



222 FAIRVIEW AVENUE N., SEATTLE, WASHINGTON 98109-5312 206-624-3900
FACSIMILE 206-654-4039

Advise CNG/W07-05-01C

September 14, 2007

Ms. Carole J. Washburn
Washington Utilities and
Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Dear Ms. Washburn:

In compliance with the Commission's Order 06 in Docket UG-060256, enclosed for filing is an Addendum to the Company's Conservation Plan and the associated tariff sheets. The Addendum incorporates the Commission conditions to modify the therm savings threshold to reflect the mid-point therm targets, modifies the penalty mechanism to allow only 90% of deferred margins, and provides additional details regarding the accounting/ reporting process surrounding the penalty mechanism and the earnings cap.

The following tariff sheets implements the Conservation programs outlined included in the Conservation Plan, along with Company's partial decoupling mechanism that was approved in Order 5, conditioned on approval of the Company's Conservation Plan.

Original Sheet 25
Original Sheet 300
Original Sheet 300-A
Original Sheet 301
Original Sheet 302
Original Sheet 302-A

The Company believes it has met the requirements outlined in Order No. 06 and requests that the Commission approve the proposed Addendum to the Plan and authorize the compliance tariffs sheets to become effective October 1, 2007. If you have any questions regarding this filing, please feel to contact Christine Kautzman at 206-381-6780.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon T. Staltz".

Jon T. Staltz
Senior Vice President
Gas Supply & Regulatory Affairs

Enclosures

We make warm neighbors

www.cngc.com

Addendum to Cascade Natural Gas Corporation Conservation Plan
Docket UG-060256 Order 06

SUMMARY

In response to the Commission's Order 6 in Docket UG-060256, the Company submits following addendum to its Conservation Plan, originally, filed on May 7, 2007.

Specifically, this addendum addresses the Commission's condition which required the Company to file a revised plan that:

- 1) Changes the conservation targets to the mid-points of the currently proposed best case and conservative targets;
- 2) Includes in its conservation targets the savings expected from the Company's low income weatherization program;
- 3) Modifies the penalty mechanism to limit the maximum recovery of deferred revenue to 90 percent; and
- 4) Provides the specific reporting and accounting methods used to implement the Plan, including the penalty mechanism and the earnings cap.

Each of the required modifications are discussed below:

ANNUAL THERM SAVINGS TARGETS & PENALTIES

Consistent with the Commission's Order #6, the Company modifies its Conservation Plan therm savings targets to 335,625 therms for Calendar 2008, 441,250 for Calendar 2009 and 565,500 for Calendar 2010. These targets are based on the mid-point of the originally filed range of therms savings targets and include those savings associated with the Low-Income weatherization program.

Year	Residential and Commi/Industrial Programs	Low Income Weatherization Program	Total Annual Therm Savings
2008	322,500	13,125	335,625
2009	415,000	26,250	441,250
2010	530,000	35,500	565,500

Furthermore, the Company modifies the proposed penalty structure such that the maximum level of recovery of recorded annual deferred conservation revenues is 90%. The modified Penalty structure is as follows:

<u>Actual vs Threshold Annual Therm Savings</u>	<u>Penalty Structure</u>
<70%	100% disallowance/ 0% recovery
≥ 70% and < 80%	30% disallowance of deferred balance
≥80% and < 90%	20% disallowance of deferred balance
≥ 90%	10% disallowance of deferred balance

ACCOUNTING/REPORTING PROCESS

Cascade provides the following clarification on the timing/reporting associated with the annual thresholds, earnings test, and ultimately the proposed amortization of deferred conservation revenues.

For the Period October 1, 2007 through Dec 31, 2008 Balances

Cascade defers conservation related revenue differences beginning with the approval of the Decoupling Tariff (requested as October 1, 2007) through Dec 31, 2008 based upon the methodology outlined in the proposed Rule 22, Conservation Alliance Plan (CAP) (Tariff Sheet 25).

The Company will submit an annual report to the Commission on the achievement of the Calendar year therm savings target, along with its Commission Basis results of operations report for calendar 2008, no later than March 31, 2009. The amounts deferred under CAP would first be subject to the earnings test. If the Company's 2008 earnings are, at or below the 8.85% threshold, all of the CAP deferred amounts would be eligible for amortization if conservation targets were met. If earnings exceed the 8.85% threshold, the amount of the deferred conservation revenues will be reduced to bring the rate of return down to the 8.85%. If reducing the entire deferred conservation revenue balance from the commission basis results does not reduce the overall rate of return to 8.85%, the deferred conservation balance will be eliminated and the Company will not be permitted recovery of those amounts.

Any deferred conservation revenue balance remaining after the earnings test will be subject to the conservation targets and the Penalty Structure. Assuming that the 2008 therm savings targets of 335,625 therms are met or exceeded, in the 2009 PGA filing, the Company would seek amortization of 90% of the outstanding Calendar 2008 deferred conservation revenue balances.

The same reporting and accounting process would be utilized for the 2009 program year.

IMPLEMENTATION PLAN UPDATE

Cascade's original plan as filed in May 2007, discussed a possible relationship with the Energy Trust of Oregon for program delivery and administration in the Company's Washington service territory. Since the filing of the plan, the Company has received the results of the detailed Implementation Planning Study provided by the Energy Trust. The Company has also been informed that the Energy Trust has declined to assist Cascade in the implementation of our Washington Conservation Plan. As a result, Cascade plans to implement the Energy Trust's model in house by managing its conservation programs with a small staff delivering the majority of its programs through contracts with third-party Program Management Contractors that provide conservation services through a network of several business trade allies. Cascade's Staff will assume the roll of the:

- Evaluation/Design of overall conservation programs
- Development and evaluation of Request for Proposal (RFP) for delivery of conservation programs
- Contract with third-party Program Management Contractors (PMC)
- A centralized call center and resources to assist customers with energy efficiencies

Consistent with the Energy Trust's model, Cascade is planning to contract with third party Program Management Contractor(s) (PMC) for the delivery of the Conservation Programs listed in Appendix B & C. Additionally, the Company will consider preparing a separate RFP for a third party contractor to deliver the Company's Low Income Weatherization Program should the therm savings targets not be met by existing delivery structure through the Community Action Agencies.

CASCADE NATURAL GAS CORPORATION

RULES & REGULATIONS

(N)

RULE 21- CONSERVATION ALLIANCE PLAN MECHANISM**APPLICABLE:**

The Conservation Alliance Plan ("CAP") mechanism described in this rule applies to customers served on Residential General Service Rate Schedule 503 and Commercial General Service Rate Schedule 504.

PURPOSE:

The purpose of this provision is to define the procedures for the deferral of differences experienced between the actual weather-normalized average commodity margin per customer and the average commodity margin established in WUTC Docket UG-060256 for rate schedules 503 and 504.

TERM:

This tariff will expire three years from the date on which the mechanism is implemented unless the Company files a general rate case within such period seeking to extend authorization of the tariff.

DEFERRAL OF MARGIN COLLECTION DIFFERENCES:

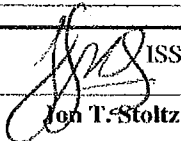
1. The Company will maintain a Conservation Variance deferral account as a Regulatory Asset or Liability. Each month, the Company will calculate the difference between the weather-normalized actual margin and the expected margin for rate schedules 503 and 504. Expected margin shall be the baseline average commodity margin per customer multiplied by the current customer count. The resulting dollar amount difference will be recorded in a Conservation Variance deferral account for rate schedules 503 and 504.
2. The Company shall impute interest on the deferred balance on a monthly basis utilizing the interest rate published quarterly by FERC. This calculation will be made consistent with the current deferred accounting procedures detailed in WAC 480-90-233.
3. The Company will include with its annual Temporary Technical Adjustment filing a temporary adjustment amount designed to amortize any balance in the Conservation Variance accounts calculated separately for rate schedules 503 and 504. Temporary surcharges and/or refund increments will be applied to the Margin Commodity Rate over the following 12 months or any other appropriate amortization period.

(N)

By Authority of the Commission's Order in Docket No. UG-060256

ISSUED September 14, 2007EFFECTIVE October 1, 2007

BY



Jon T. Stoltz

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

RESIDENTIAL CONSERVATION INCENTIVE PROGRAM

(N)

AVAILABILITY:

This program is available throughout Cascade's Washington service territory to qualifying residential customers served on rate schedule 503 upon meeting the requirements contained in the following eligibility section.

PROGRAM DESCRIPTION:

This program is designed to increase energy efficiency in residential households within Cascade's service territory by providing rebates for the installation of certain energy efficiency measures in qualifying residential dwellings.

ELIGIBILITY:

To qualify for weatherization or new construction incentives the dwelling must use natural gas as its primary heating source. Additionally as applicable to the project, baseline insulation levels in existing structures must not exceed the following baseline specifications in order to qualify for an incentive.

	Existing Insulation Level
Ceiling	R-18 or less
Floor	R-11 or less
Wall	R-4 or less
Duct Insulation	R-2 or less

Customers currently using high-efficiency natural gas HVAC or water heating equipment are not eligible for the high efficiency equipment measures.

MEASURES/INCENTIVES:

The following measures are deemed cost-effective and may be recommended under this program.

Energy Star Whole Home Package	Description	Incentive Amount
Energy Star Qualified Home - Gas with A/C	90% AFUE Rating	\$350.00
Energy Star Qualified Home - Gas without A/C	90% AFUE Rating	\$350.00
Energy Star Plus Qualified Home - Gas with A/C	Federal tax credit eligible	\$750.00
Energy Star Plus Qualified Home - Gas without A/C	Federal tax credit eligible	\$750.00
Premium Gas Furnace Upgrade	95% AFUE Rating	\$150.00
Stand Alone Measures	Description	Incentive Amount
High Efficiency Gas Furnace + PTCS Duct Sealing	90% AFUE Rating	\$300.00
New High Efficiency Gas Furnace	90% AFUE Rating	\$150.00
Replacing with New Tankless Water Heater	.81 Energy Factor	\$200.00
Construction Upgrade to a Tankless Water Heater	.81 EF Above Energy Star Home	\$100.00
Energy Star Qualified Clothes Washers	2.0 MEF	\$75.00
New High Efficiency Gas Hearth	80% AFUE Rating	\$70.00
Upgrade to a High Efficiency Gas Hearth	80% AFUE Rating	\$70.00
Wall Insulation	Equal to or greater than R-11 to fill cavity	\$.30/sf.
Ceiling Insulation	Equal to or greater than R-38	\$.25/sf.
Floor Insulation	Equal to or greater than R-11	\$.45/sf.

(N)

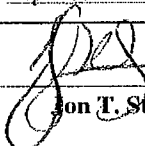
--Continued on Following Page--

In compliance with Docket UG-060256 Order-06

ISSUED September 14, 2007

EFFECTIVE October 1, 2007

BY



Jon T. Stoltz

ISSUED BY CASCADE NATURAL GAS CORPORATION

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

RESIDENTIAL CONSERVATION PROGRAM

Continued from previous Page

(N)

GENERAL PROVISIONS:


The administrative and program delivery costs associated with this program will be accounted for and recovered through a temporary technical adjustment mechanism in the deferral tracking portion of the Company's annual PGA filing. All installations of weatherization and equipment must comply with all codes and permit requirements applicable in the state of Washington and must be properly inspected, if required, by appropriate agencies. Customer must submit required documentation of purchase and installation to the Company under the terms and instructions on the current rebate form. The Company reserves the right to verify installation prior to payment of any rebates.

(N)

In Compliance with Docket UG-060256 Order 06

ISSUED September 14, 2007

EFFECTIVE October 1, 2007

BY 
Don J. Stoltz

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

LOW INCOME WEATHERIZATION INCENTIVE PROGRAM

(N)

AVAILABILITY:

This program is available to income-eligible residential dwellings served by Cascade Natural Gas where the primary heating equipment in the residential dwelling is fueled by natural gas. Any residential dwelling that received assistance for the installation of the same or similar measures under any other energy efficiency program will not be eligible for assistance under this program.

PROGRAM DESCRIPTION:

This program is designed to increase energy efficiency in low-income households within Cascade's service territory by providing rebates for the installation of certain energy efficiency measures in qualifying residential dwellings following the completion of a home energy evaluation performed by a qualifying Agency.

ELIGIBILITY:

To qualify for the program, the following guidelines must be met. The customer must be a residential customer of Cascade Natural Gas and must be certified as low-income by a Community Action Agency (CAA) or Low Income Agency (LIA). In addition, the customer must reside in a dwelling built prior to 1991, where the primary heating source is natural gas.

ENERGY EFFICIENCY MEASURES:

The following measures qualify for rebate under this program:

- Ceiling insulation
- Wall insulation
- Floor insulation
- Duct sealing and insulation
- Infiltration reduction

REBATE CALCULATION & PAYMENT:

Cascade will provide a rebate to participating Agencies for the installation of the measures listed above. The following formula will be used to calculate the rebate:

$$\text{Projected Annual Therm Savings of Measure(s)} \times 100\% \text{ of the Avoided Cost per Therm}$$

The rebate will not exceed the lesser of 100% of the Avoided cost of the annual therm savings or the installed cost of the measure.

The avoided cost per therm for 30 year measures is \$13.06 which is based on the Company's most recently acknowledged Integrated Resource Plan, which is the 2007 IRP.

GENERAL PROVISIONS:

The low-income weatherization investment costs associated with this program will be accounted for and recovered through a temporary technical adjustment mechanism in the deferral tracking portion of the Company's annual PGA filing. All installations of weatherization must comply with all codes and permit requirements applicable in the state of Washington and must be properly inspected, if required, by appropriate agencies. The Company reserves the right to verify installation prior to payment of any rebates.

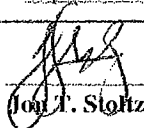
(N)

In Compliance with Docket UG-060256 Order 06

ISSUED September 14, 2007

EFFECTIVE October 1, 2007

BY


Jon T. Sioftz

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

COMMERCIAL/INDUSTRIAL CONSERVATION PROGRAM

(N)

AVAILABILITY:

This program is available throughout Cascade's Washington service territory to qualifying commercial and industrial customers served on rate schedules 504, 505, and 511 upon meeting the requirements contained in the following specifications section.

PROGRAM DESCRIPTION:

This program is designed to increase energy efficiency in commercial/industrial facilities within Cascade's service territory by providing rebates for the installation of certain energy efficiency measures in qualifying facilities.

MEASURES/INCENTIVES:

The following measures are deemed cost-effective and may be recommended under this program. Energy efficiency measures not listed may still be eligible for customer incentives providing the incremental costs of the measure does not exceed \$1.00 per therm saved. Incentives for site-specific program measures will be based on 25% of the avoided cost savings of the measures, not to exceed 50% of the incremental cost of the measure.

Measure	Description	Efficiency Type For Qualification	Unit Incentive
HVAC Unit Heater	High-Efficiency Non-Condensing with Electronic Ignition	Minimum 86% AFUE	\$1.50/kBtu/hr
HVAC Unit Heater	High Efficiency Condensing	Minimum 92% AFUE	\$3.00/kBtu/hr
Warm Air Furnace < 225,000 kBtu	High Efficiency Condensing Furnace	Minimum 91% AFUE	\$3.00/kBtu/hr
Radiant Heating	Direct Fired Radiant Heating	None	\$6.50/kBtu/hr
Insulation	Attic Insulation	Minimum R-19	\$0.20/sq. ft.
Insulation	Roof Insulation	Minimum R-11	\$0.20/ sq. Ft.
Insulation	Wall Insulation	Minimum R-11	\$0.20/ sq. Ft.
Domestic Hot Water Tanks	Condensing Tank	Minimum 91% AFUE or 91% Thermal Efficiency	\$2.50/kBtu/hr
Domestic Tankless/ Instantaneous Water Heaters	With Standing Pilot	Minimum 70.8% Energy Factor	\$30.00/gpm
Domestic Tankless/ Instantaneous Water Heaters	With Electronic Ignition	Minimum 73.8% AFUE	\$40.00/gpm
Boiler	High Efficiency Condensing Boiler with Electronic Ignition	Minimum 90% AFUE and 500 kBtu input	\$2.00/kBtu/hr
Boiler Vent Damper	Boiler Vent Damper	Minimum 1,000 kBtu input	\$1,000/ vent damper
Gas Fryer	Energy Star	None	\$600.00
Gas Convection Oven	Full Sized Oven (Cooking capacity 6 cubic feet or more)	None	\$600.00
Gas Griddle	High Efficiency Infrared Gas Griddle	None	\$500.00
Clothes Washer	Commercial Gas Washer	1.8 MEF	\$180.00


(Continued on next page)

(N)

In Compliance with Docket UG-060256 Order 06

ISSUED September 14, 2007

EFFECTIVE October 1, 2007

BY  Jon T. Stoltz

ISSUED BY CASCADE NATURAL GAS CORPORATION

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

COMMERCIAL/INDUSTRIAL CONSERVATION PROGRAM

(Continued from previous Page)

(N)

SPECIFICATIONS:

Requirements: (as applicable to the project)

- Participating customers must be a new or existing commercial or industrial natural gas customer of Cascade Natural Gas Corporation
- All high efficiency HVAC, water heating, and or cooking equipment must be replacing standard efficiency natural gas equipment or installing new equipment. Buildings currently using high efficiency equipment are not eligible for this program.
- Insulation measures must be installed in an existing building heated by natural gas without insulation in the component being treated.
- Eligible measures must be installed during the effective dates of this program to be eligible for a rebate
- Customers requesting site-specific energy efficiency measures must submit estimated costs and natural gas savings associated with the project. Natural gas savings are to be calculated using standard engineering practices. The Company will review the natural gas savings calculations, and reserves the right to modify energy savings estimates.

(N)

GENERAL PROVISIONS:

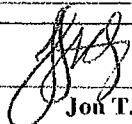
The administrative and program delivery costs associated with this program will be accounted for and recovered through a temporary technical adjustment mechanism in the deferral tracking portion of the Company's annual PGA filing.

All installations and equipment must comply with all codes and permit requirements applicable in the state of Washington and must be properly inspected, if required, by appropriate agencies. The Company may establish specifications regarding any measures and modifications to be affected and may conduct inspections to ensure that such specifications are met. Customer must submit required documentation of purchase and installation to the Company under the terms and instructions on the current rebate form. The Company reserves the right to verify installation prior to payment of any rebates. The Company reserves the right to alter, amend, or cancel this program at any time.

In Compliance with Docket UG-060256 Order 06

ISSUED September 14, 2007

EFFECTIVE October 1, 2007

BY 
Jon T. Stoltz

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

TITLE Senior Vice President
Regulatory & Gas Supply