

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 54

In the Matter of

CASCADE NATURAL GAS
CORPORATION

2011 Integrated Resource Plan

ORDER

DISPOSITION: PLAN ACKNOWLEDGED WITH MODIFICATIONS

I. INTRODUCTION

Cascade Natural Gas Corporation seeks acknowledgment of its 2011 Integrated Resource Plan (IRP). The company submitted its plan to meet the requirement that each regulated energy company operating in Oregon engage in integrated resource planning.¹ We acknowledge the company's 2011 IRP with modifications.

II. BACKGROUND

We require that each regulated utility prepare and file its IRP within two years after acknowledgement of its last IRP. Substantively, we require that energy utilities (1) evaluate resources on a consistent and comparable basis; (2) consider risk and uncertainty; (3) make the primary goal of the process the selection of a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers; and (4) create an action plan that is consistent with the long-run public interest as expressed in Oregon and federal energy policies.²

We acknowledge a utility's IRP to the extent the plan satisfies our procedural and substantive requirements, and the plan is deemed reasonable at the time of acknowledgement. Acknowledgement does not constitute a determination of the prudence of any resource acquisitions or other expenditures made by the utility pursuant to the plan. As a legal matter, we reserve judgment on all rate-making issues.³ Nonetheless, we consider the IRP process to complement ratemaking. In ratemaking proceedings the Commission will give considerable weight to utility actions that are consistent with acknowledged IRP action plans. Utilities will also be expected to explain actions they take that may be inconsistent with Commission acknowledged plans.

¹ See Order Nos. 89-507, 07-002, and 07-047.

² See Order No. 07-002.

³ *Id.* at 24.

III. PROCEDURAL HISTORY

Cascade filed its 2011 IRP on January 3, 2012. Cascade was granted an extension from the plan's original due date of August 10, 2011, that was requested due to uncertainty surrounding pipeline contract negotiations and interstate pipeline rate case outcomes.

A prehearing conference was held on February 8, 2012, and a schedule adopted. A petition to intervene was granted on behalf of Northwest Industrial Gas Users. The Citizens' Utility Board of Oregon intervened by right.

A technical workshop was held for parties on April 2, 2012. On April 10, 2012, Cascade presented its IRP to the Commission at a public meeting. On April 16, 2012, Cascade filed updated sections of its plan. Staff and CUB filed initial comments on April 30, 2012.⁴ Staff's final comments were filed July 3, 2012. Staff's report and its proposed final order were filed on July 19, 2012. This matter was taken up for Commission action at a public meeting on August 14, 2012.

IV. DISCUSSION

A. IRP Overview

In its 2011 IRP filing, Cascade forecasts customer demand and identifies resource needs over the 20-year planning period; assesses demand-side and supply-side resource options and distribution system enhancements; considers planning risks and uncertainties; analyzes and selects resource options for meeting future needs; and identifies actions to be accomplished to carry out the company's resource strategy and complete additional planning activities. A summary of the plan is provided below:

- Demand Forecast. Cascade developed a 20-year forecast of customers, therm sales, and peak demand. Cascade's demand forecasts were produced using econometric models to develop the core residential, commercial and industrial forecasts at the town level. Cascade chose the medium demand/medium price scenario as the most likely scenario for its planning activities. Cascade projects annual firm core market demand will grow at an annual average growth rate of 1.6 percent, fluctuating between 1.5 and 1.7 percent over the 20-year planning horizon, with lower recessionary growth in the short term. Peak day core market demand is projected to grow at an annual rate of 2 percent over the period.⁵
- Demand-Side Resources. Since 2006, Cascade has relied on the Energy Trust of Oregon for the administration and delivery of its conservation programs in Oregon. In 2011, the study of the company's technical and achievable conservation potential was updated. The study provided Cascade with an estimate of the energy savings measures for the residential, commercial and industrial

⁴ In its comments, CUB indicated, after having reviewed the IRP filings, participated in the workshop, attended the April 10, 2012 public meeting, and met with Cascade to discuss the IRP, it had no specific comments.

⁵ Cascade's Replacement 2011 IRP, Section 3, pp. 17-22.

markets and an estimate of the costs for those measures and their potential applicability in Cascade's service territory. Based on the company's assumptions for deployment of resources and their costs, the cumulative therm "best case scenario" savings target for Cascade's Oregon service territory over the 20-year planning horizon is 10,718,950 therms. As identified in its Two-Year Action Plan, the annual therm savings goals for the 2011 and 2012 period are 391,754 and 347,996 therms, respectively.⁶

- Supply-Side Resources. Supply-side options include flowing gas supplies through interstate pipelines, storage, and recallable supply arrangements. Cascade's flowing gas supplies originate in the Canadian provinces of British Columbia and Alberta and in the U.S. Rocky Mountain area. The company's supplies include annual contracts, firm winter peaking contracts, and spot (mostly daily purchases) gas. Cascade contracts with Northwest Pipeline Corporation (NWP) and Gas Transmission Northwest (GTN) for interstate pipeline transportation into the company's service areas in Washington and Oregon. The company also contracts for underground storage and related transportation services at Jackson Prairie and has liquefied natural gas storage at NWP's Plymouth, Washington LNG facility for the benefit of its core customers. Cascade is negotiating contracts with Ruby Pipeline and GTN to mitigate projected shortfalls in the Bend, Oregon area by 2031.

In its IRP Cascade evaluated a variety of resource alternatives to meet additional capacity needs over the planning horizon including biogas to address specific shortfalls in Washington, satellite LNG facilities locatable in Cascade's service territory, LNG from several locations in Oregon and British Columbia, proposed pipelines and extensions for additional pipeline capacity, along with conventional existing gas supply contracts. In addition, distribution system enhancements were examined as a means to meet growth in system demand.

- Risk and Uncertainty. In addressing risk and uncertainty, the company evaluated low, medium, and high demand scenarios with low, medium, and high supply cost and availability scenarios. Cascade then analyzed variations in inputs and subsequent demand sensitivities, pricing and resource timing and selection. Cascade also considered and modeled regulatory, price, and delivery risks associated with supply resources. Finally, Cascade considered and assessed various financial derivative alternatives to help ensure price stability for customers.
- Resource Selection Portfolio. Cascade's IRP projects the need to acquire additional capacity resources based on expected load growth. In addition to existing supply resources Cascade chose energy efficiency programs, satellite LNG, Ruby Pipeline with backhaul service on GTN, and incremental storage. The 20-year portfolio costs, on a Net Present Value basis, are expected to range

⁶ *Id.* at Section 5, pp. 28-51.

between \$2,448,210,000 to \$3,216,376,000 for the planning period, with an average cost per therm ranging between \$0.354 and \$0.447.⁷

- Two-Year Action Plan. Cascade's 2011 Action Plan describes the following near-term actions the company will take to implement its resource strategy:

Replace neighborhood distribution pipeline and larger diameter pipeline to meet core growth in Bend, Oregon between 2012 and 2016.

Discuss Oregon Public Purpose Fund strategy to determine the most efficient manner to collect public purpose revenues that meet the approved budget needs of the Energy Trust of Oregon.

Re-align NWP delivery rights to optimize incremental vintage capacity acquisition program.

Secure Ruby Pipeline capacity to meet load growth and add supply diversity.

Secure incremental GTN pipeline firm backhaul capacity to meet load growth and add supply diversity.

Secure incremental storage to meet load growth and mitigate price volatility over the 20-year planning horizon.⁸

B. Staff's Comments

Based on its review of Cascade's 2011 IRP as updated and its participation in the planning process, Staff determined that the plan meets the Commission's guidelines in Order Nos. 07-002 and 07-047. Procedural requirements were met as described above. Substantive IRP requirements were addressed throughout the plan, with supporting data in an appendix to the plan. Staff found that Cascade's IRP meets the Commission's substantive IRP requirements.

Staff also concluded that the demand-side and supply-side resources identified to fill the deficiencies expected in Cascade's Oregon service territory beginning in 2013 are appropriate. To ensure sufficient on-going analyses regarding the company's action plan, Staff recommends the Commission acknowledge the 2011 IRP with its April 16, 2012 update and action plan, subject to the addition of the following action item requiring Cascade to perform and provide certain analyses in its next IRP update and in its next IRP:

In its next IRP update and if appropriate, in its next IRP, Cascade will incorporate:

⁷ *Id.* at Section 7, pp. 82-88.

⁸ *Id.* at Section 8, pp. 106-109.

Qualitative and quantitative analysis of the anticipated distribution enhancements, including additional needs expected in Cascade's Distribution Integrity Management Program,

Ongoing analysis regarding re-aligning vintage capacity acquisitions with future pipeline capacity shortfalls,

Ongoing analysis of the level and impact associated with the addition of Ruby Pipeline supply diversity,

Details surrounding the GTN backhaul agreement, upon availability,

Daily deliverability estimates associated with acquisition of incremental storage.

Cascade did not file any response to Staff's comments.

C. Resolution

Having reviewed Cascade's IRP and considered Staff's comments, and after holding the Public Meeting, we acknowledge Cascade's IRP, subject to the addition of Staff's proposed additional action item.

V. ORDER

IT IS ORDERED that the 2011 Integrated Resource Plan filed by Cascade Natural Gas Corporation on January 3, 2012, along with its update, filed on April 16, 2012, as modified herein, is acknowledged in accordance with the terms of this order.

This order memorializes the decision of the Public Utility Commission of Oregon made and effective at a public meeting held on August 14, 2012.

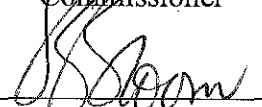
Made, entered, and effective SEP 12 2012



Susan K. Ackerman
Chair



John Savage
Commissioner



Stephen M. Bloom
Commissioner

