LS-1 DEMAND	546,556	\$1.11763	\$610,848		\$610,848
LS-1 CAPACITY	5,114,389	\$0.14272	\$729,900		\$729,900
LS-1 COMMODITY	5,114,389	\$0.71496	\$3,656,597	\$3,656,597	
LS-1 LIQUEFACTION	5,114,389	\$0.06411	\$327,883	\$327,883	
LS-1 VAPORIZATION	5,114,389	\$0.00418	\$21,399	\$21,399	
TF-2 TRANSPORTATION CAPACITY	14,031	\$13.86416	\$194,525		\$194,525
TF-2 TRANSPORTATION COMMODITY	5,114,389	\$0.00300	\$15,343	\$15,343	
SGS-1 DEMAND	152,936	\$0.56612	\$86,579		\$86,579
SGS-1 CAPACITY	5,497,772	\$0.02044	\$112,374		\$112,374
SGS-1 COMMODITY	5,497,772	\$0.63126	\$3,470,542	\$3,470,542	
TF-2 TRANSPORTATION CAPACITY	15,084	\$13.86416	\$209,128		\$209,128
TF-2 TRANSPORTATION COMMODITY	5,497,772	\$0.00300	\$16,493	\$16,493	
Net Capacity Release Revenues			(\$2,000,000)		(\$2,000,000)
Storage Mitigation			(\$722,174)		(\$722,174)
DAILY BALANCING NON-CORE CREDIT	540,386,097	(\$0.00020)	(\$108,077)		(\$108,077)
	231,321,001		<u>\$218,338,421</u>	<u>\$192,204,403</u>	<u>\$26,134,018</u>
SALES/TRANSPORT VOLUMES				227,186,143	227,186,143
PROPOSED AVERAGE RATE				\$0.67603	\$0.11345

Cascade Natural Gas Corporation  
 WASHINGTON 10/11 PURCHASED GAS COST TRACKING APPLICATION  
 DEVELOPMENT OF PROPOSED SUPPLY & PIPELINE TRANSPORTATION RATES

	UNITS	CURRENT RATE	AMOUNT	CURRENT COST OF GAS		EMBEDDED DIFFERENCE
				COMMODITY	DEMAND	
COMP PURCH RESERV FEE	287,905	\$9.61705	\$2,768,799		\$2,768,799	\$195,171
COMP PURCH COMMODITY	219,398,319	\$0.55784	\$ 122,389,011	\$122,389,011		(\$41,743,753)
GTN T-1	104,745	\$1.33723	\$140,068		\$140,068	(\$190,377)
GTN COMMODITY	26,054,990	\$0.00017	\$4,514	\$4,514		(\$1,994)
TF-1 DEMAND	1,508,950	\$13.86416	\$20,920,320		\$20,920,320	\$160,238
TF-1 DEMAND (KITSAP)	254,000	\$10.39812	\$2,641,122		\$2,641,122	\$457,517
TF-1 DEMAND (WEYEAUSER)	50,000	\$13.86416	\$693,208		\$693,208	\$0
TF-1 COMMODITY	219,398,319	\$0.00319	\$699,881	\$699,881		(\$77,217)
LS-1 DEMAND	543,753	\$1.11763	\$607,714		\$607,714	(\$3,133)
LS-1 CAPACITY	5,118,103	\$0.14272	\$730,430		\$730,430	\$530
LS-1 COMMODITY	5,118,103	\$0.56047	\$2,868,555	\$2,868,555		(\$788,042)
LS-1 LIQUEFACTION	5,118,103	\$0.06411	\$328,122	\$328,122		\$238
LS-1 VAPORIZATION	5,118,103	\$0.00418	\$21,414	\$21,414		\$16
TF-2 TRANSPORTATION CAPACITY	13,959	\$13.86416	\$193,527		\$193,527	(\$998)
TF-2 TRANSPORTATION COMMODITY	5,118,103	\$0.00300	\$15,354	\$15,354		\$11
SGS-1 DEMAND	152,151	\$0.56612	\$86,135		\$86,135	(\$444)
SGS-1 CAPACITY	5,501,833	\$0.02044	\$112,457		\$112,457	\$83
SGS-1 COMMODITY	5,501,833	\$0.50835	\$2,796,845	\$2,796,845		(\$673,697)
TF-2 TRANSPORTATION CAPACITY	15,007	\$13.86416	\$208,055		\$208,055	(\$1,073)
TF-2 TRANSPORTATION COMMODITY	5,501,833	\$0.00300	\$16,505	\$16,505		\$12
Net Capacity Release/Storage Mitigation			(\$5,252,267)		(\$5,252,267)	(\$3,252,267)
						\$722,174
DAILY BALANCING NON-CORE CREDIT	660,245,232	(\$0.00020)	(\$132,049)		(\$132,049)	(\$23,972)
	<u>230,018,255</u>		\$152,857,720	\$129,140,200	\$23,717,520	(\$45,220,976)
SALES/TRANSPORT VOLUMES				230,018,255	230,018,255	
PROPOSED AVERAGE RATE				\$0.56143	\$0.10311	\$0.66454
CURRENT AVERAGE RATE IN RATES				\$0.67603	\$0.11345	\$0.78948
GROSS RATE CHANGE				(\$0.11460)	(\$0.01034)	(\$0.12494)
REVENUE ADJUSTMENT FACTOR				1.04535	1.04535	1.04535
TOTAL PROPOSED ADJUSTMENT				(\$0.11980)	(\$0.01081)	(\$0.13061)

**CASCADE NATURAL GAS CORPORATION**  
**2009 PGA Gas Demand Cost Allocation**

PGA Exhibit\_\_(KJB-1)  
Schedule 1 of 1  
Page 3 of 6

	Current	Proposed
Demand Costs	\$25,654,069	<b>\$ 23,717,520</b>
Commodity Costs	172,424,626	129,140,200

Rate Schedule	503	502, 504, 512 & 541	505/511	570/577	Total
Current Demand Rates	0.11521	0.11347	0.10488	0.09631	
% change (same for each sch)	-9.12458%	-9.12458%	-9.12458%	-9.12458%	
<b>Proposed Demand Increment</b>	<b>\$ 0.10470</b>	<b>\$ 0.10312</b>	<b>\$ 0.09531</b>	<b>\$ 0.08752</b>	
Proposed Demand Costs Collected	\$12,458,543	\$ 9,445,290	\$ 1,384,827	\$ 428,860	<b>\$ 23,717,520</b>
Proposed Change in Demand	(0.01051)	(0.01035)	(0.00957)	(0.00879)	
Revenue Adjustment Factor	1.04535	1.04535	1.04535	1.04535	
Proposed Rate Adjustment	\$ (0.01099)	\$ (0.01082)	\$ (0.01000)	\$(0.00919)	
Proposed Volumes	118,993,745	91,594,714	14,529,784	4,900,013	230,018,255

Note: Demand Cost Allocation Methodology From UG-951415

**Cascade Natural Gas Corporation**  
**WASHINGTON 2009 PURCHASED GAS ADJUSTMENT APPLICATION**  
**BASED UPON THE TWELVE MONTHS ENDED 7/31/10**  
**State of Washington**

Line No.	Description (a)	Rate Schedule (b)	Average # of Bills (c)	Actual Therms Sold (d)	Actual Revenue (e)	Restated Revenue *a (f)	Per Therm Gas Cost Change (g)	Amount of Change (h)
<b>CORE MARKET RATE SCHEDULES</b>								
1	Dry Out	502	593	470,313	540,970	551,223	(0.13062)	(61,432)
2	Residential	503	166,833	107,014,186	122,080,093	125,116,883	(0.13079)	(13,996,385)
3	Commercial	504	23,684	76,373,681	82,302,427	83,958,934	(0.13062)	(9,975,930)
4	Industrial Firm	505	351	8,346,187	8,211,451	8,294,335	(0.12980)	(1,083,335)
5	Large Volume	511	87	9,203,742	9,284,032	9,353,672	(0.12980)	(1,194,846)
6	Compressed Natural Gas	512	1	41,279	42,330	43,158	(0.13062)	(5,392)
7	Gas A/C	541	49	113,442	121,068	126,621	(0.13062)	(14,818)
8	Industrial interruptible	570	10	4,432,069	3,810,133	3,810,308	(0.12899)	(571,693)
9	Institutional	577	3	463,460	418,893	420,801	(0.12899)	(59,782)
10	Subtotal Core		191,811	206,458,359	226,811,399	231,675,934		(26,963,412)

\*at Core and R/S 663 revenues are restated at 5/1/09 rates

Cascade Natural Gas Corporation  
**TYPICAL MONTHLY THERM USAGE AND COST BY CLASS**  
 State of Washington

Line No.	Description (a)	Typical Monthly Therm Use (b)	Avg Bill @ 8/1/09 Rates (c)	Present Filing Changes (d)	Proposed Typical Bill (e)	Percent Change (f)
1	Residential (503)	53	\$60.48	(\$6.93)	\$53.55	-11.46%
2	Commercial (504)	266	\$286.51	(\$34.74)	\$251.77	-12.13%
3	Industrial (505)	N/A*	\$0.99379	(\$0.12980)	\$0.86399	-13.06%
4	Industrial Lg Vol (511)	N/A*	\$1.01629	(\$0.12980)	\$0.88649	-12.77%
5	Interruptible (570)	N/A*	\$0.85971	(\$0.12899)	\$0.73072	-15.00%
6	Institutional Interruptible (577)	N/A*	\$0.90795	(\$0.12899)	\$0.77896	-14.21%

**DERIVATION OF PROPOSED RATE ADJUSTMENT  
State of Washington**

Line No.	<u>Description</u>	503 Residential Customers	502/504/512/541 Commercial Customers	505/511 Firm Indust Customers	570/577 Interruptible Customers
1	WACOG Effective Aug 1, 2009	\$0.82800	\$0.82618	\$0.81719	\$0.80821
	<u>Proposed Incremental Change</u>				
2	Residential	(\$0.13079)			
3	Commercial		(\$0.13062)		
4	Industrial Firm			(\$0.12980)	
5	Interruptible - CORE				(\$0.12899)
6	NON-CORE Customers				
7	Total Proposed Rate Adjustment	<u>\$0.69721</u>	<u>\$0.69556</u>	<u>\$0.68739</u>	<u>\$0.67922</u>

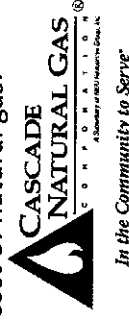


## What is a PGA?

In the natural gas industry, PGA means Purchased Gas Adjustment. Simply stated, a PGA is a method designed to pass the actual costs of gas supplies to customers. Each year, the Company makes the best possible projection of the cost of gas supplies for the coming year. Any differences between the gas costs included in the Company's overall rates and the actual cost of supplies are calculated and passed back to customers in the next PGA filing. If actual gas costs are lower than originally projected, customers will see lower rates. If gas costs are higher, rates will go up. Whether the change in rates is an increase or a decrease, a PGA filing does not affect the Company's profits.

Cascade anticipates making its annual PGA filing with the Washington Utilities and Transportation Commission (WUTC) by September 30, 2010, with an effective date of November 1, 2010. Based on current market conditions, the Company anticipates that rates will decrease by approximately 3% due to the reduction in the wholesale cost of natural gas.

If you have any questions or would like more information about the Company's PGA filing, please contact our Rates Department at 206-624-3900, or visit our website at [www.cngc.com](http://www.cngc.com).



[www.cngc.com](http://www.cngc.com)

# DRAFT

To Our Washington Customers:

November 2010

On October \_\_, 2010, the Washington Utilities & Transportation Commission approved Cascade's Purchased Gas Adjustment (PGA) Filing. As a result, natural gas used on and after November 1, 2010, is being billed to you at decreased rates. The average change to the rate schedules is as follows:

<b>CUSTOMER CLASS</b>	<b>CHANGE</b>
Rate Schedule 503	-9.59%
Rate Schedule 504	-10.71%
Rate Schedule 505	-12.45%
Rate Schedule 511	-12.48%
Rate Schedule 570	-15.33%
Rate Schedule 577	-14.18%
Rate Schedule 663 Volumetric	+6.20%
Rate Schedules 685/686	1.93%

The overall effect of the rate change on the monthly bill of a residential customer with consumption of 53 therms will be an decrease of \$5.99. For small commercial customers, with monthly bill with average consumption of 266 therms will decrease by \$31.36. Additional customer information regarding bill payment options and bill assistance programs is available at [www.cngc.com/customer](http://www.cngc.com/customer).