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**Avoided Cost Methodology, Total Resource Cost Test Methodology,
and the Utility Cost Test Methodology as Pertaining to Docket UG-121207
Commission Investigation into Natural Gas Conservation Programs**

Submitted on October 12, 2012

In response to the Washington Utilities and Transportation Commission's (WUTC) request for information regarding energy efficiency cost test and avoided cost data, Cascade Natural Gas Corporation Submits the following spreadsheets and responses as outlined below:

WUTC Data Request #1: *Please send spreadsheets, definitions of input, sources of data and all supporting documents and models the utility uses or relies on to calculate its:*

- 1) *Natural gas conservation avoided cost.*

In response to the Washington Utilities and Transportation Commission's request in **DR 1-1**, the Company provides the attached file **Draft Avoided Costs 2012 IRP v4.xlsx**, which offers comprehensive updates to the modeling methodology utilities for assessing the Company's Avoided Costs in connection with its Demand Side Management Programs.

This set of avoided costs calculations and cost-effectiveness limits are significantly lowered from the "Appendix H" calculations utilized in the Company's 2010 Integrated Resources Plan; the document used to set the cost-effectiveness benchmarks which informed the Company's existing conservation efforts. Therefore subsequent changes to the Company's assumed conservation potential will be made to the most recent draft filing of the Company's 2012 IRP.

The "Draft Avoided Costs 2012 IRP" file is broken into the following tabs:

- **Process Overview** (explaining the modeling procedures informing the new avoided cost calculations and describing any 'adders' utilized)
- **Avoided Cost** (which demonstrates several pricing scenarios with and without conservation adders)

- **Appendix H P 1** (contains the “Basecase Medium Forecast- Average Weather” that will replace the “Appendix H” table utilized in the Company’s 2010 Integrated Resources Plan)
- **Carbon 1** (contains the “Basecase Medium Forecast- Average Weather- with Carbon 1 Scenario” that will replace the “Appendix H” table utilized in the Company’s 2010 Integrated Resources Plan)
- **Carbon 2** (contains the “Basecase Medium Forecast- Average Weather- Carbon 2 scenario” that will replace the “Appendix H” table utilized in the Company’s 2010 Integrated Resources Plan)
- **Carbon 3** (contains the “Basecase Medium Forecast- Average Weather- Carbon 3 scenario” that will replace the “Appendix H” table utilized in the Company’s 2010 Integrated Resources Plan)
- **EIA Economic Grwth Factors** (offers the Energy Information Administration’s Economic Growth Factors and the EIA Annual Energy Outlook for 2011 with a “Low, Reference, and High Case”)
- **CNGC Draft Price Forecast** (contains the Company’s draft price forecast from Jan 2012 through December 2033)
- **Marginal Cost Rpt- Discount** (contains peak day marginal cost by area with Discount)
- **Marginal Cost Rpt- Nominal** (contains peak day marginal cost by area with Nominal costs)
- **Draw 0 Indices** (as title describes)

2) *Utility Resource Cost test.*

In response to the Washington Utilities and Transportation Commission’s request in **DR 1-2**, the Company provides the attached file **2011 Cost Effectiveness Summary FINAL -- FINAL---.xls**, which provides all numbers and formulas used to calculate the cost-effectiveness of the Company’s 2011 Conservation Efforts in the State of Washington. This spreadsheet provided full formulas for both the Utility Cost Test and Total Resource Cost Test with and without the inclusion of administrative expenses.

3) *Total Resource Cost tests.*

In response to the Washington Utilities and Transportation Commission’s request in **DR 1-3**, the Company provides the attached file **2011 Cost Effectiveness Summary FINAL -- FINAL---.xls**, which provides all numbers and formulas used to calculate the cost-effectiveness of the Company’s 2011 Conservation Efforts in the State of Washington. This spreadsheet provided full formulas for both the Utility Cost Test and Total Resource Cost Test with and without the inclusion of administrative expenses.

WUTC Data Request #2: *Please include:*

- 1) *The Company's definition of the weighted average cost of gas (WACOG) used and the specific sources(s) of the data used to determine the WACOG.*
 - a. *Please see the definition of WACOG in the attached "Glossary-Avoided Cost DR10-2012.docx."*

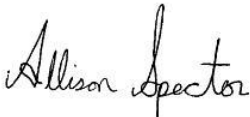
- 2) *Any discount rate used and its source.*
 - a. *We use an IRP and revised discount rate of 7.631%; the current source is Tower Watson's Global benchmark (2nd quarter 2012). Cascade is considering moving to using the approved return on rate base or the current average cost of long term debt as the discount rate in the 2012 IRP.*

- 3) *The definition of the terms used at the head of columns and at the beginning of rows as well as elsewhere in the spreadsheets.*
 - a. *Please refer to the definitions listed in the "Glossary-Avoided Cost DR10-2012.docx"*

- 4) *A narrative explaining the calculation.*
 - a. *The computed marginal costs includes the price of natural gas, variable transport charge and variable charges related to storage but does not include any distribution system costs.*

If there are any questions regarding this response, please feel free to contact Allison Spector (360) 788-2356 or Mike Parvinen (509) 734-4593.

Sincerely,



Allison Spector
Conservation Manager
Cascade Natural Gas Corporation