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222 FAIRVIEW AVENUE NORTH, SEATTLE, WASHINGTON 98109-5312 (206) 624-3900
FACSIMILE (206) 624-7215

REVISED
March 30, 2007

Carol Washburn
Executive Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Notification of Contract and Arrangement between Cascade Natural Gas Corporation and its subsidiary, CGC Energy, Inc.

Pursuant to RCW 80.16.020 and WAC 480-90-245, Cascade Natural Gas Corporation ("Cascade") submits for filing an original and three copies of its updated Cost Allocation Manual, which reflects the assignment of costs between Cascade and its subsidiaries. Also included with this filing is a copy of the Organization Chart for CGC Energy, Inc. ("CGC Energy") and a copy of the North American Energy Standards Board (NAESB) Base Contract for Sale and Purchase of Natural Gas that has been executed between Cascade and CGC Energy.

The Cost Allocation Manual has been historically included with the Company's affiliated interest report, which is filed annually pursuant to WAC 480-90-264; the most recent report was filed with the Commission on January 27, 2006 and was docketed as UG 070203. The report, which covered activity for the 12 months ending September 30, 2006, reported the Company's subsidiary CGC Energy as inactive. However, effective April 1, 2007, the Company plans to re-activate this subsidiary with the purpose of providing gas supply sales to non-core customers in the State of Washington, including customers outside Cascade's utility service territory. Pursuant to an arrangement between Cascade and CGC Energy, Cascade will provide corporate support services, such as billing, payroll, accounting, federal income tax filings, and general management duties for CGC Energy. The costs associated with providing these services will be allocated as provided in the Cost Allocation Manual. In addition, CGC Energy may purchase gas from Cascade on a wholesale basis pursuant to the terms of the enclosed contract. Pursuant to WAC 480-90-264, Cascade will submit an annual report summarizing all transactions that occurred between Cascade and its subsidiaries one hundred twenty days from the end of the Cascade's fiscal year.

Cascade has provided gas supply sales to non-core customers in the State of Washington since November 1988. These gas supply sales to non-core customers were provided under tariffs until March 1, 2004 when Cascade canceled the gas supply tariffs with the understanding that this activity was authorized pursuant to Cascade's FERC Blanket Marketing Certificate (18 CFR Part 284.402). However, the Commission concluded in its Docket UG-061256 Order 03 that the FERC Blanket Marketing Certificate does not cover retail sales to non-core customers and directed Cascade to file gas supply tariff schedules within 30 days of the effective date of Order 03.

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Cascade filed such tariffs on February 12, 2007. However, at the Open Meeting held on March 14, 2007, the Commission suspended Cascade's proposed non-core gas supply tariffs. Under Cascade's proposed tariffs, Cascade would have utilized service contracts pursuant to WAC 480-80-141, of which Cascade would file a sample with the Commission.

Several of Cascade's non-core gas supply sales contracts were due to expire on March 31, 2007. In view of the Commission's suspension of Cascade's proposed tariffs, proceeding under those tariffs with service agreements was not an option for Cascade. Since the inception of this optional service program in November 1988, Cascade had not been required to file non-core gas supply sales contracts as Special Contracts pursuant to WAC 480-80-143. Assuming that option is implied under Order 03, Cascade would not be able to obtain approval for any new contracts as Special Contracts in a timely manner because WAC 480-80-143 requires special contracts to be filed at least 30 days in advance of their effective date. Thus, in order to avoid any violation of Order 03 and still meet its customers' needs by having new contracts in place to replace the contracts that were due to expire on March 31, 2007, Cascade has elected to perform these services under its whole-owned subsidiary, CGC Energy.

In providing these gas supply services through CGC Energy, Cascade will continue to capture the market value of released pipeline capacity for the benefit of Cascade's core customers. Such capacity will be released pursuant to Northwest Pipeline's Electronic Bulletin Board (EBB) rules and procedures. In an effort to determine the fair market value of discounted capacity, Cascade will post the discounted capacity on the EBB with the opportunity for other market participants bid up the price.

If there are any questions regarding this filing, please contact me at (206) 381-6823.

Sincerely,



Jon T. Stoltz
Sr. Vice President
Regulatory & Gas Supply

Enclosures

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VERIFICATION

In accordance with RCW 80.16.020, and WAC 480-90-245, I hereby verify that the facts asserted in this letter are true and correct to the best of the signer's belief and that the contract enclosed herewith is a true and correct copy of the original.



Jon T. Stoltz
Sr. Vice President
Regulatory & Gas Supply