

CASCADE NATURAL GAS CORPORATION

DATE PREPARED: July 9, 2007
CASE NO.: UG-060256
REQUESTER: WUTC

WITNESS: Katherine Barnard
RESPONDER: Katherine Barnard
TELEPHONE: (206) 381-6824

BENCH REQUEST NO. 5:

Please provide the report produced by Stellar Processing on the energy conservation potential within Cascade's Washington service territory. Please provide and discuss the methodology the Company used to convert this conservation potential into the Company's proposed "conservative" and "best case" conservation targets in its Conservation Plan.

RESPONSE:

A copy of the Stellar Processing Report is enclosed.

When developing the target for the Conservation plan, the Company utilized the information included in the Stellar Study, particularly the individual measures, estimated therm savings/measure, and the estimated level of eligible participants. However, a couple of key modifications were made to the assumptions that have an overall impact on the estimated level of annual achievable savings and ultimately the 2-year targets. They are:

- The Company reduced the assumed level of achievable potential from 85% to approximately 70% of the technical potential. The reduction from the 85% achievable figure, which is used by the Northwest Power Planning Council for electric conservation measures, was discussed at the Company's initial Conservation Advisory Group (CAG) meeting. For purposes of the conservation plan, the company assumed 60% was achievable in the residential New Construction sector, 75% in the existing/retrofit residential market and 70% in the commercial/industrial sector. The reason the lower figure was utilized for the new construction market was to recognize that if implementation does not occur at the time of construction those opportunities will be lost.
- In the near term, the Conservation Plan excluded a few measures from its program mix such as windows in the residential sector, and the heat reclaim/solar in the commercial sector. With respect to the window measures, although Stellar identified them as cost effective, both the incremental therm savings and ultimately the cost-effectiveness of the measure was challenged during the CAG meeting. The overall cost effectiveness was driven by the estimated level of therm savings identified by Stellar, which was estimated to be in excess of 450 therms per year. This level of therm savings is not realistic, particularly when one considers that the average residential consumption per year is approximately 700 therms. Therefore, the company has not included windows in its program mix, and therefore the associated therm savings have been excluded from the

CASCADE NATURAL GAS CORPORATION

DATE PREPARED: July 9, 2007
CASE NO.: UG-060256
REQUESTER: WUTC

WITNESS: Katherine Barnard
RESPONDER: Katherine Barnard
TELEPHONE: (206) 381-6824

target. On the commercial side, the Company excluded the Heat Reclaim and the solar measures from its 2 year plan. As explained in the Company's reply comments to the conservation plan, at this time, none of the northwest utilities are offering a utility sponsored program for Heat Reclaim measures and therefore, the Company will pursue development of such a program to implement by the 2010 time period. Therefore, therm savings associated with those measures have been excluded from 2008 and 2009 targets.

- Stellar's deployment schedule (shown on page 30 of the study) did not include a ramp up period for the new programs but merely took the total potential and assumed for new construction that 1/20 would be obtained each year, and for the weatherization measure assumed the potential could be achieved evenly over the first 10 years. Additionally, Stellar's deployment schedule assumed that approximately \$6 million would be available for utility programs annually as opposed to the \$2 million assumed in Cascade's plan.

The attached schedule displays the measures and how the annual targets were developed from the Stellar's study results.