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November 15, 2006

**VIA FEDERAL EXPRESS
AND ELECTRONIC FILING**

Carol Washburn
Executive Secretary
Washington Utilities & Transportation
Commission
1300 S. Evergreen Park Drive, S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: *WUTC v. Cascade Natural Gas Corporation*
WUTC Docket No. UG-060256

Dear Ms. Washburn:

Enclosed please find an original and 11 copies of the Initial Brief of the Northwest Industrial Gas Users (NWIGU) in the above-referenced docket. An electronic submission will be sent to the Records Center on November 15, 2006 as well as to all parties listed on the service list.

Thank you for your assistance.

Very truly yours,



Edward A. Finklea

EAF/tr
Enclosures
cc: Service List

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION)
)
Complainant,)
)
vs.)
)
CASCADE NATURAL GAS CORPORATION)
)
Respondent.)

Docket No. UG-060256

**INITIAL BRIEF
OF THE
NORTHWEST INDUSTRIAL GAS USERS**

November 15, 2006

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I. INTRODUCTION

1. Pursuant to WAC 480-07-390 and the procedural schedule adopted by Administrative Law Judge Ann Rendahl, the Northwest Industrial Gas Users (“NWIGU”) hereby submit this Initial Brief in the above-referenced proceeding. Cascade Natural Gas Corporation (“Cascade”) filed with the Washington Utilities and Transportation Commission (“WUTC” or “Commission”) seeking a general rate increase to its natural gas sales and transportation schedules by \$11.7 million annually or 4.47%. NWIGU is an active intervenor in this proceeding, having sponsored direct testimony filed by Donald W. Schoenbeck¹ and David Hawk.²
2. In this Initial Brief, NWIGU will address why the Commission should approve the rate spread and rate design Settlement Agreement that was reached among Cascade, WUTC Staff and NWIGU.³ NWIGU urges the Commission to adopt the rate spread and design Settlement Agreement because it will result in just, reasonable and non-discriminatory rates for Cascades’s gas distribution services.

II. ARGUMENT

A. The Commission Should Adopt the Rate Spread and Design Supported by NWIGU, Cascade and the WUTC Staff

3. NWIGU has joined with the WUTC Staff and Cascade in supporting a rate spread and design proposal for this case that strikes a proper balance among the various gas customers’ interests. The Commission should adopt the rate spread and design as an appropriate first step towards bringing Cascade’s gas distribution rates more in line with cost of service principles. A key element of the settlement would lower Cascades’ industrial transportation rates by approximately \$1.751 million and redesign its industrial rates to better reflect cost causation

¹ Exh. 231T (Direct Testimony of Don Schoenbeck).

² Exh. 241T (Direct Testimony of David Hawk).

³ Exh. 1 (Settlement Agreement)

principles. In addition, Rate Schedules 663 and 664 will be consolidated into one rate schedule.⁴ Under this settlement, an industrial customer may elect a level of firm service by paying a demand charge of 15 cents per therm of contract demand per month, plus four declining block rates for volumetric charges.⁵ Firm service is also available to those customers with an annual load factor of thirty-three percent (33%) by paying a volumetric demand charge of \$.0156 per therm, plus the four declining block rates for volumetric charges.⁶ Until now, Cascade has offered only firm transportation service on its distribution system, but with the approval of this settlement, customers will now have the annual option of electing all or a portion of their distribution service on an interruptible basis.

4. The cost of service study presented in this case by NWIGU witness Don Schoenbeck shows that industrial customers of Cascade taking service under Rate Schedules 663 and 664 pay a disproportionate share of the Company's cost under current rates.⁷ No party disputes that Mr. Schoenbeck has prepared a proper cost of service study consistent with Commission precedent.

5. Mr. Schoenbeck's cost study shows that Cascade's transportation rates far exceed proper cost of service levels. Those rate disparities have existed for many years and should be addressed promptly.⁸ As acknowledged by the settling parties, a net margin decrease of up to three times the \$1.7 million supported by the Settlement could be cost justified based on the undisputed evidence in this case.⁹ The decreases agreed to in the settlement for Schedules 663 and 664 will result in modest movement toward the results of the cost of service study. Approval of the rate spread and rate design Settlement Agreement is in the public interest, and is a positive first step towards eliminating the rate subsidies that exist in Cascade's industrial rate schedules.

⁴ Exh. 1, p. 14

⁵ *Id.*

⁶ *Id.*

⁷ Exh. 233.

⁸ Exh. 241T, p. 6, lines 1-11.

⁹ Exh. 1, p. 13

III. CONCLUSION

6. The Commission should approve the rate spread and rate design settlement supported by Cascade, WUTC Staff and NWIGU.

Dated in Portland, Oregon, this 15th day of November, 2006.

Respectfully submitted,



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Of Attorneys for Northwest Industrial Gas Users

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing document upon the parties of record in these proceedings listed below by mailing a copy properly addressed with first class postage prepaid. Electronic copies will be e-mailed to all parties of record on November 15, 2006.

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Dated in Portland this 15th day of November, 2006.

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