the Energy Project

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Ms. Carole J. Washburn
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P.O. Box 47250
Olympia, WA 98504-7250

In Re: Docket No. 060256, Cascade Natural Gas's Conservation Program

Dear Ms. Washburn,

The Energy Project welcomes the opportunity to comment on the recent filing by Cascade Natural Gas of their proposed energy conservation programs. The Energy Project's encouragement to CNG to invest in conservation goes back over ten years, so let us first say that it is both encouraging and exciting to arrive at this point – to have a comprehensive conservation plan from this utility on which to comment. This filing is important for a number of reasons, not the least of which is the fact that the Company's decoupling mechanism depends on the Commission's acceptance of their proposed plan. We feel it is even more important, however, because, while not the Company's first attempts to sponsor conservation, it represents their first attempt to put together an aggressive conservation program serving all sectors of their customer population. In our mind the key work here is "aggressive." With that in mind, the Energy Project has concerns in three major areas: 1) the conservation targets and penalties, 2) the proposed delivery mechanism, and 3) the rate of achieving the targets. In addition, we did find some of the appendices confusing.

I. CONSERVATION TARGETS & PENALTIES

Our general conclusion about the Company's conservation targets is that they are too modest; CNG is being overly cautious. While this is not surprising under the circumstances, it is not really acceptable. It might be tempting to compare the Company's proposal to the programs run by the other two gas utilities with extensive Washington territory. This would be very unfair, however. Both PSE and Avista bring to their gas conservation programs experienced staff and a long history of implementing electric conservation. The CNG staff size pales by comparison of sheer numbers, let alone person/years of experience.

Then, too, there is a lot riding on CNG's ability to deliver therm savings, since that number will determine the extent to which they get to recover revenue through their decoupling mechanism. Should they set their targets too high, they would not recover as much, perhaps not any, of the decoupling deferral account. Unfortunately, this tends to drive down the bar. CNG did receive feedback in the IRP planning group meetings that Stellar Processes estimation of an 85% achievable DSM potential, might be a bit out of reach. Nevertheless, we think the "Conservative" benchmarks on p. 3 are too low and would substitute instead the "Best Case" benchmarks.

The Energy Project did not weigh in on the decoupling mechanism in the settlement of this rate case, but we are uneasy about decoupling mechanisms in general and unclear in particular whether they become a windfall to the utility at some point or under certain conditions. Is achieving 71% of this conservation target really worth 70% recovery of the deferred funds? If the DSM target is too low, that might be quite lucrative for the company. Why try to achieve 90% of DSM if you can secure the same level of recovery of the deferral by getting 80%, that recovery sufficiently covers the reduced consumption?

The alignment of the recovery level with the particular DSM savings achievement is not transparent to us, particularly since the reduction in consumption is based on much more than the DSM conservation budget. Nor do the "penalties" seem to function as penalties. In our view, the company should be aggressively pursuing conservation because it is in the best interest of the integrated resource plan, of their customers, and of the region. As such, any decoupling recovery is an added benefit to the company and failure to achieve a certain level of target DSM is not so much a penalty as less benefit. Conversely, there is no means to reward the Company for going beyond 100% of their target. A schedule of incentives and penalties based on recovery of the lost revenues from the company-sponsored conservation would be less confusing. Regardless, it is still important that the DSM targets be aggressive.

We do agree completely with the Company with regard to one aspect of their target setting. We do not think CNG should be held responsible for the savings predicted from the low-income program. As they note in the filing, the spending of those funds is largely out of their control. The minimal performance of the existing low-income program bears this out. This is not due to a lack of need on the part of the low-income customers, but an outgrowth of other peculiar circumstances. The agencies providing energy efficiency to low-income homes usually pool funds from many resources in order to treat a home. It is common for the greatest share of the funds spent in a home to pay for repairs or health and safety concerns. The combination of these funds with the energy expenditures is what allows the agencies to provide a complete service – to leave a safe, healthy, energy-efficient, habitable home on the market. In order to reach as many homes as they can, agencies will direct their efforts to homes that draw down as little from their other funding source as possible. When more energy funds are available to electrically-heated homes than gas-heated, the non-energy funds follow. We believe the proposed increase in CNG's payment to full avoided cost will be an important factor in drawing more of the non-energy funds to CNG's customers' homes. We appreciate the Company's adjustment and look forward to working to make that happen over the next year.

II. PROPOSED DELIVERY MECHANISM

Given their staffing levels, lack of experience, successful relationship in Oregon, and sense of urgency, we are not surprised by the Company's interest in contracting with the Energy Trust of Oregon. We know the ETO to be a capable, responsible organization skilled in energy conservation. In the meeting with CNG and ETO we did express our concerns about depending on an organization that exists because of Oregon legislative charter and is overseen by the Oregon PUC to provide services in Washington. Also, it would appear from the organizational structure that this arrangement will put at least one, if not two, more layer(s) of administration between CNG and the customers whose properties are being worked on. We agree with other stakeholders that it is very important for services to be provided by "local" contractors. Finally, while we understand the ETO would issue an RFP for services if they decide they are able to participate, we are not sure whether CNG's proposal to contract with ETO to determine what services they could provide meets the Commission's order requiring an RFP.

III. RATE OF ACHIEVING THE TARGETS

Despite the utility's penchant to be circumspect, we believe the schedule to ramp up to full speed conservation, like the overall DSM target, is too cautious. While CNG may be new to these programs, the programs are not new. There are capable service providers ready, able and anxious to capture this conservation, welcoming, as we do, CNG's jumping into the pool. At the last advisory meeting we made our opinion very clear that taking five years to ramp up to a 50% penetration rate was far too long, but particularly if CNG chooses to contract with an entity like the Energy Trust.

SUMMARY

The Energy Project's concerns about the conservation plan that Cascade has filed center around the Company's apparent cautiousness in pursuing conservation. Given the lack of staff and experience and the importance of DSM success to their decoupling deferral recovery, this fear of failure is not surprising. Nevertheless, we believe it is important for CNG to proceed more aggressively. We believe the Company has made great strides over the last two years. We appreciate participating on their Integrated Resource Planning and Conservation Advisory Groups. We are encouraged by their increased interest in energy efficiency and look forward to working with them as they implement their programs.

Respectfully submitted,

Charles M. Eberdt