

CASCADE NATURAL GAS CORPORATION
2006 Rate Case Data Request

DATE PREPARED: Dec 15, 2006
CASE NO.: UG-060256
REQUESTER: WUTC

WITNESS: Jon Stoltz
RESPONDER: Jon Stoltz
TELEPHONE: (206)381-6824

BENCH REQUEST NO. 4:

In paragraph 5 of the Narrative Statement Regarding Settlement Agreement, Exhibit 2, the parties identify contested overall rates of return, revenue requirement return based on the parties' return recommendations and an agreed upon revenue requirement with respect to return. The Narrative Statement states "This revenue requirement for overall return is in the middle of the range between the two Parties' positions on this issue." Staff asserts that the overall return can be "fairly estimated" based on the evidence set forth in the Settlement Agreement. *Staff Reply Brief, ¶ 20.*

Using the evidence set forth in the Settlement Agreement, we conclude that the parties agreed on net income available for return before adjustments are made for the items listed in Attachment A to the Agreement. We estimate this net income for return to be \$20,484,254 (net income per books plus the settlement "revenue requirement of \$7,480,632 with respect to return" adjusted to net income by the conversion factor). Applying this net income to the settlement rate base of \$231,493,760 yields an overall return of 8.85 percent. Is this the fair estimation the Staff has in mind? Is this what the Staff and the Company intended in paragraph 12(a) of the Settlement Agreement? If not, how do Staff and the Company intend that we fairly estimate the overall return?

RESPONSE:

The Commission is correct with its interpretation of paragraph 12(a) of the Settlement Agreement.