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December 23, 2015

SENT VIA E-MAIL & ABC LMI
Steve King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket UG-060256, Cascade Natural Gas Corporation's 2016 Conservation Plan

Dear Mr. King,

Public Counsel submits this letter in response to Cascade Natural Gas Company's ("Cascade" or "The Company") December 14, 2015, filing of its 2016 Conservation Plan. The Company's Conservation Plan includes program goals and a budget for 2016 and also describes program revisions and updates. Our comments in this letter discuss the substantive changes included in the 2016 Conservation Plan and Public Counsel's views on these issues.

A. Background.

The 2016 Conservation Plan is the first stand-alone conservation plan filed by Cascade. In the past, the Company has relied on its Integrated Resource Plan (IRP) for conservation planning purposes. At the request of the Conservation Advisory Group (CAG), the Company has developed a stand-alone conservation plan, which is the process followed by all other electric and natural gas utilities in Washington. In contrast to the majority of the other utilities, Cascade does not seek Commission approval of its conservation targets or budget. This is discussed later in this letter.

The Company's 2016 Conservation Plan identifies a total budget for 2016 of $1,735,496 and $1,855,842 for 2017, including Northwest Energy Efficiency Alliance (NEEA) costs. Total therm savings identified for 2016 are 975,915 and 1,027,847 for 2017.[1]

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[1] Cascade Natural Gas Company's 2016 Conservation Plan at 4, Docket UG-060256 (December 14, 2015). Hereafter, "Conservation Plan."

B. Program Updates.

1. Transition to In-House Program Administration for Residential Program.
A major change for the Company's conservation planning process identified in the conservation plan is the recent decision by the Company to transition from a third-party residential program delivery vendor to internal delivery of programs. The Company states that internal delivery will provide the Company greater oversight and management of the customer rebate experience, smoother and shorter rebate processing from start to finish, and direct control over data quality and data management.[2] In order to move to the internal delivery model the Company also requires a software package to support program processing and customer rebates. The Company issued an RFP and is the process of finalizing a contract with the software provider. The Company also has indicated that moving to in-house administration will require hiring two additional Cascade employees, in addition to the purchase of the software package, and that this route will cost more than the third-party administration process currently utilized by Cascade. However, the Company notes that it may be able to eventually administer its commercial program in-house, which could ultimately reduce costs. In-house administration also has the benefit of providing additional flexibility and control of the programs.

The Company discussed this change with the CAG in the fall of this year. The CAG raised some questions and concerns with the approach, including whether the Company had explored other third-party administration options before deciding to move the program in-house. Public Counsel also suggested that the Company consider retaining a consultant to assist with the strategic planning process and assess whether moving in-house was the most appropriate option. The Company cited timing concerns and the additional cost of hiring an expert and ultimately decided to move forward with its plan for in-house administration. The Company ultimately bears the responsibility of making decisions with regard to the administration of its programs and also bears the risk of its decisions. Public Counsel and the CAG will monitor this change as it proceeds.

2. Conservation Potential Modeling Changes.
Cascade's most recent conservation potential assessment was developed by Nexant in 2014. The Nexant study estimated conservation potential into three types of potential: technical, economic and achievable. Nexant analyzed the potential using a customized modeling tool, TEA-POT (technical/economic/achievable potential). In the Company's 2014 IRP the Company established a separate "programmatic" level of potential, which was not presented in Nexant's study.[3] The Company describes "programmatic" potential as the subset of

[2] Conservation Plan at 16.
[3] Conservation Plan at 9.

achievable potential attainable given constraints on program budget and implemented measures.[4] Programmatic potential was 25 percent of residential achievable potential and 75 percent of commercial achievable potential.[5] The Company states that the main reason it established a separate programmatic level of potential was because administrative costs were not calculated into the program at the achievable level through the TEAPOT model.[6]

The CAG raised concerns regarding the Company's modeling of "programmatic potential" noting that all other utilities model conservation potential as 100 percent of achievable potential. The programmatic potential modeling resulted in a very large decrement to the Company's potential. As a result of the concerns raised by the CAG and other stakeholders, the Company agreed to move away from programmatic planning and instead will include administrative costs associated with program implementation under the achievable screen. The 2016-2017 therm savings goals identified in the conservation plan reflect this new approach. Public Counsel is pleased with Cascade's agreement to move away from the "programmatic potential" modeling.

3. Modeling Possible Changes to Incentive Levels.
The Company's achievable potential is developed using incentive levels set to one third of incremental costs as determined by Nexant and program data. Based on discussions with the CAG, the Company is exploring increasing the incentive level to 50 percent of incremental cost to encourage additional uptake for the residential programs. In this conservation plan, the Company included a modeling scenario for 2017 for which incentive levels were set at 50 percent of incremental costs, instead of 30 percent. The increased incentive level for residential measures resulted in fewer measures passing cost-effectiveness and, thus, significantly fewer measures being available.[7] Public Counsel appreciates the efforts of the Company to explore the impact of different incentive levels on program potential and looks forward to further exploring this issue with the Company and CAG in 2016.

C. "Aspirational" Targets.

Throughout the conservation plan, Cascade refers to the therm savings targets developed in the plan as "aspirational." The Company says it will "actively work toward achievement of these goals, but program cost-effectiveness is the primary metric of success."[8] Public Counsel is concerned with the implication that the Company is not required to meet these targets and the impact this may have on the rigor in which the Company will strive to achieve its goals. It is true that the Company is not

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[4] Conservation Plan at 9.
[5] Conservation Plan at 13.
[6] Conservation Plan at 11.
[7] Conservation Plan at 29.
[8] Conservation Plan at n.2.

currently required to achieve any specific conservation targets (like it was when its decoupling mechanism was in place), but we believe the Company can do better than "aspire" to achieve its conservation targets and should treat its targets as a required commitment. Through the advisory group process Public Counsel expressed its preference that the Company requests that the Commission approve its conservation targets in the 2016 conservation plan, however the Company declined to do so. Public Counsel plans to explore this issue and other conservation process improvements in the Company's pending general rate case.

Sincerely,

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