

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION  
COMMISSION**

In the Matter of the Petition of

CASCADE NATURAL GAS  
CORPORATION,

for an accounting order authorizing deferred accounting treatment of loss in margin due to Company sponsored conservation programs, or, in the alternative, the continuation of the pilot decoupling mechanism that was approved in Docket UG-060256

DOCKET NO. UG-101656

The Energy Project's Response to the Commission's Notice of Opportunity to Comment

The Energy Project appreciates the opportunity to file the following comments in regard to Cascade Natural Gas's *Petition for an Accounting Order Authorizing Deferred Accounting Treatment of Loss in Margin Due to Company Sponsored Conservation Programs (Petition)*, filed on October 1, 2010, and the relevance that the Commission's *Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets* from Docket no. U-100522 has on the aforementioned petition. This petition, while not limited to the decoupling pilot that resulted from Docket No. UG-060256, is at least in part a request to extend that pilot. The Energy Project was a party to that case and filed comments and participated in a workshop held in the process of Docket No. U-100522 as well.

Ultimately, the Energy Project believes that the Commission's *Report and Policy Statement* provides clear guidance on the issues at hand in that it states explicitly that the Commission will consider an application for either "limited" or "full" decoupling *in the context of a general rate case*" and expects the request to be made in the Company's direct testimony of that case. (p. 11 para 18; p. 17, para. 28). In this regard, the Commission's *Report and Policy Statement* speaks directly to one of the Public Counsel's objections to the Company's petition – that the Company chose not to follow the directives of Order No. 5 Docket No. UG-060256, which expressly indicated extension of the decoupling pilot must be requested as part of a general rate case. (Public Counsel, *Motion to Dismiss*, p. 3, para. 4).

As the Energy Project reads the Company's petition, however, the request to extend the decoupling pilot is actually the alternative to their first requested option, a deferral of lost margins into Account 186, to be "recovered in rates as part of the annual Deferral Tracking Mechanism" (*Petition*, p. 2). It is unclear exactly how this lost margin deferral mechanism is to work or how it differs from the decoupling mechanism, which in itself is simply a lost margin deferral mechanism, as no details are submitted. Yet, simply requesting some as yet undefined deferral mechanism functions merely to sidestep the fact that the Company failed to meet the

requirements of Order No. 5. The Commission's *Report and Policy Statement* enumerates a sufficiently extensive list of concerns or "elements" that need to be addressed (*Report and Policy Statement*, p.11-13). While the language specifically refers to a "limited decoupling mechanism," the Energy Project contends this same list applies to any lost margin deferral mechanism and that proper consideration essentially requires the context of a general rate case.

In their response to Public Counsel's motion, Commission Staff caution the Commission not to issue a decision that would result in "discouraging conservation" in the state. We hear in this a shift in the argument from allowing some form of lost margin recovery to encourage investment in energy conservation to suggesting that the lack of providing lost margin recovery is actively discouraging energy conservation. While in one sense the latter is simply the "flip side" of the former, the Energy Project senses a significant difference in emphasis. It is as though the situation has changed from promoting energy conservation to holding it hostage. Yet conservation is the least cost resource and should be undertaken to the greatest extent possible. Then too, to what extent does the Commission want to issue specific directives, as it has in Order No. 5, then allow a company to ignore those directives?

The Energy Project believes that the Commission has the discretion to make the decision they feel best suits the balance between promoting conservation, maintaining the ability of the Company to provide the services for which they earn a profit, and not unduly dunning customers with additional charges. We see the two documents the Commission has issued as relevant and providing sufficient guidance in this issue. Order No. 5 clearly states conditions the Company must meet to continue the decoupling pilot. While the deadline is past, we would expect at least the completion of the evaluation and the presentation of the extension as part of a general rate case so that all the considerations the Commission has identified can be properly accounted for. Furthermore, we believe the approval of some other lost margin recovery mechanism would require examining those same considerations. Whether this can be accomplished in something less than a full general rate case, we leave to the Commission to decide, but believe that much greater analysis than Cascade has provided in their petition is required.