

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 173

In the Matter of the

PUBLIC UTILITY COMMISSION OF
OREGON

Staff Request to Open an Investigation into the
Earnings of Cascade Natural Gas.

STIPULATION

This Stipulation is entered into for the purpose of resolving all issues in this proceeding by and among the parties as set forth below.

PARTIES

1. The parties to this Stipulation (the "Stipulation") are Cascade Natural Gas Corporation ("Cascade"), Staff of the Public Utility Commission of Oregon ("Staff"), Citizens' Utilities Board ("CUB"), and Northwest Industrial Gas Users ("NWIGU"), representing all of the parties in this docket (together, the "Parties" and individually, a "Party").

2. The Parties enter this Stipulation for the purpose of resolving all issues in this proceeding and agree that approval of this Stipulation will establish fair and reasonable rates for Cascade.

BACKGROUND

3. The Commission commenced this proceeding at its public meeting on August 8, 2006, to investigate the reasonableness of Cascade's rates.

4. Staff pre-filed its direct testimony on February 15, 2007.

5. On March 14, 2007, Cascade filed a motion for summary judgment, requesting that the Commission close this proceeding (the "Motion").

6. The Parties have reviewed the pre-filed testimony of Staff, Cascade's responses to the extensive discovery requests submitted in this proceeding, and Cascade's Motion.

7. Since March 2007, the Parties have engaged in settlement discussions on the issues in this proceeding. The settlement discussions have been open to all parties to this Docket.

AGREEMENT

8. For all Oregon regulatory purposes, including establishing rates in this docket and future reporting of utility earnings during the term of this agreement, the Parties agree that Cascade's authorized return on equity shall be 10.1 percent, and its approved capital structure shall be based on 45 percent common equity.

9. The Parties agree to support, through September 30, 2012, the Earnings Sharing Mechanism as established in Order No. 04-203 in Docket UM 903 and as modified by the Stipulation in Docket No. UG 167, approved by the Commission in Order No. 06-191 (the "UG 167 Stipulation"); provided, however, that the earnings threshold shall be increased to ROE plus 215 basis points and the baseline ROE shall be 10.1 percent for purposes of applying the Earnings Sharing Mechanism to 2007 earnings, and shall be adjusted in accordance with the methodology prescribed in Order No. 04-203 for purposes of the Earnings Sharing Mechanism, as reflected in paragraph 12 of the UG 167 Stipulation, for subsequent years.

10. The Parties support a permanent rate reduction in Cascade's annual revenue requirement of \$700,000.00, to be spread to customer classes on an equal percentage of margin basis using 2005 test year billing determinants.

11. Cascade agrees to file proposed tariffs consistent with Paragraph 10 of this Stipulation within seven days after the Commission issues orders approving the terms of this Stipulation and the stipulation in Docket UM 1283, whichever comes last, subject to paragraphs 17 and 18 of this Stipulation.

12. The Parties agree that the public purposes funding provided by Cascade under paragraph 10 of the UG 167 Stipulation, or any other amounts for such purposes that may be required in the future, shall be reflected as an operating expense for ratemaking and revenue sharing purposes.

13. The Parties agree the Stipulation in this proceeding resolves the need to examine any issue pursuant to a 2008 Rate Case potentially required by paragraph 9 of the UG 167 Stipulation. Accordingly, Staff, CUB, and NWIGU agree that they will not petition or request the Commission to require Cascade to submit a general rate filing in 2008 based upon fiscal year 2007 results of operation under paragraph 9 of the UG 167 Stipulation.

14. Upon filing this Stipulation with the Commission, Cascade agrees to withdraw the Motion.

15. The Parties agree to support Commission approval of this Stipulation. This Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal, provide either witnesses to sponsor or legal representatives to support this Stipulation, and recommend that the Commission issue an order adopting the agreements contained herein. If any other party to this proceeding challenges this Stipulation, the Parties agree to cooperate in cross-examination; and put on such a case as each deems appropriate to respond fully to the issues presented, which may include addressing issues that are incorporated in the settlements embodied in this Stipulation.

16. The Parties will encourage the Commission to enter an order approving this Stipulation as soon as possible but not later than June 5, 2007. The Parties further agree to request that the Commission enter an order approving this Stipulation at the same time as the Commission enters an order approving the stipulation in Docket No. UM 1283.

17. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation or imposes additional material conditions in approving the Stipulation, any Party disadvantaged by such action shall have the right, upon written notice to the Commission and all Parties within 15 business days of the Commission's order, to withdraw from this Stipulation, pursue their rights under OAR 860-014-0085, and/or seek reconsideration or appeal of the Commission's order. However, prior to withdrawal, the Party shall engage in good faith negotiation with the other Parties. No Party withdrawing from this Stipulation shall be bound to any position, commitment, or condition of this Stipulation.

18. Concurrently with the negotiation of this Stipulation, the Parties have negotiated an agreement to resolve all issues in Commission Docket No. UM 1283 ("UM 1283"), which is set forth in a separate written stipulation that is also signed by additional parties. The Parties acknowledge that their agreement to this Stipulation is based in part on the terms of the stipulation to settle UM 1283. If the Commission rejects all or any material part of the stipulation settling UM 1283 or imposes additional material conditions in approving that stipulation, any Party that is disadvantaged by such action shall have the right, upon written notice to the Commission and all Parties within 15 business days of the Commission's order, to withdraw from this Stipulation. However, prior to withdrawal, the Party shall engage in good faith negotiation with the other Parties. No Party withdrawing from this Stipulation shall be bound to any position, commitment, or condition of this Stipulation.

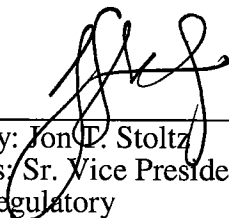
19. The Parties agree that this Stipulation represents compromises in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this

Stipulation, other than those specifically identified in the body of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as expressly identified in the Stipulation.

20. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each Party as of the date(s) entered below:

CASCADE NATURAL GAS
CORPORATION



By: Jon T. Stoltz
Its: Sr. Vice President – Gas Supply and
Regulatory
Dated: April 18, 2007

STAFF OF THE OREGON PUBLIC
UTILITY COMMISSION

By:
Its:
Dated:

CITIZENS' UTILITY BOARD

By:
Its:
Dated:

Stipulation, other than those specifically identified in the body of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as expressly identified in the Stipulation.


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This Stipulation is entered into by each Party as of the date(s) entered below:

CASCADE NATURAL GAS
CORPORATION

By:
Its:
Dated:

STAFF OF THE OREGON PUBLIC
UTILITY COMMISSION



By: Jason Jones
Its: Attorney
Dated: 4/24/07

CITIZENS' UTILITY BOARD

By:
Its:
Dated:

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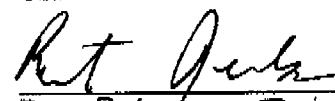
CASCADE NATURAL GAS CORPORATION

By:
Its:
Dated:

STAFF OF THE OREGON PUBLIC UTILITY COMMISSION

By:
Its:
Dated:

CITIZENS' UTILITY BOARD



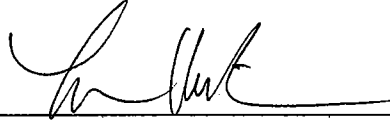
By: Robert Jents
Its: Executive Director
Dated: 4/25/07

NORTHWEST INDUSTRIAL GAS
USERS

Paula E. Pyron
By: Paula E. Pyron
Its: Executive Director
Dated: April 23, 2007

CERTIFICATE OF SERVICE

I hereby certify that on the 1st day of May, 2007, I served the foregoing **Stipulation** upon all parties on the service list in this docket by causing to be mailed a copy properly addressed with first class postage prepaid and/or via electronic mail.



Lawrence Reichman

DEPARTMENT OF JUSTICE

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