

[Service Date August 8, 2013]



STATE OF WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION
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August 8, 2013

Mark Sellers-Vaughn
Manager, Supply Resource Planning & Systems
Cascade Natural Gas Corporation
8113 W. Grandridge Blvd.
Kennewick, WA 99336-7166

Re: Cascade Natural Gas Corporation's 2012 Natural Gas Integrated Resource Plan,
Docket UG-112165

Dear Mr. Sellers-Vaughn:

The Washington Utilities and Transportation Commission (Commission) has reviewed the 2012 Natural Gas Integrated Resource Plan (Plan)¹ filed by Cascade Natural Gas Corporation (Cascade or Company) and finds that it meets the requirements of WAC 480-90-238.

Please be advised that this finding does not signal pre-approval for any course of action identified in the Plan. At the time of the Commission's review of Cascade's general rate case, the Commission will give due weight to the information, analyses and strategies contained in the 2012 Plan along with other relevant evidence when determining the prudence of the Company's actions.

Because an Integrated Resource Plan (IRP) cannot pinpoint with certainty the future actions that will minimize a utility's costs and risks, we expect that the Company will update regularly the assumptions that underlie the IRP and adjust its operational strategies accordingly.

¹ Cascade filed two updates to its Plan: 1) Updated Conservation Budget, February 14, 2013, and 2) Revised Action Plan, May 1, 2013.

Attached are specific observations regarding the Plan. The Commission particularly commends Cascade for its formal revisions, which significantly improved the Plan. Commission Staff will provide additional detailed comments as Cascade develops its next IRP.

Cascade should file its next IRP work plan on or before December 15, 2013, and its next IRP on or before December 15, 2014.

Sincerely,

STEVEN V. KING
Executive Director and Secretary

Attachment

Attachment to Commission's Acknowledgement Letter for Cascade Natural Gas Corporation's 2012 Natural Gas Integrated Resource Plan

UG-112165

August 8, 2013

Background

As a natural gas utility in Washington, Cascade Natural Gas Corporation (Cascade or Company) has a fundamental responsibility to manage the risks and opportunities associated with acquiring and delivering natural gas on behalf of its customers. Its responsibility is particularly important in an era of changing gas demand and requires a long-range planning perspective. The planning requirements specified in WAC 480-90-238 are intended to help each utility develop a strategic approach to address marketplace opportunities and risks based on that utility's unique attributes. Cascade's 2012 Natural Gas Integrated Resource Plan (IRP or Plan) represents such a strategic approach.

Overview

Commission staff members participate in the development of IRPs through advisory group meetings and through review and comment on the Company's work plan and draft IRP. In this document, the Washington Utilities and Transportation Commission (Commission) highlights issues raised during the development of the IRP and the Company's responses resolving the issues. Cascade responded to all concerns raised by Commission Staff, as reflected in two updates to its Plan: 1) Updated Conservation Budget, and 2) Revised Action Plan.^{1,2}

The following observations are organized by the IRP chapters.

Demand Forecast of Retail Gas Requirements (Chapter 3)

Peak-Day Capacity Shortages. Cascade is short of its forecasted design-day-peak demand only within limited areas near Walla Walla.^{3,4} The Company intends to meet these existing capacity shortages with the excess capacity on the Gas Transmission Northwest (GTN) and the Williams Northwest (NWP) pipelines through market purchases and city-gate resources. The Revised Action Plan commits to further analysis and exploration of other approaches to ensure it is best capturing all weather extremes.

¹ Letter from Michael Parvinen, CNGC Washington Integrated Resource Plan Update, Docket UG-112165 (February 14, 2013). (Updated Conservation Budget)

² Cascade Natural Gas Corporation's 2012 Integrated Resource Plan's Revised 2013-2014 Action Plan, Docket UG-112165 (May 1, 2013). (Revised Action Plan)

³ *2012 Natural Gas Integrated Resource Plan*, Chapter 1, Executive Summary, at 5, Docket UG-112165, (December 14, 2012). (IRP or Plan)

⁴ *2012 Natural Gas Integrated Resource Plan*, Volume III, Appendices B through I, at 306-318, Docket UG-112165, (December 14, 2012). (IRP Volume III)

Load Forecast. Cascade expects its load to increase between 1.1 percent to 1.4 percent per year.⁵ Cascade's low and high growth scenarios have been created by adjusting the forecasts provided by Woods and Poole Economics, Inc. to reflect the fastest and slowest decades of load growth in Cascade's service territory over the last 30 years.⁶ Cascade's recent historical growth has been consistent with these forecasts. The Company has adequately monitored the effects of current economic conditions on the rate of load growth since the last IRP, and adjusted for slower economic recovery by decreasing its load projections in the 2012 Plan. The Revised Action Plan commits to incorporating data from the Customer Information System to improve its forecast process.

Supply-side Resources (Chapter 5)

Resource Acquisition Exploration. In the period following the completion of its last IRP, Cascade bought pipeline capacity on GTN. Cascade has also monitored unconventional gas supply resources including imported liquified natural gas, bio gas (gas from renewable sources) and other manufactured gas supply opportunities. These unconventional resources would compete alongside conventional gas supplies such as gas fields in Canada and the Rockies.⁷ Among the possible future pipeline options for Washington service territory that Cascade is monitoring are the Palomar pipeline, the Pacific Connector Pipeline Project, and the T-South Enhancement/Southern Crossing Pipeline Extension.⁸ Cascade is also investigating Ryckman Creek as a possible gas storage facility.⁹ The Commission is satisfied that Cascade is conducting thorough investigations into current resource opportunities.

Conservation and Demand Side Management (Chapter 6)

Assessment of New Policies and Programs in Conservation. Cascade's Revised Action Plan includes an assessment of new policies and programs needed to obtain conservation improvements required by WAC 480-90-238, part (2)(b), to be completed in 2014.¹⁰ The new study will help provide the best understanding of impacts of the load changes mentioned above as well as the changes due to economic impacts, and will enable the Company to connect its detailed analysis of conservation measures and programs to the projected conservation achievement.

⁵ IRP at 7.

⁶ IRP at 18.

⁷ IRP at 30-32.

⁸ IRP at 57-58.

⁹ IRP at 59.

¹⁰ IRP at 90.

Conservation Program Details. Cascade has included a complete list of the conservation programs and a description of their applicability to Washington service territory.¹¹ The Company's Updated Conservation Budget estimates are appropriate. The Company's Revised Action Plan commits to annual reporting, the approach to cost recovery, and working with Commission Staff and interested parties on the information that should be included in the IRP. These commitments outline a significant improvement in Cascade's approach to conservation.

Quantifying the Impacts of Carbon. The Company has included carbon price sensitivities into the modeling approach within its current IRP. Carbon is modeled in three different scenarios:

- A Carbon Adder implemented in 2017 at \$15/ton of CO2 emissions with the adder increasing annually by 3 percent plus Consumer Price Index (CPI).
- A Carbon Adder implemented in 2017 at \$20/ton of CO2 emissions with the adder increasing annually by 3 percent plus CPI.
- A Carbon Adder implemented in 2017 at \$30/ton of CO2 emissions with the adder increasing annually by 3 percent plus CPI.¹²

The Commission views these carbon scenarios as a substantial improvement to the carbon study that was used in Cascade's prior IRP.

Resource Integration Modeling (Chapter 7)

Clarity in Modeling. The Commission recognizes Cascade's improvement in documenting the modeling process within the Plan. Cascade currently includes such information as the scenario descriptions in its "Summary of Portfolio Analysis and Resource Alternatives."¹³

¹¹ IRP Volume III at 137-43.

¹² IRP at 114.

¹³ IRP at 111-14.