

Questions to Consider When Developing
Scope of Work for CNGC Decoupling Evaluation
Final Draft Incorporating CAG Comments as of 8/28

Draft Evaluation Planning Timeline

9/1/09 – Questions finalized/Criteria and standards for study developed
11/13/09 – RFP developed and circulated to potential vendors
1/15/10 – Response due from potential vendors
2/15/10 – Responses reviewed, evaluators interviewed
4/1/10 – Evaluator selected/ evaluation begins
9/30/10- Preliminary draft of evaluation completed
10/1/11- Final Draft Due to Commission

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 Cascade Conservation Advisory Group members, as well as notice of any meetings or conference calls are copied to the distribution list via e-mail.

The following list of questions covers a number of areas to be examined as part of the Evaluation. Questions taken directly from the Commission’s order have been formatted in bold. The key question to be answered is whether conservation increased as a result of implementing decoupling. In answering that question, a discussion of the potential advantages and disadvantages of the program will be necessary. The Evaluation should also discuss risk and any changes in risk to the customer or the company. It should discuss whether price signals are appropriate under the mechanism, and whether there is evidence of changes in customer behavior due to the mechanism. These areas are both directly and indirectly related to the Mechanism, and the final Evaluation Report should allow the Commission, Advisory Group members, and interested parties to fully examine the Mechanism. See Docket UG-060256, Order 05, paragraphs 72-78.

Mechanism Structure and Design

1. What customer classes were included within the scope of the decoupling mechanism? **What customer classes should be included within the scope of this mechanism?** (Per Docket UG-060256, Order 5, Appendix A) What would be the effects of including other customer classes in this mechanism?
2. Did the Company have a disincentive to promote energy efficiency? What is the evidence of this? Has the Company’s decoupling mechanism changed any such disincentive? **How well has the Company’s decoupling mechanism removed the disincentive to promote Energy Efficiency?** (Per Docket UG-060256, Order 5, Appendix A)
3. Did the mechanics of the partial decoupling mechanism accurately carry out the intentions of the Settling Parties and the Commission as expressed in the rate case settlement Docket UG-060256?

- a. Have program penalties been implemented?
 - b. What were the effects of a cap on the annual surcharge level?
 - c. What were the effects of using the rates set in the 2006 general rate case as a baseline?
4. Have any disincentives to conserve energy been created or maintained through decoupling?
 5. Please provide total month and annual deferrals as well as a clear explanation of deferral and recovery periods.
 6. Were any changes made to the methods or calculations of the Company's decoupling deferral over the course of the pilot? If yes, what was the purpose and impact?
 7. Were there any challenges regarding methodology or input values for calculation of the accounting journal entries which implemented the decoupling deferral? If yes, explain.
 - a. How does the magnitude of the range in the weather adjustment compare to the total lost margin? To the reduction in use due to company sponsored conservation measures?
 8. What are the number of customers added each month, by rate schedule as well as the total monthly number of customers served?
 9. What is the actual and weather normalized usage per customer, for existing and new customers?
 10. What if any impact resulted from the manner in which new customers were treated in this mechanism?

Associated Conservation Efforts and Achievements

1. Were the Company's conservation targets achieved during the pilot years? Was the conservation provided cost-effective?
2. List all conservation programs, initiatives, incentives, and associated savings estimates annually since CNG commenced offering such programs. Has there been an appreciable change in these offerings following January 2007?
3. How do actual changes in usage due to participation in Cascade's Conservation programs compare to the "deemed savings" estimates used by the company to calculate estimated therm savings?

4. What portion of the total change in customer usage is due to Cascade's conservation programs versus other factors, such as price elasticity, stricter building and appliance codes, etc? What factors, other than decoupling (such as changes in approved avoided cost) may have been responsible for a decrease in customer therm usage?
5. By what amounts did conservation program expenditures and resulting therm savings change during the decoupling period?
 - a. What were actual annual conservation expenditures and therm savings for the pilot period compared with prior to the pilot period?
 - b. Express annual conservation expenditures in percentage change year-over-year.
 - c. How were these funds spent by customer class/ rate schedule?
 - i. For rebates?
 - ii. For administration?
6. How did the scope/magnitude of conservation programs/measures change during the pilot period? How does this compare from all previous conservation incentive offerings?
 - a. What incremental program changes or expansions were implemented during the decoupling period and when?
 - b. Describe by customer class and rate schedule
 - c. Describe conservation achieved by measure showing percentage change by measure and any new measures initiated or discontinued.
7. How many homes and businesses (separated by commercial and industrial) have received conservation assistance since launch of conservation efforts? Since launch of decoupling?
8. What are Cascade's savings estimates for each of its conservation programs or measures? What is the basis for those estimates? Have there been any changes to those savings estimates following implementation of decoupling?
9. What, if any, evaluation, measurement and verification was conducted by or on behalf of Cascade to examine the accuracy of the estimates above?

Corporate Integration of Conservation Philosophy and Efforts

1. Has CNGC's decoupling mechanism had a measurable impact on corporate operating practices related to conservation? How is this documented?
 - a. Has the Company increased support of outside conservation efforts and initiatives such as tightening building codes, etc?
2. What, if any, organizational changes related to conservation have occurred since January 2007?
 - a. Were additional staff and subcontractor positions added by the Company since January 2007? If so, how many in total, and how many were added to support conservation?
3. How was CNGC behavior/commitment to conservation demonstrated within and outside the company in regards to conservation before January 2007? After 2007?

4. Please list all events and venues during which CNGC officers or staff have been publicly quoted in regards to conservation. Has there been a measurable difference between public statements pre-pilot vs. post-pilot implementation?

Rate Designs and the Effects of Weather

1. **What would the bill impacts have been if weather-related impact on usage was included?** (Per Docket UG-060256, Order 5, Appendix A)
2. What potential rate designs could be expected to mitigate rate volatility for customers while stabilizing revenue for the company?

Financial Impact

1. Has the earning cap based on a rate of return of 8.85% been effective?
 - a. What, if any, additional safeguards have been developed to mitigate the link between CNGC's decoupling mechanism and over-earning?
 - b. Has decoupling mitigated over and under collections?
2. What was the annual amount of estimated lost revenue due directly to Company conservation programs during the pilot period compared to all lost margin resulting from reduced use?
3. What was the result of the earnings test/savings test that was used for rate adjustments during the pilot?
4. What were the pretax margins and net income impact resulting from recoverable revenue deferrals for all pilot years? What percentage of total pretax margins and net income is represented by these deferrals each year?
5. What were associated lost margins from Company sponsored conservation by customer class and rate schedule before and after decoupling? How do the lost margins from Company-sponsored conservation for the rate schedules participating in decoupling compare to the total amount of decoupling deferrals for the comparable period?
6. What was the total amount of the decoupling surcharge revenue collected from ratepayers each month during the pilot?
7. What revenues were collected from rate payers for conservation during the pilot period?
8. What would have been the monthly, annual and cumulative amount of revenue deferred and lost margin recovery by decoupling mechanism during the pilot period with and without adjustment to reflect the deferral limit as well as any percent adjustment due to the conservation or earnings test?

Customer Impact

1. Were there any changes in CNGC avoided costs during the period that may have contributed to changes in customer participation and savings for company sponsored conservation programs? What other factors could have been responsible for a decrease in customer therm usage? Please explain any distinction between rate classes, and between low-income and other residential customers.
2. **Was there any discernable effect on service quality due to the existence of this mechanism?** (Per Docket UG-060256, Order 5, Appendix A)
3. How many customers did CNGC have per rate schedule and what was the proportion of usage before and during the decoupling pilot?
 - a. What was the rate of customer growth before and after the decoupling pilot? How has it changed, if at all?
3. What is the bill impact and total cost of the decoupling mechanism to customers who are not participating in conservation activities?
4. What is the approximate cost experienced by a typical customer for funding of conservation programs and recovery of decoupling deferrals?
5. What has been the impact of CNGC's decoupling mechanism on customer bills/rates? How were rate increases or decreases allocated across all relevant customer classes?
6. Has CNGC's decoupling mechanism helped create or maintain the customer incentive for efficient use of gas? What changes in customer behavior can be directly attributed to this mechanism?
7. How has Cascade's billing system accommodated the adjustment to decoupling? Has customer inconvenience/confusion resulted?

Low Income

1. What proportion of total conservation measures and incentives offered by Cascade are distributed via CNGC's Low Income Conservation Program in Washington?
2. What were the company's low income conservation outreach and education efforts before and during the decoupling period? What were estimated costs and associated therm savings?
3. Have there been any program changes or expansions to the low income conservation program since decoupling? Describe.
4. What is the consultant's estimate of the low income population in Cascade's service territory?
5. What is the effect of the combined average bill impact from decoupling and the cost of conservation surcharges on the average low income customer?

Regulatory Impact

1. Did Cascade file any rate cases during the pilot period? If so, when?
2. What, if any, additional commitment of time and resources has been necessary from staff and other concerned parties as a result of decoupling?

Societal Impact and Benefits

1. Are there any non-energy benefits associated with CNGC's conservation efforts? If yes, has the implementation of decoupling affected the realization of those benefits?
2. Can CNGC's decoupling be tied to a direct or indirect environmental benefit such as a reduction of greenhouse gases, etc?
3. Has there been an increase in sales of Energy Efficient appliances within the CNGC service territory since the company began its conservation efforts? Is there any measurable difference pre-pilot vs. post-pilot implementation?

Conclusion and Recommendations

1. In the evaluator's opinion, is there demonstrable proof that the decoupling mechanism enhanced Cascade's conservation efforts and achievements without unduly harming the interests of customers? Please explain, addressing shifting of risk, impact and effectiveness of price signals, and advantages versus disadvantages. See Docket UG-060256, Order 05, paragraphs 72-78.
2. Based on the goals of the Settlement and the findings of this examination, would the evaluator recommend termination of the decoupling mechanism or continuation of the decoupling mechanism? If the latter, would the evaluator recommend any modifications to the program, and what would those be?