

06-051481 (P)



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FACSIMILE 206-654-4039

September 29, 2005

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

RECEIVED
RECORDS MANAGEMENT
05 SEP 30 AM 9:44
STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

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 Low-Income Weatherization Rebate Program. This program was identified as an Action Plan item in Cascade's 2004 IRP.

Cascade is offering this program for the first time in Washington. 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 low-income customers starting November 1, 2005. As such, Cascade respectfully requests approval of its application on or before October 31, 2005.

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

Sincerely,

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

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)	
Low-Income Weatherization 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 the homes of low-income customers. Applicant proposes to implement a low-income weatherization 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. The program costs will be limited to a maximum of \$250,000 per year.

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 low-income households by offering rebates for the installation of energy efficient insulation, duct sealing, and infiltration reduction. 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 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 Low-income Weatherization 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
LOW-INCOME WEATHERIZATION REBATE PROGRAM**

DESCRIPTION:

This program provides a rebate for Cascade's low-income residential customers to help weatherize their homes in order to decrease their usage of natural gas. A Community Action Agency (CAA) will administer this program and they will be responsible for qualifying homes, performing a home energy evaluation, and weatherization. Attached is an estimate of the investment costs and therm savings associated with this program.

AVAILABILITY:

Commencing November 1, 2005 and running for a period of 10 years, this program is available throughout Cascade's Washington service territory to qualifying low-income residential customers who heat their homes with natural gas. Cascade will review the program during the development of the next IRP to determine if any changes to the program are necessary.

ELIGIBILITY:

To qualify for the program, the following guidelines must be met. The customer must be a residential customer of Cascade Natural Gas and must be certified as low income by a Community Action Agency (CAA) or Low Income Agency (LIA). In addition, the customer must reside in a dwelling built prior to 1991, in which the primary heating source is natural gas.

ENERGY EFFICIENCY MEASURES & MEASURE LIFE CYCLE:

The following energy efficiency measures are eligible for a rebate:

- Ceiling insulation - 30 years
- Wall insulation - 30 years
- Floor insulation - 30 years
- Duct sealing and insulation - 20 years
- Infiltration reduction - 20 years

AVOIDED COST:

Current avoided cost per therm is based on the Company's 2004 Integration Resource Plan

- 20 year measure - \$7.52
- 30 year measure - \$9.05

REBATE CALCULATION & PAYMENT:

Cascade will provide a rebate to participating Agencies to a maximum of \$1,150 (\$1,000 for installation of measures & \$150 for CAA administration) for the installation of the measures listed above using the following calculation:

Projected Annual Therm Savings of Measure x 50% of the Avoided Cost per Therm

The Company will limit rebates to a maximum of \$250,000 per year.

GENERAL PROVISIONS:

The low-income weatherization investment costs associated with 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 of weatherization 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 reserves the right to verify installation prior to payment of any rebates.

CASCADE NATURAL GAS CORPORATION
Washington Low Income Weatherization Program
Program Participant Cost Effectiveness Estimate
Best Case Scenario

Weatherization Measure	Annual Therm Savings	Measure Installed Cost	Measure Life	Discounted Therm Savings	PV Cost/Therm
Ceiling Insulation	255	\$ 921	30	4,106	\$ 0.224
Wall Insulation	93	\$ 1,259	30	1,494	\$ 0.843
Floor Insulation	45	\$ 794	30	724	\$ 1.096
Duct Sealing/Insulation	174	\$ 370	30	2,798	0.132
Infiltration Reduction	71	\$ 800	30	1,145	0.699
Total	637	\$ 4,144		10,268	\$ 0.404
Total Measure Cost/Participant	637	4,144	30	10,268	0.404
Energy Audit/Agency Admin		\$ 150			
Non-Energy Benefits (10% of costs)		(414)			
TRC Test	637	\$ 3,880	30	10,268	\$ 0.378
Cascade Program Costs					
Program Rebates		\$ 1,000			
Energy Audit		\$ 150			
Marketing/Advertising					
Utility Cost Test	637	\$ 1,150	30	10,268	\$ 0.112

Nominal interest rate (post tax cost of cap.) 7.85%
Inflation rate 3.12%
Long term real discount rate 4.58%

* Assumes Program Participants install all measures and home has little insulation in the first place.

CASCADE NATURAL GAS CORPORATION
Washington Low Income Weatherization Program
Program Participant Cost Effectiveness Estimate
Worse Case Scenario

Weatherization Measure	Annual Therm Savings	Measure Installed Cost	Measure Life	Discounted Therm Savings	PV Cost/Therm
Ceiling Insulation	24	\$531	30	386	\$ 1.376
Wall Insulation	53	\$726	30	862	\$ 0.843
Floor Insulation	31	\$458	30	498	\$ 0.920
Duct Sealing/Insulation	72	\$213	30	1,158	0.184
Infiltration Reduction	41	\$462	30	661	0.699
Total	221	\$ 2,391		3,564	\$ 0.671
Total Measure Cost/Participant	221	2,391	30	3,564	0.671
Energy Audit/Agency Admin		\$ 150			
Non-Energy Benefits (10% of costs)		(239)			
TRC Test	221	\$ 2,302	30	3,564	\$ 0.646
Cascade Program Costs					
Program Rebates		\$ 1,000			
Energy Audit		\$ 150			
Marketing/Advertising					
Utility Cost Test	221	\$ 1,150	30	3,564	\$ 0.323

Nominal interest rate (post tax cost of cap.) 7.85%
Inflation rate 3.12%
Long term real discount rate 4.58%

* Assumes Program Participants install approximately 3/5 of the measures but still save enough therms to get full refund of \$1,000