Exhibit No. ___T (JRS-1T)
Docket No. UG-060256
Witness: Joelle R. Steward

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, **Complainant,** **v.** **CASCADE NATURAL GAS CORPORATION,** **Respondent.**	**DOCKET NO. UG-060256**

ERRATA TO

TESTIMONY OF

JOELLE R. STEWARD

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Natural Gas Decoupling, Rate Spread and Rate Design

September 25, 2006

snapshot in time regarding revenues, expenses, rate base, customers, and usage. The proposed mechanism locks in the revenue (margin) from the last rate case, but costs may change on the whole through operational efficiencies or as incurred by different customer classes. Therefore, any approved mechanism should then be in place for only a relatively short period of time to minimize any potential mismatch of revenues and costs over time. I recommend that the mechanism expire after three years, with renewal only through a general rate case.

Q. Why do you propose a cap on any surcharge and what should the cap be?

A. There should be a cap on any surcharge in order to provide customers with some certainty as to the rate impacts this mechanism could produce. I propose to set the cap for residential Schedule 503 at 1.50 percent of total schedule revenue and 0.50 percent for the commercial schedules. These levels should allow the Company to fully recover its lost margin deferrals due to non-weather related changes in consumption, while also giving customers some assurance that the mechanism will not result in wild rate swings. It also gives customers some assurance that the mechanism is not going to significantly reduce their benefit of a lower bill for undertaking energy efficiency improvements. Setting the cap lower could result in not fully removing the Company's disincentive for pursuing energy efficiency.

programs after evaluating their feasibility in its integrated resource plan. Refinements to these programs may also be included in the conservation plan.

Q. Does this complete your discussion of decoupling?

A. Yes.

V. NATURAL GAS RATES

Q. What is your recommendation for rates?

A. In Mr. Parvinen's testimony, he identifies a revenue requirement decrease of $321,588 to be assigned to rate schedules. Since this decrease would have minimal impact on rates, Staff recommends no change in revenue for the classes. However, I will address the Company's rate spread and rate design proposals and recommend revenue-neutral changes in rate design.

Q. Is the Company's rate spread proposal reasonable?

A. No. The Company, in the testimony of Mr. Stoltz, proposed a rate spread that achieves an equal rate of return from all classes, based on the Company's cost of service study. (Exhibit No. ___ (JTS-9), Schedule 3, page 2.) This methodology produces considerable differences in percentage increases and decreases between classes. The differences range from a 109 percent *decrease* in margin revenue for Compressed Natural Gas, Schedule 112, to a 43 percent *increase* in margin revenue for Gas Air Conditioning, Schedule 541.