

Agenda Date: May 9, 2013
Item Number: A3

Docket: UG-130461
Company: Cascade Natural Gas Corporation

Staff: Deborah Reynolds, Assistant Director

Recommendation

Allow the tariff changes filed by Cascade Natural Gas Corporation in Docket UG-130461 on March 29, 2013, and finally revised on May 2, 2013, to become effective May 10, 2013, by operation of law.

Background

On March 29, 2013, Cascade Natural Gas Corporation (Cascade or company) filed revisions to its Residential, Commercial/Industrial, and Low-Income Conservation Programs. This filing is the result of the planning Cascade undertook during the development of its 2012 integrated resource plan.¹ Cascade's IRP identified the following internal savings targets for 2013 and 2014. The company's conservation potential is currently being updated through a new conservation potential assessment, which is expected to significantly revise targets going forward.

Gas Conservation Services²	2013 Internal Savings Targets	2014 Internal Savings Targets
Residential Program	190,000 therms	226,000 therms
Commercial Program	321,000 therms	340,000 therms
Low Income Program	26,000 therms	23,000 therms
Total Programs	537,000 therms	589,000 therms

As part of developing a conservation program that would deliver its targeted savings, the company met with its advisory group in January, and in February, provided the following conservation program budget estimates for 2013 and 2014. Cascade has reduced its 2014 budgeted cost of providing conservation programs to residential customers by bringing a portion of its residential program in-house and using a more cost-effective vendor.

¹ *Cascade Natural Gas Corporation 2012 Integrated Resource Plan*, Docket UG-112165, (December 14, 2012). (2012 IRP)

² 2012 IRP, page 96. Cascade's internal savings targets are 75 percent of the achievable conservation, which is found in the table on page 97.

Gas Conservation Maximum Budget³	2013 Budget	2014 Budget
Combined non-incentive costs	\$1,400,000	\$1,300,000
Commercial and industrial incentives	\$800,000	\$840,000
Residential incentives	\$850,000	\$950,000
Maximum total budget	\$3,050,000	\$3,090,000

In addition, the company provided a revised 2013-2014 IRP Action Plan, Attachment 1, including a commitment to work with commission staff and stakeholders to develop guidance on the level of detail needed in the IRP in the absence of an annual conservation business plan. Finally, the company worked closely with staff to incorporate stakeholder concerns into the further tariff revisions filed on April 15, April 18, and final revisions on May 2, 2013.

Discussion

Cascade has participated fully in the gas conservation policy statement discussions in Docket UG-121207. As a result, the company made greater use of the Utility Cost test (UCT) in designing its conservation program for 2013 and 2014. Cascade estimates that the total proposed portfolio of conservation meets the Commission's standard total resource cost (TRC) test ratio threshold of 1.0.⁴ Cascade intends to revisit the measures offered in its conservation portfolios following the December 31, 2013, completion of its Washington Conservation Potential Assessment. The changes proposed in this filing serve as a critical stop-gap to increase the amount of program participation and subsequent therm savings associated with the company's conservation programs.

Residential Program Conservation Measure Changes

All of the changes Cascade proposes in Docket UG-130461 are cost-effective on an individual basis as measured by the UCT. In its review of the programs against the TRC and UCT, the company removed PTCS (performance-tested comfort systems) duct-sealing as a stand-alone measure because it had the lowest TRC, but retained it in the high-efficiency furnace bundle. The company anticipates that this revised portfolio of residential offerings will lead to greater interest in longer-lived measures and result in overall increased therm savings in its service territory. Program additions include consideration of "bundled" measures consistent with Staff recommendations. The included measures have strong energy savings potential and most are longer-lived measures (20+ years) which contribute to the overall cost-effectiveness of the portfolio. The proposal adds the following measures to the current residential program offerings:

1. Energy Star Certified home bundled with high efficiency windows incentive of \$550.

³ *Cascade Washington Integrated Resource Plan Update*, Docket UG-112165, (February 14, 2013). (IRP Update)

⁴ This analysis is based on all known costs and benefits, and is also performed with and without administrative costs. The company is unable to tighten the TRC estimate of cost-effectiveness until the completion of its new conservation potential assessment, which will sharpen the estimates of participation.

2. Stand-alone 95 percent efficient furnace upgrade incentive of \$250.
3. New or upgraded 70 percent efficient fireplace insert with intermittent spark ignition incentive of \$200.

Increases to individual incentives are justified by the UCT. The proposal adjusts the incentive levels for the following programs:

1. Energy Star qualified home with gas heat (with or without air-conditioning) incentive is increased from \$350 to \$500.
2. Energy Star qualified home bundled with 95 percent efficient gas furnace incentive is increased from \$150 to \$200.
3. High-efficiency combination radiant heat incentive is increased from \$800 to \$1000.
4. Tankless water heater incentive amount is reduced from \$200 to \$150.
5. Ceiling insulation incentive is increased from \$0.25/square foot to \$0.30/square foot.
6. New or upgraded 80 percent efficient fireplace insert incentive is increased from \$70 to \$300.

Low-Income Weatherization Incentive Program Changes

Based on the company's recent 2012 IRP and the revised avoided costs, Cascade has adjusted the avoided cost per therm for 30 year measures from \$11.66 to \$8.09.⁵ The company has also relaxed the restriction on incentive payments that may exceed the installed cost of the measure. The company believes this allows for the capture of more measures on a house-by-house basis.

Commercial Conservation Program Changes

Cascade has adjusted the cost-effectiveness cap for its custom commercial incentives from \$0.75/therm to \$0.50/therm, in order to remain consistent with the avoided costs in the 2012 IRP.⁶

Conclusion

Staff accepts the company's estimates of cost-effectiveness under the TRC, and recommends the commission allow the tariff changes filed by Cascade Natural Gas Corporation in Docket UG-130461 on March 29, 2013, and finally revised on May 2, 2013, to become effective May 10, 2013, by operation of law.

Memo Attachment 1 – Revised 2013-2014 IRP Action Plan (Docket UG-112165)

⁵ 2012 IRP Volume III at 429.

⁶ Id.