

Evaluation Plan Overview

Introduction

As part of the Stipulation in Docket UG 167, Cascade agreed to sponsor a study by an independent entity, approved by Staff, to evaluate the effectiveness of the Company's decoupling mechanism. The Stipulation required the Parties determine the criteria and standards to be examined in the study no later than March 31, 2009, and no later than March 31, 2010 the study would be submitted to the parties and the Commission.

The Company developed a draft of the questions to be considered by the vendor in developing the scope of work which it provided to the parties for comments. A conference call was held on March 26, 2009 to finalize the questions as well as a timeline and process for the evaluation were developed at that time. The proposed timeline for the evaluation is as follows:

March 31, 2009	Criteria and Standards for Study Developed
June 15, 2009	RFP developed and circulated to potential vendors.
July 31, 2009	Response to RFP due from Potential Vendors
August 1-31, 2009	Responses reviewed by group, potential evaluators interviewed
By Sept 8, 2009	Evaluator selected.
October 15, 2009	Evaluation begins
March 15, 2010	Evaluation Completed

In order to provide transparency, a decoupling evaluation study e-mail list will be established so all questions and data going to and from the utility and the contractor or between the contractor and any of the study workgroup participants are copied to the distribution list on e-mail.

Questions to be considered in developing scope of work For Decoupling Evaluation Study

Associated Conservation Efforts and Achievements

1. Have DSM efforts resulting from decoupling been successful when compared to other efforts documented in recent studies of similar sized natural gas utilities in the Northwest?
2. What conservation services have been expanded since decoupling?
3. How many residential and commercial customers have received conservation assistance since launch of conservation efforts? Since launch of decoupling?
4. How much funding was invested in DSM prior to decoupling vs. during decoupling period?
5. Does the Energy Trust of Oregon believe DSM funding levels been adequate for effective implementation and performance standards?
6. What, if any, additional therm conservation strategies might be considered by the Company?

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7. Do the current DSM program structure, funding, and practices provide optimal delivery?

Mechanism Structure and Design

1. How well has the Company's decoupling mechanism removed the disincentive to promote Energy Efficiency?
2. What customer classes were included within the scope of the decoupling mechanism? What other core customer classes belong in this mechanism?
3. Was it necessary due to the magnitude of deferrals amortized to extend the amortization period to lessen impact on customers?
4. Are there aspects of the Company's decoupling mechanism that the evaluator would recommend be reexamined in light of alternative models or best practices?
5. Did the mechanics of the decoupling mechanism accurately carry out the provisions of the Specified Parties and the commission as expressed Order 06-191?
6. To what extent did the decoupling mechanism remove the relationship between the utility's sales and profits?
7. To what extent did the decoupling mechanism mitigate the utility's disincentive to promote EE?
8. What are the primary drivers of fluctuations in use within CNGC's service territory? How has this changed since decoupling?
9. Have any unanticipated disincentives been created through decoupling?
10. Should fixed cost rate impacts be immediately tied to the events that caused them? Should adjustments be seen annually or monthly?
11. Was the decoupling mechanism fair to both CNGC customers and the Company?

Corporate Culture

1. What, if any, organizational changes resulted from CNGC's decoupling efforts?
2. What, if any, new or revised DSM-focused customer education and marketing was implemented during the pilot period? What were the primary messages and estimated costs? Any attributable therm savings?

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- a. Has there been a shift in advertising messages from load-growth to conservation?
3. Did decoupling affect the incentive to promote new customer connections or fuel switching? If so, how?
4. How did CNGC employees and trade allies view the Company's behavior/commitment in regards to conservation?
5. What, if any, additional staff and subcontractor positions were added by the Company after decoupling?
6. Have any of Cascade's officers or staff been publically quoted in conferences or other public events as a strong advocate for conservation?
7. What conservation-oriented organizations did CNGC join/belong to before and after decoupling?

Financial Impact

1. What, if any, effect did decoupling have on the utility's ability to recover its fixed costs?
2. What, if any, effect did decoupling have on business/financial risks?
3. Does decoupling materially reduce the risk associated with investment in a gas utility?
 - a. If yes, should magnitude be quantified or simply be "taken into consideration in setting ROE"
4. Has decoupling had any effect on non-regulated CNGC business activities?
5. Did CNGC experience any unexpected changes in revenue flows during the pilot period? IE- the result of random factors such as weather, natural gas prices, economic conditions, other?
6. What was the size of the decoupling adjustment(s) made so far, by customer class and by percent of revenue?

Customer Impact

1. What percentage of customers are now participating in DSM activities? What was the percentage before decoupling?
2. Have CNGC customers had reasonable protection from wild rate swings or "rate shock" as a result of the decoupling mechanism? In what ways has CNGC's

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- program assured customers are not penalized or feel a disincentive for undertaking EE improvements?
3. What has been the impact of CNGC's decoupling mechanism on customer bills/rates? Were rate increases allocated fairly across all relevant customer classes? How would this have looked shared across all available rate schedules?
 4. Have customers received an economic penalty for conservation via a surcharge in rate if/when consumption fell below the expected level?
 5. Has CNGC's decoupling mechanism helped create or maintain the customer incentive for efficient use of gas?
 6. Was there any discernable effect on service quality due to the existence of the mechanism?
 7. Overall, have the associated rate adjustments of decoupling been harmful, beneficial, or neutral to customers? Consider all changes that would not have normally occurred under the traditional ratemaking system.
 8. Has Cascade's billing system adequately adjusted to decoupling and minimized customer inconvenience/confusion?
 9. How has decoupling affected the Company's relationship with its customers? Are there safeguards in place to ensure customers are credited/charged the correct share of the revenue adjustment?
 10. What are the major drivers for changes in therm usage for our customers?
 11. What comments (both positive and negative) have been collected regarding conservation efforts performed through the Energy Trust of Oregon in the past 3 years?
 - a. Has there been any change in customer service ratings?
 12. What impact, if any, did decoupling have on uncollectable, new hookups, and other actions?
 13. Are customers not participating in DSM activities unfairly penalized through decoupling mechanism?

Low Income Impact

1. Has decoupling resulted in a demonstrated shift (expansion or decrease) in the number of CNGC customers receiving bill assistance and weatherization services? If so, how?
2. What do Community Action Agencies report with regard to the value and capacity of CNGC to support and deliver weatherization and bill assist programs?

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3. What proportion of total conservation measures and incentives offered by Cascade are distributed via CNGC's Low Income Conservation Program in Oregon?
4. Were there any changes in CNGC's avoided costs during the pilot period that may have contributed to any changes in customer participation and savings from company sponsored LI DSM programs?
 - a. Identify any other factors that may have contributed to an increase in LI DSM savings and expanded offerings.
5. What is the approximate cost experienced by a typical customer for funding of DSM programs and recovery of decoupling deferrals?

Societal Impact and Benefits

1. Has decoupling changed customer motivations for conserving or choosing natural gas? How so?
2. Can CNGC's decoupling be tied to a direct or indirect environmental benefit?
3. Has general awareness of the benefits of conservation and associated incentive program increased in our CNGC customers?
4. Will decoupling help encourage the continuation of conservation efforts regardless of fluctuations in the cost of gas?
5. Has there been an increase in sales of Energy Efficient appliances since Cascade began their DSM efforts?
6. What harm would be caused to the company, customers, and environment if decoupling was removed?
7. Was the decoupling pilot mechanism recognized in any public reports issued by credit rating agencies or financial analysts? Which ones and when?

New Customers

1. Do new customers have a material impact on the fixed cost recovery for CNGC that could lead to over (or under) recovery of costs?