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**CNG/O07-08-01**

August 6, 2007

Ms. Viki Bailey-Goggins  
Oregon Public Utility Commission  
550 Capitol Street NE #215  
P.O. Box 2148  
Salem, OR 97308-2148

Dear Ms. Bailey-Goggins:

Cascade Natural Gas Corporation files the enclosed Application for an Order Authorizing the Deferred Accounting Treatment of Intervenor Funding Grants.

A copy of this application will be sent to all parties who participated in the Company's recent Merger Application docket, UM 1283.

Should you have any questions regarding this filing, please contact Katherine Barnard at (206) 381-6824.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon T. Stoltz".

Jon T. Stoltz  
Sr. Vice President  
Regulatory & Gas Supply

Enclosures

*We make warm neighbors*

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1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **DOCKET NO. \_\_\_\_\_**

4  
5 In the Matter of the Application of  
6 **CASCADE NATURAL GAS CORPORATION**  
7 for authorization to defer expenses for  
Intervenor Funding Grants

**APPLICATION**

8  
9 In accordance with ORS 757.259 and OAR 860-027-0300, Cascade Natural Gas  
10 Corporation (or the "Company") applies to the Public Utility Commission of Oregon  
11 ("Commission") for an accounting order authorizing the Company to record and defer, on an  
12 ongoing basis, the cost of intervenor funding grants provided to qualifying organizations  
13 pursuant to the provisions of ORS 757.259 (3), as amended by Or Laws 2003, ch 234  
14 ("Intervenor Funding Grants). The Company respectfully requests that the deferral commence as  
15 of the date of this filing, for later amortization in rates.

16 In support of this Application, Casacade states:

17 1. **CASCADE NATURAL GAS CORPORATION**

18 Cascade Natural Gas Corporation is a public utility engaged in the distribution of  
19 natural gas in the states of Oregon and Washington and is subject to the jurisdiction of the  
20 Commission with regard to its rates, service and accounting practices.

21 2. **STATUTORY AUTHORITY**

22 This Application is filed pursuant to ORS 757.259, which empowers the  
23 Commission to authorize the deferral of expenses or revenues of a public utility for later  
24 incorporation in rates.

1           3.     **COMMUNICATIONS**

2                   Communications regarding this Application should be addressed to:

3                   Jon Stoltz  
4                   Sr. Vice President, Regulatory & Gas Supply  
5                   Cascade Natural Gas Corporation  
6                   222 Fairview Avenue North  
7                   Seattle, WA 98109  
8                   Telephone: (206) 381-6824  
9                   Facsimile: (206) 654-4039  
10                  E-mail: jstoltz@cngc.com

11           4.     **BASIS FOR APPLICATION**

12                   Statutory Authority

13                   On June 6, 2003, the Governor signed Or Laws 2003, ch 234 (the “Intervenor  
14                   Funding Act”) into law. Section 2 of the intervenor Funding Act authorizes the  
15                   Commission to approve written agreements for intervenor funding grants between  
16                   electric and natural gas utilities and qualifying organizations representing broad customer  
17                   interests. Such grants would be used by these qualifying organizations when  
18                   participating in certain types of regulatory proceedings before the Commission. Section  
19                   2 of the intervenor funding act also authorizes the Commission to establish rules with  
20                   respect to funding agreements for determining which organizations are eligible for  
21                   financial assistance, the amount of assistance that may be provided, the manner in which  
22                   assistance will be distributed, and other necessary administrative matters.

23                   Moreover, Section 2 of the Intervenor Funding Act provides:

24                                 “The commission shall allow a public utility that  
25                                 provides financial assistance under this section to recover  
26                                 the amounts so provided in rates. The commission shall  
                                  allow a public utility to defer inclusion of those amounts in  
                                  rates as provided in ORS 757.259 if the public utility so  
                                  elects.”

1           ORS 757.259(3), as amended by section 3 of the Intervenor Funding Act,  
2           provides:

3                           “Upon request of the public utility, the commission  
4                           by order shall allow deferral of amounts provided as  
5                           financial assistance under an agreement entered into under  
6                           section 2 of this 2003 Act for later incorporation in rates.”

6           Additionally, the Company notes that deferred amounts under ORS 757.259(3)  
7           are not subject to the percentage of gross revenues limitation on amortization or other  
8           provisions of subsections (5), (6), (7), and (8) of the amended section.

9                           Commission Approval of the Intervenor Funding Agreement

10           On July 2, 2003, pursuant to Section 2 of the Intervenor Funding Act, the  
11           Commission issued Order No. 03-388, which, among other things approved the  
12           Intervenor Funding Agreement among PacifiCorp, Portland General Electric Company,  
13           Northwest Natural Gas Company, Northwest Industrial Gas Users, Citizens’ Utility  
14           Board of Oregon (“CUB”), and Industrial Customers of Northwest Utilities, dated  
15           February 5, 2003 (the “Intervenor Funding Agreement”). The Intervenor Funding  
16           Agreement sets forth the amount of funding to be contributed by each utility and the  
17           procedures for budget submittals by intervenors, Commission approval of budgets, and  
18           the payment of grants by utilities. On June 5, 2007, the Commission issued Order No.  
19           07-221, approving the stipulation in the matter of MDU Resources Group, Inc’s  
20           application to acquire Cascade Natural Gas Corporation. As part of that stipulated  
21           agreement, Cascade agreed to join the Intervenor Funding Program established in Order  
22           03-388 and will provide \$30,000 in each of the three accounts established in that Order.  
23           In its subsequent Order No. 07-332, entered August 3, 2007, the Commission directed  
24           Cascade to pay to CUB the amounts made available for the CUB Fund Grants.

1           **5.       CASCADE PROPOSAL**

2           In accordance with the statutory authority provided by ORS 757.259(3), as  
3           amended, and the Commission’s approval of the Intervenor Funding Agreement, Cascade  
4           proposed to record and defer the amount of its payment to CUB directed by the  
5           Commission’s Order No. 07-332. Additionally, the Company proposes to record and  
6           defer, on an ongoing basis, any and all Intervenor Funding Grants as defined and  
7           provided for in the Intervenor Funding Agreement, for later incorporation in rates. The  
8           Company will record and defer these ongoing costs upon payment of the Intervenor  
9           Funding Grants following the Commission’s approval of the Intervenor Funding Grant  
10          and issuance of an Order directing the Company to make payment, pursuant to the  
11          intervenor Funding Agreement.

12          At the time of consideration for incorporation into rates, Cascade will propose an  
13          appropriate amortization period for the Intervenor Funding Grants for the Commission’s  
14          consideration.

15          **6.       AMOUNTS SUBJECT TO DEFERRAL**

16          Cascade anticipates that the maximum amounts to be deferred during the 12-  
17          month period subsequent to the Application are:

<u>Fund</u>	
CUB Fund	\$ 30,000
Preauthorized Matching Fund	\$ 30,000
Issue Fund	<u>\$ 30,000</u>
Total	<u>\$ 90,000</u>

23  
24          For the 12-month period covered by this Application, Cascade expects that the  
25          amount subject to this deferral will not exceed \$ 90,000. The Intervenor Funding  
26          Agreement permits under certain circumstances for an advance of funds that would

1 otherwise be available in future years for Intervenor Funding Grants from the CUB Fund  
2 and the Preauthorized Matching Fund. If an advance is made under the applicable  
3 provision of the Intervenor Funding Agreement, the maximum annual amounts of  
4 Intervenor Funding Grants from the CUB Fund or the Preauthorized Grant Fund could  
5 exceed the level specified in this paragraph in which case the amount deferred under this  
6 Application could exceed \$ 90,000.

7  
8 **7. ACCOUNTING**

9 Cascade proposes to record payment of Intervenor Funding Grants in a sub-  
10 account of Account 186. In the absence of the Commission's approval of this  
11 Application, the company would not incur the cost of Intervenor Funding Grants. Were  
12 such costs incurred, however, they would be recorded in an appropriate sub-account of  
13 FERC Account 401.

14 WHEREFORE, Cascade respectfully requests that in accordance with ORS 757.259(3),  
15 as amended, the Commission issue an order authorizing the Company to record and defer, on an  
16 ongoing basis and commencing as of the date of this filing, Intervenor Funding Grants incurred  
17 by the Company pursuant to the Intervenor Funding Agreement, as described in this Application.

18 DATED: August 6, 2007.

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Jon T. Stoltz  
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**CERTIFICATE OF SERVICE**

I certify that I have this day served the foregoing NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER EXPENSES FOR INTERVENOR FUNDING GRANTS upon all parties of record in the (UM 1283) proceeding, by emailing an electronic copy to the following parties or attorneys of parties:

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