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June 28, 1996

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RECORDS MANAGEMENT
96 JUN 28 PM 4: 11
STATE OF WASH
UTIL. AND TRANS
COMMISSION
VIA FACSIMILE

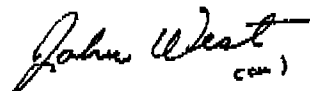
Mr. Steve McLellan
Secretary
Washington Utilities and
Transportation Commission
Post Office Box 47250
Olympia, Washington 98504-7450

Subject: Cascade Natural Gas Corporation General Rate Case - Docket No.
UG-951415

Dear Mr. McLellan:

Enclosed for filing are the original and 19 copies of a Settlement Agreement and Petition in the above captioned docket. This Settlement Agreement and Petition reflects agreement by all parties participating in the above captioned docket and includes a global settlement of all remaining issues. It also includes a global settlement of all outstanding issues in Docket Nos. UG-960452 and UG-960453, Cascade's 1995 PGA case and related technical adjustments filing. On behalf of Cascade and the other parties, we respectfully request a hearing on this Settlement Agreement and Petition at the earliest convenience of the Commission, and request that the Commission's final orders provide for the new rates to become effective August 1, 1996.

Very truly yours,


John L. West

cc w/enc: Mr. Terrence Stapleton
Ms. Ann Rendahl
Mr. Robert F. Manifold
Ms. Paula Pyron

RECEIVED
RECORDS MANAGEMENT
96 JUN 28 PM 4: 31
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

Docket No. UG-951415

SETTLEMENT AGREEMENT AND
PETITION

BACKGROUND

Cascade Natural Gas Corporation (the "Company") filed its general rate case (the "General Rate Case") with the Washington Utilities and Transportation Commission (the "Commission") on December 11, 1995. The General Rate Case was assigned Docket No. UG-951415. The Company also filed a petition for ratemaking treatment with respect to certain special contracts on March 15, 1995 (the "Special Contract Case"). The Special Contract Case was assigned Docket No. UG-950326. The General Rate Case and the Special Contract Case were consolidated by prior Commission order.

Since June 1995, the Company, Staff, Public Counsel and Northwest Industrial Gas Users have engaged in negotiations with a view toward settlement of the General Rate Case and the Special Contract Case. In connection with these negotiations the parties submitted and responded to data requests and conducted discovery with respect to both the General Rate Case and the Special Contract Case.

SETTLEMENT AGREEMENT AND
PETITION - 1

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1 The Company has also filed a purchased gas adjustment case relating to gas
 2 costs incurred in 1995, Docket No. UG-960453, and an application to change rates to reflect
 3 the amortization of gas cost deferred accounts, Docket No. UG-960452 (together the "1995
 4 PGA Case and Technical Adjustments"). Certain matters with respect to the 1995 PGA Case
 5 and Technical Adjustments have been the subject of testimony and discovery in the General
 6 Rate Case and have been subject to negotiations as well.

7 The parties entered into an agreement dated May 7, 1996, with respect to
 8 certain accounting issues in the General Rate Case. This agreement was admitted to the
 9 record in this docket as Exhibit 57 on May 7, 1996. This Settlement Agreement and Petition
 10 relates to all issues in the General Rate Case, the Special Contract Case and the 1995 PGA
 11 Case and Technical Adjustments not already agreed in Exhibit 57.

12 The parties met in Olympia on June 5, 1996, and agreed in principle to a
 13 global settlement of all remaining issues in the General Rate Case (as consolidated with the
 14 Special Contract Case) and the 1995 PGA Case and Technical Adjustments, subject to
 15 approval of the Commission. The purpose of this Settlement Agreement and Petition is to
 16 describe the agreements reached among the parties and to ask the Commission for
 17 appropriate orders and approval of rates based on these agreements.

18 AGREEMENTS

19 The parties stipulate and agree as follows:

- 20 1. Revenue Requirements. The parties agree that the increase in the
 21 Company's revenue requirements in the General Rate Case shall be \$3,837,041.
- 22 2. Moratorium. The Company agrees not to file for another general rate
 23 increase until three years from the effective date of the rates in the General Rate Case ("New
 24 Rates"), subject only to its good faith assertion of acute financial need as described below.
 25 Acute financial need for purposes of this Agreement shall mean those conditions necessary
 26 for interim/emergency rate relief as adopted by the Commission.

SETTLEMENT AGREEMENT AND
 PETITION - 2

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1 3. Cost of Service. The parties do not agree to any cost of service
2 methodology or cost of service results. The rate spread accepted by the parties in section (4)
3 and set forth in Settlement Exhibit 1 of this agreement falls within a range of reasonableness
4 defined by the cost of service studies prepared during negotiations by the Company, Staff,
5 Public Counsel, and the Northwest Industrial Gas Users. This rate spread will result in rates
6 which are fair, just, and reasonable.

7 4. Rate Spread. The customer service charges of all core rate schedules
8 will increase by \$1.00 on each of the first and second anniversaries of the effectiveness of
9 New Rates. The rate schedule 663 and 664 rates will decrease in the aggregate by the same
10 amount as the revenue increases resulting from the increased customer service charge on the
11 same dates (revenue neutral filings). The Company shall file such revenue neutral filings at
12 least 30 days prior to their effective dates for 1997 and 1998. The settlement rate spread is
13 shown on the attached Settlement Exhibit 1.

14 The actual rate schedule decreases for Schedule 663 and 664 will be applied in
15 the following fashion:

16 a. For the rates effective 8/1/96, the margin decrease of \$176,241 will be
17 applied to reduce the fifth block of Schedule 663 and the second and third blocks of Schedule
18 664 (for consumption between 100,000 and 500,000 therms per month for each schedule),
19 with the rate levels for the subsequent blocks set equally at \$0.02000 per therm as shown in
20 Settlement Exhibit 2.

21 b. For the Schedule 663 and 664 rate reductions effective 8/1/97 and
22 8/1/98, the total amount of the customer service charge revenue generated from the
23 respective annual \$1.00 increases in residential and general service rate schedule customer
24 service charges shall be based upon the customer counts for those customer classes from the
25 most recent twelve months data available.

26

1 c. In calculating the actual rate decreases applicable to Schedule 663 and
2 664 customers, the billing determinants used to establish the rates in 8/1/97 and 8/1/98 shall
3 be based upon the same time frame used to establish the customer service charge revenue
4 generated under this agreement for 663 and 664 rate decreases.

5 d. The fixed portion of the dispatch charge is to remain at \$500 during the
6 general rate case moratorium period described in Section 2 above. The rate blocks shown on
7 Settlement Exhibit 2 attached shall also remain unchanged during such moratorium period.
8 In determining the actual rates to be effective on 8/1/97 and 8/1/98 for Schedules 663 and
9 664, the decreases shall be applied in a manner such that the resulting rates for each rate
10 block are proportional (equal percentage) to the illustrative rates shown on Settlement
11 Exhibit 2. After applying these revenue allocations, the actual rates by rate block for
12 Schedules 663 and 664 will be within +/- 5% of the 8/1/98 illustrative rates as shown on
13 Settlement Exhibit 2. The rates resulting from implementation of the 8/1/98 decrease shall
14 not be changed during the remainder of the general rate case moratorium period described in
15 Section 2 above.

16 e. If the relationship between the Company's Schedule 663 and 664
17 volumes and/or the Company's customer charge revenues differ so as to produce rates lower
18 than the 8/1/98 illustrative rates by more than 5% per rate block, the Company shall pass
19 back the excess revenue to the margin of the core schedules based on the amount of revenue
20 contributed by the increased customer charge.

21 If the required adjustment to create actual rates that are within 5% of the
22 illustrative rates exceeds the amount of dollars available from the customer service charge
23 increase, the Company agrees to absorb the incremental dollars until it files its next general
24 rate case. Such dollars will not be considered in any interim/emergency rate relief
25 application described in Section 2 above.

26

1 **5. Rate Design.**

2 **Residential:** Rate schedules 501 and 503 will be combined in a new rate
3 schedule 503. The customer charge will be \$2.00 per month, with increases to \$3.00 per
4 month on the first anniversary of the effectiveness of New Rates, and to \$4.00 per month on
5 the second anniversary of the effectiveness of New Rates. Residential Rates will be a single
6 block rate.

7 **Commercial:** On Commercial rate schedule 504, the customer service charges
8 will become \$5.00 on the effective date of New Rates, increasing to \$6.00 and \$7.00 on the
9 first and second anniversary dates of New Rates, respectively.

10 **Industrial:** On Industrial rate schedule 505, the customer service charges will
11 become \$10.00 on the effective date of New Rates, increasing to \$11.00 and \$12.00 on the
12 first and second anniversary dates of New Rates, respectively.

13 **Temporary Dry Out Service Schedule 502** will have a customer service charge
14 of \$5.00 on the effective date of the New Rates, increasing to \$6.00 and \$7.00 on the first
15 and second anniversary dates of the New Rates, respectively.

16 **Large Volume General Service Schedule 511** will have a customer service
17 charge of \$20.00 on the effective date of the New Rates, increasing to \$21.00 and \$22.00 on
18 the first and second anniversary dates of the New Rates, respectively.

19 **Compressed Natural Gas Service Schedule 512** will have a customer service
20 charge of \$5.00 on the effective date of the New Rates, increasing to \$6.00 and \$7.00 on the
21 first and second anniversary dates of the New Rates, respectively.

22 **Interruptible Service Schedule 570** will have a customer service charge of
23 \$20.00 on the effective date of the New Rates, increasing to \$21.00 and \$22.00 on the first
24 and second anniversary dates of the New Rates, respectively.

1 Limited Interruptible Service Schedule 577 will have a customer service charge
2 of \$20.00 on the effective date of the New Rates, increasing to \$21.00 and \$22.00 on the
3 first and second anniversary dates of the New Rates, respectively.

4 The minimum bill of Schedule 541 will have a charge of \$2.82 in the winter
5 and \$5.24 in the summer on the effective date of the New Rates, increasing to \$3.82 and
6 \$6.24 on the first anniversary date and \$4.82 and \$7.24 on the second anniversary date of
7 the New Rates, respectively.

8 Rate Schedules 663 and 664: New Rate Schedule 664 shall be available and
9 provide for a minimum bill to customers equal to the charge for minimum annual volumes of
10 2,400,000 therms per year. To be eligible for 664, a customer must have taken at least
11 2,400,000 therms of service in the prior 12 months, or have demonstrated to Cascade's
12 satisfaction that customer reasonably anticipates requiring 2,400,000 therms of service in the
13 contract year.

14 Settlement Exhibit 2 shows the estimated decline in 663 and 664 Rates over
15 the three-year period.

16 Schedule 664 shall contain a minimum annual throughput requirement of
17 2,400,000 therms during a contract year. If a 664 customer's actual annual throughput is
18 less than 2,400,000 therms for a contract year, the customer shall be liable for an annual
19 minimum bill under Schedule 664 rates based upon the difference between the customer's
20 actual annual throughput and 2,400,000 therms. The customer's annual minimum bill for the
21 resulting difference shall be calculated as if the customer's deficient consumption occurred
22 during the twelfth month of the contract year. Unless the customer can show circumstances
23 that were unforeseen and beyond the customer's control such as a force majeure event, the
24 customer will be shifted to Rate Schedule 663 for a period of not less than one year until
25 such time the customer uses and can maintain a usage of at least 2,400,000 therms per year.
26

1 6. Meter Reading and Billing. The Company agrees to prepare a plan for
2 reducing expenses of meter reading and billing and will circulate such plan to all parties for
3 comment not later than November 30, 1996. This plan will result in a reduction in meter
4 reading and billing expenses or increases in revenues from such activities or a combination of
5 both so that by December 31, 1999, such expenses would be not more than two-thirds of test
6 year expenditures increased at the compound rate of the Seattle Consumer Price Index plus
7 customer growth.

8 7. Revenue Credit. The Company agrees to reflect in its Temporary
9 Technical Adjustment Schedule 595 a revenue credit for core customers in the state of
10 Washington providing a credit of \$.00139 per therm. The revenue credit expires four years
11 after the effective date of New Rates.

12 8. Deferrals. \$13 million of total gas cost account deferrals are to be
13 transferred to a new deferral account, to be held at the Company's short term interest rates
14 from time to time, until four years after the effective date of the New Rates at which time
15 these funds shall be amortized to core customers over a period not to exceed four years. The
16 balance of existing deferral accounts (approximately \$7 million) is to be passed back to core
17 ratepayers beginning on the effective date of the New Rates, over a period of four years, on
18 an equal cents per therm basis. The net refund applicable to Schedule 663 from Docket
19 Nos. UG-960452 and 960453 shall be returned to both Schedule 663 and 664 over a one year
20 period on an equal cents per therm basis. The Company shall refile its tariffs in Docket
21 Nos. UG-960452 and 960453 to reflect only the changes agreed to herein. Such refiling
22 shall be placed on the Commission's next available open meeting agenda for approval.

23 9. No addition of Firm Pipeline Capacity. For a period of three years
24 after the effective date of the New Rates, the Company agrees not to request reimbursement
25 for an increase in its TF-1 capacity at full tariff rates in any PGA filing beyond the amount
26

1 of capacity the Company holds in its name at present, provided that such increases only may
2 be requested if prudent, which the Company shall have the burden of establishing.

3 10. Reconnect and Field Collective Fees. The Company's reconnect fees
4 will be \$16 during regular business hours and \$32 after regular business hours. Such fees
5 shall apply to customers by address, not by individual requesting service. Field collection
6 fees will be increased to \$8.

7 11. Extended Business Hours. The Company agrees to negotiate in good
8 faith at its next regularly scheduled bargaining opportunity with its union to allow reasonable
9 extension of hours for regular service calls beyond 5:00 p.m. in those service areas in which
10 there is more than one service person. Customers will not be disconnected on Friday or the
11 day before a holiday for non-payment. The extended business hours are to more effectively
12 serve customers, who often are not at home before 5:00 p.m.

13 12. Balancing. Along with its New Rates the Company will file additions
14 to its 663 and 664 tariffs to provide for balancing requirements equivalent to the monthly
15 balancing requirements in the current Northwest Pipeline Company ("NPC") tariffs approved
16 by the Federal Energy Regulatory Commission, and to amend the Company tariffs within 30
17 days after the time the NPC tariffs are effective to reflect the current balancing requirements
18 of NPC. To the extent the Company shall receive penalties under such balancing provisions,
19 it shall defer the net amounts above any costs imposed by the subject imbalances for the
20 benefit of its core customers. This provision shall not preclude any other parties, with good
21 cause, from proposing balancing provisions after the New Rates become effective which may
22 vary from NPC's balancing provisions.

23 13. Future PGAs. The Company agrees to file its 1996 and future PGAs
24 on an "actual utilization under normal weather" basis. The parties reserve the right to
25 question, among other things, the amount of gas capacity, amount of capacity release and
26 other off-system gas sales revenue, and/or the prudence of gas acquisitions in all future

1 PGAs. The gas cost increments reflected in the New Rates, by individual schedule, shall be
2 used from the effective date of the New Rates forward for the purpose of calculating the
3 Company's Washington monthly gas cost deferrals. Future PGA commodity changes shall
4 be allocated to core schedules on an equal cents per therm basis. Future demand cost
5 changes shall be allocated to core schedules on an equal percent of demand increment basis.
6 A non-core daily balancing rate (of \$.00050 per therm) times the non-core volumes shall be
7 included in the monthly gas cost deferrals as a revenue credit against gas costs collected from
8 core customers. At the time the Company files its 1997 PGA and deferral filing, the
9 Company shall provide to the parties data and cost analysis to support any continuation,
10 change or elimination of a daily balancing rate. This Settlement Agreement and the
11 Commission's approval of this Settlement Agreement do not create any presumption as to the
12 validity or appropriate level of any daily balancing rate. The parties reserve the right to
13 contest the validity or appropriate level of any daily balancing rate or similar charge
14 beginning with the 1997 PGA and deferral filing.

15 14. Special Contracts. The Company agrees to develop a method which it
16 will use in evaluating the potential of special contracts not yet approved by the Commission
17 which relies upon an incremental cash flow analysis. In order to develop and implement this
18 approach, the Company agrees to maintain at a minimum the following documents:

- 19 1. Maps, notes of site visit(s), and where the Company is to
20 construct new facilities, surveyor reports, comprehensive construction
standards and construction company bids.
- 21 2. Independent external consulting engineers reports, with cost
22 estimates stamped, signed and dated by a professional engineer. (In those
23 cases where the Company does not believe such a report is necessary, the
Company will consult with Staff and will document its reasons why such a
report is not necessary).
- 24 3. Pressure/flow studies (for example, STONER or other model
25 runs, etc.).
- 26 4. Notes of all meetings and phone calls and correspondence of any
kind bearing on an explicit threat of action by the competitor.

1 5. Reports, memos, drawings, calculations and documents which
2 substantiate claims made for distance to pipeline, topography, obstacles, and
3 other relevant variables.

4 6. Financial and economic information which backs up the discount
5 rate estimates for the customer, to include weighted average cost of capital and
6 its derivations.

7 15. Deletion of Unused Rate Schedules. The Company agrees to delete
8 Rate Schedules 513, 687, 688 and 689, none of which are used to serve customers presently,
9 and tariff sheets 5000 and 5001 relating to demand side management programs that are no
10 longer effective.

11 16. Availability of Witnesses for Questioning. All parties agree to make
12 appropriate witnesses available at the request of the Commission for questions and to testify
13 in support of this Settlement Agreement and Joint Petition.

14 17. Waiver of Suspension Period. In the event hearings become necessary
15 because the Commission shall not enter orders as requested in this Settlement Agreement and
16 Petition, the Company agrees to waive the suspension period for a reasonable time so that
17 hearings may be scheduled.

18 18. Integration. This Settlement Agreement and Petition and the attached
19 exhibits represent an integrated agreement among the parties with respect to the settlement.
20 There are no other agreements or understandings (written or oral) which modify any part of
21 the settlement, as expressed herein.

22 19. Reservation of Rights. The parties agree that this Settlement
23 Agreement and Petition represents a negotiated settlement in the public interest with respect
24 to the matters as agreed to herein for the sole purpose of settlement of the matters agreed to
25 herein. The parties individually and collectively do not waive the right to assert any position
26 in any other proceeding before the Commission.

 20. Reopening of Record Upon Modification. The parties request that, if
 the Commission wishes to modify any matter agreed to herein, the Commission so notify the

1 parties in writing of the modification. If any party does not agree with the modification
 2 within three business days from receipt thereof, all parties shall jointly request that the matter
 3 be sent back for further proceedings and the record reopened for the purpose of receiving
 4 additional testimony from the parties with cross-examination thereon. If the record is
 5 reopened accordingly, no party shall be bound by the provisions of this Settlement
 6 Agreement and Petition.

7 21. Execution. This Settlement Agreement and Petition may be executed
 8 by the parties in several counterparts and as executed shall constitute one agreement.

9 PETITION

10 Based on the agreements set forth in Exhibit 57 and in this Settlement
 11 Agreement and Petition, and on the files and records in the proceedings to which they relate,
 12 the undersigned parties petition the Commission for entry of orders incorporating the
 13 substance of the terms and conditions agreed upon in Exhibit 57 and in this Settlement
 14 Agreement and Petition. The parties also request that the Commission's final orders provide
 15 that the New Rates may be effective August 1, 1996.

16 Dated this 28th day of June, 1996.

18 COMMISSION STAFF
 19 CHRISTINE O. GREGOIRE
 Attorney General

20 *Ann E. Rendahl*
 21 Robert D. Cedarbaum
 Ann E. Rendahl
 22 Assistant Attorneys General

NORTHWEST INDUSTRIAL GAS
 USERS

 Paula E. Pyron
 Attorney

1 parties in writing of the modification. If any party does not agree with the modification
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4 additional testimony from the parties with cross-examination thereon. If the record is
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16 Dated this _____ day of June, 1996.

17
18 COMMISSION STAFF

19 CHRISTINE O. GREGOIRE
20 Attorney General

21 _____
22 Robert D. Cedarbaum
Ann E. Rendahl
Assistant Attorneys General

NORTHWEST INDUSTRIAL GAS
USERS

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24
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Paula E. Pyron
Paula E. Pyron
Attorney

SETTLEMENT AGREEMENT AND
PETITION - 11

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P.13/13

1 PUBLIC COUNSEL

CASCADE NATURAL GAS
CORPORATION

2 CHRISTINE O. GREGOIRE
Attorney General

3 *Robert F. Manifold by*
4 Robert F. Manifold *Smalley for*
Assistant Attorney General 6/28/96

John L. West
John L. West
Attorney

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Docket No. UG-951415
 Exhibit ____ (SETTLEMENT-1)
 Schedule 1 of 1
 Page 1 of 1

Cascade Natural Gas Corporation

PROPOSED CHANGE IN MARGIN TO REFLECT SETTLEMENT IN UG-951415

State of Washington

Line No.	Description	Rate Schedule	Total Adjusted Therms Sales	Total Adjusted Margin at @ 1-1-94 Rates	Proposed Increase Margin By Customer Group	Margin at Proposed Rates	Percentage Change in Margin
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Residential							
1	General Service	501	29,133,665	\$ 7,176,285	\$ 911,789	\$ 8,088,074	12.7056%
2	Optional Service	503	43,858,745	\$ 9,444,941	1,200,035	10,644,976	12.7056%
3	Total		<u>72,992,410</u>	<u>\$ 16,621,226</u>	<u>\$ 2,111,824</u>	<u>\$ 18,733,050</u>	
Res-Com Dual Service							
4	Dry-out	502	1,122,626	\$ 206,107	\$ 26,187	\$ 232,294	12.7056%
5	Gas Air Conditioning	541	572,517	\$ 104,813	13,317	118,130	12.7056%
6	Total		<u>1,695,143</u>	<u>\$ 310,920</u>	<u>\$ 39,504</u>	<u>\$ 350,424</u>	
Commercial							
7	General Service	504	63,610,113	\$ 11,849,759	\$ 1,505,581	\$ 13,355,340	12.7056%
8	Compressed Natural Gas	512	61,114	\$ 11,506	1,462	12,968	12.7056%
9	Total		<u>63,671,227</u>	<u>\$ 11,861,265</u>	<u>\$ 1,507,043</u>	<u>\$ 13,368,309</u>	
Com-Ind Dual Service							
10	Large Volume	511	28,370,393	\$ 3,084,138	195,929	3,280,067	6.3528%
11	Total		<u>28,370,393</u>	<u>\$ 3,084,138</u>	<u>\$ 195,929</u>	<u>\$ 3,280,067</u>	
Industrial Firm							
12	General Service	505	8,643,340	\$ 1,057,618	67,188	1,124,807	6.3528%
13	Total		<u>8,643,340</u>	<u>\$ 1,057,618</u>	<u>\$ 67,188</u>	<u>\$ 1,124,807</u>	
Interruptible							
14	General (Industrial)	570	8,721,399	\$ 422,241	53,648	475,889	12.7056%
15	Institutional	577	2,615,401	\$ 195,780	24,875	220,654	12.7056%
16	Total		<u>11,336,800</u>	<u>\$ 618,021</u>	<u>\$ 78,523</u>	<u>\$ 696,544</u>	
17	Total Core		<u>186,709,313</u>	<u>\$ 33,553,188</u>	<u>\$ 4,000,012</u>	<u>\$ 37,553,200</u>	
Non-Core							
18	Distribution Trans.	663	41,733,626	\$ 7,873,991	\$ (20,055)	\$ 7,853,936	-0.2547%
19	Large Vol. Distribution Tran	664	205,683,554	\$ 4,140,839	\$ (156,186)	3,984,653	-3.7718%
20	Special Contracts	901	481,701,943	8,782,638	0	8,782,638	
21	Cost of Gas						
22	Total Non-Core		<u>729,119,123</u>	<u>\$ 20,797,468</u>	<u>\$ (176,241)</u>	<u>\$ 20,621,227</u>	
23	SUBTOTAL		<u>915,828,436</u>	<u>\$ 54,350,656</u>	<u>\$ 3,823,771</u>	<u>\$ 58,174,427</u>	
Adjustments							
24	B&O Tax		0	\$ 3,970,141	\$ -	\$ 3,970,141	
25	Billing/Technical Adjustments		-	53,340	-	53,340	
26	Total Adjustments		<u>0</u>	<u>\$ 4,023,481</u>	<u>\$ -</u>	<u>\$ 4,023,481</u>	
27	TOTAL		<u>915,828,436</u>	<u>\$ 58,374,137</u>	<u>\$ 3,823,771</u>	<u>\$ 62,197,908</u>	
28	Other Op Rev			\$ 103,193	\$ 13,270	\$ 116,463	
29	TOTAL		<u>915,828,436</u>	<u>\$ 58,477,330</u>	<u>\$ 3,837,041</u>	<u>\$ 62,314,371</u>	

Market No. UG-951415

Exhibit ____ (SETTLEMENT-2)

Schedule 1 of 1

Page 1 of 1

Cascade Natural Gas Corporation				
Illustrative Decline in New 664 Rates - (For Large Transportation Customers)				
State of Washington				
	Current	Estimated Effective 8/1/96	Estimated Effective 8/1/97	Estimated Effective 8/1/98
Dispatch Service Charge	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00
First 100,000 Th/Mth	\$ 0.09660	\$ 0.09660	\$ 0.09129	\$ 0.06085
Next 200,000	\$ 0.04186	\$ 0.03951	\$ 0.03300	\$ 0.02769
Next 200,000	\$ 0.04186	\$ 0.03951	\$ 0.02137	\$ 0.01874
Next 100,000	\$ 0.02000	\$ 0.02000	\$ 0.01900	\$ 0.01874
Next 300,000	\$ 0.02000	\$ 0.02000	\$ 0.01850	\$ 0.01686
Next 400,000	\$ 0.02000	\$ 0.02000	\$ 0.01750	\$ 0.01486
Over 1,300,000	\$ 0.02000	\$ 0.02000	\$ 0.01625	\$ 0.01335
Annual Minimum Bill to qualify for this 664 service based upon 2,400,000 Therms per Year				
Estimated Decrease in New 664 Revenue Compared to Current 663 Revenue		\$ (156,186)	\$ (1,290,850)	\$ (1,348,266)

Cascade Natural Gas Corporation				
Illustrative Decline in 663 Rates - (For Small Transportation Customers)				
State of Washington				
	Current (663)	Estimated Effective 8/1/96	Estimated Effective 8/1/97	Estimated Effective 8/1/98
Dispatch Service Charge	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00
First 10,000 Th/Mth	\$ 0.13313	\$ 0.13313	\$ 0.13313	\$ 0.13313
Next 10,000	\$ 0.12099	\$ 0.12099	\$ 0.12050	\$ 0.12000
Next 30,000	\$ 0.11423	\$ 0.11423	\$ 0.10700	\$ 0.10000
Next 50,000	\$ 0.07367	\$ 0.07367	\$ 0.06750	\$ 0.06000
Over 100,000	\$ 0.04186	\$ 0.03951	\$ 0.03470	\$ 0.03000
Estimated Decrease in 663 Revenues		\$ (20,055)	\$ (205,533)	\$ (215,484)