

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET UG-060256
TRANSPORTATION COMMISSION,)	
)	ORDER 07
Complainant,)	
)	ORDER ACCEPTING
v.)	ADDENDUM TO
)	CONSERVATION PLAN;
CASCADE NATURAL GAS)	APPROVING TARIFF FILING
CORPORATION,)	
)	
Respondent.)	
)	
.....)	

1 ***SYNOPSIS:*** *This Order accepts Cascade Natural Gas Corporation’s Addendum to its Conservation and Low-Income Weatherization Plan, and approves the Company’s tariff filing to implement the Plan.*

MEMORANDUM

1 On January 12, 2007, the Washington Utilities and Transportation Commission (Commission) entered Order 05 approving, subject to conditions, a pilot decoupling program.

2 In compliance with that Order, Cascade Natural Gas Corporation (Cascade or the Company) developed and filed its Conservation and Low Income Weatherization Plan (Plan) on May 5, 2007. After receiving comments on the Plan and responses, and requesting responses to bench requests, the Commission approved the Plan, subject to conditions, on August 16, 2007, in Order 06 in this docket.

3 On September 14, 2007, Cascade filed its Addendum to the Company’s Plan, as well as associated tariff sheets (Advice No. CNG/W07-05-01C), to become part of the

Company's Natural Gas Service Tariff, WN U-3, in compliance with Order 06.¹ Cascade filed the proposed tariffs with an effective date of October 1, 2007.

- 4 On September 24, 2007, Public Counsel filed comments in response to Cascade's filing. Public Counsel identified an inconsistency in Cascade's Addendum, namely the Company's intent to begin recording deferrals under the decoupling program on October 1, and a statement that only deferrals during calendar year 2008 would be amortized for possible recovery. Specifically, Cascade specifies that for the period of October 1, 2007, through December 31, 2008:

Cascade defers conservation related revenue differences beginning with the approval of the Decoupling Tariff (requested as October 1, 2007) through Dec. 31, 2008 based upon the methodology outlined in the proposed Rule 22 [sic], Conservation Alliance Plan (CAP) (Tariff Sheet 25).²

In describing the recovery of these deferrals, 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."³

- 5 Public Counsel requests the Commission clarify that Cascade may not include any deferrals made in 2007 in the deferrals recovered or amortized for calendar year 2008. Public Counsel also requests the Commission direct Cascade to provide more details about the financial reporting and accounting under the decoupling program.
- 6 Staff and the Company filed responses to Public Counsel's comments.
- 7 Staff believes it is appropriate for Cascade to begin decoupling deferrals on October 1 to coincide with the start of the pilot program. Staff asserts that the parties' settlement agreement provides that the Company must demonstrate it can meet Conservation Plan targets for calendar year 2008 by the end of December 2007. If so, the Company may continue to defer margin revenues under the decoupling

¹ On September 26, 2007, Cascade filed substitute original tariff Sheet 300, to include a conservation measure that was excluded in error from the September 14 filing. See Advice No. CNG/W07-05-01CB.

² Cascade September 14, 2007, filing, at 2.

mechanism. Staff also asserts that allowing Cascade to begin deferrals on October 1 will allow all stakeholders to begin gathering data to evaluate the effectiveness of the decoupling program. As to Cascade's current accounting and financial reporting details, Staff intends to work with the Company to ensure that there is sufficient information available for stakeholders and the Commission to track and account for deferrals.

- 8 Cascade asserts that the Company intended an October 1 implementation date in its original Conservation Plan submitted May 5. Cascade asserts that Public Counsel identifies "what is no more than a possible inconsistency in the Addendum."⁴ Cascade asserts the statements are not inconsistent: The Company "clearly intended to commence deferring revenue differences on October 1, 2007, and to address deferred balances accumulated during the entire 15-month period from October 1, 2007 through December 31, 2008 in connection with the first annual review of Cascade's performance and earnings under the decoupling program."⁵ Cascade asserts that the "alleged inconsistency" is no reason to deny Cascade's request to start deferrals on October 1.
- 9 Cascade clarifies that it will not count conservation achieved during the last three months of calendar year 2007 towards its targets for calendar year 2008, but seeks to include revenues deferred for the 15-month period in the amount it will be permitted to amortize "subject to an earnings review, a penalty based on performance, and ultimately, Commission approval."⁶
- 10 Cascade asserts it should be allowed to implement the pilot decoupling program and start deferring revenues as soon as possible, given the "trade-offs" in the settlement of the rate case. Specifically, Cascade asserts that the rate of return includes a risk adjustment for the effect of the decoupling mechanism the Commission approved. Cascade asserts that further delaying the recording of deferrals would inappropriately deny the Company the opportunity to recover its fixed costs.⁷

³ *Id.*

⁴ Cascade Comments, September 27, 2007, ¶ 7.

⁵ *Id.*, ¶ 8.

⁶ *Id.*, ¶ 12.

⁷ *Id.*, ¶ 11.

- 11 Cascade further asserts that its proposed tariff pages and Addendum to the Plan provide sufficient detail about how the Company will make its deferrals, calculate margin differences, where the differences will be recorded, how interest will be imputed, and how the Company will make its annual filings and apply surcharges.⁸ The Company also asserts that if the Commission finds in evaluating Cascade's first filing under the program in 2009 that accounting detail is lacking, it may order Cascade to provide additional detail.⁹
- 12 Having considered Public Counsel's comments and the responses, we find the Company's Addendum and proposed tariff acceptable. Both Cascade and Staff are parties to the settlement agreement and assert that the proposal to begin deferring revenue margins on October 1, 2007, is consistent with their agreement. They contemplated that Cascade would begin deferring revenue margins prior to 2008. First, the program expires three years from the effective date of tariff sheets implementing the mechanism.¹⁰ Second, the Company must demonstrate by December 31, 2007, that it is able to meet the 2008 conservation targets.¹¹
- 13 Public policy and our rules favor settlements.¹² When parties to an approved settlement agreement concur in the interpretation of the agreement, their interpretation is entitled to some deference. An opposing party has the burden to show that the settling parties' interpretation is unreasonable or contrary to the public interest. Public Counsel has not met this burden. Public Counsel has not shown harm or risk to consumers by allowing Cascade to begin deferrals on October 1. Further, Cascade will recover nothing until we consider the Company's request for recovery in 2009.¹³

⁸ *Id.* ¶ 15.

⁹ *Id.*, ¶ 19.

¹⁰ Exh. 1, ¶ 15(c). If we exclude the last quarter of 2007, we would need to amend the settlement agreement to extend the program through the last quarter of 2009.

¹¹ *Id.*, ¶ 15(e)(iv), (v).

¹² RCW 34.05.060; WAC 480-07-700.

¹³ The Company argues that the bargain it struck included a lower rate of return. It argues deferrals in the final three months of 2007 were included as a part of that bargain.

- 14 We find the parties' interpretation of the agreement reasonable and accept Cascade's Addendum to the Plan. Allowing Cascade to defer amounts during the last quarter of 2007, subject to recovery under the Plan, creates additional incentive for Cascade to implement its conservation program.
- 15 We view this as a somewhat unique circumstance of the settlement agreement in allowing for such out-of-time deferrals. Our decision in this proceeding does not create a precedent to allow decoupling without matching deferral and performance periods.
- 16 We do not require Cascade to provide at this time additional financial reporting or accounting detail concerning the decoupling program. Staff reports it will continue to work with Cascade to ensure the Company provides sufficient information concerning accounting and reporting details of the program. We expect Staff to notify the Commission and all parties if Staff believes additional reporting or accounting detail is required.
- 17 We find that the tariffs Cascade filed on September 14 and 26, 2007, are in accordance with Orders 05 and 06 in this proceeding.

ORDER

THE COMMISSION ORDERS:

- 18 (1) The compliance tariff filings Cascade Natural Gas Corporation filed on September 14 and 26, 2007, shall become effective on October 1, 2007, as filed, in accordance with the terms of this Order, and Orders 05 and 06.
- 19 (2) Cascade Natural Gas Corporation's Addendum to its Conservation and Low-Income Weatherization Plan is accepted.

- 20 (3) The Commission retains jurisdiction to effectuate the provisions of this and prior orders entered in this proceeding.

Dated at Olympia, Washington, and effective October 1, 2007.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

APPENDIX A

Re: Washington Utilities and Transportation Commission v. Cascade Natural Gas Corporation, Docket UG-060256

TARIFF SHEETS FILED IN COMPLIANCE WITH THE COMMISSION'S
ORDER 06 IN DOCKET UG-060256

WN U-3, Natural Gas Service (Advice Nos. CNG/W07-05-01C, CNG/W07-05-01CB)

Original	Sheet No. 25	Conservation Alliance Plan Mechanism
Substitute Original	Sheet No. 300,	Residential Conservation Incentive Program
Original	Sheet No. 300A	Residential Conservation Incentive Program (cont.)
Original	Sheet No. 301	Low Income Weatherization Incentive Program
Original	Sheet No. 302	Commercial/Industrial Conservation Program
Original	Sheet No. 302A	Commercial/Industrial Conservation Program (cont.)