

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

CASCADE NATURAL GAS
CORPORATION,

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 in Docket UG-060256.

DOCKET UG-101656

COMMENTS OF COMMISSION
STAFF REGARDING THE IMPACT
OF THE COMMISSION'S POLICY
STATEMENT ON CASCADE'S
PETITION FOR AN ACCOUNTING
ORDER

1 Cascade Natural Gas Corporation has filed an accounting petition¹ with the Commission seeking either a mechanism for the deferral of lost margin associated with the Company's conservation program, or a continuation of its pilot decoupling mechanism for another three-year period. While Commission Staff acknowledges the importance of conservation, Staff nevertheless has many concerns about Cascade's petition at this time, based on both the directives in the Commission's recently-issued Policy Statement², as well as the Commission's Order 05 in Docket UG-060256, and, therefore, recommends that Cascade's petition be denied.

2 The Commission's rules state that each natural gas utility regulated by the Commission has the responsibility to meet system demand with the least cost mix of natural

¹ Docket UG-101656, *Petition of Cascade Natural Gas Corporation* (October 1, 2010).

² Docket U-100522, *Report and Policy Statement on Regulatory Mechanisms, Including Decoupling, to Encourage Utilities to Meet or Exceed Their Conservation Targets* (November 4, 2010).

gas supply and conservation.³ The Commission supports conservation,⁴ as evidenced by its approval of a three-year pilot partial decoupling program for Cascade Natural Gas,⁵ and as stated in the Policy Statement. However, Cascade's program expired on September 30, 2010. In the Commission's Order 05 in Docket UG-060256, the Commission specifically stated that Cascade's mechanism may be extended *only* as part of a general rate case, and *only* after a thorough evaluation of the mechanism is performed by an independent consultant.⁶

3 Further, the Commission's Policy Statement states that *in the context of a general rate case*, the Commission will consider a limited decoupling mechanism for natural gas utilities.⁷ The Policy Statement also requires that a utility's request for a limited decoupling mechanism *must* be made in its direct testimony in the rate case filing and include, at a minimum, a true-up mechanism, impact on rate of return, a proposed earnings test, offsets or found margin, impact on customer rates, and a weather adjustment mechanism.⁸

4 With regard to Cascade's request to continue the pilot decoupling mechanism, the accounting petition falls short of satisfying the basic requirements of the Commission's Order. The decoupling mechanism may only be extended as part of a general rate case, and only after a thorough evaluation is performed.⁹ Cascade's request also does not satisfy the conditions laid out in the Policy Statement.

5 With regard to the lost margin deferral mechanism, the Company did not provide adequate information about the proposed mechanism in order for Staff to fully analyze the

³ WAC 480-90-238 (1).

⁴ Docket UG-060256, Order 05, Page 24, Paragraph 71.

⁵ Docket UG-060256, Order 05.

⁶ Docket UG-060256, Order 05, Page 24, Paragraph 70.

⁷ Docket U-100522, Page 11, Paragraph 18.

⁸ *Id.*

⁹ Docket UG-060256, Order 05, Page 24, Paragraph 70.


mechanism, even assuming that the Company had met the general rate case requirement.

6 In summary, Cascade has not met the conditions in the Commission's Order 05 to both file a general rate case and provide a full evaluation of its pilot decoupling program. Cascade also has not met the conditions set forth in the Commission's Policy Statement. For these reasons, Staff cannot support Cascade's accounting petition for a lost margin deferral mechanism or a continuation of the partial decoupling mechanism, and recommends that Cascade's petition be denied.

DATED this 18th day of November 2010.

Respectfully submitted,

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