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May 18, 2007

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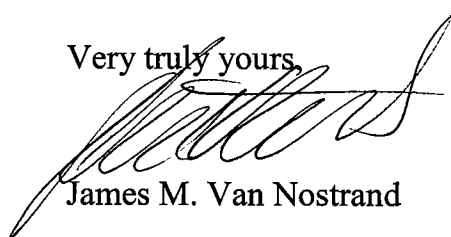
Re: Docket UG 173

Dear Sir/Madam:

I am enclosing for filing an original and five copies of Joint Testimony in Support of Stipulation.

Thank you for your attention to this matter.

Very truly yours,



James M. Van Nostrand

JMV:dma
Enclosures
cc: Service List

32032-0007/LEGAL13249750.1

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Perkins Coie LLP and Affiliates

Docket UG 173
Exhibit No.: 100
Witnesses: Durrenberger,
Jenks, Pyron, Stoltz

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

STAFF – CUB – NWIGU – CASCADE

Joint Testimony in Support of Stipulation

May 2007

UG 173

JOINT TESTIMONY

Q. Please state your names and positions.

A. My name is Ed Durrenberger. I am a Senior Revenue Requirement Analyst for the Rates and Tariffs Section in the Electric and Natural Gas Division at the Public Utility Commission of Oregon. My witness qualifications statement is included as Exhibit Staff/101 in this proceeding.

My name is Bob Jenks. I am executive director of the Citizens' Utility Board ("CUB"). My witness qualifications statement is included as an attachment to this testimony.

My name is Paula Pyron. I am the Executive Director of Northwest Industrial Gas Users ("NWIGU"). My witness qualifications statement is included as an attachment to this testimony.

My name is Jon T. Stoltz. I am Senior Vice President – Gas Supply and Regulatory for Cascade Natural Gas Corporation. My witness qualifications statement is included as an attachment to this testimony.

Q. What is the purpose of your testimony?

A. The purpose of our joint testimony is to describe and support the stipulation among Cascade Natural Gas Corporation ("Cascade"), Staff of the Public Utility Commission of Oregon ("Staff"), CUB, and NWIGU filed with the Commission on May 1, 2007 in Docket UG 173.

Q. Does the Stipulation resolve all the contested issues in this proceeding?

A. Yes. The purpose of this proceeding was to investigate Cascade's earnings from its Oregon operations. As discussed later in our testimony, the Stipulation provides for, among other things, a permanent rate reduction in Cascade's annual revenue requirement of \$700,000, and for continuation of an Earnings Sharing Mechanism (as modified in the manner prescribed in the Stipulation). The Stipulation resolves all issues in this case among the signing parties ("Parties"). In addition, the Parties have negotiated an agreement to resolve all issues in Docket 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 the Stipulation in UG 173 is based in part on the terms of the stipulation to settle Docket UM 1283.

Q. Are all parties to this proceeding included in the Stipulation?

A. Yes.

Q. Please describe the terms of the Stipulation.

A. Paragraphs 8 through 14 of the Stipulation set forth the essential terms of the agreement among the Parties. Our testimony will discuss these paragraphs in order.

Q. Please describe Paragraph 8 of the Stipulation.

A. Paragraph 8 reflects the Parties' agreement on cost of capital issues. Under paragraph 8, Cascade's authorized return on equity is set at 10.1 percent, and its approved capital structure is based on 45 percent common equity, for all Oregon regulatory purposes, including establishing rates in this docket and future reporting of utility earnings.

Q. Please describe Paragraph 9 of the Stipulation.

A. Paragraph 9 pertains to the Earnings Sharing Mechanism established in Order No. 04-203 in Docket UM 903 and modified in the stipulation approved by the Commission in Docket UG 167 ("UG 167 Stipulation"). Paragraph 9 provides that the Parties will support continuation of the Earnings Sharing Mechanism through September 30, 2012. In applying the Earnings Sharing Mechanism to 2007 earnings, the earnings band is increased to 215 basis points and the baseline return on equity is set at 10.1 percent (the return on equity specified in paragraph 8 of the Stipulation). For purposes of the application of the Earnings Sharing Mechanism in subsequent years, the baseline return on equity will be adjusted in accordance with the methodology prescribed in Order No. 04-203.

Q. Please describe Paragraphs 10 and 11 of the Stipulation.

A. Paragraph 10 reflects the Parties' agreement on Cascade's revenue requirement for purposes of this proceeding. Paragraph 10 provides for a permanent reduction of \$700,000 in Cascade's annual revenue requirement. This revenue requirement reduction is to be spread to all customer classes using an equal percentage of margin basis and 2005 test year billing determinants. Cascade is required under paragraph 11 to submit tariff sheets implementing this revenue requirement reduction within seven (7) days after the Commission issues orders approving the terms of the UG 173 Stipulation and the stipulation in Docket UM 1283, whichever comes later.

Q. Please describe Paragraph 12 of the Stipulation.

A. Paragraph 12 relates to the public purposes funding provided by Cascade under paragraph 10 of the UG 167 Stipulation. The Parties agree that such public purposes

funding, or any other amounts for such purposes that may be required in the future, will be reflected as an operating expense for ratemaking and revenue sharing purposes.

Q. Please describe Paragraph 13 of the Stipulation.

A. Paragraph 13 of the Stipulation relates to the "2008 Rate Case" discussed in the UG 167 Stipulation. Paragraph 9 of the UG 167 Stipulation provides, in relevant part, that:

If requested by the Commission no later than December 31, 2007, Cascade agrees to submit a general rate filing in Oregon ("2008 Rate Case") not later than April 1, 2008. Cascade shall bear the burden of proof in such filing, in accordance with ORS 757.210.

Paragraph 13 of the Stipulation reflects the Parties' agreement that this proceeding resolves the need to examine any issue pursuant to the 2008 Rate Case potentially required by paragraph 9 of the UG 167 Stipulation. 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.

Q. Please describe Paragraph 14 of the Stipulation.

A. Paragraph 14 commits Cascade to withdrawing the Motion upon the filing of the Stipulation with the Commission. In accordance with paragraph 14, Cascade withdrew the Motion on May 1, 2007.

Q. If the Commission rejects any part of the Stipulation, are the Parties entitled to reconsider their participation in the Stipulation?

A. Yes. Paragraph 17 of the Stipulation provides that if the Commission rejects all or any material portions of the Stipulation or imposes additional material conditions in approving the 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 the Stipulation, pursue its rights under OAR 860-0140-0085, and/or seek reconsideration or appeal of the Commission's order; provided, however, that any Party seeking to withdraw from the Stipulation must, prior to such withdrawal, engage in a good faith negotiation process with the other Parties.

Paragraph 18 of the Stipulation contains similar such provisions with respect to Commission action in Docket UM 1283 on the stipulation settling Docket UM 1283, and allows any Party that is disadvantaged by such action to have the right to withdraw from the Stipulation in UG 173.

Q. What other terms does the Stipulation include?

A. The Stipulation represents negotiated compromises among the Parties. Thus, the Parties agree in paragraph 19 of the Stipulation that 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, and that the terms incorporated in the Stipulation should not be viewed as precedent in subsequent proceedings. In addition, the parties have the right to withdraw from the Stipulation if any material part is rejected by the Commission.

Q. What do the Parties recommend regarding the Stipulation?

A. The Parties recommend that the Commission adopt the Stipulation as the basis for resolving all the contested issues in this proceeding.

Q. Does this conclude your joint testimony?

A. Yes.

Docket UG 173
Exhibit No.: 101
Witnesses: Jenks

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

STAFF – CUB – NWIGU – CASCADE

Joint Testimony in Support of Stipulation

May 2007

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 308
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

**PREVIOUS
EXPERIENCE:**

Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UG 152, UM 995, UM 1050, UM 1071, UM 1147, and UM 1121.

Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America

Docket UG 173
Exhibit No.: 102
Witnesses: Pyron

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

STAFF – CUB – NWIGU – CASCADE

Joint Testimony in Support of Stipulation

May 2007

Paula E. Pyron
Statement of Qualifications

Paula Pyron is the Executive Director of the Northwest Industrial Gas Users ("NWIGU"), a nonprofit association of 35 large end-users of natural gas with facilities in Oregon, Washington and Idaho. The association represents its members' interests in distributor and pipeline rate cases, tariff filings and regulatory policy issues in the three states and at the Federal Energy Regulatory Commission. Ms. Pyron accepted this representation of NWIGU effective September 2000.

Ms. Pyron has been a lawyer since 1983, hailing from the oil patch in Tulsa, Oklahoma for the first several years of her business-focused practice with the law firm of Boesche, McDermott & Eskridge. She began private practice in Portland, Oregon in 1991 with an emphasis in energy regulation and contract negotiation. She represented Northwest Industrial Gas Users from 1991 to 1999 as an outside counsel, most recently as a partner at Energy Advocates LLP, and prior to that firm's founding was a partner at Ball Janik LLP. Until her recent engagement as NWIGU's executive director, since April 1999 she managed the legal department in Portland as Assistant General Counsel for PG&E Gas Transmission, Northwest Corporation.

Ms. Pyron is admitted to practice in the state bars of Oregon and Oklahoma and numerous federal courts. She is a 1983 graduate of the University of Tulsa, College of Law and has a BS in Economics, *summa cum laude* from the University of Texas at Dallas. She has testified on energy regulatory and legislative matters in Oregon and Washington before the Oregon Public Utility Commission (OPUC), the Washington Utilities and Transportation Commission (WUTC), and state legislative committees. She has appeared on numerous occasions before the WUTC, the OPUC and the Idaho Public Utility Commission as executive director of NWIGU.

Docket UG 173
Exhibit No.: 103
Witnesses: Stoltz

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

STAFF – CUB – NWIGU – CASCADE

Joint Testimony in Support of Stipulation

May 2007

Qualification Statement of Jon T. Stoltz

Q. Please state your name and address for the record.

A. Jon T. Stoltz, 222 Fairview Avenue North, Seattle, Washington.

Q. By whom are you employed and what is your title?

A. I am employed by Cascade Natural Gas Corporation ("Cascade" or the "Company") as Senior Vice President - Gas Supply and Regulatory.

Q. Would identify your responsibilities with the Company?

A. As Senior Vice President- Gas Supply and Regulatory, I am responsible for the Gas Supply and Regulatory Affairs Departments of Cascade. The Gas Supply Department is responsible for the execution of the Company's Gas Procurement Strategy, including the negotiation and purchasing of physical gas supplies and the securing of price hedges for appropriate portions of the company's core gas supply portfolio. The Gas Supply Department is also responsible for the daily, monthly and annual management of the core gas supply portfolios, including coordination of transportation and storage of gas supplies via interstate and Canadian pipelines. Cascade is a firm shipper on two U.S. interstate pipelines and two Canadian pipelines. As such, the Gas Supply Department is also responsible for overseeing long- and short-term pipeline contracts and negotiations before the Federal Energy Regulatory Commission (FERC) and Canada's National Energy Board.

The Regulatory Affairs Department is responsible for the preparation of all rate-related exhibits in "tracking" and general rate relief filings. The Regulatory Affairs Department is also responsible for the preparation of the Integrated Resource Plan or sometimes referred to as the Least Cost Plan. Least Cost Planning involves long-range market forecasts, evaluation of the costs and availabilities of demand-side and supply-side resources to meet such forecasted markets, as well as the development of written Integrated Resource Plans for submittal before the Washington Utilities and Transportation Commission and the Public Utility Commission of Oregon.

Q. Please describe your education background and previous experience.

A. I am a graduate of the University of Texas at El Paso with a degree in electrical engineering. My post-graduate studies include courses in utility economics, management and accounting.

Prior to joining Cascade, I was employed by El Paso Electric Company as a Rate Engineer with the title of Special Projects Engineer. My responsibilities while with El Paso Electric were quite similar to those rate analyst have with Cascade.

My tenure with El Paso Electric was approximately three years.

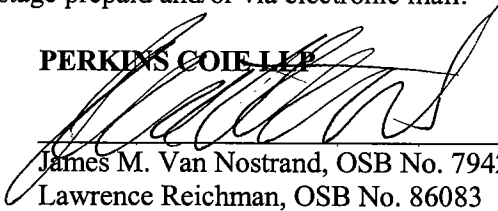
Q. Have your previously sponsored testimony?

A. Yes, I have sponsored testimony before the Public Utility Commission of Oregon, before the Washington Utilities and Transportation Commission, before the New Mexico Public Utility Commission, and before FERC.

CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of May, 2007, I served the foregoing **Joint Testimony in Support of 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.

PERKINS COIE LLP



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Lawrence Reichman, OSB No. 86083
Attorneys for Cascade Natural Gas

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