



# ATTORNEY GENERAL OF WASHINGTON

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October 25, 2013

**SENT VIA E-MAIL**

Steven King  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Pk. Dr. S.W.  
PO Box 47250  
Olympia, WA 98504-7250

**Re: Cascade Natural Gas PGA CPA (Conservation Program Adjustment) Annual Filing, Docket No. UG-131872**

Dear Mr. King:

Public Counsel submits this letter in response to Cascade Natural Gas Corporation (Cascade's) 2012 conservation program adjustment filing submitted on September 27, 2013. These comments address Public Counsel's review of the Company's filing and our recommendations.

**Public Counsel Recommendation**

Public Counsel supports the Staff recommendation to disallow \$2,670 dollars related to expenditures not appropriate for recovery through the Company's conservation program adjustment. This is discussed in more detail below.

**A. Review of Cascade's 2012 Conservation Program Adjustment and Recommended Disallowance**

Cascade's filing seeks to amortize an outstanding deferral balance of \$3,345,704 associated with its energy efficiency program for 2012. This amount reflects the overall dollar amount incurred in 2012 to fund the Company's conservation program. If approved, this would result in a decrease to residential customer bills of approximately 0.35%. Under the proposed decrease, the average residential customer using 54 therms per month will pay \$0.15 less per month for a total average monthly bill of \$43.61. In total, the average residential customer will pay \$.70 per month for the energy efficiency program.

Public Counsel reviewed the workpapers associated with the Company's filing, including monthly deferral amounts and the detailed support behind the deferrals. In reviewing the monthly expenditure details both Public Counsel and Commission Staff (through its on-site audit) identified certain charges that are inappropriate for recovery in the conservation program adjustment filing. These include charges for gift baskets to a contractor, first aid training for an employee and sponsorship costs for events such as chamber of commerce meetings and golf tournaments. Gift baskets are discretionary



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expenses that are not essential to administering the Company's conservation program. Costs for these appreciation gifts should not be recovered through rates. With respect to the first-aid training expense, Public Counsel believes it is more appropriate for this cost to be recovered through general rates as it is not an expense directly tied to the Company's conservation programs. Regarding the sponsorship costs included in rates, these should be disallowed because charitable contributions are not recoverable under Washington law.<sup>1</sup> Public Counsel, therefore, supports the Staff recommendation to disallow \$2,670 dollars associated with these charges from the from the conservation program adjustment filing.

**B. Recommendations for Future Conservation Program Adjustment Filings**

In previous years Cascade's conservation program costs were deferred and recovered in the annual PGA filing. As a result of discussions during the last review of Cascade's conservation program cost recovery in the 2012 PGA filing, the Company agreed to make a separate, individual filing for conservation program cost recovery. This filing is in front of us today.

Public Counsel is largely pleased with the new format of the Company's conservation program adjustment filing. The separation of this filing from the PGA filing has enhanced our ability to examine the rate change associated with the Company's conservation programs. While the filing has much improved, during our initial review we still found key pieces of information lacking. The cover letter did not include the overall rate change percentage associated with the filing or the total monthly bill decrease for the average residential customer associated with the proposed rate change. However, on October 23, 2013, the Company filed an updated cover letter that now includes this information. We are pleased that this issue has been resolved. The Company has also agreed to include the breakdown of monthly expenditures by program as an attachment to future filings; another key piece of information that Public Counsel found lacking in the current filing. We are pleased with Cascade's willingness to resolve these issues to our satisfaction.

Going forward, Public Counsel would like the Company to provide additional detail with respect to program year conservation achievement in its conservation program adjustment filings. We believe that the Company is willing to engage in discussions on this matter. One possible way to address this would be for Company to file its annual conservation report in conjunction with its conservation program adjustment filing. We look forward to discussing different options to address this issue with the Company and Staff.

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<sup>1</sup> In *Jewell v. Washington Utilities and Transportation Commission*,<sup>1</sup> the Washington State Supreme Court held that the Commission lacks statutory authority to allow a regulated utility to recover charitable contributions as an expense for ratemaking purposes. This was recently affirmed by the Thurston County Superior Court. *Wash. State Attorney General's Office Pub. Counsel Section v. WUTC and Avista Corp.*, Case No. 09-2001721-2, Order Affirming Final Order of WUTC in all Respects but Two, and Reversing and Remanding in Part, Thurston County Superior Court (February 2, 2010) (holding that the UTC erred in allowing Avista to recover costs of charitable contributions).

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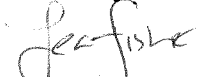
**C. Review of Cascade's 2012 Conservation Achievement, Expenditures and Cost-Effectiveness.**

Cascade acquired a total of 514,995 therms in 2012 which represents 91% of its 2012 conservation portfolio target for 2012 identified in its IRP.<sup>2</sup> Approximately 30% of the savings were acquired through the residential program and 70% through the commercial program. In addition, Cascade reports an overall TRC for its gas portfolio of 1.115 and under the UCT test achieves a benefit cost ratio of 1.912.<sup>3</sup> The Company's budget for the 2012 conservation program was approximately \$3,210,000.<sup>4</sup> Total expenditures for the 2012 program year were \$2,480,593.<sup>5</sup>

Cascade did not meet its conservation target for 2012, mainly due to decreased participation on the residential side of the conservation incentive program. However, the Company has moved forward with a series of program modifications in 2013 designed to increase interest and uptake in the program, as well as to reduce program costs. These include increases to program incentives to drive participation, removal of certain measures that are not cost-effective, changes to program administration including moving certain functions in-house as well as reassessment of the Company's conservation potential in Washington.<sup>6</sup> We are hopeful that these changes will allow the Company to improve participation in its programs and achieve its savings goals in future years. Public Counsel will continue to monitor the Company's progress toward its goals of increasing program uptake and overall conservation achievement.

I will attend the Commission's October 30th, 2013, Open Meeting to discuss these comments and address any questions the Commission may have.

Sincerely,



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cc: Juliana Williams (E-mail)  
Mike Parvinen (E-mail)  
Allison Spector (E-mail)

<sup>2</sup> The Company separately tracks savings and expenditures associated with its low income program because the cost-effectiveness of the low-income program is measured on a separate basis. The Company's low-income program achieved savings of 21,824 therms in 2012 and total expenditures were \$248,162. The program achieved a cost-effectiveness ratio of .707 under the TRC and .963 under the UCT.

<sup>3</sup> Cascade Natural Gas Corporation Annual Conservation Achievement Report Calendar Year 2012, Docket UG-060256, June 27, 2013.

<sup>4</sup> CNGC Washington Integrated Resource Plan Update, Docket UG-112164, February 14, 2013.

<sup>5</sup> Cascade Natural Gas Corporation Annual Conservation Achievement Report Calendar Year 2012, Docket UG-060256, June 27, 2013.

<sup>6</sup> *Id.*