

Agenda Date: June 29, 2017  
Item Number: A2

**Docket: UG-170670**

Company: Cascade Natural Gas Corporation

Staff: E. Cooper Wright, Regulatory Analyst

### **Recommendation**

Take no action, thereby allowing the tariff filing made by Cascade Natural Gas Corporation in Docket UG-170670 to become effective on June 30, 2017, by operation of law.

### **Background**

On May 31, 2017, Cascade Natural Gas Corporation (Cascade or company) filed tariff revisions with the Washington Utilities and Transportation Commission (commission) updating their conservation program incentives to reflect the most cost-effective mix of measures. The revisions were submitted to the advisory group on May 1, 2017, 30 days before filing as required. Principle stakeholder comments were shared at the May 10, 2017, advisory group meeting. Written comments were submitted to the company by May 23, 2017. No public comments have been submitted. This memo presents staff's analysis of the updates and whether they meet the company's conservation obligations set by the Joint Settlement Agreement of their last rate case.<sup>1</sup>

### **Discussion**

**Residential.** The company is adding three new measures, condensing boilers, programmable thermostats, and Tier II ceiling and attic insulation. The tariff also allows an additional incentive if certain measures are bundled.<sup>2</sup> Additionally, many measures are increasing incentive rates, as depicted in the attached Table 1. The company is focusing on incentives that promote whole home efficiency certifications. When compared to the current incentive program, measures that promote home certifications for efficiency have the largest increase from \$600 to \$2,000 or 233 percent. Puget Sound Energy (PSE) offers \$400 for a comparable program and Northwest Natural (NW Natural) has no similar program. This makes the company the vanguard of comprehensive conservation measures.

The proposed incentive increases bring other Cascade conservation measures more in-line with other programs within the state. For ceiling insulation, Cascade will offer \$0.75 per square foot, compared to PSE's 50 percent of cost capped at \$600 and NW Natural's \$0.25 per square foot. Another example is the high efficiency gas furnace incentive, where Cascade will offer \$400 to

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<sup>1</sup> Docket UG-152286, Order 04, Exhibit A - Joint Settlement Agreement (July 7, 2016).

<sup>2</sup> Any two weatherization measures receive an additional \$250; air sealing and any two insulation measures receive an additional \$500.

PSE's \$350, and NW Natural's \$200. Staff believes this makes the Company's portfolio stronger, and will obtain more conservation.

**Commercial/Industrial.** Changes proposed to the Commercial/Industrial tariff also add a new measure, as customers will now be able to apply for up to \$9 per linear foot to retrofit their boiler piping with insulation. This applies to piping that is rated for greater than 200 degree Fahrenheit, and is greater than 2.5 inches in diameter. Additionally, the company proposes to increase some incentives as shown in Table 2 and will begin to offer the opportunity to bundle certain measures to make more funding available.<sup>3</sup>

Commercial incentives vary when compared to other programs in the state, and Cascade has historically lagged behind other company offerings. However, with the new incentives, the Company's programs will move closer to parity, and staff believes this is a step in the right direction. For radiant heating, Cascade's incentive will increase to equal that of NW Natural. Additionally, the company will begin to offer \$800 for door type dishwashers compared to PSE's \$750 and NW Natural's \$600 to \$900. In conjunction with the residential incentive increases, it is clear that Cascade is taking reasonable steps to hone their conservation program. Staff anticipates better participation and greater conservation as a result of these revisions.

### *Cost Effectiveness*

Cascade continues to evaluate their conservation programs using the Utility Cost Test (UCT). However, staff reminds the company that they must have a plan to develop a properly balanced Total Resource Cost (TRC) test.<sup>4</sup> This should be on the next advisory group agenda. Although the incentive changes proposed by the company seem quite large, the 2017 Conservation Plan budget accounted for these incentive changes, and the company still expects a ratio of 1.6 for the UCT. Moving forward into future years with the new incentives, the company expects the UCT to migrate and settle just above 1.0.

### **Conclusion**

Staff's review indicates that the proposed tariff revisions are reasonable and demonstrate that the company is adaptively managing the company's conservation program. Staff recommends that the commission take no action, thereby allowing the filing made by Cascade Natural Gas in Docket UG-170670 to become effective on June 30, 2017, by operation of law.

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<sup>3</sup> Three bundles are available:

Bundle A: Combine any two or more insulation measures (1000 square foot minimum) for \$500 more.

Bundle B: Combine two kitchen equipment measures and receive an additional \$150.

Bundle C: Combine three kitchen equipment measures and receive an additional \$300.

<sup>4</sup> Docket UG-121207, Policy Statement, ¶¶ 36.

Attachment

Table 1: Residential Incentive Rate Changes

Measure	Current Incentive	Requested Incentive	Percent Change
Built Green Certified Home	\$600.00	\$2,000.00	233%
ENERGY STAR Certified Home	\$600.00	\$2,000.00	233%
High Efficiency Combination Radiant Heat	\$825.00	\$2,500.00	203%
Ceiling Insulation equal or greater than R-38	\$0.30/sf	\$0.75/sf <sup>5</sup>	150%
Floor Insulation equal or greater than R-30, or fill floor cavity	\$0.30/sf	\$0.75/sf	150%
Wall Insulation	\$0.35/sf	\$0.75/sf	114%
High Efficiency Entryway Door	\$50.00	\$100.00	100%
.91 Tankless Hot Water Heater	\$150.00	\$250.00	67%
70% FE Hearth - Hearth Tier 1	\$150.00	\$250.00	67%
95% AFUE New Gas Furnace (New & Existing)	\$250.00	\$400.00	60%
80% AFUE Hearth - Hearth Tier 2	\$250.00	\$300.00	20%
New Measures			
Ceiling Insulation equal or greater than R-49		\$1.00/sf	
Programmable Thermostat		\$10.00	
Boiler		\$500.00	

Table 2: Commercial/Industrial Incentive Rate Changes

Measure	Current Incentive	Requested Incentive	Percent Change
Tier 1 Roof Insulation R 21	\$0.60/sf	\$1.35/sf	125%
Tier 2 Wall Insulation R 19	\$0.56/sf	\$1.25/sf	123%
Tier 1 Attic Insulation R 30	\$0.50/sf	\$1.10/sf	120%
Tier 1 Wall Insulation R 11	\$0.50/sf	\$1.10/sf	120%
Tier 2 Roof Insulation R 30	\$0.80/sf	\$1.60/sf	100%
Low Temp Multi Tank Dishwasher	\$1,000.00	\$2,000.00	100%
Tier 2 Attic Insulation R 45	\$0.65/sf	\$1.25/sf	92%
Demand Control Ventilation	\$12.00	\$20.00	67%
Radiant Heating	\$6.95	\$10.00	44%
Gas Griddle-Restaurant	\$350.00	\$500.00	43%
Low T Door Dishwasher	\$650.00	\$800.00	23%
Convection Oven-Restaurant	\$450.00	\$500.00	11%
New Measures			
Tier 1: 1.5 Inch Pipe Insulation		\$4.50/lf <sup>6</sup>	
Tier 2: 2.5 Inch Pipe Insulation		\$9.00/lf	

<sup>5</sup> sf = Square Foot

<sup>6</sup> lf = Linear Foot