



8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON  
99336-7166 TELEPHONE 509-734-4500 FACSIMILE 509-737-  
9803 www.cngc.com

September 27, 2021

UG-210450

Ms. Amanda Maxwell  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Implementation of RCW 80.28.380,  
Dockets UG-210094, UG-210450, UG-210461, and UG-210462**

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COMMISSION

Dear Ms. Maxwell:

Cascade appreciates the opportunity to provide responses to the following Commission questions:

1. Does the requirement to incorporate the social cost of greenhouse gases under RCW 80.28.380 require the utility to use a total resource cost-effectiveness test in identifying cost-effective conservation measures? Please explain your answer.

**Response:** No. The social cost of greenhouse gases is incorporated into the Company's avoided cost which is then used to determine the utility's cost-effective measures.

The Utility Cost Test (UCT) is still the most appropriate cost-effectiveness test for the utility as it compares actual benefits purchased compared to the alternative (avoided cost). The UCT has been used with great success by Cascade's Conservation Incentive Program and is compatible with the State's climate objectives.

There is currently no regulatory or legislative language mandating the exclusive use of any specific cost test. However, the UCT serves the purpose of including GHG emission reductions and looks at DSM as a commodity purchased in the place of fossil gas. Cost effectiveness is then based on the avoided cost of the gas that would have otherwise been purchased on the market. This straightforward valuation methodology avoids the use of costs and benefits that are not standardized (a risk associated with the Total Resource Cost (TRC)/Societal Cost Test (SCT)). A lack of standardized cost/benefit variables can lead to unintended subjectivity in valuation. The

UCT is a viable and straightforward means of understanding GHG reduction value—particularly when paired with a discount rate that reflects the long-term value of greenhouse gas reductions and an avoided cost that incorporates the social cost of GHG to set an appropriate threshold for cost-effectiveness.

We therefore encourage continued regulatory flexibility on this matter so that all available GHG emissions reductions/energy efficiency opportunities can be pursued.

2. An analysis of the availability of conservation is required under RCW 80.28.380. What considerations should be included in this analysis? Please explain your answer.

**Response:** Since 2008, Cascade has conducted thorough assessments of its conservation potential in coordination with its Conservation Advisory Group (CAG). This process involves the selection of an independent third-party contractor tasked with following the generally accepted Northwest Power and Conservation Council (NWPCC) guidance of identifying all technical, achievable technical, and achievable economic potential. Cascade has historically determined cost effectiveness based on the UCT along with a TRC evaluation for reference. The considerations included in this analysis can be found as part of the Company's historic filings and in our biennial Conservation Plan.

We believe that our, and other LDC potential assessments that have been provided historically under the supervision of the UTC and our respective advisory groups, provide a strong starting point for codifying the conservation analysis mandated under RCW 80.28.380. Therefore, we would encourage the UTC to base the legislatively codified requirement for a conservation analysis from the foundation of best practices developed over the years as a result of existing regulatory requirements.

It should also be noted that available conservation cannot be looked at in a vacuum. RCW 80.28.380 requires acquisition of all resources identified as available *and* cost effective (emphasis added). Theoretically, available could be viewed as all loads (technical potential), however, only a portion of the load can be reduced by acquiring cost-effective conservation. Available resources must be looked at within the context of cost effectiveness. These two components go hand in hand as stated in RCW 80.28.380.

3. Must utilities include conservation measures from gas transportation customers in their identification of all conservation measures under RCW 80.28.380? Please explain your answer.

**Response:** RCW 80.28.380 does not specifically mandate inclusion of gas transportation customers as part of its conservation potential, nor has this potential been historically modeled under Cascade's Conservation Potential Assessment. Transport customers are not direct customers of the LDCs and have not historically paid into utility-operated energy efficiency programs. There is also currently no funding mechanism through which transport customers could be served. If the transportation sector were to be included in LDC operated energy efficiency efforts, those customers would then be required to pay a portion of the overall program.

As identified by AEG, Cascade's current EE potential evaluators, there are significant challenges to conducting a CPA for transportation customers. Even with GHG-inclusive analysis, it will be a challenge for conservation potential evaluators to identify a prescriptive suite of measures to be modeled for transport customers. Large industrial facilities, and their associated efficiency needs, are often unique to the customer and will require custom solutions to lower energy usage and overall GHG impacts. Programs would also need to yield rebates sufficient to influence the decision to participate.

The UTC will need to consider whether examination of this potential and the additional investment of transport customer dollars is appropriate at this time. However, if utilities are mandated to pursue GHG emissions reductions associated with transport customer emissions, understanding the full scope of potential associated with these emissions, (and having a vehicle for recovery of costs) will be important. If this analysis is conducted, we strongly recommend that funds be collected from transportation customers to pay for such a study, since the work would directly pertain to this customer group.

Any questions regarding this filing may be directed to Lori Blattner at (208) 377-6015.

Sincerely,

*/s/ Lori Blattner*

Lori Blattner  
Director, Regulatory Affairs  
Cascade Natural Gas Corporation  
8113 W. Grandridge Blvd.  
Kennewick, WA 99336  
[Lori.blattner@intgas.com](mailto:Lori.blattner@intgas.com)