

CASCADE
Natural Gas
CORPORATION

222 FAIRVIEW AVENUE NORTH, SEATTLE, WASHINGTON 98109, (206) 624-3900
TELEX 910-444-2239 FACSIMILE (206) 624-7215

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(C) 12-08-93*

Advice No. CNG/W93-11-04

November 12, 1993

Mr. Paul Curl, Secretary
Washington Utilities &
Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

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COMMISSION

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Subject: Proposed Special Contract with Longview Fibre Company

Dear Mr. Curl:

Cascade Natural Gas Corporation herewith files the following service Contract dated September 1, 1993 with Longview Fibre Company ("Longview"). The contract specifies that Cascade will provide firm distribution transportation service for natural gas to be delivered by Cascade to satisfy the total natural gas requirements of a gas-fired cogeneration facility, to be constructed and operated by Longview, at the site of Longview's pulp and paper mill near Longview, Washington.

This filing is pursuant to WAC 480-80-335, which requires filing and Commission approval of contracts to end-use customers that do not conform to any applicable tariff, or which provide for utility services which are not specifically addressed in the utilities published tariffs (Special Contracts).

Given the considerations associated with providing service to Longview, the proposed rate does not discriminate between similarly situated customers and is effectively designed to recover all costs incurred by Cascade in providing service. The following discussion will highlight the considerations examined by Cascade in developing this contract and address these and other WAC special contract filing requirements.

Longview is developing the natural gas-fired cogeneration project, at the site of its existing pulp and paper mill operations, to enhance that operation's efficiency and economic viability. Inherent in that projects development is investigation of all potential opportunities for securing the most competitively priced natural gas service available. Longview's close proximity to Northwest Pipeline Corporation facilities ensures that an acceptable distribution service proposal must be priced competitively.

Cascade developed a natural gas distribution service proposal that successfully competes with the economic alternatives. The attached contract reflects charges that recover all of the costs incurred by Cascade to provide service to the cogeneration facility, as well as contribute toward overall system fixed cost recovery.

The filing contains a cash flow analysis in support of the contract charges. The analysis identifies the cost recovery minimum required to support Cascade's facilities investment. The contract's Fixed Monthly Charge is set at a level that permits recovery over the 25 year contract period, of all of Cascade's initial investment cost, regardless of whether gas is used, thereby protecting Cascade from a financial

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shortfall as a result of facilities investment. The contract's Commodity Rate component is designed to maximize revenue contribution while remaining competitive with other distribution alternatives.

Given the duration of the contract and the potential for costs to increase over time, the contract also provides for the Commodity Rate to escalate annually by the percentage change in the Consumer Price Index.


The considerations discussed above provide the basis for developing the contract rate, as well as indicate its derivation. These are subject areas that are required to be addressed in order to comply with the WAC's contract filing requirement. Other contract filing requirements, such as an explanation of all cost computations involved, is inherent in the attached cash flow analysis.

Finally, in compliance with WAC requirements, the use by Cascade of a contract for this rate proposal rather than a filed tariff needs to be addressed. Specifically, the type of service provided under the contract is unique enough, given the particular facilities involved, to warrant individual treatment. Special contract rate proposals provide an added degree of flexibility in rate design development over general tariff rates that is often necessary in constructing uniquely competitive, cost-based rate proposals.

Cascade respectfully requests protection and confidential treatment of the special contract as envisioned under Chapter 42.17 RCW and RCW 80.04.095, as well as WAC 480-09-015. The documents for which confidential treatment is requested are clearly marked "CONFIDENTIAL" as required by 480-09-015. Confidential treatment is requested to protect Longview Fibre Company as well as Cascade. Public disclosure of this valuable commercial information would result in private loss, including an unfair competitive disadvantage. It would substantially and irreparably damage Cascade. Public disclosure of this information would severely compromise any future negotiations between Cascade and another party for this type of service.

Cascade submits this special contract in compliance with WAC requirements for Special Contract filings. If additional information is required to facilitate Staff's review, please contact me directly.

Very truly yours,



Joseph L. McGrath
Manager - Rates

JLM/dka