

CASCADE NATURAL GAS CORPORATION

RULES & REGULATIONS

RULE 20- UNBUNDLED DISTRIBUTION SYSTEM TRANSPORTATION SERVICE RULES

PURPOSE:

The purpose of this provision is to define the operating obligations and conditions for the those customers utilizing unbundled distribution system transportation services under Schedules 663 of this tariff .

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OPERATING OBLIGATIONS AND CONDITIONS :

1. Customer served on Schedules 663 are required to report estimated gas supply requirements for the upcoming month at least by the 15th day of the current month, in order to provide the Company with information for gas supply acquisition purposes. Such estimate shall include any scheduled down time or increased production time.

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Customer served on Schedules 663 are required to report estimated gas transportation requirements daily to the Company's gas management department at least thirty-two (32) hours prior to the beginning of each gas day, unless other arrangements are agreed upon in writing with the Company. Such estimated requirement shall be considered as customer's daily nomination. The gas day shall be as defined in Company Rule No. 2. Such daily nomination will separately identify gas quantities, if any, pursuant to obligations 3 and 4 below, as well as transporting pipeline for compression and line loss "fuel".) In the event the Company determines that customer's actual consumption is out of balance with customer's nomination, the Company shall inform customer of the adjustments necessary to get back in balance. Changes to a customers' daily nomination are allowed during the gas day provided the change is communicated to the Company (2) hours prior to the upstream pipeline's renomination.

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Failure to report estimated gas transportation requirements or comply with the written arrangements shall be considered as a zero (0) nomination for such gas day and may result in the penalties described in No. 6, below.

2. Customer served on Schedules 663 are required to notify the Company's gas management department in advance of operating changes that would cause actual gas day consumption to vary, either up or down, by 10% or more from the reported gas day estimate. Such notification may mitigate potential penalties but will not indemnify customer from the responsibility for penalties described in No. 6, below.

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3. Each customer served on Schedule 663 shall be required to satisfy any monthly imbalance condition as such conditions are specified within Williams' Northwest Pipeline System FERC Tariff, Section 15. Upon notification by the Company that customer has an imbalance greater than 5,000 MMBtu or 5%, the customer will have 45 non-entitlement days to eliminate any such imbalance. The Company will bill the customer an imbalance penalty if the customer has not completely satisfied such imbalance condition. These non-entitlement penalties are "\$10.00 per MMBtu on the imbalance over the greater of 5,000 MMBtu or 5%" on a monthly basis.

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BY AUTH. OF WASH. UTILITIES & TRANSPORTATION COMM. EXEC. SECRETARY LETTER, DATED 1/18/07, DOCKET UG-060256

By Authority of the Commission's Order-05 in Docket No. UG-060256

ISSUED January 16, 2007

EFFECTIVE January 19, 2007

ISSUED BY CASCADE NATURAL GAS CORPORATION

BY 
Jon T. Stoltz

TITLE Senior Vice President
Regulatory & Gas Supply

CASCADE NATURAL GAS CORPORATION

RULES & REGULATIONS

RULE 20- UNBUNDLED DISTRIBUTION SYSTEM TRANSPORTATION SERVICE RULES (continued from previous page)

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OPERATING OBLIGATIONS AND CONDITIONS (continued)

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- 5. Company shall determine customer's daily gas supply entitlement based upon customer's gas requirements forecast and resulting nomination after Company has considered any curtailment of pipeline or distribution system capacity constraints and gas supply constraints. Such daily gas supply entitlements shall include the summation of all gas supply options and optional balancing service daily volumetric level contracted for by customer. Company shall notify customer in the event that the gas supply entitlement is less than customer's gas nomination(s).
- 6. Penalties incurred by Company from Williams' Northwest Pipeline as a result of nomination imbalance or an unauthorized overrun, will be passed on directly to those customer(s) or groups of customers whose take levels contribute to the imposition of the penalty. Such penalty shall be allocated among such customers, including Company's system supply customers, in proportion to the nomination imbalance or unauthorized overrun associated with each customer or group of customers.
- 7. The Company shall designate the daily volume of gas delivered to the customer under this schedule in the following sequence as applicable, unless other sequencing has been agreed to in writing by the Company:
 - a) First - The volume of system supplies which are scheduled to be made a portion of customer's gas supply nomination, if any.
 - b) Second - If customer is providing a portion of its gas supply requirement with customer owned gas supplies, the volume of banked customer owned gas supplies, if any, shall be delivered prior to any other non system supply.
 - c) Third - The volume of optional firm gas supply scheduled to be delivered, if any.
 - d) Fourth - The volume of spot market gas supply scheduled to be delivered, if any.
 - e) Fifth - The volume of customer purchased supplies scheduled for delivery, if any.

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AUTOMATIC ASSIGNMENT TO THE COMPANY OF GAS SUPPLY TO SERVE PRIORITY 1 AND 2 CUSTOMERS:

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In the event of a curtailment situation under which the Company is required to curtail System Supply firm customers, Company may automatically take assignment of customer-owned gas supplies in order to protect service to the Company's priority 1 and 2 customers, as defined in Rule 17. In the event of such assignment, Company shall compensate customer with a credit equal to the Gas Daily-midpoint price at the source of the supply for all volumes assigned plus a penalty credit of \$0.60 per therm on all but the 1st 5% of customer's daily entitlement under this schedule.

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UNAUTHORIZED USE OF GAS DURING CURTAILMENTS:

In the event of failure of customer's supplies or if capacity is preempted for service entitled to higher priorities than service to customer, Company may curtail deliveries to customer. Gas taken by customer under by reason of customer's failure to comply with Company's curtailment order shall be considered as an unauthorized overrun volume. Company shall bill and customer shall pay for such unauthorized overrun at the rate of \$0.60 per therm for all gas used in excess of 105% of the customer's gas day allocation plus the incremental costs of any supplemental gas supplies the Company may have had to purchase to cover such unauthorized use, in addition to the regular charges incurred in the RATE section and those charges directly assignable under Operating Obligations and Conditions, Item No. 6 of this schedule and the regular charges incurred in the RATE section of the distribution system transportation rate schedule. The payment of an overrun penalty shall not under any circumstances be considered as giving customer the right to take unauthorized overrun gas or to exclude any other remedies which may be available to the Company to prevent such overrun.

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(M) Denotes material moved from 683-B

(M) Denotes material moved from 683-C

CNG/W04-01-01

ISSUED

January 30, 2004

EFFECTIVE

March 1, 2004

ISSUED BY CASCADE NATURAL GAS CORPORATION

BY

TITLE Senior Vice President