



Cascade Natural Gas  
Corporation

Company Progress on implementing  
policy statement UG-121207



*In the Community to Serve®*

# Steps along the way to implementation...



- Discussions with our Conservation Advisory Group
- Cascade's Potential Assessment
- Cost Tests
- Discount Rate Application
- Conservation Program Tariff filing
- Standardization as appropriate
- Regional Market transformation efforts

# Discussions with the CAG

Cascade has coordinated with our stakeholders in the CAG to address the following aspects of the policy statement:

- Cost effectiveness calculations
- Discount Rate application
- Nexant Potential Study tailored to policy statement – completion in 2014

# Cascade's Potential Study

- In 2013 Cascade sent an RFP for a study to be performed by a third party to measure territory specific potential for our Washington residential, commercial and industrial customers
- We were able to custom tailor our policy statement to address UG-121207 as a result of its timing. This helped us both optimize our use of the UCT, and approach its implementation with care

## Cost Tests – using the UCT

- Cascade elected to run our programs through the Utility Cost Test as per the policy statement's direction...
- We worked in close consultation with our conservation advisory group and found it allows us to maintain robust programs while preserving our cost effectiveness
- The UCT allows us to offer well balanced programs by treating the customer as a rational actor
- We've also taken the advice of Nexant (from our Potential study) on rebate amount setting in our use of the UCT

# Discount Rate Application

- When it came to evaluating our program cost effectiveness, and using an applicable discount rate, we addressed our concerns to the CAG on the effects of using the WACC (weighted average cost of capital)
- The discount rate assumes a therm saved today is worth more than one saved later in a measure's life, but when planning for long term climate goals the longer term rate makes more sense
- We've found a single discount rate, equal to our long term discount rate, is the most equitable by allowing us to keep a robust program and not unfairly diminishing the therm savings of the longer-lived efficiency measures.
- We have applied the UCT because we don't want to penalize innovation and those longer-lived measures, especially in our commercial program portfolio

# Conservation Program

## Tariff Updates

- On August 1<sup>st</sup>, 2014 as per approval of the CAG, CNGC filed a tariff change to our residential and commercial program offerings directly relating to guidance from UG-121207
- By using the UCT, as opposed to running the programs solely under the TRC, the Company was able to grow our residential and commercial incentive programs instead of drastically reducing or discontinuing them.
- Our Potential Study provided guidance on setting applicable rebate levels for the revised offerings, which we evaluate on a measure, program and portfolio level

# Standardization as appropriate

- We're cautious of employing a one size fits all approach to conservation in Washington
- Consideration to variances in costs by service area and savings by climate zone need to be considered
- Standardization of an approach to natural gas conservation efforts might be appropriate, but variance in the metrics is to be expected from company to company
- When recognizing that some variance to implementation of natural gas measures is appropriate, it's important transparency be maintained



# Regional Market Transformation Efforts

- When considering market transformation efforts the following items need to be kept in mind:
  - The efforts can't drive up the costs of conservation
  - Traditional program implementation should remain our priority, we don't want efforts to supplant physical energy savings programs
  - It's important the Company engage where appropriate, but we need to be cognizant of overcommitting funds and hurting program cost effectiveness
  - It's difficult to prove the outcomes of market transformation, we need quantifiable results
  - When prudent, on a utility-by-utility basis, it may be appropriate to supplement the existing utility efforts with investment in market transformation

# Cascade's Company Contact Update

Cascade recently appointed a new Conservation Manager

- **Monica Cowlshaw**

Manager of Energy Efficiency and Community Outreach

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- **Michael Parvinen**

Directory, Regulatory Affairs

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