



ATTORNEY GENERAL OF WASHINGTON

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February 7, 2013

SENT VIA E-MAIL

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: Cascade Natural Gas 2012 Integrated Resource Plan, Docket No. UG-112165

Dear Mr. Danner:

Public Counsel submits this letter in response to Cascade Natural Gas Corporation's (Cascade's) 2012 Integrated Resource Plan (IRP) filing made on December 14, 2012. The Company's IRP filing includes planning information related to its conservation program, including the 2013 budget, savings targets, and program details.¹ Our comments are limited to a discussion of the Company's conservation program information within the IRP filing.

Public Counsel Recommendation

Acknowledge the receipt of Cascade's IRP.

A. Background

Cascade's conservation program is currently experiencing a period of rapid evolution. The dramatically reduced avoided cost of natural gas has led to a decrease in the Company's 2013 conservation targets and budget over the prior year, and has prompted the Company to seek changes in program offerings and administration in order to reduce costs and maintain a cost-effective conservation portfolio. In addition, the Company is also exploring evaluation, measurement and verification (EM&V) of its portfolio for the first time, as well as pursuing a new Washington-focused conservation potential study. The presently evolving nature of the conservation program means that many of the Company's savings and budget forecasts are strictly estimates with changes occurring in real-time. These changes, and the Company's initiatives to maintain a cost-effective portfolio, are discussed in more detail in the sections below.

¹ Cascade does not file a separate annual DSM business plan like other Washington investor-owned utilities. Public Counsel has recommended in prior filings that the Company file a separate DSM plan and we continue to support this approach. One of the primary benefits of an annual conservation plan that is filed separate from the IRP is that program planning and forecasts are assessed on an annual basis rather than every other year.



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B. Cascade's 2013 Conservation Budget and Savings Forecast

Cascade anticipates a substantial decrease in both its therms savings achieved as well as its budget for 2013. As previously stated, this is due primarily to the reduced avoided cost of natural gas, in addition to changes in building codes and standards.

The Company's total budget for 2013 is estimated to be between \$600,000 and \$1.2 million.² Cascade is currently reviewing the option of partial in-house administration of its residential program which the Company predicts would achieve significant cost savings. Under this scenario the Company anticipates a residential budget of \$250,000-\$500,000 and a commercial program budget of approximately \$700,000 for a total budget of approximately \$950,000 to \$1.2 million. The anticipated budget for 2013 is 29% to 44% less than the 2012 budget, which was \$1.7 million.

The Company estimates total savings of 715,681 therms for 2013 with 252,825 therms (35%) associated with the residential program, 427,856 (60%) for the commercial program and 35,000 (4.9%) for the low-income program.³ The Company identifies these targets as its "stretch case," with a more realistic target at 75% of these figures. The total anticipated savings for 2013 is approximately 20% less than the forecasted savings for 2012 which was 898,082 therms.

C. Cost-Effectiveness

One of the key challenges Cascade currently faces with respect to its conservation program is maintaining cost-effectiveness in the current environment of declining avoided costs. During a conservation advisory group meeting held on January, 15, 2013, Cascade Staff provided an overview of these challenges and discussed the Company's proposed solutions to address these issues, as well as soliciting advisory group member feedback. In summary, the Company believes it can make certain program and administration changes that will enable it to maintain cost-effectiveness at the portfolio level for 2013. These changes are described below:

(1) Programmatic changes.

The Company is currently re-examining its existing program offerings to update costs, savings, incentives and non-energy benefits. Specifically, the Company is considering increasing incentives for measures that are cost-effective in order to increase customer participation, cancelling certain measures that are no longer cost-effective, including both participant and societal non-energy benefits in calculating cost-effectiveness and "bundling" measures in order increase uptake and reduce costs. The Company

² The Company shared with its advisory group that the \$600,000 figure is likely not attainable as it assumes a program run exclusively in-house with limited vendor support.

³ Cascade Natural Gas 2012 Integrated Resource Plan, Docket UG-112165, p. 96. Hereafter, "IRP."

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anticipates proposing program tariff changes in the near future to reflect some of the changes discussed above.

(2) Program administration changes.

In an effort to reduce its total program costs, Cascade is investigating new ways of administering its conservation programs at lower costs. The Company has identified cost savings it may be able to obtain by moving certain program administration activities in-house such as trade ally support and customer interfacing, and utilizing a new vendor for rebate processing that has lower costs than its existing vendor. At this time the main focus of the changes would be directed at the Company's residential program. These changes are still in the planning phase but appear promising.

(3) Updated conservation potential assessment.

The last conservation potential assessment developed on behalf of Cascade was completed in 2008. The Company's IRP identifies the need for a fully-updated, Washington-focused conservation potential study. According to the Company, this study should provide a better understanding of savings and opportunities in light of evolving technologies and the declining cost of natural gas.⁴ On January 18, 2013, the Company issued an RFP for its conservation potential assessment with a response deadline of February 22nd, 2013.

Public Counsel commends the Company for aggressively pursuing creative solutions to maintain the cost-effectiveness of its conservation portfolio while continuing to identify new savings opportunities. This is challenging in the current environment and we appreciate the Company's transparency as it deals with these issues. We also anticipate that the Company will continue to operate dynamically to make changes as needed to maintain the cost-effectiveness of its portfolio.

D. EM&V

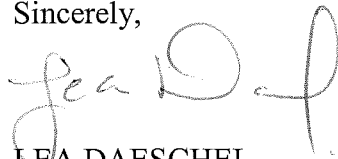
Cascade is also in the process of initiating evaluation, measurement and verification (EM&V) of its conservations programs for the first time. Within the Company's RFP for its conservation potential assessment is a request that an evaluator integrate EM&V of Cascade's conservation portfolio in its proposal. Public Counsel is pleased that the Company is taking steps to move forward with EM&V of its conservation portfolio, consistent with the practices of other Washington investor-owned utilities in Washington and national best practices. We look forward to participating further in the discussions surrounding the appropriate scope of the Company's EM&V activities in 2013.

⁴ IRP, p. 89.

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I will attend the Commission's February 21, 2013, Open Meeting to address any questions regarding these comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lea Daeschel".

LEA DAESCHEL
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LD:cjw

cc: Vanda Novak (E-mail)
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