

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 167

In the Matter of)	
)	
CASCADE NATURAL GAS)	FINAL ORDER
CORPORATION)	
)	
Request for Authorization to Establish a)	
Decoupling Mechanism and Approval of)	
Tariff Sheets No. 30 and No. 30-A.)	

DISPOSITION: STIPULATION APPROVED; TARIFF SHEETS TO BECOME EFFECTIVE MAY 1, 2006

Procedural History. On October 17, 2005, Cascade Natural Gas Corporation (Cascade), submitted an Application for approval of its Conservation Alliance Plan (CAP or Plan) to become effective November 1, 2005. The Plan includes a decoupling mechanism consisting of two deferral accounts, one to track changes in margin due to variations in weather-normalized usage and another to track changes in margin due to weather that varies from normal (the Decoupling Mechanism). The Plan would be implemented through approval of Original Sheet No. 30 and Original Sheet No. 30-A, entitled “Rule 19— Conservation Alliance Plan Mechanism.” As an additional element of the Plan, Cascade would commence providing public purpose funds to the Energy Trust of Oregon (ETO) and community service agencies for general and low-income demand-side management (DSM) programs in Cascade’s Oregon service areas.

The proposed effective date for the Plan was extended to December 8, 2005, to accommodate a workshop on November 17, 2005. The effective date was further extended to January 11, 2006, to accommodate a December 11, 2005, workshop.

At its January 11, 2006, Public Meeting, the Commission suspended the filing, by Order No. 06-011, for a period of time not to exceed six months from January 11, 2006, the proposed effective date of the tariff sheets.

A prehearing conference was held on February 1, 2006, at which time the Administrative Law Judge granted petitions to intervene filed by Northwest Industrial Gas Users (NWIGU), NW Energy Coalition (NVEC), Natural Resources Defense Council (NRDC), Community Action Directors of Oregon (CADO) and the Oregon Energy Coordinators Association (OECA). A Notice of Intervention by Citizens’ Utility Board

(CUB) was also noted for the record, as was the participation of the staff of the Public Utility Commission of Oregon (Staff).¹

As a result of the settlement conference and additional discussion, a Stipulation (Stipulation), affixed to this Order as Appendix A, was filed on April 14, 2006, jointly by the Parties.

The Stipulation. Under the terms of the Stipulation, Cascade will be able to implement the CAP mechanism in order to separately track variations in usage due to conservation and weather. The CAP mechanism's purpose is to establish procedures for the annual tracking of revisions in rates due to changes in the weather-normalized use per customer associated with its rate schedules and to establish procedures for the deferral of differences experienced between actual average residential and commercial use per customer and the amount estimated at the time the margin rates were established. Cascade will maintain separate Conservation Variance and Weather Variance deferral accounts (i.e., the Decoupling Mechanism) as Regulatory Assets or Liabilities. Each month, Cascade will calculate the difference between the weather-normalized actual margin and the actual margin for each rate schedule. Expected margin shall be the baseline average commodity per customer multiplied by the current customer amount. The resulting dollar amount difference will be recorded in the Conservation Variance deferral account. Cascade will also calculate the difference between non-weather normalized actual margin and the expected margin for its rate schedules, and the resulting dollar amount difference will be reduced by subtracting the dollar amount recorded in the Conservation Variance deferral account with the remainder recorded in the Weather Variance deferral account. Temporary surcharges or refund increments will be applied to the Margin Commodity Rate over the following amortization period.

The Parties agreed to the CAP methodology set forth in paragraph 7 of the Stipulation. It provides that the revised CAP Tariff Sheets would become effective on the first day of the month following Commission approval. Cascade agreed to refile the following tariff sheets: Second Substitute Sheet Nos. 30 and 30-A, Second Substitute Original Sheet Nos. 31 and 31-A, Substitute Original Sheet Nos. 32 and 32-A, Substitute Original Sheet Nos. 33, 33-A, 33-B and 33-C, Original Sheet No. 34 and Substitute First Revision Sheet No. 175. Cascade will include in the annual CAP filing a temporary adjustment amount designed to amortize any balance in the Conservation Variance and Weather Variance deferral accounts over the 12-month period beginning with the PGA adjustment year.

In paragraph 8, the Parties also agreed to recommend that the Plan remain in effect until September 30, 2010, and that there be an independent evaluation study examined by the Parties.

In paragraph 9, Cascade agreed that, if requested by the Commission, it would submit a general rate case in the first quarter of 2008 and bear the burden of proof, using the year ending September 30, 2007, as its historic test period.

¹ Along with Cascade, collectively referred to as "the Parties."

In paragraph 10, Cascade agreed to contribute 0.75 percent of its revenues from Rate Schedules 101 and 104, but no less than \$500,000 per year, for public purposes, the funds to be distributed to ETO and community service agencies for DSM and low-income assistance programs. Cascade would also collect a 0.75 percent Public Purposes Funding surcharge from its residential and commercial customers and distribute the money in accordance with the CAP Tariff Sheets. Some of the administrative duties would not be handled by Cascade. Paragraph 11 provides that the level of public purpose funds and its allocation among low-income weatherization, DSM and bill payment assistance under paragraph 10 would be adjusted based upon experience and evaluation studies in consultation with interested parties.

Paragraph 12 addresses the Earnings Sharing Mechanism currently in effect and provides that, unless the Commission authorizes a different baseline ROE, it will continue to be determined in accordance with Order No. 04-203 in Docket UM 903. The paragraph also calls for a reduction in the earnings threshold from ROE plus 300 basis points to ROE plus 175 basis points.

Paragraph 13 provides for the adoption of a Service Quality Measure for a period of ten years, tracking the level of consumer complaints and establishing penalties for performance below specified ratios. Cascade will also submit an annual report that will track maintenance and operating expenditures that the Commission will review in the context of SQM performance and determine whether refunds might be required. Paragraph 14 provides for Cascade to monitor and annually report to the Commission customer service and safety performance on a number of parameters.

Paragraphs 15-21 recite the procedural aspects of the Stipulation, the nature of the negotiations and the rights and obligations of each of the parties

We have reviewed the terms of the Stipulation and find that the terms of the Stipulation are reasonable and that the Stipulation was freely entered into by the Parties. We further find that the tariffs and conditions described therein further the public interest, convenience and necessity.

ORDER

IT IS ORDERED that:

1. The Stipulation Affixed hereto as Appendix A is ADOPTED.
2. The Tariff Sheets affixed to the Stipulation as Attachment 1 are APPROVED.
3. The Tariff Sheets affixed to the Stipulation as Attachment 1 shall become effective May 1, 2006.

Made, entered, and effective APR 19 2006



 Lee Beyer
 Chairman



 John Savage
 Commissioner



 Ray Baum
 Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 167

In the Matter of

CASCADE NATURAL GAS CORPORATION

STIPULATION

Request for Authorization to Establish a
Decoupling Mechanism and Approval of Tariff
Sheets No. 30 and No. 30-A

This Stipulation is entered into for the purpose of resolving all the contested issues in this proceeding as among the parties to this Stipulation.

PARTIES

1. The parties to this Stipulation are Cascade Natural Gas Corporation ("Cascade" or "the Company"), Staff of the Public Utility Commission of Oregon ("Staff"), Citizens' Utility Board, Northwest Industrial Gas Users ("NWIGU"), NW Energy Coalition, Natural Resources Defense Council, Community Action Directors of Oregon ("CADO"), and Oregon Energy Coordinators Association ("OECA") (each, a "Party"; collectively, the "Parties").

BACKGROUND

2. On October 17, 2005, Cascade submitted an Application for approval of its Conservation Alliance Plan ("CAP" or "the Plan"), to be effective as of November 1, 2005.¹ The Plan includes a decoupling mechanism consisting of two deferral accounts, one to track changes in margin due to variations in weather-normalized usage and another to track changes in margin due to weather that varies from normal (together, the "Decoupling Mechanism"). The Plan would be implemented through approval of Original Sheet No. 30 and Original Sheet No. 30-A entitled "Rule 19 - Conservation Alliance Plan Mechanism." As an additional element of the Plan, Cascade would commence providing public purpose funds to ETO and community service agencies for general and low-income demand-side management ("DSM") programs in Cascade's Oregon service areas, as described in Original Sheet No. 31 entitled "Public Purposes Funding," Original Sheet No. 32 entitled "Oregon Low Income Bill Assistance Program," Original Sheet No. 33 entitled "Oregon Low Income Weatherization Program," and Original Sheet No. 34 entitled "Energy Efficiency Services and Programs - Residential and Commercial."

¹ Advice No. O05-10-01.

3. The proposed effective date for the Plan was extended to December 8, 2005 to accommodate a workshop on November 17, 2005. The effective date was extended again to January 11 to accommodate an additional workshop on December 20, 2005.

4. At its January 11, 2006 open meeting, the Public Utility Commission of Oregon (the "Commission") suspended the filing for a period of time not to exceed six months from January 11, 2006, the proposed effective date of the tariff sheets. (Order No. 06-011)

5. At a prehearing conference held on February 1, 2006, Administrative Law Judge Michelle Mhoon granted petitions to intervene, and scheduled a settlement conference for February 21.

6. As a result of the settlement conference and additional discussions, the Parties have agreed to proposed terms that would resolve the issues in this proceeding. The Parties submit this Stipulation to the Commission and request that the Commission approve the settlement as presented.

AGREEMENT

7. The Parties recommend that the CAP Tariff Sheets be approved by the Commission to become effective on the first day of the month following Commission approval of this Stipulation. Cascade will refile its Second Substitute Sheet Nos. 30 and 30-A entitled "Rule 19 - Conservation Alliance Plan Mechanism," Second Substitute Original Sheet Nos. 31 and 31-A entitled "Public Purposes Funding," Substitute Original Sheet Nos. 32 and 32-A entitled "Oregon Low Income Bill Assistance Program," Substitute Original Sheet Nos. 33, 33-A, 33-B and 33-C entitled "Oregon Low Income Weatherization Program," Original Sheet No. 34 entitled "Energy Efficiency Services and Programs - Residential and Commercial," and Substitute First Revision Sheet No. 175 entitled "Energy Efficiency Investment Recovery Adjustment Provision" (collectively, "CAP Tariff Sheets"), and such CAP Tariff Sheets shall include the following:

(a) The proposed effective date of the CAP Tariff Sheets shall be changed to the first day of the month following Commission approval of this Stipulation.

(b) The Company will include in the annual CAP filing a temporary adjustment amount designed to amortize any balance in the Conservation Variance and Weather Variance deferral accounts over the 12-month period commencing with the PGA adjustment each year. Whether such amortization period should be extended due to unusual circumstances shall be considered as part of the Company's CAP filing in such year.

The CAP Tariff Sheets (with a proposed May 1, 2006 effective date) are included as Attachment 1 to this Stipulation.

8. The Parties recommend that the Plan, if approved, remain in effect through September 30, 2010. Prior to September 30, 2010, Cascade will sponsor a study by an independent entity, approved by Staff, to evaluate the effectiveness of the CAP, according to

criteria and standards to be determined by the Parties no later than March 31, 2009. No later than March 31, 2010, Cascade will submit the results of the independent study to the Parties and to the Commission and, further, will request by petition that the Commission open an investigation on the issue of whether to continue the CAP (with or without modifications) after September 30, 2010. The Parties agree to work in good faith towards a Commission decision regarding an extension of the CAP by September 30, 2010. The Parties agree to support reasonable extensions of the September 30, 2010 termination date if the Commission is unable to complete the investigation by that date.

9. 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. The historic test period for purposes of such filing shall be fiscal year 2007 (the twelve months ended September 30, 2007), or such other period as may be agreed upon by the Parties.

10. Beginning with the effective date of the CAP Tariff Sheets, Cascade shall provide 0.75% of current Oregon revenues generated by rate schedules 101 and 104, including customer service charges, but no less than \$500,000 per year, as public purposes funds to be distributed to ETO and community service agencies (agencies) for the pursuit of DSM programs for residential, commercial and firm industrial sales customers² and low-income DSM and bill payment assistance programs for income-qualifying residential customers in Cascade's Oregon service areas. On the same date, Cascade will commence collection of a 0.75% Public Purposes Funding surcharge from its residential and commercial customers, calculated based on monthly revenues generated by both the energy and service charges. The collection of the surcharge from customers will be added to the funds that Cascade shall provide and be distributed to the ETO and agencies in accordance with the CAP Tariff Sheets. The collection of public purposes funds pursuant to Schedule 31 and the administration of such funds pursuant to Schedules 32 and 33, replace energy efficiency, market transformation and low-income weatherization programs previously administered by Cascade in its Oregon service areas. During the period the CAP Tariff Sheets remain in effect, responsibility for the administration and delivery of Cascade's energy efficiency programs, including those for firm industrial sales customers,³ will be transferred to the ETO or other qualified conservation program facilitator, as determined by the Commission. Cascade will administer the Schedule 32 and 33 low-income programs that will be delivered by the agencies.

² Industrial customers served under Cascade's Schedules 163 and 164 and under special contracts will not be charged for any of the gas-related programs set forth in paragraph 7. Correspondingly, these customers will not be eligible for ETO funding for natural gas-related conservation and efficiency programs for their transportation volumes.

³ The ETO will offer services to Cascade's firm industrial sales customers through the ETO's commercial programs, and the ETO's financial reporting to the Commission will reflect such classification. The ETO will provide Cascade with information regarding funding provided to firm industrial sales customers, and Cascade will track such expenditures based on the ETO reports. If such expenditures exceed the ETO's portion of the shareholder contribution in any year (i.e., \$500,000 for all customer classes, as provided above in paragraph 10), Cascade will defer the excess expenses in a deferred account for recovery as part of the annual Purchased Gas Adjustment.

11. The level of public purposes funding and its allocation among low-income weatherization, DSM and bill payment assistance, as provided in paragraph 10 above and in Schedules 31, 32, and 33, shall be subject to adjustment based upon actual experience in the administration of such programs and the outcome of studies and evaluations currently being performed by ETO and agencies regarding the effectiveness and funding needs of such programs. Any such adjustment shall occur following consultation and discussions among an advisory group comprising representatives from the agencies, ETO, the Company, Staff, and other interested parties.

12. Cascade agrees that an Earnings Sharing Mechanism will remain in effect for so long as the CAP Tariff Sheets are effective. Unless the Commission authorizes a different baseline Return on Equity (ROE), such baseline ROE for purposes of the Earnings Sharing Mechanism will continue to be determined in accordance with Order No. 04-203 in Docket UM 903, including an adjustment of the earnings threshold calculation by twenty percent (20%) of any change in the risk free rate for the 12-month calendar year preceding the annual earnings review. Beginning with the effective date of the CAP Tariff Sheets, the earnings threshold shall be reduced from the baseline ROE plus 300 basis points – as established in Order No. 04-203 – to the baseline ROE plus 175 basis points. In the event Cascade’s actual ROE exceeds the earnings threshold, revenues representing thirty-three percent (33%) of the earnings exceeding the threshold will be shared with customers, in accordance with Order No. 04-203.

13. Beginning with the effective date of the CAP Tariff Sheets and continuing for a ten-year period, Cascade agrees to adopt the following Service Quality Measure (“SQM”):

(a) The unit of measurement shall be the Commission’s “PUC Complaints At Fault Per 1,000 Customers” as established by the Consumer Services Division of the Commission, and calculated as an average ratio for the entire calendar year.

(b) The performance goal will be to maintain an annual average ratio of PUC Complaints At Fault Per 1,000 Customers of Less than 0.07.

(c) For the year ending December 31, 2007: (a) performance at or above a ratio of 0.13 will result in a “Level 1”⁴ penalty; and (b) performance at or above a ratio of 0.15 will result in a “Level 2”⁵ penalty.

(d) For the year ending December 31, 2008: (a) performance at or above a ratio of 0.12 will result in a “Level 1” penalty; and (b) performance at or above a ratio of 0.14 will result in a “Level 2” penalty, except that a “Level 3”⁶ penalty will be assessed if a “Level 2” penalty was assessed for the previous year.

(e) For the year ending December 31, 2009 and thereafter: (a) performance at or above a ratio of 0.10 will result in a “Level 1” penalty; and (b) performance at or

⁴ A “Level 1” penalty is equal to \$.0001473 multiplied by Cascade’s Natural Gas Sales (therms) excluding Transportation, as published in the prior year’s Oregon Utility Statistics book.

⁵ A “Level 2” penalty is equal to \$.0007362 multiplied by Cascade’s Natural Gas Sales (therms) excluding Transportation, as published in the prior year’s Oregon Utility Statistics book.

⁶ A “Level 3” penalty is equal to \$.0014726 multiplied by Cascade’s Natural Gas Sales (therms) excluding Transportation, as published in the prior year’s Oregon Utility Statistics book.

above a ratio of 0.13 will result in a "Level 2" penalty, except that a "Level 3" penalty will be assessed if a "Level 2" penalty was assessed in any previous year during the effective period of the SQM.

(f) At any time during the term of the SQM, if Staff and the Company disagree about an "at fault" designation or disagree about calculated ratios for "at fault" complaints, and if Staff and the Company are unable to resolve the disagreement to the satisfaction of both, then either Staff or the Company may request a review of the designation by an administrative law judge, with appeal to the Commission. No penalties will be assessed until any disagreements regarding the "at fault" designation have been resolved.

13.1 Cascade's operating and maintenance expenditures for customer service will be submitted annually by the company for Commission review. Each report will cover a calendar year's expenditures for this purpose and will be due on the same date as Cascade's Annual Report on Form 2 for the year. Should customer service performance as measured by the C1 SQM degrade to the point that penalties are assessed, and the Commission determines in a formal proceeding that under spending in specific customer service accounts significantly contributed to the unacceptable performance levels, any shortfalls in expenditures for that year from the "amount authorized in rates"⁷ for those specific customer service accounts would be subject to refund with interest at the company's authorized rate of return upon Order of the Commission.

13.2 Staff and company agree to meet before September 30, 2006, to develop criteria by which the Consumer Services Division of the Commission would assess an "at fault" complaint.

14. Cascade will monitor and report to Commission Staff on or before March 1 of each year the following safety and customer service performance indicators for the duration of the effective period of the SQM referred to in paragraph 13 above. Except for (c) below, there will be no Service Quality Measures or penalties associated with these performance indicators.

(a) The ratio of the incident of damage to Company facilities relative to construction activity adjacent to Company facilities.

(b) The number and duration of orders backlogged over thirty (30) days for new service line installation, not including orders on hold at applicant/customer request.

(c) Delays in connecting service that exceed the requirements of the rules⁸ that govern connection of utility service.

(d) Average time required to provide applicants with a cost estimate for new service.

⁷ For purposes of this SQM, the "amount authorized in rates" will be calculated as follows: Current year actual customer count times the amount per customer for the customer service accounts, as established in the Company's last general rate case.

⁸ Currently, the Commission has opened Docket AR 507 for the purpose of establishing Oregon Administrative Rules to govern connection and reconnection of service.

15. The Parties agree that this Stipulation is in the public interest and results in an overall fair, just, and reasonable outcome of the matters at issue in this proceeding.

16. The Parties agree that this Stipulation represents a compromise 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.

17. 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 witnesses to sponsor this Stipulation at the hearing, if such hearing is held, and recommend that the Commission issue an order adopting the settlements contained herein.

18. If this Stipulation is challenged by any other party to this proceeding, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will support the Commission's adoption of the terms of this Stipulation.

19. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

20. 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. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

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

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED: April 11, 2006.

CASCADE NATURAL GAS CORPORATION

By Jon T. Stoltz
Jon T. Stoltz
Senior Vice President
Regulatory & Gas Supply

CITIZENS' UTILITY BOARD

By Bob Jenks
Bob Jenks
Executive Director

STAFF, PUBLIC UTILITY COMMISSION OF OREGON

By Mike Weirich
Mike Weirich
Assistant Attorney General

NW ENERGY COALITION

By Steven Weiss
Steven Weiss
Sr. Policy Associate

NATURAL RESOURCES DEFENSE COUNCIL

By Steven Weiss
Steven Weiss

COMMUNITY ACTION DIRECTORS OF OREGON

By Jim Abrahamson
Jim Abrahamson
Oregon Energy Partnership
Coordinator

OREGON ENERGY COORDINATORS ASSOCIATION

By Jim Abrahamson
Jim Abrahamson
Oregon Energy Partnership
Coordinator

NORTHWEST INDUSTRIAL GAS USERS

By Paula Pyron
Paula Pyron
Executive Director

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED: April/4, 2006.

CASCADE NATURAL GAS CORPORATION

CITIZENS' UTILITY BOARD

By _____
Jon T. Stoltz
Senior Vice President
Regulatory & Gas Supply

By Bob Jenks
Bob Jenks
Executive Director

STAFF, PUBLIC UTILITY COMMISSION OF OREGON

NW ENERGY COALITION

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By _____
Jim Abrahamson
Oregon Energy Partnership
Coordinator

OREGON ENERGY COORDINATORS ASSOCIATION

NORTHWEST INDUSTRIAL GAS USERS

By _____
Jim Abrahamson
Oregon Energy Partnership
Coordinator

By _____
Paula Pyron
Executive Director

ORDER NO. 06-191

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED: April __, 2006.

CASCADE NATURAL GAS CORPORATION

CITIZENS' UTILITY BOARD

By _____
Jon T. Stoltz
Senior Vice President
Regulatory & Gas Supply

By _____
Bob Jenks
Executive Director

STAFF, PUBLIC UTILITY COMMISSION OF OREGON

NW ENERGY COALITION

By Mike Weirich
Mike Weirich
Assistant Attorney General

By _____
Steven Weiss
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NATURAL RESOURCES DEFENSE COUNCIL

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Coordinator

OREGON ENERGY COORDINATORS ASSOCIATION

NORTHWEST INDUSTRIAL GAS USERS

By _____
Jim Abrahamson
Oregon Energy Partnership
Coordinator

By _____
Paula Pyron
Executive Director

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DATED: April __, 2006.

CASCADE NATURAL GAS CORPORATION

CITIZENS' UTILITY BOARD

By _____
Jon T. Stoltz
Senior Vice President
Regulatory & Gas Supply

By _____
Bob Jenks
Executive Director

STAFF, PUBLIC UTILITY COMMISSION OF OREGON

NW ENERGY COALITION

By _____
Mike Weirich
Assistant Attorney General

By 
Steven Weiss
Sr. Policy Associate 10/13/06

NATURAL RESOURCES DEFENSE COUNCIL

COMMUNITY ACTION DIRECTORS OF OREGON

By 
Steven Weiss 10/13/06

By _____
Jim Abrahamson
Oregon Energy Partnership
Coordinator

OREGON ENERGY COORDINATORS ASSOCIATION

NORTHWEST INDUSTRIAL GAS USERS

By _____
Jim Abrahamson
Oregon Energy Partnership
Coordinator

By _____
Paula Pyron
Executive Director

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED: April __, 2006.

CASCADE NATURAL GAS
CORPORATION

By _____
Jon T. Stoltz
Senior Vice President
Regulatory & Gas Supply

STAFF, PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Mike Weirich
Assistant Attorney General

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NORTHWEST INDUSTRIAL GAS
USERS

By Paula E. Pyron
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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 167

In the Matter of

CASCADE NATURAL GAS CORPORATION

Request for Authorization to Establish a
Decoupling Mechanism and Approval of Tariff
Sheets No. 30 and No. 30-A

STIPULATION

ATTACHMENT 1

**Conservation Alliance Plan (“CAP”) Tariff Sheets
(with a proposed May 1, 2006 effective date)**

CASCADE NATURAL GAS CORPORATION

RULES & REGULATIONS

(N)

RULE 19- CONSERVATION ALLIANCE PLAN MECHANISM

APPLICABLE:

The Conservation Alliance Plan ("CAP") mechanism described in this rule applies to customers served on Residential General Service Rate Schedule 101 and Commercial General Service Rate Schedule 104.

TERM: This mechanism shall terminate on September 30, 2010.

PURPOSE:

The purpose of this provision is to (a) define the procedures for the annual tracking revisions in rates due to changes in the weather-normalized use per customer associated with Rate Schedule 101 & Rate Schedule 104; and (b) to define the procedures for the deferral of differences experienced between the actual average use per customer and the amount estimated at the time the Margin Rates were established.

REVISIONS TO COMMODITY MARGIN RATES DUE TO CHANGES IN THE WEATHER-NORMALIZED USE/CUSTOMER:

1. The Company shall use the baseline weather normalized average commodity margin per customer for Rate Schedule 101 and Rate Schedule 104 as reflected in its August 15, 2005 PGA application. That application was based upon the weather normalized twelve months ended June 30, 2005.
2. For each subsequent year for the term of this provision, the Company shall file annually (CAP Filing) with the Commission to update the Commodity Margin Rate for Rate Schedule 101 and Rate Schedule 104 based upon the weather normalized usage for the 12 months ending June 30th divided into the margin requirement of each rate schedule.
3. Weather-normalized usage is calculated using the approach to weather normalization adopted in the Company's Spring Earnings Review filings, PGA Applications and other weather normalized report submittals.
4. The Total Commodity Margin Requirement of Rate Schedule 101 and Rate Schedule 104 shall be calculated by multiplying the baseline average commodity margin per customer per Rate Schedule, excluding any margin collected through the monthly Basic Service Charge, by the current twelve months ended June 30 average customer count based upon the average of the monthly bills issued.
5. The Margin Commodity Rate is calculated by dividing the Total Commodity Margin Requirement by the Total Weather Normalized Usage. Also included in the calculation of the Margin Commodity Rate is the amortization of any balance in the Conservation Variance deferral account and the Weather Variance deferral account.

DEFERRAL OF MARGIN COLLECTION DIFFERENCES:

1. The Company will maintain Conservation Variance and Weather Variance deferral accounts as Regulatory Assets or Liabilities. Each month, the Company will calculate the difference between the weather-normalized actual margin and the expected margin for rate schedules 101 and 104. Expected margin shall be the baseline average commodity per customer multiplied by the current customer count. The resulting dollar amount difference will be recorded in the Conservation Variance deferral account. The Company will also calculate the difference between non-weather normalized actual margin and the expected margin for rate schedules 101 and 104. The resulting dollar amount difference will be reduced by subtracting the dollar amount recorded in the Conservation Variance deferral account with the remainder recorded in the Weather Variance deferral account.

(N)

(Continued on the next page)

APPENDIX A
PAGE 13 OF 24

CNG/O05-10-01

ISSUED April 15, 2006

EFFECTIVE May 1, 2006

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

BY Jon T. Stoltz

TITLE Senior Vice President
Planning, Regulatory & Consumer Affairs

CASCADE NATURAL GAS CORPORATION

RULES & REGULATIONS

(N)

RULE 19- CONSERVATION ALLIANCE PLAN MECHANISM(Continued)

DEFERRAL OF MARGIN COLLECTION DIFFERENCES: (Continued from Previous Page)

- 2. The Company shall impute interest on the deferred balances on a monthly basis utilizing the Commission establish deferral account interest rate.
- 3. The Company will include in the annual CAP filing a temporary adjustment amount designed to amortize any balance in the Conservation Variance and the Weather Variance deferral accounts. Temporary surcharges and/or refund increments will be applied to the Margin Commodity Rate over the following 12 months or any other appropriate amortization period.

(N)

CNG/O05-10-01

APPENDIX A
PAGE 14 OF 24

ISSUED April 15, 2006

EFFECTIVE May 1, 2006

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

BY Jon T. Stoltz

TITLE Senior Vice President
Planning, Regulatory & Consumer Affairs

CASCADE NATURAL GAS CORPORATION

PUBLIC PURPOSES FUNDING
SCHEDULE NO. 31

(N)

PURPOSE:

The purpose of this provision is to define the funding method for public purposes activities to be administered through one or more independent entities. Public purposes activities include, but may not necessarily be limited to, energy efficiency programs, market transformation and low-income conservation and bill assistance programs designed to benefit firm sales customers within Cascade Natural Gas's service territory in Oregon.

TERM:

This schedule shall terminate on September 30, 2010.

ADJUSTMENT TO RATES:

Effective May 1, 2006, a public purpose charge equal to .75% of current revenues, including customer service charges, in each month will be assessed as a line item on the bill of rate schedules 101 and 104 customers. The level of the public purpose charge will be reviewed and revised as necessary based on periodic evaluation of public purposes funding needs.

Effective May 1, 2006, Cascade will provide each month an additional 0.75% of current Oregon revenues generated by rate schedules 101 and 104, including customer service charges, but no less than \$500,000 per year, as Public Purposes Funds.

The Public Purposes Funds shall be allocated to specific separate accounts to fund the respective public purposes programs as follows:

- 1.20% will support public purpose funding of energy efficiency programs that replace programs previously administered by Cascade with energy efficiency programs administered by an independent entity.
- 0.30% will support public purpose funding for low-income conservation and bill assistance activities.

SPECIAL TERMS AND CONDITIONS:

1. 80% of the monies designated as public purpose funding will be transferred to the Energy Trust of Oregon. The Energy Trust of Oregon will use the funds to design, promote and administer Natural Gas energy efficiency programs in accordance with agreements executed between Cascade and the Energy Trust.
2. 20% of the monies designated as public purpose funding will be transferred to two internal program accounts and dispersed to Community Action Agencies (Agencies) for the purpose of adding or expanding low-income weatherization programs and bill assistance programs. Until September 30, 2006, or until such time that the Agencies indicate it is feasible to expand the low-income weatherization programs identified in Schedule 33, the entire funding will be used for bill payment assistance programs. Commencing October 1, 2006, 75% of the funding will be designated for low-income conservation programs, and the remaining 25% will be designated for bill payment assistance. The internal accounts shall accrue interest at the Company's currently effective authorized rate of return.

(Continued on next page)

(N)

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EFFECTIVE May 1, 2006

ISSUED BY CASCADE NATURAL GAS CORPORATION

BY _____

TITLE Senior Vice President

CASCADE NATURAL GAS CORPORATION

PUBLIC PURPOSES FUNDING
SCHEDULE NO. 31

(N)

SPECIAL TERMS AND CONDITIONS: (Continued from Previous Page)

- 3. On the 20th of each month, Cascade will contribute 0.75% of current Oregon revenues towards Public Purposes Funding. This contribution will be based on the amount of the prior month's residential (Schedule 101) and commercial (schedule 104) booked revenues, including customer service charges. Cascade will forward the contributed funds, less a reserve for uncollectibles in an amount equal to Cascade's average percentage of net write-offs, to each fund administrator on the 20th of each month. Funds retained after the 20th of the month will earn interest at the Company's authorized rate of return until distributed to the fund administrators unless otherwise specified in an approved program or other agreement.
- 4. Each month, the Company will bill the public purposes surcharge on all rate schedule 101 and 104 customers bills. By the 20th of the month following the billing month, the Company will forward the amount of funds expected to be collected from billings issued for the prior calendar month, less a reserve for uncollectibles in an amount equal to Cascade's average percentage of net write-offs, to each fund administrator. Funds retained after the 20th of the month will earn interest at the Company's authorized rate of return until distributed to the fund administrators unless otherwise specified in an approved program or other agreement.
- 5. The Company, and any independent entity selected to administer public purposes programs under this Tariff, will report program results as directed by the Commission. Copies of all reports provided by the fund administrators to the Commission shall also be submitted to the Company for review.
- 6. All Public Purposes Funds will be allocated only to programs that are available within the Company's Oregon service territory.

(N)

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ISSUED April 15, 2006

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ISSUED BY CASCADE NATURAL GAS CORPORATION

BY Jon T. Stoltz

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

OREGON LOW-INCOME BILL ASSISTANCE PROGRAM
SCHEDULE NO. 32

(N)

PURPOSE:

The purpose of this provision is to define the mechanism for providing Low-Income bill assistance funding to the independent entities delivering the program and to define the process through which those funds will be allocated to the various entities providing services to Low-Income Residential customers within Cascade Natural Gas's service territory in Oregon. This tariff schedule works in conjunction with Schedule 31 and Schedule 33.

GENERAL TERMS AND CONDITION:

The monies provided by the public purpose funding, defined in Schedule 31, will be transferred to an internal program account and dispersed to Community Action Agencies (Agencies) for the purpose of adding or expanding low-income bill assistance and weatherization programs on a monthly basis.

SPECIAL TERMS AND CONDITIONS:

1. In order to participate in the program, an Agency must be a legal entity, contracting or subcontracting with the State of Oregon, Department of Housing and Community Services (OHCS), which is eligible to administer funding under the Federal Low-Income Energy Assistance Program (LIEAP).
2. All funds allocated to the Agencies will be distributed only to income-eligible Residential customers of Cascade Natural Gas. Fund distribution will be accomplished using a cashless voucher system. The cashless voucher system will allow the transfer of authorized payments to an individual customer's utility account from the Oregon Low-Income Bill Assistance program account based on an electronic voucher list submitted to the company by each participating Agency. The company will process the voucher as soon as possible following receipt of the voucher list. In the event the Company receives a voucher authorization for a single customer from two or more Agencies, the Company will process only one voucher authorization.
3. The company will determine the allocation of bill assistance funds to the participating Agencies at the beginning of each program year based on the same allocation used by OHCS to allocate funds under LIHEAP during the previous program year, except that the finds may be reallocated at any time during the program year, if the company, at its sole discretion, determines that such a re-allocation is the most effective and efficient use of the available funds.
4. Each participating Agency will have sole responsibility to screen and approve applicants for eligibility. Each Agency shall follow the established protocols for the qualification of and disbursement to eligible participants in accordance with the guidelines promulgated by OHCS and the Low-Income Energy Assistance Act of 1981 and subsequent amendments, as outlined in the OHCS Omnibus Contract. The amount of assistance for eligible participants shall be based on the LIEAP/OEA Poverty Guidelines and Payment Matrix from the OHCS Operations Manual for these programs. Any voucher authorization received by the Company that exceeds these guidelines will be appropriately adjusted. If a customer has a credit balance due to the receipt of low-income assistance and the customer turns-off, the credit balance will be redirected to the Agencies allocation for distribution to other clients.

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(N)

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BY Jon T. Stoltz

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

OREGON LOW-INCOME BILL ASSISTANCE PROGRAM
SCHEDULE NO. 32

(N)

SPECIAL TERMS AND CONDITIONS: (Continued from Previous Page)

- 5. Each Agency will provide a summary report providing information on the prior month's program activities. The report must identify the number of families assisted and their location, the amount of funds dispersed. The Company must receive all reports by the 20th business day of each month.
- 6. The Bill Payment Program year will extend from October 1 through September 30. Any amounts not disbursed in the program year will carry over to the next program year. The Company will provide an annual summary evaluation report on the progress of the program for review by the Commission by December 1 following the end of each program year.

(N)

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BY Jon T. Stoltz

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

OREGON LOW-INCOME WEATHERIZATION PROGRAM
SCHEDULE NO. 33

(N)

PURPOSE:

The purpose of this provision is to define the terms and conditions under which that portion of the funds designated for use for low-income weatherization programs under Schedule 31 "Public Purpose Funding" will be administered and delivered to eligible customers.

AVAILABLE:

This program is available to income-eligible residential dwellings served by Cascade where the primary heating equipment in the residential dwelling is fueled by natural gas. Any residential dwelling that received assistance for the installation of the same or similar measures under any other energy efficiency program will not be eligible for assistance under this program.

PROGRAM DESCRIPTION:

The Oregon Low-Income Weatherization (OLIW) Program is a program designed to increase energy efficiency in low-income households within Cascade's service territory by providing rebates for the installation of certain weatherization measures in qualifying residential dwellings following the completion of a home energy evaluation performed by qualifying Community Action Agencies (Agencies).

ENERGY EFFICIENCY MEASURES:

The following energy efficiency measures qualify for rebate under this program:

- Ceiling, floor, wall and duct insulation
- Duct sealing (per Oregon Office of Energy standards)
- Infiltration system (weather stripping and caulking)
- High-efficiency furnace installations (90+ % efficient) where cost effective
- Furnace tune-up and filter replacement

PROGRAM YEAR:

The OLIW Program year will extend from October 1 through September 30. The Company, by December 1, will provide an annual summary report on the progress of the weatherization program for review by the Commission following the end of each program year.

CUSTOMER QUALIFICATIONS:

All funds collected under this program will be distributed only to qualifying income-eligible Residential Customers of Cascade. In the event the Company receives a rebate request for a single customer from two or more Agencies, the Company will process only one rebate request.

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CASCADE NATURAL GAS CORPORATION

OREGON LOW-INCOME WEATHERIZATION PROGRAM

SCHEDULE NO. 33

(continued from previous page)

(N)

FUNDS COLLECTION AND AGENCY ALLOCATIONS:

1. The Company will determine the allocation of funds to participating Agencies at the beginning of each program year based on the same allocation used by Oregon Housing and Community Services (OHCS) to allocate funds under the Federal Low Income Energy Assistance Program (LIEAP) during the previous program year. The Company will advise each Agency at the beginning of each program year of the amount the Company estimates will be available to each Agency in that year.
2. In the Company's sole discretion, funds may be re-allocated among the Agencies at any time during the program year whenever the Company determines that such a re-allocation is the most effective and efficient use of the available funds. The Company will not make any such re-allocation without first providing advance notice to the affected Agencies.
3. Any amounts not disbursed in the program year will carry over to the next program year.

AGENCY QUALIFICATIONS AND RESPONSIBILITIES:

1. In order to participate in the program, an Agency must be a legal entity, contracting or subcontracting with the State of Oregon, Department of Housing and Community Services (OHCS), which is eligible to administer funding under the Federal Low Income Energy Assistance Program (LIEAP).
2. Each participating Agency will have sole responsibility to screen and approve applicants for eligibility. Each Agency shall follow the established protocols for the qualification of and disbursement to eligible participants in accordance with the guidelines promulgated by OHCS and the Low-Income Energy Assistance Act of 1981 and subsequent amendments, as outlined in the OHCS Omnibus Contract.
3. Each participating Agency shall be responsible to complete and return to the Company, all required paperwork and other documentation as may be necessary for the Company to process the rebate request. The company will provide the documentation forms to each participating Agency in electronic or hard copy form, whichever is requested. At a minimum the documentation must include the Agency name, customer name, the landlord name and address, if applicable, the address of the qualifying households, the square footage of the home, a list of the measures installed, the rebate amount per measure and total rebate per household.

REBATE PAYMENTS:

1. The Company will reimburse participating Agencies for the installation of qualifying measures installed in each eligible household based on the table shown on Schedule 33-B

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TITLE Senior Vice President
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CASCADE NATURAL GAS CORPORATION

OREGON LOW-INCOME WEATHERIZATION PROGRAM
SCHEDULE NO. 33
(continued)

(N)

REBATE PAYMENTS: (continued from pervious page)

Measure	Therm Savings Factor Per Square Foot	Avoided Cost Per Therm	Rebate per Home
Install ceiling insulation where no ceiling insulation exists	0.088	\$9.05	Therm savings factor x square footage x avoided cost per therm
Install ceiling insulation where ceiling insulation <R 12 exists	0.034	\$9.05	Therm savings factor x square footage x avoided cost per therm
Install floor insulation	0.052	\$9.05	Therm savings factor x square footage x avoided cost per therm
Install wall insulation	0.074	\$9.05	Therm savings factor x square footage x avoided cost per therm
	Therm savings factor per linear foot		(Therm savings factor x square footage)/(square footage x average linear ft of ductwork per sq ft) x avoided cost per therm
Install duct insulation	0.136	\$9.05	
Install duct sealing	---	---	\$371
Install infiltration measures	---	---	\$120
Install high-efficiency furnace	---	---	\$500
Install direct vent spaceheater	---	---	\$277
Perfrom furnace tune-up	---	---	\$56

2. In no event will any rebate amount be greater than the actual installed cost of the measure.

PROGRAM ADMINISTRATION AND DELIVERY COSTS:

- Each Agency will be reimbursed from the Low-Income Weatherization account for administrative costs and direct program costs incurred by them in their administration and delivery of the OLIW Program in the amount of \$225 per household. The Agency fee will be paid to each Agency along with each rebate payment. The Company will process rebates and Agency payments within thirty days from the date the Company receives all completed documentation in support of such rebate requests.
- The company will be reimbursed for actual first year program set up costs from the OLIW account in an amount not to exceed \$5,000.
- The Company will be reimbursed from the OLIW account each month for actual program administration costs incurred, except that such reimbursement will not exceed 5% of the total available funds collected during each program year.

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CASCADE NATURAL GAS CORPORATION

OREGON LOW-INCOME WEATHERIZATION PROGRAM
SCHEDULE NO. 33
(continued)

(N)

PROGRAM EVALUATION:

1. The Company will have a program baseline assessment performed as soon as practical following the effective date of this Schedule.
2. An Advisory Group will be formed to assist the Company in low-income weatherization and bill assistance program development, implementation, and evaluation. The Advisory Group will consist of at least one member each from the Company, the Commission staff, The Community Action Directors of Oregon (CADO) and from two or more participating Agencies.
3. Following the end of program year, the Company will arrange for an independent program performance evaluation to be paid from the Low-Income Weatherization funds identified in Schedule 31 in an amount not to exceed \$25,000 per year.
4. The Company will use the Advisory Group process and the independent program evaluation results to modify the program structure and processes, where appropriate. These processes may also be used to assess whether or not any change to low-income weatherization and bill payment assistance funding levels is appropriate.

(N)

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ISSUED BY CASCADE NATURAL GAS CORPORATION

BY Jon T. Stoltz

TITLE Senior Vice President
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CASCADE NATURAL GAS CORPORATION

ENERGY EFFICIENCY SERVICES AND PROGRAMS
FIRM SALES CUSTOMERS
SCHEDULE NO. 34

(N)

PURPOSE:

This provision is intended to provide an economical and effective means of conserving Natural Gas through the reduction of heat loss in Residential dwellings and Commercial buildings and in the improvement of the efficiency of space heating, water heating, and energy utilization of the dwellings.

AVAILABLE:

This program is available to all firm sales customers served by Cascade.

INFORMATION TO CUSTOMERS:

The Company will provide to its firm sales customers, general and technical information about energy efficiency services offered by the Company, and about energy efficiency programs available through the Energy Trust of Oregon (Energy Trust), that will improve the efficiency of space heating and energy utilization of Residential dwellings and Commercial/Industrial facilities. This information may be provided through the use of bill inserts, displays (all offices), booklets, handouts, advertisements, and industry and public agency literature.

ENERGY EFFICIENCY PROGRAMS:

The Energy Trust of Oregon has been approved to deliver and administer energy efficiency programs to Cascade's customers. Customers may participate in such programs by contacting the Energy Trust directly, or a Cascade representative will connect the Customer upon request.

CUSTOMER NOTIFICATION:

Firm Sales customers will be notified annually by "bill insert:" that (1) information on energy efficiency is available from the company; (2) that energy efficiency programs are available through the Energy Trust; (3) how to obtain energy efficiency information from the Company; and (4) how to contact the Energy Trust.

Notification to rental unit owners will be made by mail when a tenant who is a customer: (a) requests that the material be mailed to the owner; and (b) furnishes the owner's name and address with the request.

GENERAL TERMS:

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(N)

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ISSUED BY CASCADE NATURAL GAS CORPORATION

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TITLE Senior Vice President
Regulatory & Gas Supply

Sub. First Revision Sheet No. 175
Canceling
Original Sheet No. 175

P.U.C. Or. No. 8

CASCADE NATURAL GAS CORPORATION

ENERGY EFFICIENCY INVESTMENT RECOVERY ADJUSTMENT PROVISION
SCHEDULE NO. 175

APPLICABLE:

This Energy Efficiency Investment Recovery Adjustment Provision ("EIRAP") shall apply to all bundled Gas Sales Service Rate Schedules in this Tariff.

PURPOSE:

The purpose of this provision is to allow the Company on Adjustment Dates to adjust each rate schedule subject to this provision to recover capitalized investment costs associated with O.P.U.C. approved Demand Side Management (DSM) program(s). This provision also allows recovery of revenue margin loss resulting from energy savings achieved through approved DSM program(s).

ADJUSTMENT DATE:

The Company shall file for rate changes to recover DSM program investment costs and margin losses with an effective date of October 1, of each year, concurrent with the Company's annual Purchased Gas Cost Adjustment ("PGA") filing. (T)

AMOUNT OF ADJUSTMENT:

Capitalized Investment

Installation and acquisition costs associated with approved DSM program(s) will be capitalized through Account 186 and will be amortized over one year. Program specific advertising expenses may also be capitalized upon approval by the O.P.U.C.. The aggregate annual amortization expense associated with capitalized DSM program costs, inclusive of a return on the unamortized account balance(s) at the Company's overall allowed rate of return, will be included as a periodic rate adjustment concurrent with the Company's annual "PGA" filing. The rate adjustment will be spread on an equal cents/therm basis to all bundled gas sales service customers using normalized system supply sales volumes used in the Company's PGA filing. (T)

Lost Margin Recovery

Annual net lost margins associated with energy savings resulting from approved DSM programs will be estimated for each twelve (12) month period ending June 30 and included as a temporary rate adjustment in the calculation of the effective tariff rates. The temporary rate adjustment will be amortized to rates, for a period of one year, on an equal cents per therm basis to all system supply sales volumes using the normalized system supply sales volumes used in the Company's PGA filing. Estimated therm savings and associated net lost revenue margins used in developing the temporary rate adjustments will be subject to true-up and amortization in the second 12 month period commencing October 1, to reflect the measurement and verification of therm savings and net lost margins actually experienced during the period estimated. Measurement and verification will be completed for each of the three years following inclusion of the temporary rate increment in rates. (T)

Net lost revenue margins for each DSM program will be calculated at the tariff rate, applicable to customers targeted by a particular DSM program, in effect during the period for which the savings were calculated, minus the WACOG (including all pipeline transportation and capacity charges), net of all temporary adjustments, times the annual therm savings under the approved DSM program.

Effective May 1, 2006, and the implementation of the company's Rule 19, the Conservation Alliance Plan, the company will discontinue the deferral of lost margins for customers on Rate Schedules 101 and 104. (N)

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