

CASCADE NATURAL GAS CORPORATION

Thirty-Seventh Revision Sheet No. 2

Canceling

WN U-3

Thirty-Sixth Revision Sheet No. 2

TABLE OF CONTENTS (T)

<u>SCHEDULE</u>	<u>TITLE</u>	<u>SHEET NO.</u>	
Title Page		1	
Index Page.....		2	
Legend of Symbols		4	(N)

Rules and Regulations

<u>RULE</u>	<u>TITLE</u>	<u>SHEET NO.</u>	
1	General.....	5	(T)
2	Definitions.....	6	
3	Establishing Service.....	7	
4	Customer Deposits and Other Security	8	
5	Disconnection and Reconnection of Service	9	
6	Billings and Payments	10	
7	Meters and Meter Testing Procedures.....	11	
8	Extension of Distribution Facilities	12	
10	Customer-Owned Facilities.....	14	(D)
13	Company Responsibility.....	17	(D)
14	Customer Responsibility	18	
15	Force Majeure.....	19	
17	Order of Priority for Gas Service	21	(D)
18	Limitation of Service to Applicants	22	
19	Purchase Gas Cost Adjustment Mechanism	23	
21	Decoupling Mechanism	25	(D)

(continued)

(K) refers to language previously found on Sheet No. 2 that is now on Sheet No. 2-A. (N)

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Twenty-First Revision Sheet No. 2-A
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WN U-3

TABLE OF CONTENTS

<u>SCHEDULE</u>	<u>TITLE</u>	<u>SHEET NO.</u>	
			(T)
			(D)
			(D)
200	Miscellaneous Charges.....	200	(M) (T)
300	Residential Conservation Incentive Program	300	
301	Low Income Weatherization Incentive Program	301	
302	Commercial/Industrial Conservation Program	302	
303	Washington Energy Assistance Fund (WEAF) Program.....	303	
500	Municipal Taxes.....	500	(T)
503	Residential Service	503	
504	General Commercial Service	504	
505	General Industrial Service	505	
511	Large Volume General Service	511	(T)
570	Interruptible Service	570	(M)
663	Distribution System Transportation Service	663	
			(D)
<u>SCHEDULE ADJUSTMENT</u>	<u>TITLE</u>	<u>SHEET NO.</u>	
			(N)
581	Protected-Plus Excess Deferred Income Tax (EDIT) Reversals.....	581	(M)
582	Unprotected Excess Deferred Income Tax (EDIT) Reversals.....	582	(M)
583	Temporary Federal Income Tax Rate Credit.....	583	(M)
593	Washington Energy Assistance Fund (WEAF) Program Cost Recovery	593	
594	Decoupling Mechanism Adjustment	594	
595	Temporary Technical Adjustment	595	
596	Conservation Program Adjustment.....	596	
597	Cost Recovery Mechanism (CRM)	597	(T)
			(D)

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Fifth Revision of Sheet No. 6

**RULE 2
DEFINITIONS**

DEFINITIONS:

When used in this Tariff the following terms shall have the meanings defined below:

1. After-hours – After hours are between 5 p.m. and 9 p.m., Mondays through Fridays, or any time on Saturdays, Sundays, and holidays.
2. Applicant – An applicant is any person, corporation, partnership, government agency, or other entity that applies for service with a gas utility or who reapplies for service at a new or existing location after service has been discontinued.
3. BTU - British Thermal Unit
4. British Thermal Unit - The standard unit for measuring a quantity of thermal energy. One BTU equals the amount of thermal energy required to raise the temperature of one pound of water one-degree Fahrenheit and is exactly defined as equal to 1,055.05585262 joules. 100,000 BTUs is equivalent to one therm.
5. Commission - The Washington Utilities Transportation Commission, otherwise referred to as WUTC or the Commission.
6. Company - Cascade Natural Gas Corporation (Cascade) or its assigned agents acting through its duly authorized officers or employees within the scope of their respective duties.
7. Core Customer – A core customer is one for whom the Company purchases and serves natural gas.
8. Customer – A customer is any person, corporation, partnership, government agency, or other entity that applied for, has been accepted for, and is currently receiving service.
9. Curtailment - An event when the Company must interrupt 0 to 100% of a customer's gas supply service. (T)
(D)
10. Customer Classifications:
 - Residential - Customers that use natural gas for Domestic purposes. The residential customer class includes service to single-family dwellings, separately metered apartments, condominiums or townhouses, and centrally metered multiple dwellings or apartments but does not include spaces for transient occupancy such as hotels and motels.

(D)

(continued)

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Fifth Revision of Sheet No. 6-A

**RULE 2
DEFINITIONS**

DEFINITIONS (continued)

Customer Classifications (continued)

- A. Commercial - Service to a customer engaged in selling, warehousing, or distributing a commodity, in some business activity or in a profession, or in some form of economic or social activity (office, stores, clubs, hotels, etc.) and for purposes that do not come directly under another classification of service.
 - B. Industrial - Service to a customer engaged in a process which creates or changes raw or unfinished materials into another form or product. (Factories, mills, machine shops, mines, oil wells, refineries, pumping plants, creameries, canning and packing plants, shipyards, etc., i.e., in extractive, fabricating or processing activities).
 - C. Interruptible Gas - An interruptible gas service customer is considered *non-firm*, receives a reduced rate on natural gas service because this class of customers is the first curtailed when gas supply or distribution is constrained for reasons other than force majeure, and is required to have a back-up system for use when curtailment occurs. An interruptible customer is a *core* customer because the Company purchases this customer's gas.
 - D. Transportation - Transportation customers purchase their own natural gas and procure only distribution services from the Company.
- 11. Entitlement – A Declared Entitlement Period is a time period, declared by Cascade, during which unauthorized overrun and/or underrun provisions apply as a result of an interruption or curtailment due to capacity constraints, supply interruptions, or the existence of any underrun or overrun situation which, in Cascade's sole opinion, jeopardizes system integrity or exposes Cascade to financial penalties from upstream pipelines or similar entities. (N)
 - 12. Gas Day - A twenty-four-hour period beginning daily at 7:00 a.m. Pacific Clock Time (PCT), which is Pacific Standard Time or Daylight Savings Time in Kennewick, Washington, whichever is effective at the time of reference. The Company's Gas Day coincides with the Gas Day established in Northwest Pipeline's tariff, which may change from time to time, upon approval of the Federal Energy Regulatory Commission (FERC). (T)
 - 13. Firm Service - The provision of natural gas service on a firm basis where the Company will exercise reasonable diligence to supply and deliver continuous service to customers not receiving interruptible service. See Order of Priority in Rule 17. (T)
 - 14. Month - The period of time between and including the date of the current meter read and the date of the prior meter read which is the period upon which the Customer's monthly bill is based. A billing month may be contained within a single calendar month, or may encompass a portion of two separate calendar months. (T)

(continued)

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Original Sheet No. 6-B

**RULE 2
DEFINITIONS****DEFINITIONS (continued)**

15. Non-Core Customer – A non-core customer is one for whom the Company provides distribution service but does not purchase that customer's natural gas; instead, that customer procures its natural gas from a third party. (T)
16. Over/Under Run – The daily gas usage imbalance created by using more than (Over Run) or less than (Under Run) the customer's daily confirmed gas supply. (N)
(N)
17. Premise - All real property and personal property in use by a single customer on a parcel of land which comprises the site upon which customer facilities are located and to which natural gas service is provided. (T)
18. Standard Business Hours - Standard business hours are 8 a.m. to 5 p.m., Mondays through Fridays, excluding holidays. (T)
19. Tariff - This Tariff, including all schedules, rules, regulations, and rates as they may be modified or amended from time to time. (T)
20. Therm - A unit of heating value equivalent to 100,000 BTUs. (T)
21. WACOG - The Weighted Average Commodity Cost of System Supply Gas (WACOG) reflected in Cascade's tariffs shall be as established by gas cost tracking or other similar filings. (T)

(D)

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Fourth Revision Sheet No. 12-A

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Third Revision of Sheet No. 12-A

**RULE 8
EXTENSION OF DISTRIBUTION FACILITIES**

INTERRUPTIBLE, INDUSTRIAL, LARGE VOLUME, AND TRANSPORTATION (Rate Schedules 505, 511, 570, 663):

Interruptible, industrial, large volume, and transportation customers taking service on Rate Schedules 505, 511, 570, or 663 may receive an allowance not to exceed the sum of annual basic service charges plus estimated annual distribution margin (twelve consecutive months of billing revenue minus gas costs) the Company expects it will receive from the customer based on current rates, divided by 7.31%, the Company's approved rate of return per Commission Order No. 06 issued in UG-170929.

Prior to receiving an allowance, an interruptible, industrial, large volume, or transportation customer must complete a customer load summary that, to the best of the customer's ability, accurately defines the gas fired equipment to be installed, and the estimated days and hours of equipment operation. The Company, in its sole opinion, will determine the customer's estimated annual usage, which may not conform to the customer's expectations.

The Company may offer nonresidential customers served on Schedules 511, 570, and 663 the opportunity to pay line extension costs over time through a facility charge; in which case the Company may require the customer to provide an irrevocable letter of credit in the amount not to exceed the line extension costs and for the timeframe not to exceed the payback period. (T)

GENERAL CONDITIONS:

The following applies to all applicants or customers requesting new gas service:

- 1) The applicant shall grant the Company the right to enter and exit the Customer's property, and to remove (and replace) or otherwise disturb lawns, shrub or other property on the applicant's premises as reasonably necessary for the purpose of installing an extension. The Company's agents and employees shall have access at all reasonable times for reading, inspecting, constructing, reconstructing, repairing, and removing the Company's meters, metering equipment and natural gas facilities.
- 2) All necessary right-of-way assignments, easements, and permits across other properties will be secured at no cost to the Company before the Company constructs the line extension.

(continued)

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Third Revision Sheet No. 200

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Second Revision Sheet No. 200

**SCHEDULE 200
MISCELLANEOUS CHARGES**

(T)
(T)

APPLICABILITY:

This schedule sets forth the provisions for various charges throughout these rules and regulations. The name and amount of the charges are listed below. The rules or rate schedules to which each charge applies are in parenthesis.

- I. Reconnection Charge (Rule 5):
 - a. Standard, 8 a.m. and 5 p.m., Monday through Friday, excluding holidays \$24.00 (T)
 - b. After hours between 5 p.m. and 9 p.m., Monday through Friday or Saturday, Sunday or holidays \$60.00 (T)

A reconnection charge will be required for reestablishment of service at the same address for the same customer taking service, if service was disconnected at the customer's request or if it was disconnected involuntarily for reasons other than for Company initiated safety reasons or maintenance. (T)

- II. Disconnect Visit Charge (Rule 5): \$10.00 (T)

A field visit charge may be assessed whenever Cascade visits a customer's address for the purpose of disconnecting service or reconnecting service and, due to the customer's action, is unable to complete the disconnection or reconnection. (T)

- III. Late Payment Charge (Rule 6): 1.0% (T)

Unless otherwise specified in the customer's contract, a late payment charge at the rate of 1.0% per bill cycle will be applied to all unpaid balances in accordance with Rule 6. (T)

- IV. Returned Check Charge (Rule 6): \$18.00 (T)

A returned check fee may apply for any payment returned unpaid. (T)

- V. Modifying an Existing Service Line (Rule 8): (T)
 - a. An Individual Employee \$70.00 per hour (T)
 - b. Construction Crew up to \$220.00 per hour (T)
 - c. Cost of Materials required to open and close service connection trench, including asphalt replacement, if any. (T)

- VI. Tampered Meter Charge (Rule 6): Actual costs (D)
(M)(T)

A Tampered Meter Charge will be applied when a customer tampers with any part of the service line or meter or any other Company apparatus. The charge will be the actual costs of damages, repairs or an additional or unusual costs or services directly related to the interference, plus any unbilled gas usage as determined by the Company and the appropriate reconnection charge. (M)(T)

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(D)

(K)

(D)
(N)

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**Sixty-First Revision Sheet No. 511
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Sixtieth Revision Sheet No. 511**

WN U-3

**SCHEDULE 511
LARGE VOLUME GENERAL SERVICE**

(T)
(T)

AVAILABILITY:

This schedule is available to customers throughout the territory served by the Company under the tariff of which this schedule is a part provided adequate capacity and supply exist in the Company's system. Service under this schedule shall be for natural gas supplied for all purposes to customers having an annual fuel requirement of not less than 50,000 therms.

RATE:

	Margin	WACOG	Total
Basic Service Charge			\$125.00 per month
First 20,000 therms/month	\$0.14330	\$0.47993	\$0.62323 per therm
Next 80,000 therms/month	\$0.10984	\$0.47993	\$0.58977 per therm
All over 100,000 therms/month	\$0.02709	\$0.47993	\$0.50702 per therm

RATE ADJUSTMENT:

Service under this schedule is subject to various adjustments as specified in Schedules 581, 582, 583, 593, 594, 595, 596, and 597 (when applicable) as well as any other applicable adjustments as approved by the Washington Utilities and Transportation Commission.

(D)
(T)
(C)
|
(C)

SERVICE AGREEMENT:

Customers receiving service under this rate schedule shall execute a service agreement for an Annual Minimum Quantity of 50,000 therms a year.

ANNUAL DEFICIENCY BILL:

In the event customer purchases less than the Annual Minimum Quantity as stated in the service agreement, customer shall be charged an Annual Deficiency Bill. The annual Deficiency Bill shall be calculated as the difference between the Annual Minimum Quantity and the actual purchase or transport therms times per therm rates in this schedule except WACOG plus all per therm rates for all adjustment schedules that would apply to service procured under this rate schedule.

(T)
|
(T)

TERMS OF PAYMENT:

Each monthly bill shall be due and payable within fifteen (15) days from the date of rendition. Past due balances will be subject to a late payment charge.

TAX ADDITIONS:

The rates named herein are subject to increases as set forth in Schedule No. 500, Municipal Taxes.

(T)

GENERAL TERMS:

Service under this rate schedule is governed by the terms of this schedule, the Rules contained in this Tariff, any other schedules that by their terms or by the terms of this rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(T)
|
(T)

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(D)

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Fifty-Fifth Revision Sheet No. 570

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Fifty-Fourth Revision Sheet No. 570

SCHEDULE. 570
INTERRUPTIBLE SERVICE

(T)
(T)

AVAILABILITY:

This schedule is available throughout the territory served by the Company under the tariff of which this schedule is a part provided adequate capacity and supply exist in Company's system. Service under this schedule shall be for natural gas delivered for all purposes to customers having an annual fuel requirement of not less than 50,000 therms per year, which shall include all firm gas delivered, if any, and where customer agrees to maintain standby fuel burning facilities and an adequate supply of standby fuel to replace the entire supply of natural gas delivered hereunder. Service under this schedule shall be subject to curtailment by the Company when, in the judgment of the Company, such curtailment or interruption of service is necessary. Company shall not be liable for damages for, or because of, any curtailment of natural gas deliveries hereunder.

(C)

RATE:

Table with columns: Margin, WACOG, Total. Rows: Basic Service Charge, First 30,000 therms/month, All over 30,000 therms/month.

RATE ADJUSTMENT:

Service under this schedule is subject to various adjustments as specified in Schedules 581, 582, 583, 593, 594, 595, 596, and 597 (when applicable) as well as any other applicable adjustments as approved by the Washington Utilities and Transportation Commission.

(D)

ANNUAL DEFICIENCY BILL:

In the event customer purchases less than the Annual Minimum Quantity as stated in the service agreement, customer shall be charged an Annual Deficiency Bill. Annual Deficiency Bill shall be calculated as the difference between the Annual Minimum Quantity and the actual purchase or transport therms times per therm rates in this schedule except WACOG plus all per therm rates for all adjustment schedules that would apply to service procured under this rate schedule.

(T)

SERVICE AGREEMENT:

Customers receiving service under this rate schedule shall execute a service agreement for an Annual Minimum Quantity of 50,000 therms a year.

(T)
(C)
(C)

TERMS OF PAYMENT:

Each monthly bill shall be due and payable within fifteen (15) days from the date of rendition. Past due balances will be subject to a late payment charge.

TAX ADDITIONS:

The rates named herein are subject to increases as set forth in Schedule No. 500, Municipal Taxes.

GENERAL TERMS:

Service under this rate schedule is governed by the terms of this schedule, the Rules contained in this Tariff, any other schedules that by their terms or by the terms of this rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(M)
(T)
(T)
(M)(T)

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(N)

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(K)

(D)

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SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE

(T)

(T)

PURPOSE:

This schedule provides transportation service on the Company's distribution system of customer-supplied natural gas. Service under this schedule requires the customer to secure both gas supply and pipeline transportation capacity services through third party arrangements. Service under this schedule is subject to entitlement and curtailment.

(T)

APPLICABILITY:

To be served on this schedule, the customer must have a service agreement with the Company. The customer must also have secured the purchase and delivery of gas supplies, which may include purchases from a third party agent authorized by the customer served on this schedule. Such agent, otherwise known as a marketer or supplier and hereafter referred to as a supplier, nominates and transports natural gas to the Company's system on a customer's behalf in the manner established herein.

RATE:

The rates set forth below are exclusive of fuel use requirements designed to cover distribution system lost and unaccounted for gas.

A. Basic Service Charge: \$625.00 per month

All customers receiving service under this schedule will be charged a monthly Basic Service Charge for each single-metered facility.

B. Contract Demand (CD) Charge: \$0.20 per CD therm per day

Contract Demand is the number of therms per day of distribution capacity the customer reserves on the Company's distribution system for delivery of the customer-supplied natural gas. The Company will determine each customer's CD which will be stated in the service agreement. Each monthly bill will include a charge that will be no less than the CD times the CD charge. The customer may be forced to curtail more gas than its CD rate if a curtailment per Rule 17 or entitlement as defined in this schedule is necessary, or Force Majeure circumstances per Rule 15 are experienced.

C. System Balancing Charge:
All Therms Delivered \$0.0004 per therm

(T)

(K)

(N)

(K) refers to text that was moved from Sheet No. 663 to 663-A.

(continued)

(T)

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**SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE**

(Continued from Previous Page)

(T)
(T)

Rates (continued):

D. Delivery Charge for all therms delivered per month

(T)(M)

	Margin
First 100,000	\$0.05331
100,001-200,000	\$0.01945
200,001-500,000	\$0.01182
>500,000	\$0.00562

E. Gross Revenue Fee:

The total of all charges shall be subject to a Gross Revenue Fee of 4.431% to cover state utility tax and other governmental levies imposed upon the Company.

F. Fuel Use Requirements:

Customers served on Schedule 663 shall provide the Company with in-kind fuel for lost and unaccounted for gas on the Company's distribution system. The fuel use factor is 0.1615%.

All other terms and conditions of service shall be pursuant to the rules and regulations set forth in this Tariff.

RATE ADJUSTMENTS:

Service under this schedule is subject to various adjustments including Schedules 581, 582, 583, 593, 594, 595, 596 and 597.

TAX ADDITIONS:

The rates named herein are subject to increases as set forth in Schedule 500, Municipal Taxes.

(T)(M)

(continued)

(N)

(M) refers to language on Sheet No. 663-A that was previously on Sheet No. 663.

(T)

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Original Sheet No. 663-B

SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE

(N)

TERM OF PAYMENT:

Above rates are net. Each monthly bill shall be due and payable fifteen (15) days from the date of rendition. Past due balances will be subject to a late payment charge.

(T)(M)
(T)(M)

WAIVER OF FIRM GAS SUPPLY:

Customers electing to provide their own gas supplies under this schedule in lieu of firm service waive protection from supply-failure curtailment of all of their requirements. The Company has no obligation to purchase or reserve gas supply or interstate pipeline capacity for customers electing to provide their own gas supplies and/or their own interstate pipeline capacity.

(T)(M)

Customers electing to provide their own gas supplies under this schedule in lieu of firm system supply waive any right to automatically purchase firm supplies at some future date. Requests for firm service shall be subject to the effects on service availability or costs to other customers and may require a charge to offset any incremental costs of acquiring additional firm supplies.

(T)
(D)

Service under this Schedule is subject to curtailment per Rule 17 or entitlement as defined in this schedule.

(T)
(T)(M)

SERVICE AGREEMENT:

Service under this schedule requires an executed service agreement between the Company and the customer. The service agreement shall define the Contract Demand. The service agreement term shall be for a period not less than the period covered under the customer's gas purchase contract with customer's supplier. However, in no event shall the service agreement be for less than one year and the termination date of the service agreement in any year shall be September 30th.

(T)(M)

GAS SUPPLY:

The customer served under this rate schedule must secure the purchase and delivery of gas supplies from a supplier.

(T)(M)

(continued)

(M) denotes material moved from Sheet No. 663-A.
(M) refers to conditions that were previously found in Rule 20.

(N)

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SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE

SUPPLIER AND RELATED RESPONSIBILITIES:

The customer must provide in writing to the Company the name and telephone number of its supplier who will have authority to nominate natural gas supplies on Company's distribution system for delivery on customer's behalf.

The supplier is the customer's designated representative who satisfies or undertakes the following transportation duties and obligations:

- 1. Submitting and/or receiving notices on behalf of a customer;
2. Making nominations on behalf of a customer. A nomination is a request to have a physical quantity of customer-owned gas delivered to a specific Company receipt point(s) for a specific gas day. Nominations are not considered final until confirmed by the Pipeline;
3. Arranging for trades of imbalances on behalf of a customer as permitted under the terms and conditions herein established. An imbalance is the difference between a confirmed nomination and the volume of gas actually used by or delivered to a customer served under this schedule for a defined period of time;
a. A positive imbalance exists when the volume of transportation gas confirmed for a Customer's account is greater than the volume of gas used.
b. A negative imbalance exists when the volume of transportation gas confirmed for a Customer's account is less than the volume of gas used; and,
4. Performing operational and transportation-related administrative tasks on behalf of a customer as the Company permits.

Unless the Company and customer otherwise agree, a customer shall select one supplier for each account at any given time.

Under no circumstances will the appointment of a supplier relieve a customer of the responsibility to make full and timely payments to the Company for all distribution service.

(continued)

(M) refers to conditions formerly found in Rule 20.

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WN U-3

Original Sheet No. 663-D

**SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE**

(N)

SUPPLIER AND RELATED RESPONSIBILITIES: (continued)

Each supplier must meet any applicable registration and licensing requirements established by law or regulation. The Company shall have the right to establish reasonable financial and non-discriminatory credit standards for qualifying suppliers. Accordingly, in order to serve customers on the Company's system, the supplier shall provide the Company, on a confidential basis, with audited balance sheet and other financial statements, such as annual reports to shareholders and 10-K reports, for the previous three years, as well as two trade and two banking references. To the extent that such annual reports and 10-K reports are not publicly available, the supplier shall provide the Company with a comparable list of all corporate affiliates, parent companies and subsidiaries. The supplier shall also provide its most recent reports from credit reporting and bond rating agencies. The supplier shall be subject to a credit investigation by the Company. The Company will review the supplier's financial position periodically.

If the supplier fails to comply with or perform any of the obligations on its part established in this schedule including but not limited to failure to deliver gas, pay bills in a timely manner, execute an upstream transportation capacity assignment, or, in general, act in good faith on behalf of the customer, the Company maintains the right to terminate the supplier's eligibility to act as a supplier on the Company's system.

NOMINATIONS:

A customer served on this schedule is required to report estimated gas supply requirements for the upcoming month at least by the 15th day of the current month, in order to provide the Company with information for gas supply acquisition purposes. Such estimate shall include any scheduled down time or increased production time.

A customer served on this schedule is required to report estimated gas requirements daily to the Company's gas scheduling department at least thirty-two (32) hours prior to the beginning of each gas day, as defined in Rule 2, unless other arrangements are agreed upon in writing with the Company. Such estimated requirement shall be considered as customer's daily nomination. Such daily nomination will separately identify gas quantities, if any, pursuant to obligations established below, as well as the customer's current estimated gas requirement at customer's facility (excluding gas provided to the transporting pipeline for compression and line loss "fuel"). In the event Company's supplier determines that the customer's actual consumption is out of balance with the customer's nomination, the supplier shall inform the customer of the adjustments necessary to get back in balance. Changes to a customer's daily nomination are allowed during the gas day provided the change is communicated to the Company one hour prior to the upstream pipeline's re-nomination deadline.

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(M) refers to conditions formerly found in Rule 20.

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WN U-3

Original Sheet No. 663-E

SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE

(N)

NOMINATIONS: (continued)

The Company shall have the right to adjust a customer's daily nominations when, in the Company's sole discretion, such action is necessary to bring into balance its system nominations as a receiving party on a pipeline system, or otherwise to maintain operational control or maintain the integrity of the Company's distribution system. The Company accepts customer purchased gas at the receipt point subject to customer's warranty that at the time of the Company's receipt, customer has good title to all gas received, free and clear of all liens, encumbrances and claims. Customer shall indemnify, defend, and hold Company harmless should a third party make any claims regarding customer's title to gas transported under this schedule. The supplier shall warrant that it has or will have entered into the necessary arrangements for the purchase of gas supplies which it desires the Company to transport to its customers, and that it has or will have entered into the necessary upstream transportation arrangements for the delivery of these gas supplies to the designated receipt point. The supplier shall warrant to the Company that it has good title to or lawful possession of all gas delivered to the Company at the designated receipt point on behalf of the supplier or the supplier's customers. The supplier shall indemnify, defend, and hold the Company harmless from all suits, actions, debts, accounts, damage, costs, losses, taxes, and expenses arising from or out of any adverse legal claims of third parties to or against said gas supply.

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The supplier shall be responsible for making all necessary arrangements and securing all required regulatory or governmental approvals, certificates or permits to enable gas to be delivered to the Company's system.

The customer shall be deemed to be in control and possession of the customer purchased gas until the Company has accepted it at the receipt point. The Company shall be deemed to be in control or possession of the customer purchased gas until the equivalent therms are delivered to the customer at the delivery point.

Failure to report estimated gas transportation requirements or comply with requirements established in this schedule may result in a nomination being considered as a zero nomination for such gas day and may result in the penalties as described below.

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CASCADE NATURAL GAS CORPORATION

WN U-3

Original Sheet No. 663-F

**SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE**

(N)

NOMINATIONS: (continued)

A customer served on this schedule is required to notify the Company's gas scheduling department in advance of operating changes that would cause actual gas day consumption to vary either up or down by 10% or more from the reported gas day estimate. Such notification may mitigate potential penalties but will not indemnify customer from the responsibility for penalties described in the section below entitled Imbalances.

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IMBALANCES:

Each customer served on this rate schedule shall be required to satisfy any monthly imbalance condition in the manner established below.

Upon notification by the Company that the customer has an imbalance greater than 5%, the customer will have 45 non-entitlement days to eliminate any such imbalance. The Company will bill the customer an imbalance penalty if the customer has not completely satisfied such imbalance condition. These non-entitlement penalties are \$10.00 per MMBtu on the imbalance over-the allowed tolerance on a monthly basis.

Under any agency established hereunder, the Company shall rely upon information concerning the applicable customer's distribution service which is provided by the designated representative. All such information shall be deemed to have been provided by the customer. Similarly, any notice or other information provided by the Company to the supplier concerning the provision of distribution service to such customer shall be deemed to have been provided to the customer. The customer shall rely upon any information concerning distribution service that is provided to the supplier as if that information had been provided directly to the customer.

The Company shall determine the customer's daily gas supply entitlement based upon customer's gas requirements forecast and resulting nomination after Company has considered any curtailment of pipeline or distribution system capacity constraints and gas supply constraints. Such daily gas supply entitlements shall include the summation of all gas supply options and optional balancing service daily volumetric level contracted for by the customer. The Company shall notify the supplier and/or customer in the event that the gas supply entitlement is less than the customer's gas nomination(s).

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(continued)

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WN U-3

Original Sheet No. 663-G

**SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE**

(N)

IMBALANCES: (continued)

Penalties from upstream pipeline transporter and/or other costs incurred by Company as a result of a nomination imbalance or an unauthorized overrun will be passed on directly to those customer(s) or groups of customers whose take levels contribute to the imposition of the penalty. Such penalty shall be allocated among such customers, including Company's system supply customers, in proportion to the nomination imbalance or unauthorized overrun associated with each customer or group of customers.

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PRIORITY OF NOMINATED GAS:

The Company shall designate the daily volume of gas delivered to the customer under this schedule in the following sequence as applicable, unless other sequencing has been agreed to in writing by the Company:

- 1) The volume of system supplies which are scheduled to be made a portion of customer's gas supply nomination, if any.
- 2) If customer is providing a portion of its gas supply requirement with customer-owned gas supplies, the volume of banked customer owned gas supplies, if any, shall be delivered prior to any other non-system supply.
- 3) The volume of spot market gas supply scheduled to be delivered, if any.

AUTOMATIC ASSIGNMENT OF GAS SUPPLY DURING A CURTAILMENT:

In the event of a curtailment, the Company may automatically take assignment of customer-owned gas supplies in order to protect the service to higher priority customers as defined in Rule 17, Order of Priority for Gas Service. If the Company takes assignment of the customer-owned gas, the Company will compensate the customer with a credit equal to the Gas Daily-midpoint price at the source of the supply for all volumes assigned plus a credit of \$0.60 per therm on all but the first 5 percent of the customer's daily entitlement under this Schedule.

UNAUTHORIZED USE OF GAS DURING ENTITLEMENT PERIODS:

The Company may declare an entitlement period on any day the Company, in its sole discretion, reasonably determines a critical operational condition warrants the need. During an entitlement period, the total physical quantity of gas taken by customers served under this rate schedule exceeds or is less than the total quantity of gas which the customer is entitled to take on such day, as defined below, then all gas taken in excess of such entitlement or not taken within said entitlement shall constitute unauthorized overrun or underrun volume. Each general system or customer-specific declared overrun entitlement period shall be specified as either an overrun or an underrun entitlement for customers such that only one penalty condition may exist at one time, whereas:

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(continued)

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WN U-3

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SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE

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UNAUTHORIZED USE OF GAS DURING ENTITLEMENT PERIODS: (continued)

- **Underrun Entitlement** – A period of time in which delivered natural gas volumes to a transportation customer may not exceed the Customer’s confirmed nomination for that day.
- **Overrun Entitlement** – A period of time in which delivered natural gas volumes to a transportation customer must be equal to or more than that customer’s confirmed nomination for that day.

Customers served under this schedule shall pay Company for all unauthorized overrun or underrun quantities that exceed the percentage specified by the Company in its declared entitlement. For a general system or customer-specific declared entitlement period, such percentage will be: (i) in the Company’s sole discretion 3 percent, or, in the case of a declared overrun entitlement period announced on the day it is to be in effect, 5 percent for that day (Stage I), 8 percent (Stage II) or 13 percent (Stage III) of a customer’s entitlement as set forth above.

A Customer’s gas usage that exceeds the amount the Company authorizes during an entitlement period shall be considered an unauthorized overrun volume. The overrun charge that will be applied during any overrun entitlement period will equal the greater of \$1.00 per therm or 150% of the highest midpoint price for the day at NW Wyoming Pool, NW south of Green River, Stanfield Oregon, NW Canadian Border (Sumas), Kern River Opal, or El Paso Bondad supply pricing points (as published in Gas Daily), converted from dollars per dekatherms to dollars per therm by dividing by ten. The overrun charge will be in addition to the incremental costs of any supplemental gas supplies the Company may have had to purchase to cover such unauthorized use, in addition to the regular charges incurred in the Rate section of this Schedule and any other charges incurred per the terms and conditions established in this Schedule. The payment of an overrun penalty shall not under any circumstances be considered as giving the customer the right to take unauthorized overrun gas or to exclude any other remedies which may be available to the Company to prevent such overrun. The charge that will apply during any underrun entitlement period will be \$1.00 per therm for any underrun imbalances.

NOTICE OF ENTITLEMENT:

The Company shall give as much advance notice as possible for each entitlement. The Company's notices of entitlement periods as well as restoration notices shall be given by telephonic communications, electronic communication, or personal contact by Company personnel to the customer’s responsible representative. A notice of an entitlement period will include the parameters for gas consumption during said entitlement period.

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WN U-3

Original Sheet No. 663-I

**SCHEDULE 663
DISTRIBUTION SYSTEM TRANSPORTATION SERVICE**

GENERAL TERMS:

Service under this rate schedule is governed by the terms of this schedule, the Rules contained in this Tariff, any other schedules that by their terms or by the terms of this rate schedule apply to service under this rate schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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