

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 30, 2003**

REGULAR **CONSENT** **EFFECTIVE DATE** October 31, 2003

DATE: October 9, 2003

TO: Lee Sparling through Ed Busch and Bonnie Tatom

FROM: Reed Harris

SUBJECT: CASCADE NATURAL GAS: (Advice No. O03-09-01A) Revises cost-effectiveness levels of energy conservation measures.

STAFF RECOMMENDATION:

I recommend the Commission approve Cascade Natural Gas Corporation's application for Less than Statutory Notice and allow tariff P.U.C. Or. No. 8, Substitute Seventeenth Revision of Sheet No. 1004, to become effective on October 31, 2003.

DISCUSSION:

ORS 469.633 requires investor-owned electric and natural gas utilities to have approved residential energy conservation programs and provide financing for cost-effective conservation measures within those programs. Energy conservation measures are deemed to be cost-effective if the installed cost is less than the identified avoided cost per therm for the expected life cycle of the measure.

OAR 860-030-0007 requires a natural gas utility to update its avoided costs to correspond to the most recently acknowledged IRP. These updated avoided costs are then used to determine the cost effectiveness of demand-side energy resources and conservation measures.

On August 26, 2003, the Commission issued Order No. 03-523, acknowledging Cascade Natural Gas Corporation's (Cascade, CNG or company) 2002 Integrated Resource Plan (IRP). On September 30, 2003, Cascade filed advice No. CNG/O03-09-01, to update its tariffed cost effectiveness levels to reflect the current avoided costs identified in the 2002 IRP. The company refiled Advice CNG/O03-09-01A on October 7, 2003, to implement an effective date of October 31, 2003.

This filing proposes to change the avoided cost levels for the respective identified life cycles of conservation measures as follows:

<u>Expected Life Cycle</u>	<u>Cost-Effectiveness Levels</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
7 years	\$3.19	\$3.35	+\$0.16
10 years	\$4.11	\$4.33	+\$0.22
20 years	\$6.52	\$6.69	+\$0.17
30 years	\$8.17	\$8.12	-\$0.15 *

*NOTE: The reduction in the avoided cost for 30-year measures reflects a decline from the 1999 IRP in the estimated growth rate for the outlying years. The company's 1999 IRP estimated growth in years 21 through 30 at 3.84%. The recently acknowledged 2002 IRP estimates the growth rate in years 21 through 30 at a lower 2.59%.

The cost-effectiveness level revisions proposed constitute changes of 5% or less across the DSM measure life cycles. Therefore, Staff does not anticipate that these revisions will have an identifiable impact upon DSM activity or customer participation in energy conservation programs.

I have reviewed Cascade's calculations and find that they appropriately reflect the company's current and projected natural gas costs, as well as the avoided cost and cost-effectiveness projections. I identified no errors and the methodology is consistent with the acknowledged 2002 IRP.

PROPOSED COMMISSION MOTION:

Approve Cascade Natural Gas Corporation's application for Less than Statutory Notice and allow tariff P.U.C. Or. No. 8, Substitute Seventeenth Revision of Sheet No. 1004, in Advice No. CNG/O03-09-01A, to become effective on October 31, 2003.