

Agenda Date: June 11, 2003  
Item Number: F6 (To be moved to A8)

**Docket:** UG-030693  
Company Name: Cascade Natural Gas Corporation

Staff: Yohannes Mariam, Regulatory Analyst  
Hank McIntosh, Regulatory Consultant

**Recommendation:**  
Suspend the filing.

**Background:**

On May 23, 2003, Cascade Natural Gas Corporation ("CNG" or "Company") filed tariff revisions to Schedule 700. The company filed the revisions in order to recover increases in labor costs and insurance purchased to cover liabilities resulting from providing services listed under Schedule 700.

The Commission approved Schedule 700 in 2000 so that CNG could provide optional services related to customer-owned piping systems. These services include design, construction, operation and maintenance, and cathodic protection of piping systems. In addition, the Company offers to perform leak surveys, repair leaks, locate services, test odorization, and prepare reports.

Table A shows current rates, proposed rates, proposed percentage increase, direct cost based on data supplied by CNG and percentage mark-up in the proposed rate above direct cost. Staff has concerns about the proposed rates because they show a large increase and, the proposed rates show high and inconsistent markups (see Table below).

**Table A: Rate Comparison**

Category	Current Rates (\$/hr.)	Proposed Rates (\$/hr.)	Proposed Percent Increase	Direct Cost (O&M and insurance) (\$/hr.)	Mark-up Over Direct Cost
<b>Non-Professional</b>					
Semi Skilled Labor	45	60	33%	36	67%
Skilled Labor	60	75	25%	55	36%
<b>Professional</b>					
Professional/Technician	90	125	39%	68	84%
Supervisory	120	150	25%	76	97%
<b>Non-Professional With Equipment</b>					
Service Truck w/Tech.	60	75.00	25%	52	44%
Dump Truck w/Tech.	75	85.00	13%	64	33%
Backhoe w/operator	90	110.00	22%	91	21%
Welding Rig W/welder and Helper	105	125.00	19%	90	39%
Construction Crew and Equip.	220	265.00	33%	220	20%

**Discussion:**

Schedule 700 was created to provide service to customers who notice problems or want to avoid problems with their gas service. Staff believes that these customers often do not know whether the problem is with Cascade's equipment or with their own equipment. Work on the customer system is charged under Schedule 700 rates. These customers should continue to receive current rates.

More recently, Cascade has begun to serve larger customer-owned pipeline systems under Schedule 700. These customers may have competitive options. Staff is not opposed to offering competitively priced rates to customers who have demonstrated options. Such a demonstration has not been made. Further, cost-of-service rates should be retained for urgent calls from customers who do not have fully competitive options.

**Conclusion:**

Suspend the filing. Staff will attempt to negotiate with Cascade. If unsuccessful, Staff would further recommend setting the matter for hearing.