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December 2, 1996

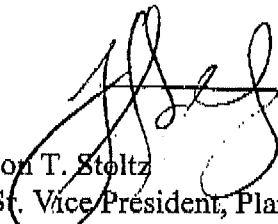
Mr. Steve McLellan  
Executive Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Dr. S.W.  
Olympia, WA 98504-7250

RECEIVED  
STAFF COUNSEL  
95 DEC -2 PM 4:46  
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COUNSEL

RE: Docket Nos. UG-950326 & UG-951415 - Meter Reading and Billing Efficiency Plan

Per the Settlement Agreement and Petition contained in UG-950326 & UG-951415 Cascade has developed a Meter Reading and Billing Efficiency Plan titled Draft Customer Meter Reading/Billing Cost Reduction Plan. This plan contains the objective, and outlines strategies and tactics to meet the plan's objective. This plan is also being submitted to the interested parties who signed the Settlement Agreement and Petition.

Sincerely,  
CASCADe NATURAL GAS CORPORATION

  
Jon T. Stoltz  
St. Vice President, Planning and Rates

*Compliance  
Filing  
Please log &  
file per  
Mike Parvina*

cc: Mr. Robert F. Manifold  
State of Washington  
Assistant Attorney General

Ms. Paula E. Pyron  
Northwest Industrial Gas Users  
Attorney

*Per mert Lott  
With Telephone call  
With Jon Stoltz, this  
document is not  
considered Confidential  
4-16-97*

**CASCADE NATURAL GAS CORPORATION**  
**Draft Customer Meter Reading/Billing Cost Reduction Plan**

**Objective:**

Per the regulatory agreement made by Cascade in its 1996 Washington ratecase, Cascade is committed to reduce Washington meter reading and billing expenses by one third, as represented by FERC accounts 901, 902, 903, and 905. The Washington cost reduction goal is approximately \$1,350,000.

**Strategies:**

1. Re-direct meter reading and customer billing labor functions and expenses to other necessary and productive functions through implementing related process efficiency improvements.
2. Generate revenue by providing utility services using meter reading or CASR labor to other entities.
3. Reduce meter reading labor expenses through outsourcing to other utilities or contract services.
4. Prudently invest in technological advances to achieve necessary cost savings.

**Tactics:**

1. Bi-monthly meter reading.  
Reading all residential customers' meters bi-monthly would reduce the amount of meter reading labor expenses by \$242,100 annually.
2. Hand-held meter reading.  
Cascade has begun replacing meter books with hand-held meter reading devices in two district areas. It is estimated that if this investment were accelerated and spread throughout the Washington service area, this investment would lead to reducing the CASR data input labor and other expenses by \$521,100 per year. This savings figure accounts for the depreciation expense for the capital equipment investment necessary to achieve the savings.
3. Bi-monthly billing - Billing the past two months residential consumption  
Cascade proposes to bill the past two months consumption on a bi-monthly basis. Bill coupons would be issued with the first half of the bi-monthly bill due in 15 days and the second half due 30 days later (a total of 45 days to pay the past two months consumption). It is estimated this would result in an additional 30 days of cash flow delay, and thus 30 days of associated incremental interest carrying charges. This tactic is anticipated to minimize customer complaints associated with a bi-monthly billing process. However, customers could still be unhappy receiving a bill for two months even if customers are extended a total of 45 days from the bill issue date to pay in full.

The increased interest carrying charge incurred by the Company from this bi-monthly billing process is estimated to be \$238,900 annually. The total estimated savings of bi-monthly billing past consumption is estimated at a net of \$141,500 per year (in excess of the \$238,900 incremental interest cost). This savings figure does not include potential increased bill collection efforts from sending a bi-monthly consumption bill to customers. However, based on other utilities experiences, this billing method is believed to be more acceptable than billing customers for future consumption on an estimated basis.

4. Increase budget payment plan (BPP) participation with coupon payments.  
Meter reading and billing costs could be further reduced through increased BPP customer participation. Meters need only be read once in the fall, winter and spring. Six month BPP coupons could be issued on an estimated basis and the difference between estimated and actual consumption would be reflected in the next six months coupon payments. To encourage customers to participate in this BPP, customers could receive a rate reduction to reflect the lower cost of rendering these bills. If marketed effectively, it is estimated an incremental 15,000 customers would elect this payment option resulting in \$113,900 annual incremental savings.
5. Increase automatic payment plan (APP) participation.  
Increasing APP participation is not expected to save appreciable costs since postage savings are offset by increased payment processing costs. However if there are enough APP participants, General Office staff assigned to payment processing could be reduced or reallocated. There would need to be a significant proportion of customers participating in the APP program to significantly affect the level of respectively assigned General Office staff.
6. Automate and mail the urgent (final 3 day notice) from the General Office.  
Automating mailing the urgent notice would further reduce CASR time currently assigned to billing since CASR currently process and mail this final notice. Estimated annual savings from this effort is \$107,000.
7. Paystation Automation  
Cascade will convert its current manual paystation system to an automated system. Automating the paystations will eliminate all CASR involvement and Office Manager coordination of paystation bills since these transactions will be electronically processed. The net annual savings is estimated to be \$18,000.
8. Reduce expenses by outsourcing meter reading through joint utility ventures or by contracting for such services. Quantifying this tactic requires additional time to investigate savings opportunities.
9. Generate revenues through joint utility meter reading and billing ventures (possibly water utilities). Quantifying this tactic requires additional time to investigate savings opportunities.
10. Increase pay stations and eliminate local offices. Quantifying this tactic requires additional time to investigate savings opportunities.

**Summary:**

The tactics listed above each represent exclusive projects which need their own logistical plan for implementation. It is anticipated that some of these cost efficiency improvements could take place in the short term while others will require additional time to implement. Generating revenues or reducing expenses through joint utility meter reading and/or billing services will likely require Cascade to utilize hand held meter reading devices in the respective locales. Additional savings are also being generated through installing telemetry metering in large commercial and industrial customer sites, thereby eliminating the need to change and read such customers' charts. The Budget Payment Plan savings estimate is conservative and would only increase as more customers participate.

The tactics listed above total \$1,143,600 in estimated annual savings for FERC accounts 901, 902, 903 and 905. The discussions with interested parties including Washington Public Counsel isolated the residential customer class as the source for achieving cost savings. The spirit of those discussions is embodied in Cascade's 1996 ratecase agreement. The estimated savings represent approximately one third of residential meter reading and customer billing expenditures. The \$1,350,000 cost reduction goal represents one third of all Cascade customers' meter reading and billing costs during the 1994 test year. The additional \$200,000 savings is proposed to be acquired through achieving more savings from those tactics estimated above (items 1-6) and from additional tactics not yet quantified (items 7-10). Additional time is necessary to fully investigate and quantify the opportunity for savings by these last three tactics.



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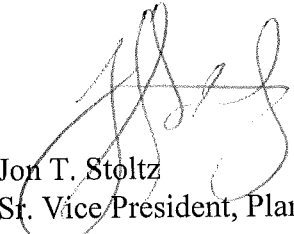
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