

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 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

¹ The Total Resource Cost test result must be greater than 1 to demonstrate cost-effectiveness.

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 specifically highlighted 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.