



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

**CNG/006-08-06**

August 31, 2005

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 November 1, 2006:

**Seventh Revision Sheet No. 177, Canceling Sixth h Revision Sheet No. 177.  
Ninth Revision Sheet No. 177-A, Canceling Eighth Revision Sheet No. 177-A.  
Nineteenth Revision Sheet No. 177-B, Canceling Eighteenth Revision Sheet No. 177-B.  
Eighty Seventh Revision Sheet No. 191, Canceling Eighty Sixth Revision Sheet No. 191.  
Forty First Revision Sheet No. 194, Canceling Fortieth Sheet No. 194**

The purpose of this filing is to pass on a change in Cascade's gas cost, which is scheduled to occur annually as a result of the provisions established in Purchase Gas Adjustment (PGA) Tariff Schedule No. 177. The purchased gas cost change proposed in this filing resulted from changes in the cost of commodity gas supply and transportation capacity, and realignment of existing firm transportation capacity. In accordance with the PGA methodology, amortization of outstanding deferred gas cost balances is also developed in this filing.

The rate adjustments proposed in this filing are consistent with the Oregon Public Utility Commission Staff's recommendations with regard to rate spread requirements and amortization procedures.

The overall impact of the proposed changes results in an increase of 6.16% for residential customers served on Rate Schedule No. 101, of 6.98% and 7.31% for customers served on Rate Schedule Nos. 104 and 105 respectively, and of 7.62% for large volume firm customers served on Rate Schedule No. 111.

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Oregon Public Utility Commission  
Page 2  
August 31, 2006

Attached in support of this filing are Exhibits 1 through 3. Exhibit 1 contains schedules developing the level of the per therm gas cost change consistent with the procedures described in PGA Rate Schedule No. 177. Exhibit 2 contains the development of deferral account amortizations. Exhibit 3 contains Application for Reauthorization of deferral accounts associated with the PGA's Deferred Gas Cost Balancing Account and wholesale gas costs as well as the subject tariff revisions summarized above.

The Company agrees to rate adjustments and refunds should the Commission determine that these rates have been inappropriately calculated. Any rate adjustments and refunds will be retroactive to November 1, 2006, provided that the Commission advises the Company of the necessity for such rate adjustment or refunds within 30 days after the effective date of these rates.

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

Sincerely,



Jon T. Stoltz  
Issuing Officer

JTS:ck

Enclosures

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 the period November 1, 2006 through October 31, 2007 is calculated by the following formula: (Normalized Purchases at Adjusted Contract Prices) divided by (last year's (i.e., July 1 – June 30) actual sales volumes, weather-normalized).
  - a. "Normalized Purchases" means last year's (July 1 – June 30) actual sales volumes, "weather-normalized", plus a percentage for distribution system LUFG.
  - b. "Weather-normalized" means normalizing assumptions and methods set at the utility's last rate case.
  - c. "Distribution system embedded LUFG" means the 5-year average of actual distribution system LUFG not to exceed 2%.
  - d. "Adjusted contract prices" means actual and projected contract prices that are adjusted by each associated Canadian pipeline's published (closest to August 1) fuel use and line loss amount provided for by tariff, and by each associated U.S. pipeline's tariffed rate.

(N)

-Continued Next page-

**CNG/O06-08-06**

ISSUED August 31, 2006

EFFECTIVE November 1, 2006

**ISSUED BY CASCADE NATURAL GAS CORPORATION**

BY Jon T. Stoltz

TITLE Senior Vice President  
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

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

(Continued from Previous Page)

8. Estimated Non-Commodity Cost per Therm: The estimated Non-Commodity Cost per therm is set at the calculated estimate for the period November 1, 2006 through October 31, 2007. This estimate does not include any revenue-sensitive factors. (N)

The Estimated Cost of Gas per therm is as follows:

	<u>COST OF GAS PER THERM</u>	<u>REVENUE SENSITIVE COSTS</u>	<u>COST OF GAS PER THERM RATE</u>
WACOG	\$ .72872	2.321%	\$ .74604
Non-Commodity Cost	\$ .12983	↓	\$ .13292
Total	\$ .85855	2.321%	\$ .87896

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 October Calendar 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.

(N)

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EFFECTIVE November 1, 2006

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BY \_\_\_\_\_  
 Jon T. Stoltz

TITLE Senior Vice President  
Regulatory and Gas Supply

CASCADE NATURAL GAS CORPORATION

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

(Continued from Previous Page)

**CALCULATION OF MONTHLY GAS COST FOR DEFERRAL PURPOSES:**

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 67% of the difference between the Actual Commodity Costs and the Embedded Commodity Costs. (T)
3. Differentials shall be deemed to be positive if the actual cost exceeds 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 November 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. (T)

**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.

**TIME AND MANNER OF FILINGS:**

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

**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.

**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.

CNG/O06-08-06

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EFFECTIVE November 1, 2006

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BY Jon T. Stoltz

TITLE Senior Vice President  
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

TEMPORARY RATE ADDITION  
SCHEDULE NO. 191

**APPLICABLE:**

The temporary rate addition applies to gas service rendered by the Company under the tariff of which this schedule is a part for service on and after the effective date hereof and shall be in addition to all rates and charges specified in this tariff.

**RATES:**

Each of the charges specified in the schedules for gas service hereinafter listed shall be adjusted by the following per therm increase or (decrease) or appropriate multiple thereof in determining annual minimum bill, if any:

<u>Rate Schedule</u>	<u>Amount</u>	
Schedule 101	\$.07476	(1)
Schedule 104	\$.07476	
Schedule 105	\$.07476	
Schedule 111	\$.07476	
Schedule 112	\$.07476	
Schedule 126	\$.07476	
Schedule 170	\$.07476	(1)

**LIMITATION:**

This temporary rate addition shall remain in effect until cancelled pursuant to order of the Oregon Public Utility Commission.

**SPECIAL TERMS AND CONDITIONS:**

The rates named herein are subject to increases as set forth in Schedule No. 100 Municipal Exactions.

CNG/O06-08-06

ISSUED August 31, 2006

EFFECTIVE November 1, 2006

ISSUED BY CASCADE NATURAL GAS CORPORATION

BY \_\_\_\_\_  
Jon T. Stoltz

TITLE Senior Vice President  
Regulatory and Gas Supply

CASCADE NATURAL GAS CORPORATION

TEMPORARY RATE ADDITION  
SCHEDULE NO. 194

**APPLICABLE:**

This temporary rate addition applies to gas service rendered by the Company under the tariff of which this schedule is a part for service on and after the effective date hereof and shall be in addition to all rates and charges specified in this tariff.

**RATES:**

Each of the charges specified in the schedules for gas service hereinafter listed shall be adjusted by the following per therm increase or (decrease) or appropriate multiple thereof in determining annual minimum bill, if any:

<u>Core Rate Schedules</u>	<u>Amount</u>	
Schedule 101	(\$.00293)	(1)
Schedule 104	(\$.00293)	(1)
Schedule 105	(\$.00293)	(1)
Schedule 111	(\$.00293)	(1)
Schedule 112	(\$.00293)	(1)
Schedule 126	(\$.00293)	(1)
Schedule 170	(\$.00291)	(1)
<u>Interruptible Distribution Transportation Rate Schedules</u>	<u>Amount</u>	
Schedule 163 -All Rate Blocks	(\$.00003)	(1)
Schedule 164		
First 10,000 Therms	(\$.00003)	(1)
Next 10,000 Therms	(\$.00003)	
Next 30,000 Therms	(\$.00003)	
Next 50,000 Therms	(\$.00003)	
Next 400,000 Therms	(\$.00003)	
Over 500,000 Therms	\$.00000	
Schedule 185 -All Commodity Therms	\$.00000	
Schedule 186 -All Commodity Therms	\$.00000	

**LIMITATION:**

This temporary rate addition shall remain in effect until cancelled pursuant to order of the Oregon Public Utility Commission.

**SPECIAL TERMS AND CONDITIONS:**

The rates named herein are subject to increases as set forth in Schedule No. 100 Municipal Exactions.

CNG/O06-08-06

ISSUED August 31, 2006

EFFECTIVE November 1, 2006

ISSUED BY CASCADE NATURAL GAS CORPORATION

BY \_\_\_\_\_  
Jon T. Stoltz

TITLE Senior Vice President  
Regulatory and Gas Supply

Before the  
OREGON PUBLIC UTILITY COMMISSION

EXHIBIT 1

Cascade Natural Gas Corporation

August 31, 2006



Cascade Natural Gas Corporation  
 OREGON 2006 GAS COST TRACKING APPLICATION  
 CHANGE IN SYSTEM SUPPLY GAS COSTS RATES

State of Oregon

Line No. (a)	Description (b)	Percent of Gross Revenue (c)	AVERAGE BASE GAS COST CHANGE (d)
1	Change in Average WACOG		\$ 0.03980
2	Change in Non-Commodity Cost Rate		\$ 0.03322
3	SUBTOTAL		\$ 0.07302
<b>REVENUE SENSITIVE COST PERCENTIAGES</b>			
4	Provision for Uncollectibles	0.286%	
5	City Franchise Fees	1.835%	
6	Gross Revenue Fee	0.200%	
7	TOTAL	2.321%	
8	CHANGE IN RATES		
9	(Divide TOTAL Line 3 By [1-0.02321])		<u>\$0.07476</u>

Cascade Natural Gas Corporation  
OREGON 2005 GAS COST TRACKING APPLICATION  
AVERAGE BASE GAS COST DEVELOPMENT  
DEVELOPMENT OF EMBEDDED PIPELINE AND SUPPLY RATES

LINE NO.	UNITS	OCT 1, 2005 RATE	AMOUNT	SALES THERMS	COMMODITY COST OF GAS	FIXED COST OF GAS	
1	363,020	\$7.45445	\$2,706,113		\$ 268,435	\$ 2,437,678	
2	66,733,285	\$0.68266	\$45,556,124	66,462,258	\$ 45,556,124		
3	211,902	\$6.71140	\$1,422,163			\$ 1,422,163	
4	36,000	\$4.65055	\$167,420			\$ 167,420	
5	74,460	\$3.57128	\$265,917			\$ 265,917	
6	203,800	\$4.65056	\$947,784			\$ 947,784	
7	46,411,637	\$0.00059	\$27,423		\$ 27,423		
8	195,395	\$10.13240	\$1,979,821			\$ 1,979,821	
9	26,348,720	\$0.00319	\$84,052		\$ 84,052		
10	66,660	\$0.94900	\$63,260			\$ 63,260	
11	673,906	\$0.12116	\$81,664			\$ 81,664	
12	673,906	\$0.65443	\$441,025	673,906	\$ 441,025		
13	673,906	\$0.05569	\$37,528			\$ 37,528	
14	673,906	\$0.03933	\$26,506			\$ 26,506	
15	673,906	\$0.00303	\$2,042			\$ 2,042	
16	1,711	\$10.13240	\$17,339			\$ 17,339	
17	673,906	\$0.00300	\$2,022		\$ 2,022		
18	18,437	\$0.61649	\$11,366			\$ 11,366	
19	688,521	\$0.02263	\$15,581			\$ 15,581	
20	688,521	\$0.58067	\$399,806	688,521	\$ 399,806		
21	688,521	\$0.03490	\$24,028			\$ 24,028	
22	1,840	\$10.13240	\$18,641			\$ 18,641	
23	688,521	\$0.00300	\$2,056		\$ 2,056		
24	16,665	\$4.32964	\$72,153			\$ 72,153	
25	548,169	\$0.56475	\$320,539	548,169	\$ 320,539		
26	1,461	\$10.13240	\$14,804			\$ 14,804	
27	548,169	\$0.00300	\$1,645		\$ 1,645		
28	Capacity Release						(\$1,000,000)
			(\$1,000,000)				

28 EMBEDDED COST OF GAS \$53,708,829 68,372,854 \$47,103,135 \$0.68892 \$6,505,694 = \$0.09561 \$0.78553

Cascade Natural Gas Corporation  
 OREGON 2006 GAS COST TRACKING APPLICATION  
 AVERAGE CURRENT GAS COST DETERMINATION  
 DEVELOPMENT OF CURRENT PIPELINE AND SUPPLY RATES

LINE No.		UNITS	OCT 1, 2006 RATE	AMOUNT	SALES THERMS	COMMODITY COST OF GAS	FIXED COST OF GAS
1	COMPANY CONTRACT RESERV FEE	352,633	\$7.90841	\$2,788,767		\$252,093	\$2,536,675
2	COMPANY CONTRACT COMMODITY	66,151,232	\$0.71865	\$47,539,746	65,524,616	\$47,539,746	
3	PGT T-1	211,814	\$11.39453	\$2,413,521			\$2,413,521
4	PGT T-1 (Malin)	36,000	\$6.67651	\$240,354			\$240,354
5	PGT T-3 (Expansion)	74,460	\$4.14571	\$308,690			\$308,690
6	GTN 2003 Expansion	203,800	\$6.67651	\$1,360,672			\$1,360,672
7	PGT COMMODITY	47,991,088	\$0.00168	\$80,706		\$80,706	
8	NWP TF-1 DEMAND	194,174	\$14.98181	\$2,909,078			\$2,909,078
9	NWP TF-1 COMMODITY	22,089,271	\$0.00094	\$20,676		\$20,676	
10	LS-1 DEMAND	66,358	\$1.11742	\$74,149			\$74,149
11	LS-1 CAPACITY	539,445	\$0.14276	\$77,013			\$77,013
12	LS-1 COMMODITY	539,445	\$0.66787	\$360,279	539,445	\$360,279	
13	LS-1 LIQUEFACTION	539,445	\$0.06411	\$34,584			\$34,584
14	LS-1 INVENTORY	539,445	\$0.04014	\$21,653			\$21,653
15	LS-1 VAPORIZATION	539,445	\$0.00418	\$2,257			\$2,257
16	TF-2 TRANSPORTATION CAPACITY	1,703	\$14.98181	\$25,521			\$25,521
17	TF-2 TRANSPORTATION COMMODITY	539,445	\$0.00076	\$408		\$408	
18	SGS-1 DEMAND	18,353	\$0.59977	\$11,007			\$11,007
19	SGS-1 CAPACITY	579,889	\$0.02202	\$12,770			\$12,770
20	SGS-1 COMMODITY	579,889	\$0.61598	\$357,198	579,889	\$357,198	
21	SGS-1 INVENTORY	579,889	\$0.03702	\$21,468			\$21,468
22	TF-2 TRANSPORTATION CAPACITY	1,831	\$14.98181	\$27,437			\$27,437
23	TF-2 TRANSPORTATION COMMODITY	579,889	\$0.00076	\$438		\$438	
24	WINTER PEAKING RESERVATION (WWP)	16,589	\$6.85470	\$113,713			\$113,713
25	WINTER PEAKING COMMODITY	460,571	\$0.62626	\$288,439	460,571	\$288,439	
26	TF-2 TRANSPORTATION CAPACITY	1,454	\$14.98181	\$21,790			\$21,790
27	TF-2 TRANSPORTATION COMMODITY	460,571	\$0.00076	\$348		\$348	
28	Capacity Release			(\$1,500,000)			(\$1,500,000)
29	TOTAL AVERAGE CURRENT GAS COSTS			\$57,612,682	67,104,521	\$48,900,330	\$8,712,352

Cascade Natural Gas Corporation  
 REVENUE UNDER PROPOSED RATES BASED UPON  
 NORMALIZED TEST PERIOD THERM SALES AND REVENUES FOR THE TWELVE MONTHS  
 ENDED 06/30/06 RESTATED AT 10/01/05 RATES  
 State of Oregon

Line	Description (a)	Rate Schedule (b)	Average Number of Bills (c)	Actual Therms Sold (d)	Weather Normalized Therms Sales (e)	Actual Revenue (f)	Revenue @ 10/01/05 Rates (g)	Weather Normalized Revenue @ 10/01/05 Rates (h)	Proposed Per Therm Change (i)	Revenue Impact of Per Therm Change (g)	Resulting Percentage Change (h)	
<b>CORE MARKET SERVICE</b>												
1	Residential	101	48,083	36,720,131	35,694,282	\$ 42,382,559	\$ 43,303,222	\$ 42,167,536	\$0.07476	\$ 2,668,505		
2	General Service			513,000	513,000	573,703	586,165	586,165	\$0.07476	38,952		
3	Unbilled Sales @ 06/30/06			623,500	623,500	610,706	623,972	623,972	\$0.07476	46,613		
4	Less Unbilled Sales @ 06/30/05			36,609,631	35,583,782	\$ 42,345,556	\$ 43,265,416	\$ 42,129,730		\$ 2,660,244	6.31%	
5	Total											
6	Commercial	104	8,193	27,904,756	26,538,199	\$ 27,344,980	\$ 28,121,022	\$ 27,653,620	\$0.07476	\$ 1,983,996		
7	General Service			420,980	420,980	429,404	441,590	441,590	\$0.07476	31,472		
8	Unbilled Sales @ 06/30/06			511,316	511,316	451,184	463,988	463,988	\$0.07476	38,226		
9	Less Unbilled Sales @ 06/30/05			25,767	25,767	29,512	30,349	30,349	\$0.07476	1,926		
10	Less Company Use			26,888,654	26,422,097	\$ 27,293,688	\$ 28,068,274	\$ 27,600,872		\$ 1,975,316	7.16%	
11	Total											
12	Com-Ind Dual Service	111	6	388,943	382,223	\$ 355,338	\$ 371,170	\$ 365,096	\$0.07476	\$ 28,575		
13	Large Volume - Commercial			8,420	8,420	7,781	8,128	8,128	\$0.07476	629		
14	Unbilled Sales @ 06/30/06			17,584	17,584	13,867	14,485	14,485	\$0.07476	1,315		
15	Less Unbilled Sales @ 06/30/05			1,568,621	1,568,621	1,426,858	1,495,282	1,495,282	\$0.07476	117,270		
16	Large Volume - Industrial			1,948,399	1,941,679	\$ 1,776,110	\$ 1,860,095	\$ 1,854,021		\$ 145,160	7.83%	
17	Total											
18	Industrial Firm	105	91	3,156,963	3,156,963	\$ 3,056,065	\$ 3,134,988	\$ 3,134,988	\$0.07476	\$ 236,015	7.53%	
19	General Service			0	0	0	0	0	\$0.07476	0	0.00%	
20	Industrial Interruptible	170	56,383	68,603,647	67,104,821	\$ 74,471,420	\$ 76,328,773	\$ 74,719,611		\$ 5,016,734	6.71%	
21	General Service			0	0	0	0	0	\$0.07476	0	0.00%	
22	TOTAL CORE MARKET											
23	NONCORE MARKET SERVICE											
24	Gas Supply (R/S 181,182,183,187)			14,305,120	14,305,120	\$ 12,498,701	\$ 12,498,701	\$ 12,498,701	\$0.00000	0	0.00%	
25	Transportation (R/S 185,186,785,786)			1,805,734	1,805,734	35,274	35,274	35,274	\$0.00000	0	0.00%	
26	Distribution (R/S 163,164,902)			277,905,402	277,905,402	\$ 4,111,356	\$ 3,788,760	\$ 3,788,760	\$0.00000	0	0.00%	
27	Less Unbilled Sales @ 06/30/05			277,905,402	277,905,402	\$ 16,645,332	\$ 16,322,735	\$ 16,322,735		0		
28	TOTAL NONCORE											
29	TOTAL CORE & NON-CORE											
30	Adjustments											
31	City Excavation Tax			0	0	823,240	823,240	823,240	\$	0		
32	Billing/Tech. Adjustments			1,017,963	1,017,963	\$ 1,017,963	\$ 1,017,963	\$ 1,017,963	\$	0		
33	Other Operating Revenue			(84,071)	(84,071)	(84,071)	(84,071)	(84,071)	\$	0		
34	Other Operating Revenue			(110,652)	(110,652)	(110,652)	(110,652)	(110,652)	\$	0		
35	Overrun Penalty Revenue			0	0	0	0	0	\$	0		
36	TOTAL ADJUSTMENTS											
37	TOTAL											
38	TOTAL											

<sup>a</sup> Therms shown represent both Cascade and Customer Owned supplies.  
<sup>b</sup> Only shows therms supplied under Cascade's agreements with Northwest Pipeline & Pacific Gas Transmission.

**Before the**  
**OREGON PUBLIC UTILITY COMMISSION**

**EXHIBIT 2**

**Cascade Natural Gas Corporation**

**August 31, 2006**



Cascade Natural Gas Corporation  
 3% TEST DETERMINATION FOR DEFERRED ACCOUNT AMORTIZATION REVIEWS  
 State of Oregon

	<u>AMORTIZATION</u>		<u>AMOUNT</u>
<u>PROPOSED AMORTIZATIONS</u>	<u>RATE</u>	<u>THERMS</u>	
Actual Recorded Revenues for the 12 Month Period Ending 06/30/06			\$91,939,992
FIRM CORE MARKET CUSTOMERS Net Effective Rate	(\$0.01505)	67,104,521	(\$1,009,723)
CORE MARKET CUSTOMERS Net Effective Rate	(\$0.01504)	67,104,521	(\$1,009,252)
NONCORE DISTRIBUTION CUSTOMERS Net Effective Rate	\$0.00001	19,507,834	\$116
 SUBTOTAL - PROPOSED AMORTIZATIONS			 (\$2,018,859)
Ratio: Proposed Amortizations to Earnings			-2.20%

Before the  
**OREGON PUBLIC UTILITY COMMISSION**

**EXHIBIT 3**

**Cascade Natural Gas Corporation**

**August 31, 2006**



Cascade Natural Gas Corporation  
 DERIVATION OF PROPOSED RATE LEVEL CHANGE  
 BY RATE SCHEDULE  
 State of Oregon

NONCORE MARKET RATE SCHEDULES

CORE MARKET RATE SCHEDULES

Line No.	Description	R/S 101	R/S 104	R/S 105	R/S 111	R/S 170	R/S 163	R/S 164 [1]
Proposed Per Therm Changes								
1	Gas Cost Change (Rate Schedule 191)	0.07476	0.07476	0.07476	0.07476	0.07476		
2	Technical Adjustment Change (Rate Schedule 194)	-0.00293	-0.00293	-0.00293	-0.00293	-0.00291	-0.00003	-0.00003
4	Total	<u>\$0.07183</u>	<u>\$0.07183</u>	<u>\$0.07183</u>	<u>\$0.07183</u>	<u>\$0.07185</u>	<u>(\$0.00003)</u>	<u>(\$0.00003)</u>

[1] Based upon OPUC Staff direction, this adjustment rate does not apply to the R/S 164 2 Cent/Therm Tail Block Rate.

CASCADE NATURAL GAS CORPORATION  
 Summary of Proposed Rates and Revenues  
 Effective 10/01/06

Ln	Customer Class	Schedule	Current Commodity Rate	Current Average Total Rate /2	Proposed Changes			Proposed Average Total Rate /2	Proposed Commodity Rate	Normalized Therm Sales/Throughput (k)	
					PGA Base Gas Cost	Temporary Rate Remove 05	Temporary Rate Add New				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)=e+f+g	(i)=d+h	(j)=d+h	
<b>CORE MARKET SERVICE</b>											
1	Residential	101	111.833	116.698	7.476	1.246	(1.539)	7.183	123.881	119.016	35,583,782
2	Commercial	104	101.813	102.929	7.476	1.246	(1.539)	7.183	110.112	108.996	26,422,097
3	Com-Ind Dual	111	94.286	94.286	7.476	1.246	(1.539)	7.183	101.469	101.469	1,941,679
4	Industrial Firm	105	97.832	98.247	7.476	1.246	(1.539)	7.183	105.430	105.015	3,156,963
5	Industrial Interr.	170	91.482	91.482	7.476	1.247	(1.538)	7.185	98.667	98.667	0
<b>NONCORE MARKET SERVICE</b>											
6	Distribution Transportation	Schedule Nos. 163 & 164					0.000				23,477,749
<b>Blocking</b>											
7	R/S 163 & 164	First 10,000	12.651		0.000	(0.004)	0.001	(0.003)	12.648		2,615,056
8	R/S 163 & 164	Next 10,000	11.437		0.000	(0.004)	0.001	(0.003)	11.434		2,092,775
9	R/S 163 & 164	Next 30,000	10.761		0.000	(0.004)	0.001	(0.003)	10.758		4,281,872
10	R/S 163 & 164	Next 50,000	6.705		0.000	(0.004)	0.001	(0.003)	6.702		3,893,447
11	R/S 163 & 164	Next 100,000	3.524		0.000	(0.004)	0.001	(0.003)	3.521		10,594,598
12	R/S 164 ONLY	Over 500,000	2.000		0.000	0.000	0.000	0.000	2.000		1,263,053

**REVENUES (in dollars)**

Customer Class	Schedule	Proposed Changes			Revenue at Current Avg Rates /2	PGA Base Gas Cost	Temporary Rate Remove 04	Temporary Rate Add New	Total Change	Revenue at Proposed Avg Rates /2	Percent Change /2
		(a)	(b)	(c)							
	(a)	(b)	(c)	(d)	(e)	(f)	(g)=d+e+f	(h)=o+g	(i)=h/c		
<b>CORE MARKET SERVICE</b>											
13	Residential	101	\$41,525,396	\$2,660,244	\$443,374	(\$547,634)	\$2,555,983	\$44,081,379	6.16%		
14	Commercial	104	\$27,196,068	\$1,975,316	\$329,219	(\$406,636)	\$1,897,899	\$29,093,967	6.98%		
15	Com-Ind Dual	111	\$1,830,732	\$145,160	\$24,193	(\$29,882)	\$139,471	\$1,970,203	7.62%		
16	Industrial Firm	105	\$3,101,636	\$236,015	\$39,336	(\$48,586)	\$226,765	\$3,328,401	7.31%		
17	Industrial Interr.	170	\$0	\$0	\$0	\$0	\$0	\$0	0.00%		
<b>NONCORE MARKET SERVICE</b>											
18	Dist Transportation	163/164	\$1,854,624	\$0	(\$939)	\$235	(\$704)	\$1,853,920	-0.04%		
19	Other		\$12,533,975	\$0	\$0	\$0	\$0	\$12,533,975	0.00%		
20	Total Revenues		<u>\$88,042,431</u>	<u>\$5,016,734</u>	<u>\$835,183</u>	<u>(\$1,032,504)</u>	<u>\$4,819,413</u>	<u>\$92,861,845</u>	<u>5.47%</u>		

1/ R/S 163 & 164 Volumes exclude therms in \$.02 tail block since OPUC directive establishes that this block is not affected by any rate changes.  
 2/ Reflects inclusion of monthly customer service charges, which does not change in this tracking filing, as well as division of costs by normalized therms sales.

Cascade Natural Gas Corporation  
 AVERAGE MONTHLY USE AND COST BY RATE SCHEDULE  
 TWELVE MONTHS ENDED 06/30/05  
 State of Oregon

Line No.	Rate Schedule	Average Normalized Monthly Therms	AVERAGE MONTHLY REVENUE				Monthly Change
			As Billed	Normalized 10/1/05 Rates	Proposed Rates Using Therm Adj		
(a)	(b)	(c)	(d)	(e)	(f)		
1	101	62 \$	73.45 \$	71.97 \$	76.40 \$	4.43	
2	104	270 \$	278.14 \$	276.63 \$	295.93 \$	19.30	
3	105	2,888 \$	2,796.03 \$	2,837.73 \$	3,045.20 \$	207.47	
4	111	9,853 \$	9,000.99 \$	9,246.12 \$	9,950.52 \$	704.40	
5	170	0 \$	0 \$	0 \$	0 \$	-	

Advise No. CNG\006-08-04

**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

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, on a monthly basis, over an established annual period. 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-B, 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 annualized 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 annual 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 12-month deferred reauthorization for the period November 1, 2006 through October 31, 2007.

#### 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