

Agenda Date: December 17, 2019
Item Number: D6

Docket: UG-190957
Company: Cascade Natural Gas Corporation

Staff: Andrew Rector, Regulatory Analyst
Nikita Bankoti, Regulatory Analyst

Recommendations

Take no action, acknowledging timely receipt of the 2020 Annual Conservation Plan submitted on November 15, 2019, in Docket UG-190957.

Background

Cascade Natural Gas Corporation (Cascade or company) operates its natural gas conservation programs under the requirements of the joint settlement agreement and order approved in Docket UG-152286.¹ As outlined in the order and agreement, the company must submit an Annual Conservation Plan (ACP or Plan) to the Washington Utilities and Transportation Commission (commission) by December 1 for the subsequent year and project its conservation target. On November 15, 2019, Cascade timely filed its 2020 ACP in Docket UG-190957.

Cascade Natural Gas serves approximately 214,000 customers in smaller, rural communities in western and central Washington, including service to the following counties: Adams, Benton, Chelan, Cowlitz, Douglas, Grant, Franklin, Grays Harbor, Island, Kitsap, Mason, Skagit, Snohomish, Walla Walla, Whatcom, and Yakima. The company also serves 74,000 customers in central and eastern Oregon.

Discussion

2016 joint settlement agreement. Cascade agreed to a number of provisions in the joint settlement agreement signed in 2016.² These provisions included a regular reporting schedule, quarterly conservation advisory group (CAG) meetings, advanced review of all regulatory filings by the CAG, and achieving 100 percent of its annual conservation target. Additionally, in its 2016 integrated resource plan (IRP),³ the company agreed to create a conservation potential assessment (CPA), which was used for its 2018 IRP⁴ and is still in use.

Recent conservation achievement. 2019 marks the first year that Cascade's therm conservation target has been developed through the Load Management Analysis and Planning (LoadMAP) CPA modeling tool. Because of this, as commission staff (staff) noted when recommending that

¹ UG-152286, Order 04, 10 (July 7, 2016).

² *Ibid.*, ¶ 18-26.

³ UG-160453.

⁴ UG-171186.

the commission acknowledge receipt of the company’s 2019 ACP,⁵ 2019 is the first year Cascade’s conservation target is considered binding. As of early December 2019, the company reports that it has achieved its 2019 conservation goal, though this will not be verified until Cascade files its 2019 annual conservation report by June 1, 2020. Cascade achieved its non-binding conservation target in 2018, as well.⁶

Natural gas conservation budget. Cascade proposes a 24 percent natural gas conservation budget increase in 2020, from \$6.1 million to \$7.6 million. Table 1 summarizes the budgets by expense category.

Table 1: Program Budgets by Expense Category

Natural Gas Program Budgets	2019 Budget⁷	2020 Budget	% Change
Incentive Payments			
<i>Residential</i>	\$1,920,000	\$3,017,205	57.1%
<i>Non-Residential</i>	\$950,000	\$1,216,930	28.1%
<i>Low-income</i>	\$515,000	\$700,000	35.9%
Non-Incentive Expenses			
<i>Labor</i>	\$683,047	\$758,157	11.0%
<i>Outreach</i>	\$288,100	\$304,300	5.6%
<i>Third Party</i>	\$904,750	\$992,112	9.7%
<i>NEEA/RTF</i>	\$548,804	\$377,908	-31.1%
<i>Annual Software Fees</i>	\$185,000	\$195,500	5.7%
<i>Other</i>	\$150,131 ⁸	\$52,883	-64.8%
Total	\$6,144,832	\$7,614,995	23.9%

Cascade expects substantial increases in incentive spending in 2020. The company will be increasing some incentives, namely for windows and insulation, and restructuring others. Among non-incentive expenses, Cascade intends to increase its outreach budget, primarily to support additional outreach to contractors and trade allies. The company’s labor budget will also grow as a result of increased staffing. Cascade’s funding requirement for the Northwest Energy Efficiency Alliance (NEEA) natural gas market transformation pilot will decline significantly from its 2019 funding level, but remains commensurate with its average funding level over the last five years. Cascade will also contribute to Regional Technical Forum (RTF) funding for the first time in 2020.

⁵ UG-180990.

⁶ UG-171159.

⁷ UE-180990, CNGC 2018 Conservation Plan (January 10, 2019), Table 1.

⁸ After submitting the plan, the company removed \$108,500 earmarked for a potential office expansion from its budget, making the new total for the “Other” budget category \$41,631.

The company estimates a Utility Cost Test (UCT) benefit cost ratio on the portfolio level at 1.2 (1.3 for Residential and 1.2 for Commercial/Industrial) and Total Resource Cost (TRC) ratio of 1.0 (1.0 for Residential and 1.1 for Commercial/Industrial).

Natural gas conservation savings. Cascade projects a 1 percent increase in its year-over-year savings acquisition, from 719 thousand therms to 727 thousand therms. Table 2 compares 2019 and 2020 natural gas savings by program

Table 2: Natural Gas Savings by Sector

Projected Gas Savings (therms)	2019	2020	% Change
Residential	333,424	327,801	-1.7%
<i>Low-income</i>	15,000	11,000	-26.7%
Non-residential	370,587	387,824	4.7%
Total	719,011	726,625	1.1%

The low-income expected program savings expectation decrease from 2019 is to a level more commensurate with current achievements, while the slight decline in residential savings is explained by the aforementioned increase in labor and outreach.

The company is proposing modest changes to its residential program offerings, including to insulation, tankless water heaters, and air sealing. The commercial program will see no significant changes, though some minor updates to boiler and radiant heating offerings is possible. Cascade will also conduct a point of sale pilot program with commercial efficiency contractors in 2020.

Conclusion

Staff commends Cascade for its marked conservation achievement improvement in recent years. Cascade must continue to achieve 100 percent of its conservation target in 2020.

Recommendation

Take no action, thus acknowledging receipt of Cascade Natural Gas Corporation's 2020 Annual Conservation Plan filed on November 15, 2019, in Docket UG-190957.