Agenda Date: October 30, 2013
Item Number: F51

Docket: **UG-131872**
Company: Cascade Natural Gas Corporation

Staff: Juliana Williams, Regulatory Analyst

Recommendation

Take no action, thereby allowing the tariff filing made by Cascade Natural Gas Corporation in Docket UG-131872 to become effective on November 1, 2013, by operation of law.

Background

On September 29, 2013, Cascade Natural Gas Corporation (Cascade or company) filed revisions to tariff WN U-3, Schedule 596, now called the Conservation Program Adjustment. Cascade's conservation program was created in 2007, in coordination with the decoupling mechanism established in Docket UG-060256.

The purpose of this tariff filing is to establish rates for recovery of previously incurred conservation expenditures from the August 1, 2012, to July 31, 2013, period, and associated carrying costs. Cascade's 2012 conservation achievements are described in the 2012 Annual Conservation Report, in Docket UG-060256. Cascade's 2013 conservation expenditures were based on the business plan filed in Docket UG-112165, as part of the 2012 Integrated Resource Plan (IRP), which was acknowledged by the commission on August 8, 2013.

Staff Review

On October 15, 2013, staff performed an on-site audit of Cascade's natural gas expenditures. The audit focused on incentive rebates and program delivery expenses for a select group of months, to confirm that expenditures were appropriate. All of the materials requested for the audit were available for review, neatly organized and accompanied by summary descriptions of each cost. Staff reviewed 22 payments which included 35 commercial projects, 270 residential projects, 11 low-income projects, and nine administrative payments. Three commercial, one low-income, and four residential project rebates were selected for deeper review.

During the course of the review, staff found no major issues with the project rebates. However, staff did find several administrative expenditures that are not appropriate for recovery through the Conservation Program Adjustment.

The items in question total $2,670, which staff recommends as a disallowance from the Conservation Program Adjustment.[1] Staff also recommends that Cascade exclude similar expenditures from recovery in future filings. This recommended disallowance does not change the rates in this filing. Cascade has proposed making an adjustment to the Conservation Program

[1] See Staff work papers for details of the items.

Adjustment deferral balance for the next period of $2,670 to reflect this disallowance. Staff thinks this is an acceptable approach.

Discussion

The total revenue requirement requested in this filing is $3,088,711, composed of $2,574,080 of conservation expenditures, $339,598 in remaining unamortized costs from the prior period, a $1,629 residual credit from the decoupling mechanism, and $176,662 in interest and revenue sensitive costs. This represents a decrease of $611,126 in total expenditures to be recovered compared to the previous period. The adjustment mentioned above will be reflected in next year's filing.

Cascade's 2012 Annual Conservation Report indicated that although overall 2012 conservation achievement was 91 percent of the company's conservative target, participation in 2012 doubled compared to the previous year. The 2012 Annual Conservation Report also outlines actions that Cascade plans to take in 2013 to increase conservation acquisition.

Of the $2,574,080 expenditures on conservation programs, slightly less than half were associated with customer incentives and slightly more than half were associated with administration and program delivery costs. During the review of Cascade's 2012 IRP, staff raised concerns about the percentage of the administrative and delivery costs. Cascade revised its business plan on February 14, 2013, and committed to reduce administrative costs. Cascade switched from contracting with Lockheed Martin for third party program support for all its programs, to using the Electric and Gas Industries Association (EGIA) for program support for its residential programs. Cascade transitioned to EGIA between May 16 and August 29, 2013, so most of the expenditures in this filing reflect the higher cost of services provided by Lockheed Martin. Staff expects to see a further reduction in administrative costs in Cascade's next conservation cost recovery filing.

This filing changes the Conservation Program Adjustment charges, as shown in the following table. The Conservation Program Adjustment has been recovered through Cascade's Temporary Technical Adjustment (TTA), but at Public Counsel's request, in this filing Cascade transferred the Conservation Program Adjustment from the TTA into Schedule 596, a pre-existing inactive schedule. Therefore, Schedule 596 shows an increase of $0.01298 per therm, but the PGA shows a decrease of the current rate, resulting in an overall decrease in rates.

	Schedule	Current TTA Rate per Therm	Proposed Sch. 596 Rate per Therm
Dry Out	502	$0.01587	$0.01298
Residential	503	$0.01584	$0.01298
Commercial	504	$0.01584	$0.01298
Compressed Natural Gas	512	$0.01587	$0.01298
Gas A/C	541	$0.01587	$0.01298
Commercial-Industrial Dual	511	$0.01587	$0.01298
Industrial Firm	505	$0.01587	$0.01298
Industrial Interruptible	570	$0.01587	$0.01298
Institutional Firm	577	$0.01587	$0.01298

The proposed Conservation Program Adjustment reflects a 0.3 percent decrease for residential customers, decreasing the average bill for a residential customer using 54 therms per month by approximately fifteen cents.

Customer Comments

The commission received no customer comments on this filing.

Conclusion

On the condition that Cascade decreases the Conservation Program Adjustment deferral balance by $2,670 in the next period, staff recommends that the commission take no action, thereby allowing the tariff filing made by Cascade Natural Gas Corporation in Docket UG-131872 to become effective on November 1, 2013, by operation of law.