Agenda Date: December 21, 2012

Item Number: D1

**Docket: UG-121207**

Company: Cascade Natural Gas Corporation

Staff: Vanda Novak, Regulatory Analyst

# Recommendation

Take no action, acknowledging the receipt of Cascade Natural Gas Corporation’s updated conservation budget and target information.

# Background

The 2012 natural gas target is based upon the Cascade Natural Gas Corporation’s (Cascade or company) 2010 Integrated Resources Plan (IRP). These IRP targets are 396,845 therms for its Residential Program, 456,237 therms for its Commercial Program, and 45,000 therms for its Low Income Program. These estimated annual targets represent the company’s best case scenario for annual therm savings; the company’s “stretch goal.” Cascade more realistically anticipates achieving approximately 75 percent of these targets. The company strives to meet these internal goals in good faith and has made strong efforts in its community to achieve all cost effective natural gas conservation possible.

The company currently has an internal 2013 target which mirrors the number submitted in its 2012 Integrated Resources Plan. These numbers are 252,825 therms for its Residential Program, 427,856 therms for its Commercial Program, and 35,000 therms for its Low Income Program. Again, Cascade more realistically anticipates achieving approximately 75 percent of these targets, as noted in its 2012 IRP.

Natural gas targets are based on an assessment of the conservation potential in its service area. Cascade intends to circulate a Request for Proposals in early 2013 in order to identify and obtain a qualified contractor to perform a comprehensive reassessment of the company’s conservation potential and possibly engage in an evaluation of previous program achievements.

Cascade’s conservation programs were originally established under Docket UG-060256. The program costs have since been recovered within the company’s Purchased Gas Adjustment (PGA) mechanism. Cascade currently does not file a conservation plan with the commission, but has historically provided a list of all therms savings targets, environmental externalities, emerging technologies, and an assessment of the company’s conservation potential within its IRP. The company intends to include its conservation budget and a more detailed list of current program measures in its 2012 IRP, which will be filed on December 14, 2012.

Cascade serves approximately 260,000 natural gas customers in 96 communities throughout Washington and Oregon. This is about 226,000 residential customers and 33,000 commercial customers. Cascade’s sales volumes are approximately 75 percent in Washington and 25 percent in Oregon.

***Gas Conservation Program Changes***

Cascade anticipates a decrease in its 2013 conservation budget commensurate with the avoided costs identified in its 2012 Integrated Resources Plan. Adjustments to programmatic expenditures will be made commensurate with maintaining a cost-effective conservation portfolio during the 2013 calendar year.

A summary of the Company’s 2012 and 2013 budgets can be found below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Natural Gas Efficiency Services** | **2012 Budget** | **2013 Budget** | **Percent Change** |
| Residential, Commercial/Industrial | $1,700,000 (rounded) | Approx $ 600,000 – $1,000,000 | -65% to -41% |
| Commercial/Industrial Incentives | $620,000 (rounded) | TBD Pending final estimates from vendor | Not available |
| Residential Incentives | $890,000 (rounded) | TBD Pending final estimates from vendor | Not available |
| EM&V & Potential Reassessment | Efforts blended into general budget | TBD Pending RFP Responses | Not available |

The company anticipates that programmatic and budgetary changes for 2013 will allow it to maintain a cost-effectiveness ratio of 1.0.[[1]](#footnote-1) All of the programs are funded through the company’s PGA.

A summary of the company’s 2012 and 2013 therm savings estimates can be found below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Natural Gas Efficiency Services** | **2012 Projected Savings** | **2013 Projected Savings** | **Percent Change** |
| Residential Program | 396,845 therms | 252,825 therms | -36.3% |
| Commercial Programs | 456,237 therms | 427,856 therms | -6.2% |
| Low Income Program | 45,000 therms | 35,000 therms | -22.2% |
| Expected Savings Achieved | 75% of targets | 75% of targets | N/A |

# Discussion

The company has traditionally provided conservation targets through its IRP. Responses to commission staff inquiries regarding Cascade’s conservation efforts have been provided promptly upon request.

Commission staff notes that Cascade plans to include specificallyhighlighted conservation target and budget information for the two year planning period within its IRP document.

***Public Involvement***

Although the company is no longer obligated to conduct any Conservation Advisory Group (CAG) meetings, following the expiration of its decoupling pilot on October 1, 2010, under Docket UG-060256, Cascade did hold an Advisory Group meeting on February 29 regarding planned updates to its Residential and Commercial Conservation tariffs. The company also circulated several electronic communications to the CAG including a copy of its 2011 Conservation Achievement Report. This report is also provided as an informational filing under Docket UG-060256.

***Evaluation, Measurement and Verification (EM&V) Plan***

The company is planning to issue a request for proposals to conduct a comprehensive reassessment of its conservation potential which may include some independent, third-party EM&V. This analysis is proposed to include impact, process, market and cost test analyses, as long as this can be reasonably accommodated in the program budget without jeopardizing the overall cost effectiveness of the Company’s conservation efforts.

***Program Outreach***

The company’s Conservation Incentive Program (CIP) uses consumer-focused incentives to encourage customers to purchase high-efficiency natural gas equipment and weatherization upgrades. These rebates are promoted through strategic program outreach which includes the use of bill inserts, sponsorships and public speaking engagements designed to increase community awareness and participation in the Cascade CIP.

***Future Tariff Revisions***

Although Cascade has not currently provided any proposed tariff changes for its conservation programs, the company anticipates that it will be submitting proposed revisions to its Residential Conservation Incentive Program (Tariff 300), Low Income Weatherization Incentive Program (Tariff 301) and Commercial Industrial Conservation Program (Tariff 302) in order to maintain program cost effectiveness and respond to updated program data including updated avoided cost calculations.

***2012 Program Changes***

Cascade updated its conservation programs in early 2012 in Docket UG-120279. The updates included replacement of incentives for water heaters meeting the 0.62 EF water heaters with incentives for models which meet the 0.64 EF standard; an inclusion of rebates for the 0.91 EF tankless water heaters; additions to the Commercial Kitchen and Foodservice Sectors of the CIP; and the modification of Cascade’s custom program in order to include energy efficiency implementation on residential structures that are part of a larger commercial project.

Table 3 outlines the current changes to Cascade’s conservation programs.

**Table 3**

|  |  |  |  |
| --- | --- | --- | --- |
| Additions | Replacements | Modifications | Additional Custom Incentives |
| Condensing Residential 0.91 EF Tankless Water heaters | Residential 0.62 EF Water Heater Incentive with 0.64 EF Incentive | Adjusted the incremental cost and therm savings data for Commercial EE Condensing Boilers | Residential rate schedule 503 |
| Commercial Energy Star and CEE Rated High Efficiency 3 and 6 Pan Gas Steamers | Commercial Domestic Tankless Water Heater with Standing Pilot and Electric Ignition with DHW Energy Star Tankless Water Heater Incentive | Adjusted the standards, incremental cost and savings data, and reduced the incentive for Commercial gas Convection Ovens | Qualifying rate schedules 504, 505, 511, 570, and 577 |
| Commercial Food Service Technology Center Qualified Double Rack Ovens |  | Adjusted the standards, incremental cost and savings data, and reduced the incentive for High Efficiency Commercial Infrared Gas Griddles |  |
| Energy Star Rated Commercial High Efficiency Door Type and Multi-tank Conveyor Dishwashers |  |  |  |

***Program Changes for 2013***

As stated earlier in this document, Cascade anticipates that several program adjustments will be needed in order to maintain the cost-effectiveness of its conservation efforts. These changes may include budget reductions, a comprehensive reassessment of program potential, and a series of changes to rebate offerings and cost-caps as appropriate.

# Conclusion

Take no action, acknowledging the receipt of Cascade’s conservation update.

1. The Total Resource Cost test result must be greater than 1 to demonstrate cost-effectiveness. [↑](#footnote-ref-1)