



222 FAIRVIEW AVENUE N., SEATTLE, WASHINGTON 98109-5312 206-624-3900
FACSIMILE 206-654-4039

CNG/006-08-04

August 31, 2006

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

Attention: Ms. Vikie Bailey-Goggins

Dear Ms. Bailey-Goggins:

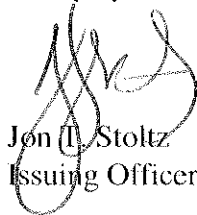
Submitted herewith are five (10) bond copies of the following revisions to Cascade's P.U.C. Or. No. 8 Tariffs containing an effective date of October 1, 2006:

Sixth Revision Sheet No. 177, Canceling Fifth Revision Sheet No. 177.
Eight Revision Sheet No. 177-A, Canceling Sub. Seventh Revision Sheet No. 177-A.
Eighteenth Revision Sheet No. 177-B, Canceling Sub. Seventeenth Revision Sheet No. 177-B.

This filing is to also reflect that it is a housekeeping filing to update the PGA tariff language. Among the changes is the addition of definitions, a modification of the timing of the annual PGA filings, and inclusion of the monthly WACOG for the month of October 2006, which is consistent with the recommendations of Staff. Additionally, the filing includes an Application for Reauthorization of deferral accounts associated with the PGA's Deferred Gas Cost Balancing Account and wholesale gas costs for the month of October 2006. This is necessary to accommodate the change of the annual PGA filing to a November 1st effective date.

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

Sincerely,



Jon L. Stoltz
Issuing Officer

JTS:ck
Enclosures

We make warm neighbors

www.cngc.com

CASCADE NATURAL GAS CORPORATION

**PURCHASED GAS COST ADJUSTMENT PROVISION
SCHEDULE NO. 177**

(N)

APPLICABLE:

This schedule applies to all schedules for natural gas sales service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

PURPOSE:

The purpose of this provision is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

ADJUSTMENT DATES:

The Adjustment Date shall be November 1 of each year for changes in annual gas costs. The Company may file out-of-cycle PGA adjustments to be effective at times other than November 1 of each year, if the Company's annual actual gas costs change by 10 percent or more, or for such other reasons and on such terms as the Commission may approve.

DEFINITIONS:

1. Actual Commodity Cost: The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUFG) plus Gas Storage Facilities withdrawals, plus or minus the cost of natural gas associated with pipeline imbalances, plus propane costs, plus odorization charges, less Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.
2. Commodity Off-System Sales Revenues: Revenues received from the sale of natural gas to a party other than the Company's Oregon sales customers less costs associated with the sales transactions.
3. Variable Transportation Costs: Variable transportation costs, including pipeline volumetric charges, and other variable costs related to volumes of commodity delivered to sales customers.
4. Actual Non-Commodity Cost: Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release benefits, plus or minus actual pipeline refunds or surcharges.
5. Demand Costs: Fixed monthly pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity costs.
6. Capacity Release Benefits: This component includes revenues associated with pipeline capacity releases. The benefits to customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full pipeline rate, and 80% of the capacity release revenues in excess of full pipeline rates. Capacity release revenues shall be quantified on a transaction-by-transaction basis.
7. Estimated Weighted Average Cost of Gas (WACOG): The estimated WACOG for October 2006 is set at the company's WACOG for the period October 1, 2005 through September 30, 2006. This WACOG does not include any revenue-sensitive factors.
8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm for October 2006 is set at the calculated estimate for the period October 1, 2005, through September 30, 2006. This estimate does not include any revenue-sensitive factors.

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ISSUED August 31, 2006

EFFECTIVE October 1, 2006

ISSUED BY **CASCADE NATURAL GAS CORPORATION**

BY Jon T. Stoltz

TITLE Senior Vice President
Regulatory & Gas Supply

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The Estimated Cost of Gas per therm is as follows:

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	<u>COST OF GAS PER THERM</u>	<u>REVENUE SENSITIVE COSTS</u>	<u>COST OF GAS PER THERM RATE</u>
WACOG	\$.68892	2.321%	\$.70529
Non-Commodity Cost	\$.09661	↓	\$.09891
Total	\$.78553	2.321%	\$.80420

9. Actual Monthly Sales Volumes: Actual billed sales therms, adjusted for estimated unbilled therms, for firm and interruptible sales schedules.
10. Embedded Commodity Cost: The Estimated WACOG multiplied by the Actual Monthly Sales Volumes.
11. Embedded Non-Commodity Cost: The Estimated Non-Commodity Cost per Therm multiplied by the Actual Sales Volumes less interruptible sales volumes.
12. Financial Transactions: Cost of Financial Transactions related to gas supply, including but not limited to, hedges, swaps, puts, calls, options and collars that are exercised to provide price stability/control or supply reliability for sales service customers.
13. Gas Storage Facilities: The cost of natural gas for injections shall be the actual cost of purchasing and transporting the gas to the storage facility. Withdrawals of natural gas shall be valued at the weighted average cost of gas in the facility. Only the cost of natural gas withdrawn from Gas Storage Facilities will be included in the Actual Commodity Cost, as defined herein.

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CALCULATION OF MONTHLY GAS COST FOR DEFERRAL PURPOSES:

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The Company will maintain SUB-ACCOUNTS OF Account 191. Monthly entries into these sub-accounts shall be made to reflect the differences between: 1) the Actual Commodity Cost and the Embedded Commodity Cost, and 2) the Actual Non-Commodity Costs and the Embedded Non-Commodity Cost. The entries shall be calculated as follows:

1. A debit or credit entry shall be made equal to 100% of the difference between the Actual Non-Commodity Cost and the Embedded Non-Commodity Cost.
2. A debit or credit entry shall be made equal to 100% of the difference between the Actual Commodity Costs and the Embedded Commodity Costs.
3. Differentials shall be deemed to be positive if actual costs exceed embedded costs and to be negative if actual costs fall below embedded costs.
4. The cost differential entries shall be debited to the Account 191 sub-accounts if positive, and credited to the Account 191 sub-accounts if negative.
5. Interest- The Company shall not compute interest on the deferrals accrued during October 2006 until amortization begins November 1, 2007. The Company shall compute interest on existing deferred balances on a monthly basis using the interest rate(s) approved by the Commission.

AMORTIZATION OF ACCOUNT 191 SUB-ACCOUNT DEFERRALS:

The Account 191 sub-account balances shall be amortized over the twelve (12) month period commencing with the November 1 adjustment date or such other time period acceptable to the Company and the Commission. The amount of amortization for the Account 191 sub-accounts shall consist of an amount necessary to recover or return the amount accumulated in the sub-accounts and other deferral accounts.

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TIME AND MANNER OF FILINGS:

Applications must be made no later than 60 days in advance.

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AMOUNT OF ADJUSTMENT:

The amount of adjustment to be made to customers' rates effective on each November 1 adjustment date shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost and the change in amortization rates of the PGA Balancing Accounts as well as other deferral accounts as the Commission may approve.

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GENERAL RULES AND REGULATIONS:

This schedule is subject to the General Rules and Regulations contained in this tariff and to those prescribed by regulatory authorities. This schedule is an automatic adjustment clause as described in ORS 757.210(1) and is subject to the customer notification requirements as described in OAR 860-022-0017.

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