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July 21, 2005

Ms. Carole J. Washburn, Secretary
Washington Utilities
& Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-9022

Dear Ms. Washburn:

Enclosed herewith are one original and twelve copies of Cascade Natural Gas Corporation's petition for an Accounting Order authorizing deferral accounting treatment of Demand-side Management Program Costs associated with a Commercial/Industrial Conservation Incentive Program.

Cascade is offering this program for the first time in Washington and will implement this program in the near future in Oregon. Based on the calculations that show this program to be cost-effective and the success of similar programs by other Utilities, Cascade would like to offer this program to its Washington commercial customers starting September 1, 2005. As such, Cascade respectfully requests approval of its application on or before August 31, 2005.

Any questions regarding this application should be directed to Katherine Barnard at (206) 381-6824 or Paul Schmidt at (206) 381-6825.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon D. Stoltz", is written over a circular stamp or seal.

Jon D. Stoltz,
Senior Vice President,
Gas Supply & Regulatory Affairs

attachments

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**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In the Matter of the Petition of)	DOCKET NO. UG-_____
)	
CASCADE NATURAL GAS)	PETITION OF
CORPORATION,)	
)	CASCADE NATURAL GAS
for an accounting order authorizing deferred)	CORPORATION
accounting treatment of Demand-Side)	
Management Program Costs associated with a)	
Commercial High-Efficiency Equipment)	
Rebate Program)	

Petition is hereby made to the Washington Utilities and Transportation Commission for an Accounting Order as herein described. In support of this petition, Applicant states as follows:

I.

The name of the Applicant is Cascade Natural Gas Corporation (Cascade or Company) a Washington Corporation, whose business address is 222 Fairview Avenue North, Seattle, Washington 98109

The Applicant is a public utility engaged in the distribution of natural gas in Washington and Oregon. Applicant is subject to the jurisdiction of the Washington Utilities and Transportation Commission (WUTC)

II.

STATEMENT OF PURPOSE: The purpose of this program is to conserve natural gas resources by improving energy efficiency in commercial/industrial buildings. Applicant proposes to implement a commercial high-efficiency equipment rebate program, which was identified in the Company's 2004 IRP as a two-year action plan item, throughout its Washington service territory. Attached is a description of the program.

REQUESTED TREATMENT: Applicant requests that it be allowed to account for and recover all investment costs, including administrative costs, associated with this program.

RELIEF REQUESTED: Applicant requests that it be allowed to recover the program costs through the temporary technical adjustment mechanism in the deferral tracking portion of its annual Purchased Gas Adjustment (PGA) filing .

III.

The proposed program is designed to encourage energy efficiency in commercial/industrial buildings by offering rebates for the installation of energy efficient ceiling/roof insulation, HVAC equipment, cooking equipment, and water heating equipment. Further details on these programs can be found in the attached program description. The attached cost-effectiveness analysis, based on a Total Resource Cost basis, shows that the program is marginally cost effective.

IV.

In summary, Cascade requests the Commission order the following:

- 1) Authorize Cascade Natural Gas Corporation to defer the costs associated with a Commercial High-efficiency Equipment Rebate Program.
- 2) Allow the Company to accumulate interest on the balances in the account based on the FERC interest rate and
- 3) Allow the Company to amortize the costs through a temporary technical adjustment at the time of the Company's applicable Purchase Gas Adjustment filings.

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**CASCADE NATURAL GAS CORPORATION
COMMERCIAL/INDUSTRIAL CONSERVATION INCENTIVE PROGRAM**

OBJECTIVE: The objective of this program is conservation of natural gas resources, to be achieved through improved insulation and or equipment installed in commercial and industrial buildings. This program will include the following measures:

- **CEILING/ROOF INSULATION UPGRADE**
- **HVAC EQUIPMENT UPGRADE**
- **RESTAURANT EQUIPMENT UPGRADE**
- **WATER HEATING EQUIPMENT UPGRADE**

AVAILABILITY: Commencing September 1, 2005 and running for a period of two years until September 30, 2007, this program is available throughout Cascade's Washington service territory to qualifying core commercial/industrial customers on rate schedules 504, 505, 511, 570 and 577 upon meeting the requirements contained in the following specifications section. This program will be expanded to Cascade's Oregon service territory upon OPUC acknowledgment of the Company's 2004 IRP. The Company reserves the right to discontinue the program, should it not prove cost-effective.

CEILING/ROOF INSULATION UPGRADE

DESCRIPTION: This measure provides an incentive for Cascade's commercial customers who upgrade the ceiling/roof insulation in their buildings with R19 or higher insulation for uninsulated attics or R-11 or higher rigid board when replacing an uninsulated roof with no attic. Cascade would provide incentives to the building owner of \$0.30 per sq foot for installation of R19 or higher insulation in attics and \$0.30 per sq foot for the installation of R19 or higher rigid board in roofs without attics. The incentive levels are the same as those provided by the Energy Trust of Oregon. Attached is an estimate of the investment costs and therm savings associated with this program.

ELIGIBILITY: New and existing commercial customers with less than R-11 or non-existent insulation in their buildings ceilings/roofs would be eligible for this program. Cascade reserves the right to perform a post inspection of the building to verify installation of the insulation.

SPECIFICATIONS:

Requirements:

- Must be a new or existing commercial or industrial natural gas customer of Cascade Natural Gas Corporation.
- Must have non-existent or less than R-11 insulation currently in buildings roof.
- Ceiling/roof insulation must be installed during the effective dates of this program to be eligible for a rebate.
- Must meet or exceed Energy Efficiency Ratings Standards detailed below:

Energy Efficiency Ratings Standards and associated Rebate Levels:

R19 or higher attic insulation	\$0.30 per sq. foot
R11 or higher rigid board	\$0.30 per sq. foot

HVAC EQUIPMENT UPGRADE

DESCRIPTION:

This measure provides an incentive for Cascade’s commercial customers who upgrade the HVAC equipment in their buildings with energy efficient natural gas equipment. Cascade will provide rebates to customers who install high efficiency unit heaters, condensing unit heaters, condensing furnaces, and condensing boilers. For specific specifications of eligible equipment and associated rebate levels see the Specifications section below. Cascade will determine the rebate amount of the new equipment installed based on equipment specifications. Attached is an estimate of the investment costs and therm savings associated with this program.

ELIGIBILITY:

New and existing commercial customers with standard efficiency HVAC equipment would be eligible for this incentive. Commercial customers who are currently heating their buildings with 86% or greater AFUE heaters would not be eligible for this program

SPECIFICATIONS:

Requirements:

- Must be a new or existing commercial or industrial natural gas customer of Cascade Natural Gas Corporation.
- Must be replacing standard efficiency HVAC equipment or installing new equipment. Buildings currently using high efficiency HVAC equipment are not eligible.

- HVAC equipment must be installed during the effective dates of this program to be eligible for a rebate.
- Must meet or exceed Energy Efficiency Ratings Standards detailed below:

Energy Efficiency Ratings Standards and associated Rebate Levels:

86% or higher efficiency non-condensing unit heater	\$1.50 /kBtu/hr in
92% or higher efficiency condensing unit heater	\$3.25 /kBtu/hr in
91% or higher efficiency condensing furnace Max. 225 kBtu/hr	\$3.25 /kBtu/hr in
90% or higher efficiency condensing boiler Min. 500 kBtu/hr	\$2.00 /kBtu/hr in

RESTAURANT EQUIPMENT UPGRADE

DESCRIPTION: This measure provides an incentive for Cascade’s Commercial customers who upgrade the cooking equipment in their building with energy efficient natural gas equipment. Eligible restaurant equipment would be Energy Star rated infrared Gas fryers and full sized (6ft³ or greater interior) direct-fired Convection Ovens. Cascade would provide rebates of \$600 for the installation of an Energy Star Gas Fryer and \$600 for the installation of a Convection Oven. Attached is an estimate of the investment costs and therm savings associated with this program.

ELIGIBILITY: New and existing commercial customers with standard efficiency restaurant equipment in their buildings would be eligible for this program. This incentive plan targets Cascade’s restaurant customers, however all commercial customers who perform these upgrades would be eligible for this program. Commercial customers who are currently using energy efficient gas fryers and convection ovens wouldn’t be eligible for this program.

SPECIFICATIONS:

Requirements:

- Must be a new or existing commercial or industrial natural gas customer of Cascade Natural Gas Corporation
- Must be replacing standard efficiency cooking equipment or installing new equipment. Buildings currently using high efficiency cooking equipment are not eligible.

- Restaurant equipment must be installed during the effective dates of this program to be eligible for a rebate.
- Must meet or exceed Energy Efficiency Ratings Standards detailed below:

Energy Efficiency Ratings Standards and associated Rebate Levels:

Energy Star rated Gas Fryer	\$600 /fryer
Convection Oven (full-sized oven)	\$600 /oven

WATER HEATING EQUIPMENT UPGRADE

DESCRIPTION: This measure provides an incentive for Cascade’s Commercial customers who upgrade the water heating equipment in their buildings with energy efficient natural gas water heaters. Cascade would provide rebates of \$2.50 per kBtu/hr input for customers who install 91% AFUE or higher domestic hot water condensing tanks. Attached is an estimate of the investment costs and therm savings associated with this program.

ELIGIBILITY: New and existing commercial customers with standard efficiency water heating equipment in their buildings (AFUE < 91%) would be eligible for this program. Commercial customers who are currently using energy efficient water heaters wouldn’t be eligible for this program.

SPECIFICATIONS:

Requirements:

- Must be a new or existing commercial or industrial natural gas customer of Cascade Natural Gas Corporation.
- Must be replacing standard efficiency water heating equipment or installing new equipment. Buildings currently using high efficiency water heating equipment are not eligible.
- Water heating equipment must be installed during the effective dates of this program to be eligible for a rebate.
- Must meet or exceed Energy Efficiency Ratings Standards detailed below:

Energy Efficiency Ratings Standards and associated Rebate Levels:

91% or higher domestic hot water condensing tank	\$2.50 /kBtu/hr in
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GENERAL PROVISIONS:

The investment costs associated with the measures in this program will be accounted for and recovered through a temporary technical adjustment mechanism in the deferral tracking portion of the Company's annual PGA filing.

All installations and equipment must comply with all codes and permit requirements applicable in the state of Washington and must be properly inspected, if required, by appropriate agencies. The Company may establish specifications regarding any measures and modifications to be affected, and may conduct inspections to ensure that such specifications are met. The Company reserves the right to verify installation prior to payment of any rebates. The Company reserves the right to alter, amend, or cancel this program at any time.

Ceiling Program

CASCADE NATURAL GAS CORPORATION
Commercial Ceiling Insulation
Program Participant Cost Effectiveness Estimate
 (Assume average sq footage 2220)

Weatherization Measure	Annual Therm Savings	Measure Installed Cost	Measure Life	Discounted Therm Savings	PV Cost/Therm	Adj. By 10% for Non-Energy Ben.
Roof/Ceiling Insulation	466	\$ 2,109	30	7,026	\$ 0.300	
Total	466	\$ 2,109	30	7,026	\$ 0.300	
Total Measure Cost/Participant	466	2,109	30	7,026	0.300	
Energy Audit/Pre post inspection		\$ 500				
Marketing/Advertising		\$ 375				
TRC Test	466	\$ 2,984	30	7,026	\$ 0.425	\$ 0.38222
Cascade Program Costs						
Program Rebates		\$ 1,000				
Program Administration/Set up costs		\$ 375				
Utility Cost Test	466	\$ 1,375	30	7,026	\$ 0.196	

Nominal interest rate (post tax cost of cap.) 7.85%
 Inflation rate 2.55%
 Long term real discount rate 5.17%

	Yr 1	Yr 2	Yr 3	Yr 4	Yrs 5-20
Program Participants	50	100	150	200	250
Peak Day Therm Savings	272	544	816	1,088	1,360
Annual Therm Savings	23,310	46,620	69,930	93,240	116,550

Note: Uses average cost of Roof Deck & Batt/Blow in insulation. Per ETO estimates savings are the same, however costs are slightly different.

Estimated Program Participants	WA	OR	Total	
Total Estimated Participants	192	58	250	
Estimated Rebates	\$ 192,000	\$ 58,000	\$ 250,000	
Promotional Expenses:				
Direct Mailing (7500/year *\$1 per item)			37,500	\$ 150
Bill Insert Production (25000/year * .45/item)			\$ 56,250	\$ 225
Program saturation				
Peak Day Therm Savings	1,044	315	1,360	
Annual Therm Savings	89,510	27,040	116,550	

Discounted Therm Savings	1,756,575
Total Program Costs	\$ 343,750
Utility cost Test	\$ 0.1957

HVAC Equip

CASCADE NATURAL GAS CORPORATION
Commercial HVAC Program
Program Participant Cost Effectiveness Estimate
 (Assume average 200,000 btuh)

Weatherization Measure	Annual Therm Savings	Measure Installed Cost	Measure Life	Discounted Therm Savings	PV Cost/Therm	Adj. By 10% for Non-Energy Ben.
HVAC -Replacement	220	\$ 1,344	18	2,538	\$ 0.530	
HVAC-New	200	\$ 1,300	18	2,238	\$ 0.581	
Total	209	\$ 1,320		2,374	\$ 0.556	
Total Measure Cost/Participant	209	\$ 1,320	18	2,374	0.556	
Marketing/Advertising		\$ 107				
TRC Test	209	\$ 1,427	18	2,374	\$ 0.601	\$ 0.54092
Cascade Program Costs						
Program Rebates (\$3.25/kbtuh)		\$ 650				
Marketing/Advertising		\$ 107				
Utility Cost Test	209	\$ 757	18	2,374	\$ 0.319	

Nominal interest rate (post tax cost of cap.) 7.85%
 Inflation rate 2.55%
 Long term real discount rate 5.17%

	Yr 1	Yr 2	Yr 3	Yr 4	Yrs 5-20
Total Program Participants	110	220	330	440	550
Peak Day Therm Savings	268	536	805	1,073	1,341
Annual Therm Savings	22,990	45,980	68,970	91,960	114,950

Estimated Annual Program Participants	WA	OR	Total	
Replacement	37	13	50	
New	45	15	60	
Total Estimated Annual Participants	82	28	110	
Estimated Rebates (\$3.25 per kbtuh)	\$ 266,500	\$ 91,000	\$ 357,500	
Promotional Expenses:				
Direct Mailing (500/year *\$1 per item)			2,500	\$ 4.55
Bill Insert Production (25000/year * .45/item)			\$ 56,250	\$ 102

Discounted Therm Savings	1,305,900
Total Program Costs	\$ 416,250
Utility cost Test	\$ 0.3187

Cooking Equip

CASCADE NATURAL GAS CORPORATION
Commercial Cooking Equipment Program
Program Participant Cost Effectiveness Estimate

Weatherization Measure	Annual Therm Savings	Measure Installed Cost	Measure Life	Discounted Therm Savings	PV Cost/Therm	Adj. By 10% for Non-Energy Ben.
Direct Fired Convection Oven-replace	464	2,000	12	4,072	\$ 0.491	
Infrared Fryer-Replace	548	1,400	8	3,520	\$ 0.398	
Total	1,012	3,400		7,592	\$ 0.448	
Total Measure Cost/Participant	1,012	3,400		7,592	0.448	
Marketing/Advertising		\$ 204				
TRC Test	1,012	\$ 3,604		7,592	\$ 0.475	\$ 0.42722
Cascade Program Costs						
Program Rebates		\$ 1,700				
Marketing/Advertising		\$ 204				
Utility Cost Test	1,012	\$ 1,904	0	7,592	\$ 0.251	

Nominal interest rate (post tax cost of cap.) 7.85%
 Inflation rate 2.55%
 Long term real discount rate 5.17%

	Yr 1	Yr 2	Yr 3	Yr 4	Yrs 5-20
Program Participants	65	130	195	260	325
Peak Day Therm Savings	85	170	256	341	426
Annual Therm Savings	31,088	62,177	93,265	124,354	155,442

REBATE AMOUNT

\$ 600 \$ 600

	Ovens	Fryers	Total	
Estimated Annual Program Participants				
Washington	42	9	51	
Oregon	12	2	14	
Total Estimated Annual Participants	54	11	65	
Estimated Rebates	\$ 162,000	\$ 33,000	\$ 195,000	
Promotional Expenses:				
Direct Mailing (2000/year *\$1 per item)			10,000	\$ 28.57
Bill Insert Production (25000/year * .45/item)			\$ 56,250	\$ 160.71
Program saturation				
Peak Day Therm Savings	69	17	85	
Annual Therm Savings	25,056	6,032	31,088	

Discounted Therm Savings	1,293,134
Total Program Costs	\$ 261,250
Utility cost Test	\$ 0.2020

CASCADE NATURAL GAS CORPORATION
Commercial Waterheater Program
Program Participant Cost Effectiveness Estimate
 (Assume average 85,000 btuh)

Weatherization Measure	Annual Therm Savings	Measure Installed Cost	Measure Life	Discounted Therm Savings	PV Cost/Therm	Adj. By 10% for Non-Energy Ben.
Condensing Water Heater-Replacement	67	515	20	825	\$ 0.625	
Condensing Water Heater-New	67	383	20	825	\$ 0.464	
Total	67	499		825	\$ 0.605	
Total Measure Cost/Participant	67	499		825	0.605	
Marketing/Advertising		\$ 13				
TRC Test	67	\$ 512		825	\$ 0.621	\$ 0.5585
Cascade Program Costs						
Program Rebates (\$2.50/kbtuh)		\$ 213				
Marketing/Advertising		\$ 13				
Utility Cost Test	67	\$ 226		825	\$ 0.274	

Nominal interest rate (post tax cost of cap.)	7.85%
Inflation rate	2.55%
Long term real discount rate	5.17%

	Yr 1	Yr 2	Yr 3	Yr 4	Yrs 5-20
Total Program Participants	125	250	375	500	625
Peak Day Therm Savings	23	46	69	92	115
Annual Therm Savings	8,375	16,750	25,125	33,500	41,875

Estimated Annual Program Participants	WA	OR	Total	
Replacement	83	27	110	
New	11	4	15	
Total Estimated Annual Participants	94	31	125	
Estimated Rebates (\$2.50 per kbtuh)	\$ 100,110	\$ 33,015	\$ 133,125	
Promotional Expenses:				
Direct Mailing (1600/year *\$1 per item)			8,000	\$ 13
Bill Insert Production (25000/year * .45/item)				\$ -

Discounted Therm Savings	515,313
Total Program Costs	\$ 141,125
Utility cost Test	\$ 0.2739