

Agenda Date: November 12, 2009
Item Number: A1

Docket: UG-091635
Company: Cascade Natural Gas Corporation

Staff: Deborah Reynolds, Regulatory Analyst

Recommendation

Take no action, thereby allowing the proposed tariff revisions in Docket UG-091635 by Cascade Natural Gas Corporation to become effective November 15, 2009, by operation of law.

Background

Cascade Natural Gas Corporation (Cascade or company) filed tariff pages on October 15, 2009, revising its residential energy efficiency program. The company is currently operating a conservation program under the requirements of a settlement in Docket UG-060256. The Conservation Plan,¹ which the Commission² accepted as part of the authorization for decoupling, required the company to acquire 335,625 therms of cost-effective conservation in 2008. Most recently, the company filed an annual report³ on its conservation program achievements showing that it exceeded its conservation savings target.

Discussion

The company, with its residential program delivery contractor, CSG – Conservation Services Group, has been reviewing the program of residential⁴ conservation measures implemented in 2008. Because this was a new program, the results of the annual report encouraged a closer look at the cost-effectiveness of the individual measures. Although the overall portfolio cost-effectiveness calculation passed the cost benefit test for 2008, the company determined that it should make the following refinements:

- Adding an incentive for the combined installation of a radiant heat/water heat system with a high efficiency condensing tankless water heater to capture therm savings not included in the current program.
- Increasing the wall insulation incentive to improve adoption rates.
- Increasing the incentive for the combined installation of a 90 percent high efficiency furnace with duct sealing to improve the adoption rates for duct sealing.

¹ Initial Conservation Plan filed in Docket UG-060256, May 5, 2007, followed by a Conservation Plan Addendum on September 14, 2007.

² Docket UG-060256, Order 07, October 1, 2007.

³ See Docket UG-060256, Annual Decoupling Mechanism Report for Calendar Year 2008, filed March 31, 2009, followed by a cost-effectiveness analysis Supplement to 2008 Annual Decoupling Mechanism Report on May 22, 2009.

⁴ The commercial conservation measures updates were previously filed in Docket UG-091275.

- Removing the incentive for stand-alone installations of tankless water heaters because it did not pass the total resource cost-effectiveness test.
- Removing the incentive for Energy Star-qualified clothes washers because it did not pass the utility cost-effectiveness test.

When reviewing conservation cost-effectiveness, staff looks at the benefit-to-cost ratios for the Utility Cost (UC) test and the Total Resource Cost (TRC) test at several levels.⁵ Staff looks at the ratios for each measure, for each program, and for the entire portfolio of conservation programs. Although TRC and UC ratios greater than one are required at the portfolio level, some programs, like low-income conservation, and some measures, like tankless water heaters, may have a ratio below one, and still contribute worthwhile savings to the portfolio. As an example, in reviewing this filing, staff looked at the company's analysis of the Energy Star-qualified clothes washers. While the TRC ratio for the clothes washers was 1.36, the UC ratio was 0.5. At this point, the company could either reduce the incentive paid to the customer, which would improve the UC ratio, or it could remove the measure from its program. The company chose to remove the measure from its residential program because it believes both ratios should be above one as often as possible.

Staff found the program changes consistent with the requirements of the Conservation Plan. Staff reviewed the company's cost-effectiveness analysis, and compared the therm savings estimates against the company's Conservation Plan and annual report. The company discovered that it incorrectly entered certain therm savings estimates into its cost-effectiveness analysis template as filed on May 22, 2009, in Docket UG-060256, and corrected them for this filing.

Conclusion

This tariff revision is in the public interest and is consistent with the conservation goals of Cascade's IRP and is in compliance with the Conservation Plan filed in Docket UG-060256. Therefore, Staff recommends the tariff pages filed in Docket UG-091635 be allowed to go into effect by operation of law.

⁵ A number greater than one in these two tests demonstrates cost-effectiveness.