



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

*50*  
Years of making warm neighbors

May 15, 2006

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

Attention: Ms. Vikie Bailey-Goggins  
Administrator, Tariffs and Rate Analysis

Cascade Natural Gas Corporation provides the following in response to the Commission's April 4, 2006 letter requesting deferral account information for the purpose of reauthorizing a deferral for another year. The only accounts that Cascade needs to address are the deferrals associated with Conservation Cost Savings.

1) Description of the Expense

Cascade conducted demand side management (DSM) programs in Oregon beginning in 1993. Recovery of the margin losses generated by energy savings from Company sponsored DSM programs provides a mechanism for Cascade to pursue cost effective DSM opportunities. Beginning May 1, 2006, Cascade will implement its Conservation Alliance Plan (CAP) in Oregon, which will allow for deferrals due to weather and conservation by our customers as outlined by the plan. As part of this plan, Cascade will transfer its DSM programs to the Energy Trust of Oregon (ETO) with a target date of July 1, 2006. The CAP will effectively stop the deferrals due to lost margin beginning May 1<sup>st</sup>. Cascade will continue to defer program costs associated with its DSM programs until the programs are fully transferred to the ETO. This will most likely be done by the end of August at the latest. The CAP will only apply to rate schedule 101 & 104 customers. Cascade will continue to defer DSM costs associated with its 105 & 111 customers.

2) Reason for Reauthorization

Deferral was approved by Commission Order 93-1484 effective October 1, 1993. Deferral was authorized under ORS 757.259 and OAR 860-27-300 in order to minimize the frequency of rate changes or the fluctuations of rate levels. (ORS 757.259(2)(c)).

Cascade's Oregon tariff schedule 175 allows the Company to recover expenses associated with program investment costs and lost margins associated with energy savings resulting from approved demand side management (DSM) programs through a temporary rate adjustment, amortized over a one-year period to all system supply sales volumes. Effective May 1, 2006, tariff schedule 175 was modified to discontinue the deferrals of lost margins for customers on rate schedules 101 & 104 as a result of the implementation of the Company's Conservation Alliance Plan.

3) Deferral Accounts

*We make warm neighbors*

www.cngc.com

The DSM deferral is recorded as a debit by the Company in a subaccount of Account 186 (miscellaneous deferred debits).

4) Estimated Annual Deferral

Actual therm savings and resulting margin losses are impossible to predict. At this time, the Company's best estimate of deferrals over the next 12-month deferral period for DSM program costs and margin losses is a debit of about \$16,000, which is what Cascade deferred in July & August of last year. Cascade will discontinue its deferrals upon the implementation of the CAP that was discussed above in #1. The implementation is projected to be done by the end of August which is the basis for the annual deferral estimate of \$16,000. At this time, the company does not have an estimate of deferrals for customers on rate schedules 105 or 111.

5) Description and Explanation of Deferral Account Entries

Attached are the PTAC account detail sheets for the DSM programs identifying monthly deferral entries through March 2005.

6) Reasons to Continue Deferral Accounting


It is appropriate that deferral accounting be reauthorized for energy savings margin losses and program investment costs from approved Company sponsored DSM programs for the same reasons that originally established the deferral mechanism. Continuation of this deferral accounting will allow Cascade to be revenue neutral while still sponsoring cost effective energy efficiency DSM programs.

7) Previous OPUC Order

Authorization to defer energy savings margin losses and program investment costs from approved Company sponsored DSM programs was granted by the Commission in Order 93-1484 and reauthorization effective October 1, 1994, July 1, 1995, July 1, 1996, July 1, 1997, July 1, 1998, July 1, 1999, July 1, 2000, July 1, 2001, July 1, 2002, July 1, 2003, July 1, 2004 and July 1, 2005 in Order 94-1498, Order 95-692, Order 96-161, Order 97-252, Order 98-260, Order 99-431, Order 00-381, Order 01-554, Order 02-401, Order 03-351, Order 04-331, and Order 05-818 respectively.

Cascade seeks reauthorization of these deferral accounts for another 12-month period beginning July 1, 2006. Cascade trusts that the information supplied in this response is sufficient for Staff's purposes. If additional information is required to facilitate Staff's efforts, please contact me directly.

Sincerely,

  
Katherine J. Barnard  
Sr. Director, Regulatory Affairs

Enclosures

State: Oregon  
 Description: Equipment Rebate Program  
 Account number: 18604301-RA19  
 Class of customers: Core  
 Deferral period: 04/01/02-  
 Deferral Account Order:  
 Amortization period: 10/1/03 - 09/30/04

Narrative: Program Costs for the above approved DSM program deferred in accordance with Rate Schedule 175.

Debit (Credit)

Month/Year	Rate	Therms	Deferral	Amortization	Interest	Deferred Balance
Apr-02			2,056.14		0.00	2,056.14
May-02			3,500.00		16.90	5,573.04
Jun-02			850.00		44.34	6,467.38
Jul-02			6,850.00		53.17	13,370.55
Aug-02			4,950.00		109.92	18,430.47
Sep-02			9,000.00		146.64	27,577.11
Oct-02			4,000.00		226.72	31,803.83
Nov-02			14,950.00		253.04	47,006.87
Dec-02			14,300.00		386.46	61,693.33
Jan-03			18,400.00		507.20	80,600.53
Feb-03			12,400.00		598.52	93,599.05
Mar-03			11,000.00		769.51	105,368.56
Apr-03			5,100.00		838.33	111,306.89
May-03			4,950.00		915.10	117,171.99
Jun-03			9,850.00		932.24	127,954.23
Jul-03			12,000.00		1,051.96	141,006.19
Aug-03			6,600.00		1,159.26	148,765.45
Sep-03			5,250.00		1,183.60	155,199.05
Oct-03	(0.00217)	2,664,519	7,300.00	(5,782.01)	1,275.95	157,992.99
Nov-03	(0.00217)	5,792,100	9,800.00	(12,568.86)	1,257.02	156,481.15
Dec-03	(0.00217)	8,748,558	9,750.00	(18,984.37)	1,286.49	148,533.27
Jan-04	(0.00217)	11,034,482	11,150.00	(23,944.83)	1,221.15	136,959.59
Feb-04	(0.00217)	9,843,532	7,850.00	(21,360.46)	1,053.35	124,502.48
Mar-04	(0.00217)	7,585,753	5,500.00	(16,461.08)	1,023.58	114,564.98
Apr-04	(0.00217)	5,163,922	17,250.00	(11,205.71)	911.50	121,520.77
May-04	(0.00217)	3,666,166	2,350.00	(7,955.58)	999.07	116,914.26
Jun-04	(0.00217)	2,605,044	9,200.00	(5,652.95)	930.19	121,391.50
Jul-04	(0.00217)	2,020,782	8,000.00	(4,385.10)	998.00	126,004.40
Aug-04	(0.00217)	1,782,300	4,400.00	(3,867.59)	1,035.93	127,572.74
Sep-04	(0.00217)	2,336,190	1,850.00	(5,069.53)	1,014.99	125,368.20
Oct-04	(0.00182)	3,226,560	10,350.00	(5,872.34)	1,030.70	130,876.56
Nov-04	(0.00182)	5,703,265	6,050.00	(10,379.94)	1,041.28	127,587.90
Dec-04	(0.00182)	9,147,728	18,600.00	(16,648.86)	1,048.95	130,587.99
Jan-05	(0.00182)	10,859,565	9,300.00	(19,764.41)	1,073.61	121,197.19
Feb-05	(0.00182)	9,267,664	3,050.00	(16,867.15)	899.98	108,280.02
Mar-05	(0.00182)	8,164,945	16,100.00	(14,860.20)	890.21	110,410.03
Apr-05	(0.00182)	6,061,492	5,250.00	(11,031.92)	878.44	105,506.55
May-05	(0.00182)	3,910,961	5,650.00	(7,117.95)	867.41	104,906.01
Jun-05	(0.00182)	2,904,887	8,700.00	(5,286.89)	834.65	109,153.77
Jul-05	(0.00182)	2,035,676	6,650.00	(3,704.93)	897.39	112,996.23
Aug-05	(0.00182)	1,612,127	9,350.00	(2,934.07)	928.98	120,341.14
Sep-05	(0.00182)	1,962,605	7,100.00	(3,571.94)	957.45	124,826.65
Oct-05	(0.00153)	3,123,786	9,700.00	(4,779.39)	1,026.25	130,773.51
Nov-05	(0.00153)	5,273,955	4,800.00	(8,069.15)	1,040.46	128,544.82
Dec-05	(0.00153)	10,978,082	12,950.00	(16,796.47)	1,056.81	125,755.16
Jan-06	(0.00153)	10,881,638	13,900.00	(16,648.91)	1,033.88	124,040.13
Feb-06	(0.00153)	9,517,388	11,100.00	(14,561.60)	921.09	121,499.62
Mar-06	(0.00153)	10,031,957	8,300.00	(15,348.89)	998.89	115,449.62

State: Oregon  
Description: Lost Margins from Equipment Rebate Program  
Account number: 18604301-RA20  
Class of customers: Core  
Deferral period: 04/01/02-  
Deferral Account Order:  
Amortization period: 10/1/03 - 09/30/04

Narrative: Lost Margins associated with the above approved DSM program deferred in accordance with Rate Schedule 175. Related program costs deferred to account RA19

Debit (Credit)

Month/Year	Rate	Therms	Deferral	Amortization	Interest	Adjustments	Deferred Balance
Oct-02			431.07		0.00		431.07
Nov-02			516.18		3.43		950.88
Dec-02			583.43		7.82		1,541.93
Jan-03			936.86		12.68		2,491.47
Feb-03			1,168.47		18.50		3,678.44
Mar-03			1,474.16		30.24		5,182.84
Apr-03			1,546.60		41.24		6,770.68
May-03			1,681.73		55.66		8,508.07
Jun-03			81.86		67.69		8,657.62
Jul-03			93.88		71.18		8,822.68
Aug-03			429.25		72.53		9,324.46
Sep-03			785.80		74.19		10,184.45
Oct-03	(0.00015)	2,664,519	1,317.19	(399.68)	83.73		11,185.69
Nov-03	(0.00015)	5,792,100	2,359.43	(868.82)	89.00		12,765.30
Dec-03	(0.00015)	8,748,558	2,598.92	(1,312.28)	104.95	(1,027.25)	13,129.64
Jan-04	(0.00015)	11,034,482	2,751.32	(1,655.17)	107.94		14,333.73
Feb-04	(0.00015)	9,843,532	2,663.26	(1,476.53)	110.24		15,630.70
Mar-04	(0.00015)	7,585,753	3,063.27	(1,137.86)	128.51		17,684.62
Apr-04	(0.00015)	5,163,922	3,054.82	(774.59)	140.70		20,105.55
May-04	(0.00015)	3,666,166	3,368.39	(549.92)	165.30		23,089.32
Jun-04	(0.00015)	2,605,044	169.95	(390.76)	183.70		23,052.21
Jul-04	(0.00015)	2,020,782	173.52	(303.12)	189.52		23,112.13
Aug-04	(0.00015)	1,782,300	175.15	(267.35)	190.01		23,209.94
Sep-04	(0.00015)	2,336,190	177.42	(350.43)	184.66		23,221.59
Oct-04	(0.00037)	3,226,560	3,857.79	(1,193.83)	190.91		26,076.46
Nov-04	(0.00037)	5,703,265	3,904.17	(2,110.21)	207.47		28,077.89
Dec-04	(0.00037)	9,147,728	4,129.53	(3,384.66)	230.84		29,053.60
Jan-05	(0.00037)	10,859,565	4,408.77	(4,018.04)	238.86		29,683.19
Feb-05	(0.00037)	9,267,664	4,144.88	(3,429.04)	220.42		30,619.45
Mar-05	(0.00037)	8,164,945	4,623.02	(3,021.03)	251.73		32,473.17
Apr-05	(0.00037)	6,061,492	4,728.84	(2,242.75)	258.36		35,217.62
May-05	(0.00037)	3,910,961	4,964.31	(1,447.06)	289.54		39,024.41
Jun-05	(0.00037)	2,904,887	232.54	(1,074.81)	310.48		38,492.62
Jul-05	(0.00037)	2,035,676	233.85	(753.20)	316.46		38,289.73
Aug-05	(0.00037)	1,612,127	254.42	(596.49)	314.79		38,262.45
Sep-05	(0.00037)	1,962,605	262.26	(726.16)	304.42		38,102.97
Oct-05	(0.00056)	3,123,786	5,581.42	(1,749.32)	313.26		42,248.33
Nov-05	(0.00056)	5,273,955	5,560.85	(2,953.41)	336.13		45,191.90
Dec-05	(0.00056)	10,978,082	5,835.51	(6,147.73)	371.54		45,251.22
Jan-06	(0.00056)	10,881,638	6,043.87	(6,093.72)	372.03		45,573.40
Feb-06	(0.00056)	9,517,388	5,579.14	(5,329.74)	338.42		46,161.22
Mar-06	(0.00056)	10,031,957	6,333.23	(5,617.90)	379.51		47,256.06

State: Oregon  
 Description: Commercial Conservation Program  
 Account number: 18604301-RA32  
 Class of customers: Core  
 Deferral period: 11/1/05 - 10/31/07  
 Deferral Account Order:  
 Amortization period: Not yet being amortized

Narrative: Program Costs for the above approved Conservation program deferred in accordance with Rate Schedule 175.

Debit (Credit)

Month/Year	Rate	Therms	Deferral	Amortization	Interest	Adjustments	Deferred Balance
Nov-05			0.00				0.00
Dec-05			0.00		0.00		0.00
Jan-06			0.00		0.00		0.00
Feb-06			2,296.50		0.00		2,296.50
Mar-06			0.00		18.88		2,315.38