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March 5, 2012

Public Utility Commission of Oregon
550 Capitol Street, NE, Suite 215
Post Office Box 2148
Salem, Oregon 97308-2148

Attn: Juliet Johnson

RE: UM 1158, Performance Metrics for the Energy Trust of Oregon

Dear Ms. Johnson:

Cascade Natural Gas Corporation appreciates the opportunity to provide comments regarding OPUC Staff recommendations for the Energy Trust of Oregon (ETO)'s minimum Performance Measures. We believe that performance expectations that are clearly defined, collaboratively developed, and openly reported, are essential to the continued success of the Energy Trust's critical energy conservation efforts.

Below you will find several key observations and comments regarding the revised standards recommended by OPUC Staff. We look forward to further discussion on this matter during the upcoming Public Meeting on March 13.

CNGC Comments Regarding Staff's Minimum Performance Measures

- OPUC Staff recommends that ETO be allowed "a certain level of flexibility and understanding" regarding its performance metrics during the 2012 reporting period in light of the expiration of several energy efficiency related tax cuts from the Oregon Department of Energy that had been in place since the onset of ETO programs. The Company would posit that if the tax credits were driving project participation, than the elimination of this additional incentive stream should provide a more realistic sense of the impacts of the ETO incentives, and further minimize the risk of "free ridership". Furthermore if participation in more comprehensive EE activities diminishes on account of the discontinuation of tax credits, this may suggest a higher incentive level is needed. Unfortunately this higher level will not necessary be acceptable from a Societal Test perspective.

- Cascade supports the alignment of the performance measure targets to the Company's Integrated Resources Plan (IRP) targets. This would seem like a relevant point of reference that directly relates to the ETO's experience with program operations and current understanding of its existing conservation potential. We would note that, per previous guidance from the ETO, the Company currently uses the Trust's "stretch" target as our IRP objective.
- It has been the Company's observation that while the achievement of energy targets is often dependent upon external market factors/customer decisions to make the up-front investment in energy efficiency, achieving levelized cost is a considerably more controllable aspect of the ETO conservation programs and can be improved through streamlining of administrative costs and the programmatic budget, as well as focusing on the inclusion and promotion of cost-effective measures.
- Based on Table 3 "Proposed Levelized Cost Performance Measure" in the draft performance measures document, it is uncertain whether the cost performance measures listed below reflect the program's TRC including administrative costs. If all programmatic costs are being included in the \$.52 natural gas Performance Measure, then the figure is more than reasonable. However, if this is without the inclusion of all programmatic and administrative costs, the number should be lowered in order to be more realistic and inclusive of a robust portfolio of critical natural gas conservation measures.
- Staff notes that for the purposes for performance measures, program support costs are defined as "program costs except the following accounts: program management, program incentives, program payroll and related expenses, call center and program outsourced services". If these costs, or any other costs incurred by the ETO besides "administrative" and "program support costs," are not included in TRC calculations used to support performance measures, how are these expenses treated and accounted for in determining fiscal prudence and incorporated in some manner into the performance measures?
- Staff proposes to update the performance measures each year on an annual basis beginning in January of each year with the measures finalized by February. The Company seeks clarification as to whether Staff intends this update process to be a collaborative proceeding among ETO stakeholders, or a staff-driven update where stakeholders are provided the opportunity to provide comments?
- In addition, ETO typically releases its 4th quarter financial results for the previous year at the end of February and provides the OPUC with its annual report around mid-April of each year. It may be advisable to develop the annual performance measures for the upcoming year after the financial and operational results for the previous year have been finalized.

Thank you again for the opportunity to submit feedback regarding these critical performance standards. If you have any questions, please do not hesitate to ask.

Sincerely,

A handwritten signature in black ink that reads "Allison Spector". The signature is written in a cursive style with a large initial 'A'.

Allison Spector
Conservation Manager
Cascade Natural Gas Corporation