

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

COST MANAGEMENT SERVICES,
INC.,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-061256

CASCADE'S PETITION FOR
RECONSIDERATION AND
ALTERNATIVE MOTION FOR
CLARIFICATION OF ORDER 08

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-070332

CASCADE'S PETITION FOR
RECONSIDERATION AND ALTERNATIVE
MOTION FOR CLARIFICATION OF
ORDER 07

In re Notification of Contract and
Arrangement between

CASCADE NATURAL GAS
CORPORATION,

and its subsidiary

CGC ENERGY, INC.

DOCKET UG-070639

CASCADE'S PETITION FOR
RECONSIDERATION AND ALTERNATIVE
MOTION FOR CLARIFICATION OF
ORDER 02

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

CASCADE NATURAL GAS
CORPORATION,

Respondent.

DOCKET UG-072337

CASCADE'S PETITION FOR
RECONSIDERATION AND ALTERNATIVE
MOTION FOR CLARIFICATION OF
ORDER 01

1. Pursuant to RCW 34.05.470 and WAC 480-07-850, Cascade Natural Gas Corporation ("Cascade") respectfully petitions the Commission to reconsider one portion of its Order Accepting Settlement Agreement on Condition served on March 6, 2008 in the above-captioned dockets (the "Order"). Cascade specifically requests that the Commission reconsider that portion of the Order imposing a new condition, that Cascade must hold core customers harmless should a replacement shipper default on a payment under a capacity release award contemplated in paragraph 22 of the Settlement (the "Condition"). Order ¶¶ 36, 59, and 65. Cascade supports this petition with the Declaration of Jon T. Stoltz ("Stoltz Decl."), filed herewith, and respectfully moves the Commission for permission to so supplement the record.

2. In the alternative, Cascade moves pursuant to WAC 480-07-835 for clarification of the Condition. Cascade requests that the Commission clarify that the Condition is applicable only to the capacity releases contemplated in paragraph 22 of the Settlement Agreement, and that neither the Condition nor the Order has any application with respect to other capacity releases that Cascade may make.

DISCUSSION

A. Background of the Condition

3. The Condition relates to Cascade's agreement to release certain pipeline capacity during the summer months of 2008 and 2009, as set forth in paragraph 22 of the Settlement Agreement the Commission approved in the Order. As discussed in the Narrative Statement in support of the settlement, Cascade agreed to release this capacity as part of this settlement at the request of CMS. Narrative Statement ¶ 23. Cascade also agreed to give CMS 48 hours advance notice of the posting of these capacity releases on the pipeline's Electronic Bulletin Board ("EBB"), and that the posted capacity shall not include provisions regarding Cascade's credit requirements. Settlement Agreement ¶ 22.b. and c.

4. The Commission imposed the Condition because it found the record did not reveal the benefit to core customers of the capacity Cascade would release under the settlement; for that reason, the Commission presumed that the released capacity is not needed to serve core customers.

The record before us is insufficient to determine with any precision what, if any, benefit core customers derive from the capacity Cascade would release under the terms of the Settlement. It seems reasonable, however, to presume that the released capacity is not needed to serve core customers. If that is so, then it is reasonable to insulate core customers from any risk of default by a replacement shipper.

Order ¶ 36. The Commission further justified the Condition on the ground that Cascade had agreed to waive its credit requirements for these capacity releases, which the Commission assumed may be "more stringent" than the those required by the pipeline. Order at 13, n.39.

B. The Commission Should Reconsider and Withdraw the Condition Because the Released Capacity Is Required To Serve the Winter Needs of Core Customers and Because Core Customers Benefit From the Capacity Release

5. The Commission imposed the Condition on the basis of an incomplete record relating to the necessity of the released capacity to serve core customers and the benefit to core customers of both the capacity and the capacity release. Once the Commission understands the complete facts it should reconsider and withdraw the Condition.

6. First, the capacity that Cascade has agreed to release provides benefits to core customers because it is required to meet the needs of core customers. Cascade subscribed to a certain level of firm pipeline capacity on a long-term basis to meet the current and future needs of its core customers in the peak winter months. Stoltz Decl. ¶ 2. This firm pipeline capacity is available from the pipeline only on a year-round basis. *Id.* Thus, the capacity that is subject to paragraph 22 of the Settlement Agreement is, in fact, beneficial for core customers because it is

needed to serve Cascade's core customers and the Commission was incorrect to presume that it was not so needed.

7. The level of firm pipeline capacity that Cascade is required to secure to meet the peak needs of its core customers is greater than the capacity used to meet the needs of the core customers in the summer months. *Id.* ¶ 3. For this reason, Cascade attempts to mitigate the cost of year-round capacity for core customers by releasing such capacity in the summer months. *Id.* Cascade has determined that the capacity it has agreed to release pursuant to paragraph 22 of the Settlement Agreement will not be used to serve the core customers in the summers of 2008 and 2009. *Id.*

8. Second, not only is the released capacity needed to serve core customers, Cascade's core customers also benefit directly from these capacity releases, including the releases agreed to in paragraph 22 of the Settlement Agreement. Cascade applies all of the money it receives for its capacity releases to reduce the costs that are passed through to core customers through the annual PGA mechanism. *Id.* ¶ 4. The costs that are passed through include the full amount of Cascade's reasonable payments for pipeline capacity as well as for gas commodity. *Id.* Every dollar that Cascade receives as compensation for a capacity release reduces Cascade's costs by one dollar and, thus, reduces the costs paid by core customers through the PGA mechanism. *Id.* For this reason, the Commission was incorrect to overlook the fact that core customers will derive a direct benefit from the capacity releases contemplated by the Settlement Agreement.

9. In the rare circumstance where a replacement shipper fails to pay the pipeline for released capacity, Cascade would still be obligated to pay the pipeline, as the Commission noted in the Order. Order ¶ 35; Stoltz Decl. ¶ 5. In those circumstances, the pipeline costs would be included in the PGA filing without any offsetting revenue, so core customers would be responsible for those costs. Stoltz Decl. ¶ 5. In such circumstances, Cascade would seek to

recall the capacity and re-release it to another replacement shipper in order to maximize the mitigation for core customers. *Id.* Cascade thinks that it is appropriate for core customers to bear any costs incurred as the result of a replacement shipper's default because Cascade is seeking to benefit solely the core customers by releasing the capacity. Because core customers, and not Cascade, will receive the full benefit of these releases, core customers, and not Cascade, should also bear the risk of a replacement shipper's default.

10. The result should not be any different with respect to the capacity releases contemplated by the Settlement Agreement. Cascade will not benefit from these releases; instead, all of the benefit will be realized by core customers. Nor does the fact that Cascade agreed to waive its credit requirements for these releases support the Condition requiring Cascade to bear the risk of a replacement shipper's default. CMS requested that waiver as part of the settlement. Stoltz Decl. ¶ 6. CMS had requested that Cascade *also* waive the pipeline's credit requirements, but Cascade did not agree to that request. *Id.* Cascade's understanding of the pipeline's FERC tariff is that the pipeline's credit requirements provide approximately the same level of protection as Cascade's requirements. *Id.* Cascade does not think that its typical credit requirements are more stringent than the pipeline's, as the Commission assumed (Order at 13, n.39). Thus, the waiver of Cascade's credit requirements does not provide an additional reason to require Cascade to bear the risk of a replacement shipper's default.

11. The factual basis on which the Commission imposed the Condition is not, in fact, supported by the record. Core customers do derive a benefit from the capacity that Cascade will release, and this capacity is needed to serve core customers. Moreover, core customers will receive a direct benefit from the capacity releases contemplated by the Settlement Agreement. In addition, Cascade would not typically have imposed more stringent credit requirements than the pipeline, so Cascade did not, in fact, forego imposing any such requirements in the settlement. For these reasons, Cascade respectfully requests that the Commission reconsider the Order and withdraw the Condition.

C. In the Alternative, the Commission Should Clarify That the Condition Applies Only to the Capacity Releases Contemplated by the Settlement Agreement.

12. If the Commission does not reconsider the Order and withdraw the Condition, then Cascade respectfully requests that the Commission clarify that the Condition applies only to the capacity releases contemplated by paragraph 22 of the Settlement Agreement and does not require Cascade to bear the risk any time a replacement shipper defaults.

13. Cascade understands the Order to apply only to the capacity releases contemplated by the Settlement Agreement. Cascade is concerned, however, that the Order may be construed in the future to stand for the broader propositions that (1) the pipeline capacity Cascade releases from time-to-time is not needed to serve core customers and (2) that Cascade should *always* bear the risk of a replacement shipper's default. Cascade thinks that such an expansive reading of the Order would be unwarranted and requests that the Commission clarify that it did not intend the Condition to apply to any circumstances other than the capacity releases contemplated by paragraph 22 of the Settlement Agreement.

14. There are at least two aspects of the Order that show the Commission intended the Condition to apply only to the capacity releases contemplated by the Settlement Agreement. First, the Commission based the Condition on the absence of evidence in the record showing the benefit to core customers of the released capacity; the record also did not include evidence of the benefit to core customers of the capacity releases. Thus, the Condition is supported by the record in a specific case, and should not apply in other proceedings with different records. Second, the Commission also based the Condition on Cascade's waiver in the Settlement Agreement of potentially more stringent credit requirements. This waiver, however, was made only in connection with this settlement and does not reflect Cascade's standard business practices. Thus, this fact does not support applying the Condition to any other transaction in which the waiver is not present.

15. For these reasons, the Commission should clarify that the Condition in the Order applies only to the capacity releases contemplated by section 22 of the Settlement Agreement and does not apply more generally to other capacity releases Cascade may make.

CONCLUSION

16. For the foregoing reasons, the Commission should reconsider the Order and withdraw the Condition. At the minimum, the Commission should clarify that the Condition applies only to the capacity releases contemplated by paragraph 22 of the Settlement Agreement.

DATED: March 17, 2008

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served in Dockets UG-061256, UG-070332, UG-070639, UG-072337 **CASCADE'S PETITION FOR RECONSIDERATION AND ALTERNATIVE MOTION FOR CLARIFICATION OF ORDER 08, ORDER 07, ORDER 02, and ORDER 01**, respectively, upon all parties of record in this proceeding by causing a copy to be sent by electronic mail and U.S. mail to:

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Dated this 17th day of March, 2008.

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