

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**LC 54**

In the Matter of	)	
Cascade Natural Gas	)	STAFF'S COMMENTS
2011 Integrated Resource Plan	)	
	)	

Following are Staff's initial comments and recommendations on the Cascade Natural Gas (Cascade or Company) 2011 Integrated Resource Plan (IRP or plan). Staff's comments are organized by subject and address Staff's primary concerns at this time. Staff will continue to evaluate the Company's recently updated plan, responses to data requests and parties' comments, prior to issuing final comments, recommendations and a proposed order for this plan in mid-June 2012.

**Background**

Cascade filed its 2011 IRP, LC 54, with the Commission on January 3, 2012. A workshop was held on April 2, 2012, allowing Cascade, Staff, Citizens' Utility Board, and Northwest Industrial Gas Users to discuss areas of the plan requiring further explanation. Following the workshop, Cascade filed updates covering multiple sections of its IRP, including a replacement of its Action Plan. On April 10, 2012, Cascade provided the Commission with an informational overview of LC 54, answering Commissioners' questions, as part of the regular public meeting.

**Staff's Initial Comments**

While staff will not file final comments and a draft proposed order until June, the following is an overview of staff's concerns at this time.

**Demand Forecast  
Section 3**

Staff notes that Cascade has increased the reliability of the methodology used in its load forecast modeling by changing from its use of town data inputs in some models and district data inputs in other models, as was done in previous IRPs, to the consistent use of district data inputs. This change is described on page 17, in Section 3 of LC 54.

Staff's review of the demand forecast indicates that Cascade evaluates baseload and peak demand but it does not evaluate swing demand. Staff notes that the Company does evaluate swing supply as part of its plan.<sup>1</sup> Staff recommends that Cascade also evaluate swing demand and include its findings in an update to its plan. Staff supports the Company's approach to its peak day forecast.<sup>2</sup>

Staff recommends that Cascade provide additional explanation regarding its development of the plan's high and low load growth scenarios.<sup>3</sup> At this time, Staff finds the Company's expected load growth for residential and commercial classes to be too high. Peak load growth also appears to be too optimistic. Staff recommends that Cascade provide further explanation of these results along with additional information regarding the forecast for the industrial class. While load growth forecasts require further explanation, Staff finds the Company's forecast of reduction in therm usage to be reasonable.

Staff's review of Appendix B, Demand Forecast model Escalation Rates, reveals multiple inconsistencies requiring explanation and potential correction by way of update. These inconsistencies are as follows:

- Page 302, in the high growth scenario, projected employment growth is missing for Adams, WA.
- Pages 305-307 are duplicates of pages 302-304 thus need to be deleted.
- Page 308, in the medium growth scenario for Aberdeen 2012-2015, the results for the medium growth scenario are actually lower than the low growth scenario on page 312.
- Page 316, in the high growth scenario for Kennewick, peak daily baseload is lower than the medium growth scenario in years 2024 and beyond.
- Page 308, in the medium growth scenario for Longview 2012-2015, the results for the medium growth scenario are actually lower than the low growth scenario on page 312. Additional explanation is also needed about baseload peak during years 2012-2016, therm usage by residential class during years 2012-2016, and residential customer growth in 2013.
- Page 309, in the medium growth scenario for Moses Lake 2012-2015, the results are actually lower than the low growth scenario on page 313.

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<sup>1</sup> LC 54 Appendices, page 232 Confidential.

<sup>2</sup> Cascade's peak day forecast is developed by adjusting the therm usage on the coldest day in recent history [January 5, 2004 at 56 heating degree days (HDD)] upwards to an estimate of therm usage that would have been had that day been 61 HDD.

<sup>3</sup> Cascade created the high and low scenarios by examining the best and poorest performing years from the historical data period, 1980 to 2009.

- Page 313, in the low growth scenario for Walla Walla, the low growth total therm usage is greater than the high growth for some years and is greater than the medium growth scenario for all years. Additionally, further explanation is required with regard to the customer forecast in this area beyond 2020.
- Page 337, the customer forecast graph for Wenatchee might be improved by changing the scale of the vertical axis. As the graph currently exists, there is no variability in the growth; however, the data indicates there is variability.
- Page 314, in the low growth scenario for Yakima, therm usage is greater in all years than the medium and high growth scenarios on pages 310 and 318.
- Page 340, Staff requests that Cascade provide explanation of the customer count modeling for Baker during 2012 – 2014.
- Page 344, Staff requests that Cascade provide explanation of the customer count modeling for Ontario during 2012 – 2018. Explanation of total therm usage modeling for the entire IRP period is also requested for Ontario, page 345.
- Page 349, Staff requests explanation of total therm usage modeling for the entire IRP period for Pendleton.

Staff recommends that Cascade consider including a glossary of formula components, as part of the plan's appendices, to improve understanding of the document for parties and the general public.

## **Demand Side Resources Section 6**

Staff requests that Cascade revise information surrounding Energy Trust of Oregon (ETO) costs and measures, on page 55 of Section 6, relating to the Stellar Study Report,<sup>4</sup> updated by the Company following the workshop on April 2, 2012. Cascade should provide confirmation that the information in the body of the IRP reflects the updated appendices.

Cascade indicates, on page 56 of Section 6, that demand side management (DSM) goals are expected to be achievable despite the ETO's significant downward revisions to the 20-year therm savings potential for the Company, and more stringent performance metrics from the PUC. Staff requests explanation of how this may be impacted by whether Commission adoption of key performance measures (KPM) for levelized cost of \$0.52/therm in UM 1565 is inclusive or exclusive of the program management, program incentives, program payroll and related expenses.

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<sup>4</sup> Stellar Study Report – Resource Assessment for Energy Trust of Oregon, in Appendix D-5 of LC 54.

Staff recommends that Cascade clarify the discussion surrounding levelized cost on page 67 of Section 6. The back and forth reference of measure screening between the \$1.00/therm and the \$0.52/therms causes confusion. If the ETO is guided by the Commission KPM of \$0.52/therm, the Company should focus the discussion and target savings on that basis, contingent upon verification of whether the \$0.52/therm includes program costs and related expenses.

Staff requests that Cascade provide the following avoided cost information in correlation with the Stellar Study Update:

- What is the date of the price forecast used in the calculation of the avoided cost? Provide the source, if and when it was updated.
- What other components are included in the avoided cost? Provide details and reference source of data.
- What year is the Company using for the avoided cost calculations in Appendix H?
- Please explain how the company ensured in LC 54 that the DSM therm savings and funding level is in sync with the avoided cost calculation.

### **Two-year Action Plan Section 8**

Staff's review of Cascade's updated Action Plan resulted in the following requests for additional details in future updates:

#### **Distribution Enhancements actions to be taken in the near term to meet core growth**

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

#### **NWN delivery rights re-alignment and incremental vintage capacity acquisition program:**

- Ongoing analysis associated with re-aligning vintage capacity acquisitions with future pipeline capacity shortfalls.

#### **Securing Ruby Capacity to meet load growth and add supply diversity:**

- Provide ongoing analysis of the level and impact associated with the addition of this supply diversity.

#### **Securing incremental Gas Transmission Northwest Pipeline (GTN) firm backhaul capacity to meet load growth and add supply diversity:**

- Details surrounding the backhaul agreement once it becomes available.

**Securing incremental storage to meet load growth and mitigate price volatility over the 20 year planning horizon:**

- Provide estimate of daily deliverability associated with acquisition of incremental storage.
- Are peak day short falls potentially met by acquisition of incremental storage, design or average peak days?

Staff appreciates Cascade's willingness to work collaboratively with the parties to prepare and submit updates to its 2011 IRP with the goal of seeking the most reasonable resource plan for Cascade customers and Oregon as a whole.

This concludes staff's comments.

Dated at Salem, Oregon, the 30<sup>th</sup> day of April, 2011.



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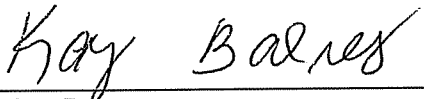
**Lisa Gorsuch**  
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CERTIFICATE OF SERVICE

LC 54

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 30th day of April, 2012 at Salem, Oregon



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