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October 22, 2012

SENT VIA E-MAIL

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: Cascade Natural Gas Annual PGA Filing, Docket No. UG-121592

Dear Mr. Danner:

Cascade submits the following response to Public Counsel's (PC) letter dated October 19, 2012, regarding comments on the cost recovery of conservation program costs within the PGA filing and recommendations for future improvements in the delivery of the Company's programs. Specifically PC recommends:

Public Counsel Recommendation

Public Counsel has reviewed the rate change associated with Cascade's conservation program cost recovery and has no concerns with this component of the Company's filing. With respect to issues surrounding conservation program delivery, Public Counsel recommends that the Commission order the Company to work with its conservation advisory group to address the recommendations listed below and provide a status update on discussions to the Commission at a future open meeting, no later than January 31, 2013. We understand that the Company supports this recommendation.

(1) Separate Conservation Cost Recovery Filing

Beginning in 2013, Cascade should be required to make a separate filing for conservation cost recovery, outside of the PGA, as detailed further in the comments below.

(2) Reporting Requirements

Beginning in 2013, Cascade should be required to file a conservation business plan with the Commission that includes a budget and therm savings targets for the upcoming program year.

(3) Evaluation, Measurement and Verification

Cascade should develop an evaluation plan for its conservation programs which should be reviewed by the conservation advisory group (CAG).

Cascade concurs with item (1), does not concur with item (2), and only partially concurs with item (3).

In regards to item (1), Cascade agrees to make a separate filing for recovery of deferred conservation costs. This filing will have the same proposed effective date as the PGA filing.

In regards to item (2), Cascade does not agree with the need for additional scrutiny of the conservation programs for the following reasons.

1. Cascade uses the IRP process to identify conservation goals and targets.
2. Cascade files annual reports with the Commission reviewing how the programs have performed.
3. Cascade will also be filing its cost recovery request in a separate docket in conjunction with the PGA, insuring more direct review of costs per PC's request.
4. Avoided costs are continuing down, based on current methodology calculations, therefore the cost per customer for conservation will most likely continued to decrease, from the current average of under \$1/month for the average residential customer.

Given the other levels of scrutiny already in place and based on the magnitude of cost to rate payers, it seems inordinately burdensome to submit extra reports to the Commission.

In regards to item (3), Cascade agreed to look into what it would cost to perform some sort of evaluation process and take the cost to the Advisory Group if it is advisable to spend dollars on EM&V rather than keeping programs cost effective. Cascade recommends that, based on all the evaluation information available, there is little to be gained and a lot to be lost. Cascade proposes maximizing conservation dollars on program delivery when programs are at the bleeding edge of cost effectiveness, rather than reducing cost effectiveness by requiring unnecessary EM&V analysis. Cascade is open to feedback from the Commission as well as the advisory group on identifying the priority to focus funds.

Thank you for the opportunity to reply. Any questions can be directed to me at (509)734-4593.

Sincerely,

Michael Parvinen
Director, Regulatory Affairs