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**Reply Comments from Cascade Natural Gas Corporation Regarding Docket UG-121207
Commission Investigation into Natural Gas Conservation Programs**

Submitted on October 4, 2012

Cascade Natural Gas Corporation is pleased to submit the following Reply Comments and Responses which address the statements of the other stakeholders engaged in UG-121207, “Rulemaking on Natural Gas Conservation Programs.” We appreciate the opportunity to provide additional feedback on the critical issue of how the WUTC can best assess Natural Gas Conservation Programs in light of declining costs.

Based on stakeholder comments, it appears that several themes have emerged related to this discussion. These items have been outlined below:

Non-Energy Benefits

Several stakeholders have offered comments regarding the assessment and quantification of the Non-Energy Benefits that should be considered as part of the Total Resource Cost Test. While Cascade has no specific objections to reexamining the level of non-energy benefits applied in the context of the Total Resource Cost Test, we would caution that relying *exclusively* on non-energy benefits (NEBs) as a “solution” to maintaining cost-effective natural gas conservation efforts may lead to artificial inflation of such benefits. Indeed, an overspecialized investigation into the nature, percentage, and quantity of non-energy benefits that should be measured, may inadvertently ***overstate the importance to the Total Resource Cost Test itself.***

It is essential that this investigation avoids bypassing the much more critical discussion as to whether the Total Resource Cost Test is an ideal method of assessing natural gas conservation efforts in the first place. As suggested in our comments submitted to the WUTC on August 31, 2012, the TRC may not be the most appropriate method of assessment when one considers natural gas conservation as a pure Demand Side Resource.

That being said, Cascade agrees with the Northwest Energy Coalition that the existing 10% non-energy benefit adder may be outdated and imprecise in the context of modern natural gas conservation efforts.

We would therefore support a general reexamination of the adder as part of UG-121207 to determine if there is a better metric might apply. However, we would be concerned if regulated natural gas utilities were suddenly mandated to “conduct a full accounting of all the costs and benefits that conservation confers to their business, their customers, and society” as described in NWECC’s comments. Any reassessment of NEBs must not be unwieldy or unduly burdensome, and should not detract from the broader investigation of alternative methods to assessing natural gas program cost-effectiveness.

The revised adder resulting from such a reassessment could then be applied in the context of the Total Resource Test moving forward, *if* the WUTC determined that the TRC should still govern following the outcome of this investigation.

Cost Tests

In the event that the avoided cost calculations remain unchanged within the context of this docket, Cascade remains supportive of the Total Resource Cost Test as a combined metric when paired with the Utility Cost Test.

The Northwest Industrial Gas Users (NWIGU) notes that “alterations to avoided cost calculations could mask or skew the cost-effective basis of those programs and, therefore run the risk of preventing all utility customers from realizing the economic benefits of the current market conditions”. This is a well-stated and reasonable concern. However, while it would be unwise to gravitate towards a particular cost-effectiveness methodology based upon how it favors existing natural gas conservation efforts, the current testing methodologies applied to LDC conservation efforts were *modeled primarily after those applied to electric utilities*. Therefore the “status quo” metrics being utilized to assess conservation efforts may not have *ever* been best fit for conservation efforts operated by natural gas utilities.

Another key factor that must be considered when determining the most appropriate way to measure the value of natural gas conservation efforts is whether the philosophical underpinnings of economics or environmental value should prevail when benchmarking the health and continued value of a conservation effort. It is the Company’s opinion that natural gas conservation efforts offer strong benefits on both fronts. Therefore it is our view that maintaining some level of conservation incentives even as the cost of gas declines is a good way to mitigate lost opportunities for energy savings that may not otherwise take place without the support of an incentive to motivate the consumer.

As stated in our previous set of comments, Cascade believes that the TRC limits the inclusion of measures that may hold great promise and value as conservation technologies but do not currently measure up from a TRC perspective due to lack of maturation on the market. Thus we agree with the Northwest Energy Coalition that a key issue in this investigation will be “how to provide utilities with the flexibility needed within conservation programs to maintain community investments in energy efficient and increase market acceptance of emerging technologies”. Avoiding lost opportunities for deeper energy savings will be essential during this time of lowered gas costs.

Avoided Costs

In the Company's comments filed on August 31, 2012, Cascade offered an alternative approach to the assessment of natural gas avoided costs. This approach would separate commodity costs from the avoided cost equation in the context of setting a cost-effectiveness "threshold" for natural gas conservation programs. Ultimately the main objective of this suggestion is to draw out further ideas and feedback from other stakeholders regarding the best methodology for assessing avoided costs. As suggested earlier, the current parameters in which gas conservation efforts are assessed were tailored to the electric utilities and many not serve as the best fit for the LDC's. Cascade would support revisions to the avoided cost calculations customized for natural gas utilities. Such parameters must that neither be unrealistically permissive, nor prohibitively rigid. Thus, we would caveat our initial comments to state that the concept of removing commodity costs from the avoided cost would need to be paired with a revised cost-effectiveness threshold to ensure that the approach did not unnecessarily preclude rebates that remained in the public interest. We look forward to refining this concept further in future discussions.

Low Income Programs

Cascade agrees with the Northwest Energy Coalition and the Energy Project that it is essential that weatherization services remain available for low income natural gas customers. The Low Income Weatherization Assistance Program provides essential whole-home energy upgrades to qualifying households. These upgrades help low income individuals manage their energy costs and thus help avoided arrearages. The health and safety benefits of these programs are also well documented. Cascade believes such programs are in the public interest should be maintained regardless of current gas costs.

Other Proposed Issues

Cascade agrees with the other stakeholders, including The Energy Project and Puget Sound Energy in their desire to consider whether or not there are unintended consequences to starting and stopping conservation programs.

Thank you again for the opportunity to offer reply comments and feedback on this docket. As suggested above, we believe that the maintenance of ongoing natural gas conservation efforts can, and should be maintained in the State of Washington. We look forward to participating in discussions on this matter during the October 19 workshop.

Sincerely,

A handwritten signature in black ink that reads "Allison Spector". The signature is written in a cursive, flowing style.

Allison Spector
Conservation Manager
Cascade Natural Gas Corporation