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4 **BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION**
5 **COMMISSION**

6 COST MANAGEMENT SERVICES,
7 INC.,

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9
10 Complainant,

Docket No. UG-061256

11 v.

12
13 CASCADE NATURAL GAS
14 CORPORATION,

STIPULATED FACTS

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17 Respondent.

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20 Cascade Natural Gas Corporation ("Cascade") and Cost Management Services, Inc.
21 ("CMS") stipulate that the following facts are true and correct for purposes of cross-motions
22 for summary determination in this proceeding. By stipulating to these facts, neither party
23 makes any representation or agreement regarding the relevance of any stipulated fact to the
24 issues in dispute.
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30 **A. Parties**

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32 1. Cascade is a natural gas local distribution company operating in the states of
33 Washington and Oregon. Cascade is a "gas company" under RCW 80.04.010, and a "public
34 service company" under RCW 80.04.010.
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38 2. CMS is a Washington corporation engaged in the sale and supply of natural
39 gas as a competitive gas marketer. CMS markets competitively priced natural gas to
40 industrial and commercial customers, some of which are located within the Washington
41 service territory of Cascade. CMS is able to, and does, sell natural gas to Schedule 663 and
42 664 customers of Cascade.
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STIPULATED FACTS – 1

1 3. The sale of gas by CMS is not regulated by the Commission because it does
2 not own or control any facilities that would subject it to Commission jurisdiction.
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4 4. There are a number of other companies that currently compete to sell natural
5 gas commodity to Cascade's Washington non-core customers. In addition to CMS, IGI,
6 Avista Energy, Wasatch, Devlar Energy, Dynegy, Coral, Kimball Energy, and Sempra are
7 all sellers, not regulated by the Commission, that compete to sell natural gas commodity to
8 Cascade's non-core customers.
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10 **B. Rate Schedule Nos. 663 and 664**
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12 5. Cascade's retail, non-core customers are able to make purchases of natural
13 gas commodity from CMS and other competitive sellers by electing transportation service
14 under either Cascade Schedule No. 663 or No. 664.
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16 6. The versions of Cascade Schedule Nos. 663 and 664 currently in effect, each
17 contain the following "Other Services" paragraph:
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19 Service under this schedule shall include transportation on the
20 Company's distribution facilities only. Service under this schedule
21 requires customer to secure both gas supply and pipeline
22 transportation capacity services either through the Company or
23 through third party arrangements. Gas Supplies purchased through
24 the Company will be in accordance with the FERC regulations.
25 (18CFR Part 284.402 Blanket Marketing Certificates).
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27 7. Exhibit 1 is a true and correct copy of pages 6-7 of the prepared testimony of
28 Cascade Vice President Jon T. Stoltz in Cascade's general rate proceeding, Docket No. UG-
29 060256, and admitted into the record of that proceeding as Exhibit 21-T, along with its
30 accompanying exhibit, admitted into the record of that proceeding as Exhibit 24.
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32 8. In mid-2006, Cascade provided unbundled transportation service to
33 approximately 159 unique customer locations in Washington, pursuant to Rate Schedule
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1 Nos. 663 and 664. In 2005-06, Cascade also sold natural gas commodity to approximately
2 44 of those customers under contracts specifying negotiated rates for gas commodity. None
3 of these customer rates for gas commodity, contracts, or forms of contract are on file with
4 the Commission.
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9 9. None of Cascade's sales of natural gas commodity to Schedule Nos. 663 or
10 664 customers are "sales for resale."
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13 10. Cascade's webpage (<http://www.cngc.com/business/industrial.asp> at "Weekly
14 Price Update") contains the following statement regarding regulated transportation rates and
15 negotiated rates for natural gas commodity made available by Cascade:
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18 The Pricing Matrix Site for your specific rate schedule (RS). Your
19 specific RS can be found on your distribution transportation contract
20 with Cascade Natural Gas Corporation (CNGC). The following prices
21 are estimates based on current month forward pricing and are priced
22 for delivery at the citygate and the burnertip.
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25 **C. Cascade's History of Unbundling of Gas Transportation and Sales for Non-**
26 **Core Customers**
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28 11. Cascade provides optional gas sales and transportation services to its non-
29 core customers. Cascade provides transportation services under Rate Schedule Nos. 663 and
30 664. Schedule 663 and 664 customers purchase natural gas commodity and interstate
31 pipeline transportation services as a competitive alternative to purchases under Cascade's
32 industrial and commercial gas core sales schedules.
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38 12. Cascade first introduced a limited transportation service in 1980 (Rate
39 Schedule 583)(a true and correct copy of the complete historical tariff sheets for this Rate
40 Schedule is attached as Exhibit 2). In 1988, Cascade introduced three options for gas supply
41 for customers taking transportation service. The Commission approved rate schedules for
42 Optional Firm Gas Supply (Rate Schedule 586)(a true and correct copy of the complete
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STIPULATED FACTS – 3

1 historical tariff sheets for this Rate Schedule is attached as Exhibit 3), Optional Best Efforts
2 Spot Market Gas Supply (Rate Schedule 587)(a true and correct copy of the complete
3 historical tariff sheets for this Rate Schedule is attached as Exhibit 4), and Optional
4 Customer Specific Gas Supply (Rate Schedule 588)(a true and correct copy of the complete
5 historical tariff sheets for this Rate Schedule is attached as Exhibit 5), effective December 2,
6 1988.
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12 13. Cascade updated its transportation and gas supply service offerings in 1989.
13 The Commission approved rate schedules for Distribution System Transportation Service
14 (Rate Schedule 663)(a true and correct copy of the complete historical tariff sheets for this
15 Rate Schedule is attached as Exhibit 6) and Large Volume Distribution System
16 Transportation Service (Rate Schedule 664)(a true and correct copy of the complete
17 historical tariff sheets for this Rate Schedule is attached as Exhibit 7), effective December 1,
18 1989 . Also effective December 1, 1989, the Commission approved new and updated rate
19 schedules for Cascade which authorized the provision of optional, non-core gas supply and
20 related services: Optional Firm Gas Supply (Supplemental Schedule No. 681)(a true and
21 correct copy of the complete historical tariff sheets for this Rate Schedule is attached as
22 Exhibit 8), Optional Best Efforts Spot Market Gas Supply (Supplemental Schedule
23 No. 682)(a true and correct copy of the complete historical tariff sheets for this Rate
24 Schedule is attached as Exhibit 9), Optional Customer Owned Gas Supply (Supplemental
25 Schedule No. 683)(a true and correct copy of the complete historical tariff sheets for this
26 Rate Schedule is attached as Exhibit 10), Optional Customer Specific Gas Supply
27 (Supplemental Schedule No. 684)(a true and correct copy of the complete historical tariff
28 sheets for this Rate Schedule is attached as Exhibit 11), Optional Firm Pipeline Capacity.
29 (Supplemental Schedule No. 685)(a true and correct copy of the complete historical tariff
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STIPULATED FACTS – 4

1 sheets for this Rate Schedule is attached as Exhibit 12), Optional Interruptible Pipeline
2 Capacity (Supplemental Schedule No. 686)(a true and correct copy of the complete
3 historical tariff sheets for this Rate Schedule is attached as Exhibit 13), Optional Best Efforts
4 Balancing Service (Schedule No. 687)(a true and correct copy of the complete historical
5 tariff sheets for this Rate Schedule is attached as Exhibit 14), and Optional Underground
6 Gas Storage (Schedule No. 688)(a true and correct copy of the complete historical tariff
7 sheets for this Rate Schedule is attached as Exhibit 15). Cascade started to offer Optional
8 Gas Management Services pursuant to Schedule No. 687 when it filed substitute sheets for
9 that rate schedule effective May 11, 2000 (see Exhibit 14).

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14. In 2004, Cascade canceled Supplemental Schedule Nos. 681, 682, 683, and
684 by tariff filings effective March 1, 2004 (see Exhibits 8-11). A true and correct copy of
Cascade's letter dated January 30, 2004, accompanying this tariff filing is Exhibit 16. At the
same time, Cascade added the following language to Rate Schedules 663 and 664: "Gas
Supplies purchased through the Company will be in accordance with the FERC regulations
(18 CFR Part 284.402 Blanket Marketing Certificates)." (See Exhibits 6-7.)

D. Prices and Terms of Gas Sales to Non-Core Customers

15. The prices for the gas commodity that Cascade sold pursuant to former
Supplemental Schedule Nos. 681, 682, 683, and 684 were never listed in its rate schedules
or otherwise filed with the Commission. Rather, the prices were communicated to the
customers on a monthly basis (Schedule Nos. 681 and 682) or were pursuant to customer-
specific contracts (Schedule No. 684). (See Exhibits 8-11.)

16. Since March 1, 2004, the majority of Cascade's optional gas commodity sales
to its transportation customers are priced based on an index, with the price communicated to
customers on a monthly basis.

1 17. Cascade currently accounts for the revenue from its optional gas commodity
2 sales by attributing it to Rate Schedule 687. For the test year utilized in Cascade's current
3 rate case, October 1, 2004 through September 30, 2005, Cascade accounted for
4 \$30,404,867.18 in revenue from gas supply and related activities under Rate Schedule 687.
5 See Cascade's Response to WUTC Staff Data Request No. 100 (a true and correct copy of
6 which is attached as Exhibit 17).
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12 18. From 1989 through March 1, 2004, Cascade filed with the Commission the
13 form of contracts that it utilized for its optional gas commodity sales. Since March 1, 2004,
14 Cascade has not filed with the Commission the form of contracts that it utilized for its
15 optional gas commodity sales.
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20 **E. Cascade's Current Rate Case**
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22 19. Cascade filed its current general Washington rate case, Docket
23 No. UG-060256, in early 2006. The Commission issued a Protective Order in the rate case
24 on or about April 13, 2006 (a true and correct copy of which is attached as Exhibit 18).
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28 20. CMS intervened in Cascade's 2006 Washington rate case. CMS issued
29 discovery requests to Cascade relating to Cascade's gas supply activities. A true and correct
30 copy of CMS's Data Request Nos. 1 through 44 is attached as Exhibit 19. A true and correct
31 copy of Cascade's responses to these CMS data requests, excluding Confidential information
32 and electronic data, is attached as Exhibit 20.
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38 21. Cascade had proposed in the rate case that all of its revenue and expenses
39 from Gas Management Services, which include the sale of optional gas commodity, be
40 considered "below the line;" in other words, such revenue and expenses would not be
41 considered revenue and expenses of Cascade as a public utility for rate-making purposes.
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1 22. Staff took the position that all of Cascade's revenue and expenses from Gas
2 Management Services should be considered "above the line" for ratemaking purposes. See
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4 Testimony of Michael P. Parvinen, pp. 11-12, admitted into the record of that proceeding as
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6 Exhibit 361-T, along with its accompanying exhibit, admitted into the record of that
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8 proceeding as Exhibit 366 (a true and correct copy of this excerpt from the testimony and
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10 the associated exhibit are attached as Exhibit 21).

11 23. On October 10, 2006, all parties to the rate case signed a Settlement
12 Agreement, which was filed with the Commission for approval on October 11, 2006 (a true
13 and correct copy is attached as Exhibit 22). As of the date of these Stipulated Facts, the
14 Commission has not ruled on the Settlement Agreement. Some of the specific agreements in
15 the Settlement Agreement are made by fewer than all the parties.

16 24. Paragraph 12.b. of the Settlement Agreement addresses Gas Management
17 Services. In paragraph 12.b(i), Cascade and Staff, but not CMS, agreed that Cascade's
18 revenue requirement in the rate case would be revised to include \$200,000 in revenues from
19 Gas Management Services for the test year. In paragraph 12.b(ii), all Parties, including
20 CMS, agreed that, on a going-forward basis, Cascade will defer 50 percent of its Net
21 Margins for Gas Management Services (currently Schedule No. 687) and shall return such
22 amounts to customers on an equal percentage margin basis as part of Cascade's Temporary
23 Deferral Tracking Adjustment filing. In paragraph 12.b(iii), Cascade and CMS agreed that
24 Cascade would eliminate the following language from its Rate Schedule Nos. 663 and 664:

25 Gas Supplies purchased through the Company will be in
26 accordance with the FERC regulations (18 CFR Part 284.402
27 Blanket Marketing Certificates).

28 25. On September 14, 2006, a prehearing conference was convened by the
29 administrative law judge in the CMS complaint proceeding, Docket No. UG-061256, to
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STIPULATED FACTS – 7

1 determine, *inter alia*, whether that proceeding should be consolidated with Docket
2 No. UG-060256 due to a similarity of issues raised. The cases were not consolidated
3 because CMS, Cascade, and the other parties stated a preference that the cases proceed
4 separately, in parallel. CMS, Cascade, and the other parties agreed that motions for
5 summary determination should be filed consistent with the briefing schedule in the rate case
6 and requested that the Commission enter a final order in this proceeding prior to, or at the
7 same time, as the final order in the rate case. See Prehearing Conference Order 01, served
8 September 18, 2006.
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16 **F. Other Cascade Sales**

17 26. Exhibit 23, Contract No. SP0600-05-D-7518, (a) was duly executed by the
18 United States of America, Department of Defense, and Cascade Natural Gas Corporation,
19 (b) is a public document, and (c) is a true and correct copy of what it purports to be.
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22 27. Cascade Natural Gas Corporation has executed contracts for the sale of
23 natural gas to end-use customers at facilities located within the WUTC-certificated service
24 territories of Avista Utilities and Puget Sound Energy ("PSE"), and is currently selling
25 natural gas pursuant to such contracts. Such contracts include, but are not limited to, the
26 contract between the United States of America, Department of Defense, and Cascade
27 Natural Gas Corporation, described in paragraph 26, above. Among the facilities outside
28 Cascades's certificated service territory to which it is selling natural gas commodity are the
29 Everett Naval Base and McCord Air Force Base, each located in PSE's certificated service
30 territory, and Fairchild Air Force Base, located in Avista's certificated service territory.
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42 28. Exhibit 24, entitled "Petition for Determination That Cascade Does Not
43 Require Certificate of Public Convenience and Necessity For Services Described in Rate
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1 Schedule 700," is a true and correct copy of a public document filed by Cascade Natural Gas
2 Corporation in WUTC Docket No. UG-001119.
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5 DATED: November 8, 2006

Respectfully submitted,

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7 **PERKINS COIE LLP**

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10 By: 

11 _____
12 Lawrence H. Reichman, OSB No. 86083
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18 **Cost Management Services, Inc.**

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STIPULATED FACTS – 9

1 Schedule 700," is a true and correct copy of a public document filed by Cascade Natural Gas
2 Corporation in WUTC Docket No. UG-001119.
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4
5 DATED: November 8, 2006
6

Respectfully submitted,

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STIPULATED FACTS – 9

CERTIFICATE OF SERVICE

I hereby certify that I have this day served this **STIPULATED FACTS** 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 8th day of November, 2006.

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