

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET NO. UG-060256

**STIPULATION ON REVENUE
REQUIREMENT ISSUES**

PARTIES

1. This Stipulation is entered into by Cascade Natural Gas Corporation ("Cascade" or "the Company") and Staff of the Washington Utilities and Transportation Commission ("Staff") regarding Cascade's pending general rate filing in the above docket.

RECITALS

2. On February 14, 2006, Cascade submitted tariff sheets seeking a general rate increase of \$11.7 million, or 4.47%. The filing was based on normalized results of operations for Washington for the test period ending September 30, 2005. The filing was suspended by the Commission at its March 15, 2006 public meeting.

3. At the prehearing conference on April 11, 2006, the Public Counsel Section of the Office of Attorney General ("Public Counsel"), NWIGU, The Energy Project, NW Energy Coalition, International Chemical Workers Union, Cost Managements Services, Inc. ("CMS"), and Mint Farm Energy Center LLC were granted intervention in the proceeding.

4. Following discovery by Staff and the other parties on the Company's direct testimony, Staff, Public Counsel, NWIGU, The Energy Project, NW Energy Coalition and CMS filed opposing testimony on August 15, 2006. Staff recommended limiting the rate increase to \$1.6 million. No other party submitted testimony on revenue requirement issues.

5. The Company submitted rebuttal testimony on September 12, 2006; other parties also submitted cross-rebuttal testimony. Hearings are scheduled for October 9-13. The suspension period ends on January 16, 2007.

6. Following discovery on the rebuttal testimony, the Company, Staff and other parties convened settlement discussions for purposes of resolving or narrowing the contested issues in this proceeding.

7. The Company and Staff ("the Parties") have reached agreement on various contested revenue requirement issues in this proceeding and wish to present their agreement for the Commission's consideration. The Parties therefore adopt the following Stipulation, which is entered into by the Parties voluntarily to resolve matters in dispute among them in the interests of expediting the orderly disposition of this proceeding. The Stipulation is being filed with the Commission as a "Multiparty Settlement" pursuant to WAC 480-07-730(3).

AGREEMENT

8. Revenue Requirement Adjustments. The Parties agree that the following adjustments shall be accepted in calculating the Company's revenue requirement in this proceeding:

(a) Staff's adjustment to restate gas costs for Lost and Unaccounted For Gas (Parvinen, Exhibit No. ____ (MPP-1T), page 12).

(b) Staff's adjustment to restate Wages and Related Costs (Parvinen, Exhibit No. ____ (MPP-1T), page 12).

(c) Staff's adjustment to restate books to reflect actual Uncollectible Expenses (Parvinen, Exhibit No. ____ (MPP-1T), page 13).

(d) Staff's adjustment for Pro Forma Wages and Related Costs (Parvinen, Exhibit No. ____ (MPP-1T), pages 13-14).

(e) Staff's calculation of Working Capital (Parvinen, Exhibit No. ____ (MPP-1T), pages 6-8; Exhibit No. ____ (MPP-4)).

(f) Staff's proposed 34% federal income tax rate (Parvinen, Exhibit No. ____ (MPP-1T), pages 15-16), including the impact of the federal income tax rate on the uncontested adjustments shown on Exhibit No. ____ (MPP-1T), page 9, lines 3-14 and on the conversion factor (Exhibit No. ____ (MPP-3), page 25).

(g) Staff's adjustment for Conservation Promotional Advertising (Parvinen, Exhibit No. ____ (MPP-1T), page 20).

(h) The Company's proposed rate case expense (Stoltz, Exhibit No. ____ (JTS-11)).

b. Evidentiary Support. As evidentiary support for these stipulated revenue requirement issues, the Parties cite certain testimony and exhibits of Staff witness Michael P. Parvinen (Exhibit Nos. ____ (MPP-1T), ____ (MPP-2), ____ (MPP-3), ____ (MPP-4), and ____ (MPP-7)), certain testimony and exhibits of Company witness Katherine J. Barnard (Exhibit Nos. ____ (KJB-1T) and ____ (KJB-2)), and certain testimony and exhibits of Company witness Jon T. Stoltz (Exhibit Nos. ____ (JTS-1T), ____ (JTS-10T) and ____ (JTS-11)).

9. Miscellaneous Service Charges.

(a) Level of Charges. Staff and the Company agree that the Miscellaneous Service Charges shall be as follows:

Disconnect Fee	\$15.00
Reconnect Fee (during work hours)	\$32.00
After Hours Reconnect Fee	\$75.00
Equipment Service Call	\$32.00
Late Fee	1% per month, applied to all unpaid balances 30 days past due
Minimum Late Fee	\$1.00
Meter Tampering Fee	Actual costs
NSF Check Return Charge	\$18.00
Account Activation Fee	\$32.00
Short Notice Locate Fee	No charge

The Parties agree that for purposes of determining the Company's revenue requirement in this proceeding, these Miscellaneous Service Charges shall be deemed to produce revenues of \$2,191,992, which shall reduce the amount of revenue requirement to be recovered from the Company's remaining rate schedules.

b. Evidentiary Support. As evidentiary support for these stipulated Miscellaneous Service Charges, the Parties cite certain testimony and exhibits of Staff witness Michael Parvinen (Exhibit Nos. ____ (MPP-1T), pages 22-25, and ____ (MPP-5)) and certain testimony and exhibits of Company witness Jon T. Stoltz (Exhibit Nos. ____ (JTS-1T), pages 15-18, ____ (JTS-9), Schedule 2, and (JTS-10T), pages 32-35).

10. Low-Income Assistance. The Parties agree that the Company's proposal for low-income assistance, as described in Exhibit No. ____ (KJB-21T), pages 6-7, shall be included in the revenue requirement in this proceeding. The proposal includes the tax credit of \$107,000 being provided as additional funding for the program. As described in the testimony of The Energy Project witness Eberdt, (Exhibit No. ____ (CME-1T), pages 6-7), the existing network used by the Washington Department of Community, Trade and Economic Development for the Low Income Home Energy Assistance Program will be used.

11. Supporting Testimony. During the evidentiary hearings in this proceeding, the Parties shall present a panel with a representative of each Party to describe the terms of this Stipulation, respond to cross-examination from non-settling parties, and answer questions from the Commissioners and the presiding Administrative Law Judge.

12. General Provisions.

a. The Parties agree that this Stipulation is in the public interest and would produce rates for the Company that are fair, just, reasonable and sufficient. The Parties agree to support this Stipulation as a settlement for purposes of this proceeding of the contested issues described above. The Parties understand that this Stipulation is not binding on the Commission in ruling on the Company's rate filing.

b. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

c. The Parties have negotiated this Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Stipulation in its entirety.

d. The Parties shall cooperate in submitting this Stipulation promptly to the Commission for acceptance, and shall cooperate in developing any supporting testimony that may be requested by the Commission in accordance with WAC 480-07-740(2)(b). The Parties agree to support the Stipulation throughout this proceeding, provide witnesses to sponsor such a Stipulation at a Commission hearing, and recommend that the Commission issue an order adopting the settlements contained herein. In the event the Commission rejects this Stipulation or accepts the Stipulation upon conditions not proposed herein, each Party reserves the right to seek reconsideration of the decision. The Parties agree that their right to seek reconsideration is their sole remedy in the event the Commission rejects this Stipulation or accepts the Stipulation upon conditions not proposed herein. The Parties agree that with respect to this Stipulation, the provisions of WAC 480-07-750(2)(a) shall not apply.

e. The Parties enter into this Stipulation to avoid further expense, inconvenience, uncertainty and delay. By executing this Stipulation, neither Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed in arriving at the terms of this Stipulation, nor shall either Party be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

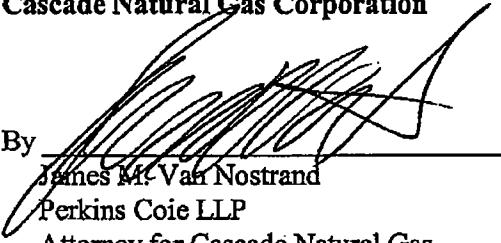
f. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This STIPULATION is entered into by each Party as of the date entered below.

DATED: October 4, 2006.

Cascade Natural Gas Corporation

By


James M. Van Nostrand
Perkins Coie LLP
Attorney for Cascade Natural Gas
Corporation

**Staff of the Washington Utilities and
Transportation Commission**

By


Gregory J. Trautman
Assistant Attorney General