



*In the Community to Serve®*

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June 26, 2012

Mr. Dave Danner  
Secretary and Executive Director  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-9022

RE: Decoupling Mechanism Report for CY11

Dear Mr. Danner:

As an informational filing following the expiration of the Decoupling Mechanism and Annual Reporting requirement associated with **Docket UG-060256 Order 06**, Cascade Natural Gas Corporation hereby submits an Annual Conservation Achievement Report for Calendar Year 2011. This report includes documentation of the Company's CY11 therm savings achievements and program expenditures.

Any questions regarding this document should be directed to Allison Spector, Conservation Manager at (360)-788-2356 or [allison.spector@cngc.com](mailto:allison.spector@cngc.com).

Sincerely,

Michael Parvinen  
Manager, Regulatory Affairs

Attachments

*We make warm neighbors*

Cascade Natural Gas Corporation  
Annual Conservation Achievement Report  
Calendar Year 2011

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**Background**

On October 1, 2007 the Washington Utilities and Transportation Commission (WUTC) approved an addendum to Cascade Natural Gas’s Conservation Alliance Plan (CAP) and associated Decoupling Pilot, which was developed in compliance with the Commission’s Order 06 in Docket UG-060256. As part of this addendum, the Company agreed to submit “an annual report to the Commission on the achievement of the Calendar year therm savings target, along with its Commission Basis results of operations report”. Since that time, the Company has submitted an annual report no later than March 31 of each year, to report prior years’ conservation achievements and associated CAP deferrals.

As of October 1, 2010, the Pilot Decoupling Mechanism and accompanying Conservation Plan, approved by the WUTC on October 1, 2007, are complete and no longer in effect. This report reflects the Company’s conservation achievements for Calendar Year 2011, and represents the first full program year following the completion of the Company’s Decoupling Pilot.

As described in the Company’s 2010 Annual Conservation Report, the report below has been filed with the WUTC in a format similar to its previous Conservation Reports, as an informational filing. This, and all future reports will be shared with the WUTC by July 1<sup>st</sup> of the following program year (for instance, 2011 achievements were reported no later than July 1, 2012). In the event that the reporting format or timing needs to be adjusted, the Company will notify Commission Staff prior to filing.

All other planning associated with the Company’s Conservation Programs can be found within the Demand Side Management (DSM) section of our Integrated Resource Plan (IRP), the traditional vehicle for such planning. The IRP has historically included (and will continue to include) a full assessment of the Company’s DSM/Conservation potential and has/will provide a description/summary of targets and measures to achieve this potential.

**Summary of 2011 Program Achievements**

**Table A: 2011 Program Achievements**

<i>Totals</i>	<b>Residential</b>	<b>Energy Kits</b>	<b>Commercial</b>	<b>Low Income</b>	<b>Total</b>
<b>Therms Achieved</b>	217,528	2,068	467,657	24,130	<b>711,383</b>
<b>Measures Installed</b>	1,584,013 <i>(including units of insulation)</i>	92	212,317.01 <i>(including measures by kBtu/hr and units of insulation)</i>	259	<b>1,796,681.01</b>
<b>Customers Served</b>	2,762	92	56	84	<b>2,994</b>
<b>Carbon Offset (CO2 avoided)</b>	2,523,324.8 lbs	23,988.8 lbs	5,424,821.2 lbs	279,908 lbs	<b>8,252,042.8 lbs</b>

**Table B: 2011 Programmatic Costs and Rebates**

<i>Total Costs</i>	<b>Residential</b>	<b>Commercial</b>	<b>Low Income</b>
<b>Incentives Paid</b>	\$781,929	\$862,058	\$248,844
<b>Programmatic Costs</b>	\$790,451	\$751,214	\$55,189

*Residential and Commercial*

Cascade Natural Gas Corporation is pleased to report a 2011 therm savings achievement of **711,383**. This figure is 134% of the Company’s conservative target <sup>1</sup> and 100% of the combined 2011 stretch therm savings target for all three program sectors as outlined in the Company’s most recently acknowledged Integrated Resources Plan.

Part of the success of the 2011 program year can be attributed to the 119,962 therms that were associated with a project that had been anticipated for completion in 2010 but was delayed until the following year. However, even absent these additional therm savings, the program would still have achieved a savings level of 591,421 therms which is 111% of the Company’s conservative target or 83% of its stretch goal (the number utilized in the IRP).

A critical factor which led to increased uptake and cost effectiveness during the 2011 program year was the CY10 strategic reorganization of the Company’s Conservation Incentive Program to utilize a singular vendor, Lockheed Martin, to provide conservation support to both our Residential and Commercial programs. The consolidation of the program delivery through one vendor allowed the program to benefit from economies of scale. The single-vendor approach has proven itself a sound strategy for achieving the flexibility and innovation necessary to encourage deeper savings through the installation of longer lived measures in customer homes, even in light of greater obstacles to cost-effectiveness associated with the projected decline in the cost of natural gas. The strategic reorganization and associated strategies have resulted in a notable increase of the average weighted life of the measures within the conservation portfolio, and a significant jump in the cost-effectiveness of the program.

The Total Resource Cost of the Residential portfolio<sup>2</sup> has been reduced (made more cost effective) by **\$.304**, and the TRC of the Commercial portfolio was lowered by **\$.311**, a substantial and positive indicator of the health and maturation of these programs.

*Low Income*

Since 2008, the amount of low income customers served by the program has increased by approximately 200%. Commensurate with the proliferation in ARRA funding, agencies were able to leverage these essential monies in 2010, allowing them to weatherize 112 customer homes, saving 30,809 therms in total for these vulnerable households.

However, the ramp-down of these monies in 2011 resulted in declining savings levels this program year, with **84** homes served and **34,130** therms saved. The Company anticipates further declines in the number of natural gas homes served in Cascade’s service territory now that all

<sup>1</sup> Conservative target is 75% of the Company’s “Estimated Achievable Therm Savings” which is included as part of the Demand Side Management section of Cascade’s Integrated Resources Plan.

<sup>2</sup> From the initial report, but not factoring in the minor true-up adjustments made later in this document.

ARRA funds have been expended. However, the Company remains committed to providing essential leveraging dollars for this critical program and is working closely with the Low Income Agencies and advocates to determine ways to ensure Cascade customers in need of aid continue to receive essential weatherization services.

### Participation Summary

A full breakdown of therm savings, total resource costs, and utility costs by all measures and programs for the 2010 program year can be found in Appendix A.

### Updates to CY10 Program Achievements

Because the Company reports therm savings achievements based on the actual installation date of the measures, several 2010 projects were processed and paid following the annual reporting period for these activities. The therm savings associated with these projects are not included with the Calendar 2011 achievements but rather represent an addition or “true-up” to the original achievements published in the 2010 report submitted to the Commission on March 31, 2011.

On the Commercial side of the Program, one additional custom project application associated with Program Year 2010 was processed and an incentive provided, which resulted in an additional savings of 2,660 therms. On the Residential side of the Program, an additional 377 incentive applications for projects completed in PY10 were processed, resulting in the inclusion of an additional 27,584 therms. No modifications were needed for the Low Income Conservation portfolio.

The adjustment of the reporting period from March 31 to June 30, has allowed the Company to capture and process all qualified applications associated with the Program Year and should mitigate the need for further true-up reporting in subsequent annual reports.

Tables C and D below provide a summary of the total Calendar Year 2010 achievements and program costs.

**Table C: Final 2010 Achievements**

<i>Totals</i>	<b>Residential</b>	<b>Energy Kits</b>	<b>Commercial</b>	<b>Low Income</b>	<b>Total</b>
<b>Therms Achieved</b>	215,455	1,544	227,017	30,809	<b>474,825</b>
<b>Measures Performed/Installed</b>	788,919 <i>(2010 count includes individual units of insulation)</i>	77	118	354	
<b>Customers Served</b>	2,709	77	91	112	<b>2,989</b>
<b>Carbon Offset (CO2 avoided)</b> <i>in 000's lbs</i>	2,510.8	17.9	2,633.3	357.4	<b>5,507.9</b>

**Table D: Final 2010 Programmatic Costs and Rebates**

<i>Total Costs</i>	<b>Residential</b>	<b>Commercial</b>	<b>Low Income</b>
<b>Incentives Paid</b>	\$607,749	\$463,515	\$353,141
<b>Programmatic Costs</b>	\$1,319,100	\$806,541	\$63,984

Appendix B provides the updated therm savings, total resource costs, and utility costs by measures for the calendar year 2010.

**Revised Three Year Pilot Achievements (2008 – 2010)**

**Table E: Revised Three Year Pilot Achievements**

<i>Totals for CY2008 – CY2010</i>	<b>Residential &amp; Commercial</b>	<b>Low Income</b>	<b>Total</b>
<b>Therms Achieved</b>	1,464,192	59,527	1,523,719
<b>WUTC Three Year Therm Savings Target</b>	1,342,375	74,875	1,417,250

Table E (shown above) reflects CNGC's program achievements over the three year duration of the Company's Pilot Decoupling effort. Over the course of the pilot, total Company achievements have significantly exceeded the aggregate 3-year therm savings target approved by the WUTC in the Company's revised Conservation Plan submitted on September 14, 2007.

Total therm savings from all programs during the three year pilot can be translated into a benefit of approximately 17.7 million pounds of mitigated CO<sub>2</sub>. This figure is based on the Company's latest Integrated Resources Plan and the EIA 2007 International Outlook, which recognizes the conversion of natural gas emissions to CO<sub>2</sub> as approximately 11.6 pounds per therm.

**CASCADE NATURAL GAS CORPORATION**  
**Program Participant Cost Effectiveness Estimate Summary**

PROGRAM	MEASURE/ PARTICIPANTS	TOTAL ANNUAL THERM SAVINGS	TOTAL INSTALLED COSTS	NON-ENERGY BENEFITS (10% of cost)	WEIGHTED MEASURE LIFE	DISCOUNTED THERM SAVINGS	PROGRAM DELIVERY & ADMIN	TOTAL PROGRAM REBATE	PROGRAM UTILITY COST	UC W/DELIVERY & ADMIN	BENEFIT COST RATIO		PROGRAM TOTAL RESOURCE COST	TRC W/DELIVERY & ADMIN	BENEFIT COST RATIO
RESIDENTIAL	2,854	219,596	\$ 2,021,757	\$ 202,176	32.60	3,704,041	\$ 790,451	\$ 781,929	0.211	\$ 0.425	1.708		\$ 0.491	\$ 0.705	1.029
COMMERCIAL*	212,355	467,657	\$ 2,161,494	\$ 216,149	17.60	5,622,610	\$ 751,214	\$ 862,058	0.153	\$ 0.287	2.441		\$ 0.346	\$ 0.480	1.460
LOW INCOME*	259	24,130	\$ 378,067	\$ 37,807	27.55	356,075	\$ 55,189	\$ 248,844	0.699	\$ 0.854	0.883		\$ 0.956	\$ 1.111	0.679
<b>TOTAL</b>	<b>215,468</b>	<b>711,383</b>	<b>\$ 4,561,318</b>	<b>\$ 456,132</b>	<b>22.57</b>	<b>9,682,726</b>	<b>\$ 1,596,854</b>	<b>\$ 1,892,831</b>	<b>\$ 0.195</b>	<b>\$ 0.360</b>	<b>2.016</b>		<b>\$ 0.424</b>	<b>\$ 0.589</b>	<b>1.234</b>

\*Low Income and Commercial Program figures are on a "By Measure" basis. See the Low Income Program cost effectiveness calculation sheet for more details.  
 Commercial also includes units of insulation.







**CASCADE NATURAL GAS CORPORATION**  
**LOW INCOME Program Participant Cost Effectiveness Estimates**  
**TOTAL IN FIRST YEAR by MEASURE**

MEASURE	PARTICIPANTS	TOTAL ANNUAL THERM SAVINGS	MEASURE INSTALLED COST	NON-ENERGY BENEFITS (10% of cost)	MEASURE LIFE	DISCOUNTED THERM SAVINGS	PROGRAM DELIVERY & ADMIN	PROGRAM REBATE	UTILITY COST	UC W/DELIVERY & ADMIN	BENEFIT COST RATIO	TOTAL RESOURCE COST	TRC W/DELIVERY & ADMIN	BENEFIT COST RATIO
Attic/Ceiling Insulation	62	4,995	\$ 81,709	\$ 8,171	30	84,617	\$ 11,424	\$ 56,674	\$ 0.670	\$ 0.805	0.968	\$ 0.869	\$ 1.004	0.776
Floor Insulation	62	6,359	\$ 106,361	\$ 10,636	30	84,617	\$ 14,544	\$ 72,237	\$ 0.854	\$ 1.026	0.967	\$ 1.131	\$ 1.303	0.761
Wall Insulation	35	6,867	\$ 109,304	\$ 10,930	30	107,727	\$ 15,706	\$ 68,815	\$ 0.639	\$ 0.785	0.993	\$ 0.913	\$ 1.059	0.736
Duct Insulation	22	2,003	\$ 22,266	\$ 2,227	20	26,822	\$ 4,582	\$ 14,822	\$ 0.553	\$ 0.723	1.106	\$ 0.747	\$ 0.918	0.872
Air Infiltration Reduction	78	3,906	\$ 58,427	\$ 5,843	20	52,294	\$ 8,934	\$ 36,297	\$ 0.694	\$ 0.865	0.925	\$ 1.006	\$ 1.176	0.680
<b>TOTAL PROGRAM</b>	<b>259</b>	<b>24,130</b>	<b>\$ 378,067</b>	<b>\$ 37,807</b>	<b>27.55</b>	<b>356,075</b>	<b>\$ 55,189</b>	<b>\$ 248,844</b>	<b>\$ 0.699</b>	<b>\$ 0.854</b>	<b>0.998</b>	<b>\$ 0.956</b>	<b>\$ 1.111</b>	<b>0.767</b>



