

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

CASCADE NATURAL GAS
CORPORATION'S

2022-2023 Biennial Acquisition Target
Under RCW 80.28.280

DOCKET UG-210838

ORDER 02

ACCEPTING CASCADE'S 2022-2023
BIENNIAL CONSERVATION
REPORT; ADDRESSING
COMPLIANCE WITH DECOUPLING
COMMITMENT

BACKGROUND

1 Until recently, conservation targets for gas companies were set by Commission order in a general rate case. Effective 2022, Revised Code of Washington (RCW) 80.28.380 codified requirements for conservation targets for gas companies. These new statutory requirements for gas company conservation targets, unlike those for electric company conservation targets, do not contain an exception for extenuating circumstances if a company fails to reach its target.¹ On June 16, 2024,² Cascade Natural Gas Corporation (Cascade or Company) filed its 2022-2023 Biennial Conservation Report (Biennial Conservation Report or BCR) in Docket UG-210838, detailing the Company's acquisition of conservation savings, as required by Biennial Conservation Plan (BCP) conditions. On June 24, 2024, the Commission filed a Notice of Opportunity to Comment and Notice of Opening Meeting. The Company's gas conservation target achievements as outlined in the Company's Biennial Conservation Report are summarized in the table below:

¹ The exception for electric companies is contained in RCW 19.285.040(1)(e).

² PSE filed updated BCRs on July 18, 2024, and on August 9, 2024. Both updates corrected errors in which the BCR did not reflect adjustments from final Home Energy Reports evaluation savings.

Table 1: 2022-2023 Conservation Targets and Achievements (therms)

Company	Conservation Target	Conservation Achieved	% of Target Achieved
Cascade	1,931,751	1,540,723	79.7%

2 In sum, the Company achieved 1,540,723 therms of its 2022-2023 biennial conservation target of 1,931,751 therms, leaving a deficit of 391,028 therms. This would equate to: \$1.779/therm x 391,028 therms = \$695,638.81. This equates to 3.4 percent of Cascade’s 2022 and 2023 Conservation spending.

3 In their comments on Cascade’s 2022-23 BCR, Commission staff (Staff) agreed that it was a difficult biennium for conservation achievement.³ Cascade noted industrial/commercial customer confusion regarding building codes, as well as, among residential customers, a steep decline in new home energy efficiency rebate participation. Cascade also notes that other utilities in the region struggled to meet their conservation targets this biennium.

4 Cascade did not request an exemption from penalties (RCW 80.04.380), nor did Cascade argue that extenuating circumstances prevented it from accomplishing its targets. While Washington’s Covid Emergency ended in October of 2022⁴ and the Federal Covid Emergency ended in April of 2023,⁵ Cascade did not attribute its program outcomes to the Covid-19 pandemic nor emergency restrictions.

5 Staff further highlighted Cascade’s historic pattern of large custom Commercial/Industrial projects. Every other year Cascade has been able to achieve a large custom project that has helped buoy the Company’s conservation numbers. As noted in Staff’s memo on Cascade’s 2021 Annual Conservation Report “. . . Cascade did

³ *In the Matter of Cascade Natural Gas 2022-2023 Biennial Acquisition Target Under RCW 80.28.280*, Docket UG-210838, Commission Staff Comments Regarding Natural Gas Utility Conservation Achievements at 9 (July 24, 2024).

⁴ [Inslee announces end to remaining COVID-19 emergency orders and state of emergency by October 31 | Governor Jay Inslee \(wa.gov\)](#).

⁵ [Bill Signed: H.J.Res. 7 | The White House](#).

not meet its residential or low-income targets and would not have met its overall target if not for this single large project.”⁶ Staff opines that if this is a compliance strategy, that it is an inherently risky compliance strategy that did not work this biennium.

6 The Company’s enforcement provisions and conditions for natural gas are provided for in Attachment A, to Order 01 of this Docket. There is no language that contemplates penalty exemptions.

7 While Staff noted the Company’s “laudable” efforts to use adaptive management strategies, Staff recommended that Cascade not be “considered in compliance” with its biennial acquisition target for cost-effective conservation pursuant to RCW 19.285.040(1)(e). Staff recommends that the Company be deemed in violation of RCW 80.28.380 and recommended a penalty pursuant to Order 01 of this docket.⁷

8 This matter came before the Commission at its August 22, 2024, Recessed Open Meeting.⁸ The Commission heard comments from Staff and Cascade. Staff reiterated its recommendations set forth in its memo and argued that Cooperative Utilities met their EIA conservation targets and therefore investor-owned utilities should have been able to as well. Staff further noted that its recommendations were based on the record before issuing its memorandum, and if the Company wished for penalty waivers pursuant to RCW 19.285.040(1)(e), the Company should have provided more evidence in support of that position in its filing. The Company argued conservation is important and recommended the Commission find the Company in compliance because of extenuating circumstances.

DISCUSSION AND DECISION

9 We appreciate Staff’s careful review of the requirements in prior Commission orders for compliance with biennial gas conservation targets, and the provisions for decoupling targets. However, we decline to adopt Staff’s recommendations. As a preliminary matter,

⁶ Dockets UE-190905, UG-190913, UE-190912, UG-190920, UE-190908, UG-200964, and UG-210838 2020-2021 ACR BCR Staff Memo at 7 (July 26, 2022).

⁷ RCW 19.285.040(1)(e) provides circumstances where a qualifying electric utility can be “considered in compliance” with the biennial acquisition targets.

⁸ The Commissioners present at the August 22, 2024, Recessed Open Meeting included Chair Dave Danner, who has since retired as the issuance of this decision, but voted to approve this Order 02, at the August 22, 2024, Recessed Open Meeting.

we find that Cascade has complied with the biennial reporting requirements in Order 01, Docket UG-210838, by timely filing a biennial conservation report with sufficient detail to allow the Commission to determine how Cascade is performing compared to its conservation targets.

- 10 We acknowledge that, as stated in Staff’s comments on gas biennial conservation reports, 2022-2023 were difficult years for conservation achievement.⁹ We further acknowledge, as noted by Staff, that Cascade should have provided additional evidence to support its request for an exemption from penalties pursuant to RCW 19.285.040(1)(e). However, with the benefit of Cascade’s additional comments, filed the day before the Recessed Open Meeting, and those provided during the Open Meeting, we find that the lingering economic effects of the COVID-19 pandemic have persisted to cause challenges, outside of the Company’s reasonable control, such as customer financial challenges; changes in customer demand; and labor and supply chain shortages. These elements added to the already significant challenges utilities faced in achieving the remaining conservation in the region.
- 11 The Commission has discretion to impose or not impose penalties.¹⁰ Our intent in approving plans is to encourage conservation. Although Cascade failed to meet its target, we find that there would exist sufficient circumstances to allow Cascade to be “considered in compliance” under the RCW 19.285.040(1)(e) standard.
- 12 As a result, notwithstanding the Company’s failure to comply with Order 01 in Docket UG-210838, the Commission finds it appropriate to forgo issuing a penalty here due to the totality of the circumstances.
- 13 On this point, and for future clarity, we find it appropriate to amend Order 01 in Docket UG-210838, to clarify that it is our intent that similar provisions to RCW 19.285.040(1)(e) apply to the gas conservation targets and natural gas decoupling

⁹ Dockets UE-190905, UE-190912 & UE-190908, Commission Staff Comments Regarding Electric Utility Conservation Achievements Under the Energy Independence Act (Staff Comments) (July 1, 2022).

¹⁰ *MCI Metro Access Transmission Servs., Inc. v. U.S. West Commc’n, Inc.*, Docket UT-971063, Commission Decision and Final Order Denying Petition to Reopen, Modifying Initial Order, in Part, and Affirming, in Part (1999).

commitments.¹¹ Notice shall be issued to interested parties so as to allow an opportunity to comment on these proposed amendments.

FINDINGS AND CONCLUSIONS

- 14 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 15 (2) Cascade is a gas company and a public service company subject to Commission jurisdiction. Cascade is a subject to the conservation reporting requirements of RCW 80.28.380 and Order 01 in Docket UG-210838.
- 16 (3) On May 31, 2024, Cascade filed its Biennial Conservation Report, which showed that Cascade complied with the biennial reporting requirements in Order 01 of Docket UG-210823.
- 17 (4) Cascade achieved 1,540,723 therms of its 2022-2023 biennial conservation target of 1,931,751 therms, a deficit of 391,028 therms. As a result, Cascade is not in compliance with the biennial conservation targets accepted in Order 01 in Docket UG-210823, in accordance with RCW 80.28.380.
- 18 (6) The Commission is not required to penalize a Company for violation of an order; the Commission finds it appropriate to exercise this discretion for gas companies using a standard equivalent to the one used for electric companies in RCW 285.040(1)(e).
- 19 (7) Pursuant to the standard set in RCW 19.285.040(1)(e), the Commission may determine that a utility is considered in compliance with its biennial acquisition target for cost-effective conservation if events beyond the reasonable control of the utility that could not have been reasonably anticipated or ameliorated prevented it from meeting the conservation target.

¹¹ The Commission proposes to amend paragraph 10 of Order 01 in this Docket.

- 20 (8) The COVID-19 pandemic, and the changes to the economic landscape that followed, created circumstances beyond the control of Cascade that interfered with the Company's ability to meet its conservation targets.
- 21 (9) After reviewing Cascade's report and Staff's comments, and giving due consideration to relevant matters, the Commission finds that Cascade took adequate adaptive measures to attempt to ameliorate the effect of the pandemic on its gas conservation efforts. Because the Commission would find these efforts sufficient given the circumstances if this matter was for an electric utility governed by RCW 19.285.040(1)(e), the Commission finds that no penalty is warranted at this time for Cascade's failure to meet its decoupling commitment in the 2022-23 biennial period.
- 22 (10) This matter came before the Commission at a recessed open meeting on August 22, 2024.
- 23 (11) In order to clarify the Commission's discretion, it is appropriate to modify inconsistent language contained in Order 01 of this docket. Notice shall be given to interested parties prior to such amendments go into effect.

ORDER

THE COMMISSION ORDERS:

- 24 (1) The Commission accepts Cascade Natural Gas Corporation's 2022-2023 Biennial Report of Conservation Accomplishments and determines that it complies with the conditions of Order 01 in UG-210838.
- 25 (2) The Commission shall reject Staff's recommendation to assess Cascade Natural Gas Company with penalties for its failure to comply with Order 01 in UG-210838.
- 26 (3) The Commission shall issue notice to amend Order 01 in Docket UG-210838 to clarify that it is our intent that similar provisions to RCW 19.285.040(1)(e) apply to the gas conservation targets and natural gas decoupling commitment.
- 27 (4) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it.

DATED at Lacey, Washington, and effective January 31, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



ANN E. RENDAHL, Commissioner



MILTON H. DOUMIT, Commissioner