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November 18, 2010

**VIA HAND-DELIVERY AND EMAIL**

David Danner, Executive Secretary  
Washington Utilities and Transportation Commission  
1300 South Evergreen Park Drive, SW  
Olympia, WA 98504

**Re: In re Petition of Cascade Natural Gas Corporation for an Accounting Order  
Authorizing Deferred Accounting Treatment of Loss in Margin Due to Company  
Sponsored Conservation Programs, Docket UG-101656**

Dear Mr. Danner:

In response to the Washington Utilities and Transportation Commission's ("Commission") Notice of Opportunity to Comment in the above-referenced docket, issued November 9, 2010, Cascade Natural Gas Corporation ("Cascade" or "the Company") submits the following comments:

**Unlike the "Limited Decoupling" mechanism outlined in U-100522, ¶12, Cascade is seeking only lost margin due to actual programmatic savings associated directly with tariff approved measures that receive a rebate through its WA Conservation Incentive Program.**

The Company does not seek to recover lost margin from the "educational and informational efforts" outlined in the Commission's Policy Statement. The Company is simply requesting recovery for explicitly quantifiable conservation achievements as a result of the company sponsored conservation programs. In its June 7, 2010 "Response to the Statement of Inquiry" in Docket U-100522, Public Counsel noted that a "common feature (and flaw) of virtually all decoupling mechanisms proposed in Washington (and elsewhere) is that they compensate the company for declines in energy usage due to a wide range of causes beyond the company's own conservation programs..." (¶5). In response to such concerns, and sensing that stakeholders such as the Commission have

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decreased their comfort with more complex recovery mechanisms, the Company has proffered a mechanism that focuses exclusively on losses due to physical, tariff-approved measures, while excluding the complicated analysis that would be required to quantify savings due to "soft" conservation, or customer behavioral changes resulting from our program. We believe that this approach will provide the Company with the minimum financial support necessary to keep the Company whole for losses due to its programs, while minimizing the controversy and complications associated with more complex mechanisms. This ultimately encourages recovery for savings that are even more quantifiably a "direct result" of the Company's conservation programs, than those endorsed by the Commission in ¶17 of their Policy Statement. Such a tool is essential in light of Cascade's aggressive pursuit of conservation for qualified Cascade customers. As a small utility, this simple form of recovery will allow the Company to continue to act on its deep commitment to conservation and energy efficiency while mitigating financial harm to the Company.

**The Company believes that the accounting mechanism it recently requested is significantly different from the decoupling mechanism currently being evaluated in its Washington decoupling examination and bears resemblance only in the sense that both devices restore a portion of revenues associated with reductions to usage.**

This is why the continuation of its current mechanism was listed as an alternative to recovery of lost margins. The request for margin recovery is not seen by the Company as an extension of the now-expired mechanism approved in UG-060256. In addition, the reductions to usage associated with the request for lost margin recovery are so limited that the Company's proposal does not even qualify as limited decoupling as outlined in U-100522. From the Company's perspective it is, for the present, abandoning the pursuit of a comparatively complex rate-making tool that decouples reductions in usage from conservation, elasticity, and external factors. It is instead seeking protection from undue harm associated with the active pursuit of Commission-approved conservation programs as authorized by RCW 80.28.260(3). These programs are critical to serving the efficiency needs of the customers and have resulted in demonstrably positive environmental and economic benefits. Cascade would have deep concerns if it were unable to continue the aggressive momentum of its conservation efforts because of the lost margin it experiences as a result of its conservation tariff programs. To move away from the progress Cascade has made in conservation efforts would result in negative impacts to its community partners with whom it has actively engaged in order to more deeply penetrate the conservation potential within the service territory.

**The Company would like to emphasize its preference for the simple lost margin recovery method it has described above.**

The alternative mentioned by the Company in its Petition (continuation of UG-060256 pilot) was proffered to ensure that this option was not *precluded from future Commission*

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*decisions.* While the Company acknowledges that it may be difficult to enact this alternative outside of a rate case, as per the terms of the aforementioned docket, it is not aware of any precedent to suggest that the act of seeking permission from the Commission to extend the pilot project in itself is inappropriate. Although Cascade does not agree that requesting extension of its pilot decoupling project violates the Commission's Policy Statement or Order No. 05, Cascade agrees to withdraw its request to extend its decoupling program from the Petition in UG-101656. Cascade will file an amended petition reflecting such withdrawal.

In conclusion, Cascade appreciates the opportunity to provide comments regarding the procedural posture of Docket UG-101656 in light of the Commission's Report and Policy Statement in Docket U-100522. Cascade believes that the Commission's recent Report and Policy Statement does not affect the procedural posture of Docket UG-101656 because Cascade's petition for an accounting order in that docket is a simpler, more limited form of lost margin recovery than the decoupling and incentive mechanisms addressed in the Report and Policy Statement.

Any questions concerning this filing should be directed to Donna Barnett at (425) 635-1419 or Sheree Carson at (425) 635-1422.

Very truly yours,



Donna L. Barnett

DLB:ic

cc: All Parties

**CERTIFICATE OF SERVICE**

**DOCKET NO. UG-101656**

I hereby certify that I have this day served the foregoing documents via delivery in accordance with WAC 480-07-150(6)(a), (c) and (e).

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Dated at Bellevue, Washington, this 18th day of November, 2010.

  
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Ivy Carr