September 24, 2007

**SENT VIA E-MAIL & FIRST CLASS MAIL**
Carole Washburn
Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: In the Matter of Cascade Natural Gas General Rate Case
Docket No. UG-060256 – September 14, 2007, Addendum to Conservation Plan

Dear Ms. Washburn:

Public Counsel respectfully submits these comments in response to Cascade's September 14, 2007, filing in this docket, providing an Addendum to the Conservation Plan and tariff sheets implementing Conservation programs and the decoupling mechanism. We recommend the decoupling deferrals under this plan begin no sooner than January 1, 2008, instead of October 1, 2007, the effective date reflected in the Company's filing. In addition, Cascade should provide additional details regarding the financial reporting and accounting of the mechanism.

*Deferrals Should Not Begin Until January 2008*

However, Cascade's filing requests an effective date for recording of deferrals of October 1, 2007, Public Counsel believes this is inappropriate for two reasons. First, while Cascade requests the that deferral begin Oct 1, 2007, Cascade states in its "accounting/reporting process" that it intends to only collect on calendar year 2008 deferred conservation revenue balances. Cascade states, "[a]ssuming that the 2008 therm savings targets of 335,625 therms are met or exceeded, in the 2009 PGA filing, the Company would seek amortization of 90% of the outstanding Calendar 2008 deferred conservation revenue balances." (Page 2 of Addendum). This statement implies that the deferrals in 2007 will not be amortized. Public Counsel agrees that deferrals for 2007 should not be recovered or amortized and requests that the Commission clarify this in its order.

Second, Cascade's proposed initial deferral period of 15 months (October 1, 2007 to December 31, 2008) does not match the initial conservation performance period (calendar year 2008). While Cascade's proposed tariffs provide a list of the conservation programs to be offered, the filing does not provide any assurance that the Company is prepared to effectively begin delivery of the programs by October 1st. Indeed, Cascade appears to admit they will not be ready to offer these programs to customers by October 1st. Cascade's "implementation plan update" explains that since the Energy Trust of Oregon has declined to assist with implementation, Cascade will employ a small staff in house to manage its conservation programs. The filing states in part:

> Cascade's Staff will assume the roll [*sic*] of the:
>
> - Evaluation/Design of overall conservation programs
> - Development and evaluation of Request for Proposal (RFP) for delivery of conservation programs
> - Contract with third-party Program Management Contractors (PMC)
> - A centralized call center and resources to assist customers with energy efficiencies
>
> Consistent with the Energy Trust's model, Cascade is planning to contract with third party Program Management Contractor(s) (PMC) for the delivery of the Conservation Programs listed in Appendix B & C.

(September 14, 2007, Addendum to Conservation Plan, p. 3.)

The fact that Cascade "is planning to" contract with one or more third party program management contracts for delivery of its conservation programs, and that Cascade Staff will be developing an RFP for delivery of programs, clearly indicates that the Company will not be ready to offer these programs to customers in a meaningful way by October 1st.

Ratepayers should not be forced to bear the risks of deferrals when they cannot fully avail themselves of the Company's anticipated expanded conservation portfolio. Moreover, the deferral period should match the 12-month calendar year conservation review period, and thus should not commence until January 1, 2008.

*Cascade Should Provide Additional Financial Reporting and Accounting Detail*

The Commission's Order 06 required Cascade to file a revised Conservation Plan that provides "the specific reporting and accounting methods used to implement the Plan, including the penalty mechanism and the earnings cap." (Order 06, at ¶ 42). The Commission should clarify Cascade's Reporting Requirements for two reasons.

First, Cascade's filing only includes two paragraphs on this topic (Addendum, at p. 2). Most of the first paragraph simply repeats the comments on Cascade's original conservation plan, at p. 4 (earnings cap). There is little "specific" information beyond what is included in the initial plan. Second, any recovery of decoupling deferrals would be sought in upcoming PGA filings. (Addendum, p. 2). However, Cascade does not provide any indication that the Company would maintain separate accounting and tracking of the amortization of deferrals to ensure actual recovery does not exceed the amount allowed under the mechanism.

Thank you for your consideration of these comments.

Sincerely,

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SJf:cjw

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