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**CNG/006-08-05**

August 31, 2005

Oregon Public Utility Commission  
550 Capitol Street NE  
Salem, OR 97310-1380

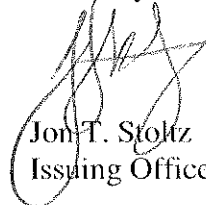
Attention: Ms. Vikie Bailey-Goggins

Dear Ms. Bailey-Goggins:

This filing contains the Application for Reauthorization of deferral accounts associated with the PGA's Gas Cost Balancing Account and wholesale gas cost.

Please direct any questions regarding this filing to Katherine Barnard at (206) 381-6824.

Sincerely,



Jon T. Stoltz  
Issuing Officer

JTS:ck

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BEFORE THE OREGON PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF ) APPLICATION FOR  
CASCADE NATURAL GAS CORPORATION ) REAUTHORIZATION OF  
FOR AN ORDER REAUTHORIZING ) DEFERRAL ACCOUNTING  
DEFERRAL OF CERTAIN COSTS ) (OAR 860-27-300(4))

Cascade Natural Gas Corporation (herein "Cascade") pursuant to ORS 757.259 and OAR 860-27-300(4) applies to the Oregon Public Utility Commission ("Commission") for an order reauthorizing it to utilize deferral accounting as follows:

Item 1 - PGA Balancing Accounting/Wholesale Gas Costs

Cascade requests that this Commission reauthorize deferral of all gas costs differences associated with purchases of gas supplies for system supply requirements that differ from the system supply gas costs embedded in rates, for the period of October. Such differences are typically accumulated in subaccounts of Account No. 253 for distribution to system supply customers at a later date, consistent with the procedures outlined in the Company's Purchase Gas Adjustment (PGA) Schedule No. 177.

Cascade's request specifically distinguishes between the PGA Balancing Account and all other purchase gas costs to clearly request deferral authority for all costs associated with the PGA methodology.

The Commission approved by Order 89-1046, deferral of gas cost differences for the 12-month period beginning November 1, 1989 through the PGA methodology. Deferral of system supply gas cost differences was authorized by this Commission by Order 89-1046 for 12 months. Subsequently, Cascade continues to purchase system supply gas supplies. Cascade proposes to defer the associated commodity gas cost differences from the commodity prices established in Rate Schedule No. 177-A, in a sub-account of Account No. 253, consistent with the procedures established by the PGA methodology. Entries reflecting these gas supply differences have been continuously entered to such sub-account since this deferral was authorized.

Concurrent with the establishment of the PGA Balancing Account deferral is an understanding that all other wholesale system supply gas costs received deferral authority. Cascade recognizes that its current Purchased Gas Cost Adjustment Provision Schedule No. 177 might provide sufficient authority to defer changes in purchased gas costs other than those addressed by the PGA Balancing Account. Cascade submits this application for the reason that the Schedule No. 177 tariff might not contain sufficient authority to permit deferral of all other purchased gas costs incurred in acquiring system supplies. Accordingly, Cascade protectively files a wholesale gas cost deferral request at this time, in order to ensure that ratepayer and stockholder interests are protected with respect to any impacts of non-commodity related gas cost rate adjustments.

Cascade proposes to defer the impacts of non commodity related wholesale gas cost changes into separate 253 sub-accounts to individually record the impacts of these cost changes. This treatment effectively isolates the effects of the cost change so that they may be amortized independently in accord with Commission precedent. In the event that deferral is not approved, Cascade will account for the net expense in gas cost Account 804.

Cascade submits a deferral of these cost changes is permissible under Oregon law because the deferred cost would result "...from changes in the wholesale price of natural gas...approved by the Federal Energy Regulatory Commission:" ORS 757.259(2)(a), and would minimize the frequency of rate changes and fluctuation in rate levels pursuant to ORS 757.259(2)(c).

Based upon these considerations, Cascade requests that the Commission approve this request for deferred accounting treatment. This request for authorization to establish deferral accounts does not represent a rate change, but will permit the Commission to consider allowing deferred amounts in rates in a subsequent proceeding.

The effect of the potential changes in the wholesale price of natural gas services to Cascade's Oregon system is balanced somewhat by the fact that some cost components can increase while others can experience decreases. The combined impact of the changes in Cascade's Oregon operation is difficult to estimate with any certainty, given the numerous variables that can influence wholesale gas cost price determinations. Since future rate changes will correct any imbalances created by wholesale gas cost price fluctuations, Cascade seeks with this application to receive deferred reauthorization.

#### Item 2 - Notification

A copy of a notice of this application for reauthorization for the deferral accounts and a list of the person served with the notice is attached hereto as Appendix A.

WHEREFORE, Cascade respectfully requests that its deferral accounts above referred to be appropriately reauthorized. The attached Notice of Application for an order reauthorizing these accounts was sent to all parties and interested persons that participated in Cascade's most recent general rate case (UG-86/88).

DATED this 31th day of August 2006.

Respectfully submitted,

CASCADE NATURAL GAS CORPORATION

By:

Katherine J. Barnard  
Senior Director, Regulatory Affairs

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF ) NOTICE OF APPLICATION  
CASCADE NATURAL GAS CORPORATION ) FOR REAUTHORIZATION  
FOR AN ORDER REAUTHORIZING )  
DEFERRAL OF CERTAIN COSTS )

Cascade Natural Gas Corporation (herein "Cascade") hereby gives notice to all parties and interested persons from its last general rate case, Docket No. UG-86/88, that Cascade has applied to the Oregon Public Utility Commission for an order reauthorizing deferral accounting in connection with Account No. 253, which is a deferral established for the purpose of administering the balancing account mechanism established in the Company's Purchased Gas Adjustment (PGA) Tariff Schedule No. 177. Also, Cascade has applied to the Oregon Public Utilities Commission for an order reauthorizing deferral accounting in connection with Account No. 253, which is a deferral established to track differences in wholesale gas costs.

Any party desiring a copy of Cascade's Application should contact Katherine J. Barnard, Senior Director - Regulatory Affairs, at Cascade Natural Gas Corporation, P.O. Box 24464, Seattle, Washington, 98124. Any parties desiring to make comments to the Oregon Public Utility Commission must do so within 30 days.

Cascade Natural Gas Corporation's Application for Reauthorization for deferral is not a rate change but will permit the Commission to consider allowing such deferral amounts in rates in a subsequent proceeding.

DATED this 31th day of August 2006.

Respectfully submitted,

CASCADE NATURAL GAS CORPORATION

By:

Katherine J. Barnard  
Senior Director, Regulatory Affairs

Advise No. CNGA006-08-04

**Cascade Natural Gas Corporation**

**NOTICE TO THE PUBLIC**

**Oregon Service Area**

Cascade Natural Gas Corporation is on this date filing with the Oregon Public Utility Commission (OPUC) at Salem, Oregon, revisions to Rate Schedule Nos. 191 and 194 that upon approval by the Commission will become effective November 1, 2006.

The rate adjustments proposed in this filing are designed to pass on changes in the cost of gas and transportation services paid by Cascade to gas suppliers and interstate natural gas pipelines, temporary differences in purchased gas costs, that occur over time, as a result of differences between the actual cost of gas paid by the Company and the amount allowed for in Core customer rates, and removal of certain technical deferral refunds that have expired.

The overall effect of the proposed rate adjustments on the monthly bill of a residential customer with consumption of 62 therms will be a net increase of \$4.43 or 6.16%. For small commercial customers, the increase in the monthly bill for consumption of 270 therms will be \$19.30 or 6.98%. Large volume core customers will experience an average increase of 7.62% depending on monthly volumes consumed. Large volume non-core customers will experience an average decrease of .04% for distribution service from Cascade depending on the monthly volumes consumed.

By: Jon T. Stoltz  
Senior Vice President,  
Regulatory and Gas Supply

Date: August 31, 2006