123 FERC ¶ 61,226
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 30, 2008

In Reply Refer To:
Cascade Natural Gas Corporation
Docket No. RP08-365-000

Cascade Natural Gas Corporation
222 Fairview Avenue North
Seattle, WA 98109

Attention: Bill Connors
Vice President, Business Development

Reference: Petition for Waiver

Dear Mr. Connors:

1. On April 30, 2008, Cascade Natural Gas Corporation (Cascade) filed a petition for a waiver of the Commission's policy regarding the "tying" of interstate pipeline released capacity, to the extent necessary, in order to effectuate a prearranged release of capacity at the maximum rate with various gas sales and supply agreements. Cascade is in the process of exiting the gas management services business, mandated by a settlement agreement approved March 6, 2008, by the Washington Utilities and Transportation Commission (WUTC). Pursuant to the settlement, Cascade will sell its gas management services business provided by its subsidiary, CGC Energy, Inc. (CGC), to a third party and temporarily release capacity to the purchaser of the business. Cascade requests that the Commission grant this waiver within 30 days, or as soon as possible thereafter, so that a prearranged capacity release can become effective contemporaneously with the closing of the sale of the business. As discussed below, the Commission will grant the requested waiver.

2. Cascade states that since 1988, Cascade and, most recently, its affiliate, CGC, have provided gas supply procurement, nomination, and balancing services (gas management services) to non-core, commercial and industrial customers in Washington and Oregon. Cascade states that it holds long-term firm transportation contracts on the

Northwest Pipeline GP (Northwest) and Gas Transmission Northwest Corp. (GTN) systems, some of which it has released to CGC, in connection with supplying gas management services.

3. As part of a settlement of four proceedings before the WUTC, Cascade agreed to terminate its gas management services. Cascade states it has identified an unaffiliated buyer through a competitive bidding process to acquire the entire gas management services book of business, which consists of retail sales contracts, related gas supply contracts, and various hedging agreements. As part of the sale of this business, Cascade asserts that it will be necessary for Cascade to release some of its capacity on Northwest to enable the buyer to continue to provide gas management services to current end-use customers on a similar basis as provided by Cascade and CGC. Cascade states that any such release would be a prearranged release at the pipeline's maximum tariff rate through October 31, 2012. Cascade states that it would not be a permanent release because ultimately the capacity will be needed to serve Cascade's core retail load. Cascade states that it expects to execute a purchase and sale agreement and close on the transaction by the end of May 2008. Cascade asserts that expeditious closing of the sale of the gas management services business will enable current CGC customers to become familiar with their new supplier and provide stability in their gas supply arrangements well before the existing contracts must be renewed or renegotiated.

4. Cascade requests that the Commission waive, to the extent necessary, its generic tying arrangement prohibition, announced in Order No. 636-A, to enable Cascade to enter into a prearranged release, at the maximum tariff rate, for capacity on Northwest as part of a sale of the gas management services business. Cascade submits that good cause exists to grant the waiver to enable the orderly winding down of the gas management services business and to enable a smooth transition of service for the industrial and commercial customers of that business. Cascade asserts that one of the circumstances in which the Commission has indicated that it would grant a waiver of the tying prohibition is to enable the orderly winding down of a gas business. Although Cascade is not leaving its bundled, retail natural gas local distribution business or proposing a permanent release of transportation capacity, Cascade asserts that it is exiting a specific line of business. Cascade states that it will only receive payment for the value of the CGC's gas management services book of business, which does not include pipeline transportation contracts.

5. Public notice of the instant filing was issued on May 6, 2008, with interventions and protests due on or before May 12, 2008. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2007)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

6. The Commission has previously determined that a releasing shipper that is attempting to exit the natural gas business, should, within certain limitations, be permitted to exit in a rational and orderly fashion, if such action is open and will not unduly discriminate against other shippers.[1] In this case, in order to exit a specific line of business pursuant to a settlement with WUTC, Cascade needs to combine a limited-term, prearranged release of capacity on Northwest with its Gas Management Services book of business to enable the buyer to continue to provide gas management services on a similar basis as Cascade. The Commission finds that Cascade has demonstrated good cause and will grant waiver of its Order No. 636-A policy regarding the tying of gas delivery contracts to released transportation capacity. As in prior cases, combining the sale of CGC's gas management services with a limited-term prearranged release will permit Cascade to exit a specific line of the natural gas business in an orderly and rational manner.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

cc: All Parties

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[1] *See, Northwest Pipeline Corporation*, 109 FERC ¶ 61,044 (2004) and *Duke Energy Marketing America, LLC*, 114 FERC ¶ 61,198 (2006).