

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

In the Matter of the Petition of
CASCADE NATURAL GAS
CORPORTION,

for an accounting order authorizing
deferred accounting treatment of loss in
margin due to Company sponsored
conservation programs, or, in the
alternative, the continuation of the pilot
decoupling mechanism that was approved
in Docket UG-060256

DOCKET NO. UG-101656

PUBLIC COUNSEL COMMENTS IN
RESPONSE TO NOTICE

COMMENTS OF PUBLIC COUNSEL

NOVEMBER 18, 2010

I. INTRODUCTION

1. Public Counsel files these Comments in response to the Commission's Notice of Opportunity To Comment of November 8, 2010. The Commission's Notice seeks comment on the extent to which the *Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets in Docket No. UE-100522* (Policy Statement), issued November 4, 2010, impacts the procedural posture of this case.

II. COMMENTS

2. Public Counsel argues in its pending Motion To Dismiss that Cascade's petition for an accounting order and approval of a lost margin recovery mechanism violates the terms of

Commission Order 05 and the Settlement Stipulation establishing the decoupling pilot in Docket UG-060256. Public Counsel will not repeat the arguments in support of the Motion to Dismiss in these Comments, but incorporates them here by reference.

3. While the Policy Statement is not binding with respect to the issues raised in the Motion to Dismiss, it is notable that the requirements of Order 05 and the Settlement Stipulation for extension of the pilot are consistent with the policies carefully developed and articulated in the statement. The Commission has now adopted clear policy guidance for requests for limited decoupling, which encompasses “lost margin” mechanisms,¹ and full decoupling. For both, the Commission describes in detail the procedural approach and design of mechanism it considers appropriate. In both cases, the Commission announces a policy that such mechanisms must be proposed “in the context of a general rate case,” and “must be made in [the company’s] direct testimony in the rate case filing.”²

4. The Commission policy recognizes that the general rate case context is the proper procedural forum because of the nature and complexity of the issues that are included in the required elements. The Policy Statement makes clear that a request for either limited or full decoupling must also include certain minimum elements such as a weather normalization mechanism, customer rate impact, found margins, and an analysis of impact on Rate of Return (ROE).³ Decoupling or lost margin mechanisms must also conform to specific listed criteria

¹ *Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets*, Docket No. UE-100522 (Policy Statement), ¶ 12.

² Policy Statement, ¶ 18 (limited decoupling); ¶ 28 (full decoupling).

³ Policy Statement, pp. 11-13.

regarding such factors as application to customer classes and the relationship of lost margin to found margin.⁴ These issues cannot effectively be examined outside of a general rate case.

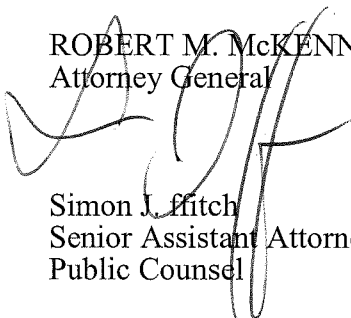
5. The terms of the Settlement Stipulation and Order 05 incorporate this same policy premise. Cascade's suggestion that the Policy Statement provides an avenue for consideration of its petition is misguided. The lost margin mechanism it proposes contains few if any of the components required by the Commission's Policy Statement. The Cascade petition should be dismissed. Cascade is free to file a new petition in the future, in the context of a general rate case, and incorporating the design components adopted by the Commission.

III. CONCLUSION

6. For the foregoing reasons the Commission should conclude that dismissal of the Cascade petition is not only required by Order 05 in UG-060256, but that allowing it to go forward would be inconsistent with the policy framework announced in Docket No. UE-100522.

7. DATED this 18TH day of November, 2010.

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