CASCADE NATURAL GAS CORPORATION
A Subsidiary of MDU Resources Group, Inc.

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March 30, 2026

Dennis Ritter – Acting Director, Pipeline Safety
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Subject: Docket PG-230800 Settlement Agreement, Quarterly Report

Dear Mr. Ritter,

This letter serves as Cascade Natural Gas Corporation's (CNGC) progress report for the items outlined in the approved settlement agreement, Docket PG-230800, between the Staff of the Washington Utilities and Transportation Commission (WUTC) and CNGC.

TERMS OF SETTLEMENT

B. Audit of Cascade's American Petroleum Institute ("API") Recommended Practice ("RP") 1173 Program

Cascade will contract with the American Petroleum Institute to complete an audit of Cascade's API RP 1173 safety management system program. If API is unavailable to perform this audit, or contracts with a third party to perform audits, Cascade will seek Staff approval for any third-party auditor.

The Commission required that Cascade adopt an API RP 1173 safety management system program as part of a settlement in Docket PG-150120. The audit required in the present Settlement will assess whether Cascade's existing API RP 1173 safety management system program meets the intent of the API RP 1173 program required of Cascade in Docket PG-150120. Cascade will provide the auditor with full access to all safety-management-system-related procedures and documentation related to the program. Cascade will provide Staff with the executive summary from the audit and the observations and opportunities to increase effectiveness identified by the auditor.

Cascade must file a quarterly letter with the Commission reporting its progress on completing the audit. The first letter is due on the last day of the first full financial quarter after the Commission order is issued approving the Settlement in this docket. The first letter must include the scope of work to be completed in the audit and the contract with the auditor included as an attachment. Each subsequent letter must include information on percent of the audit completed to date and an update on the action items identified in the scope of work. In every quarterly update, Cascade must include the substantive steps it has taken in completing the audit.

While the findings of the audit will not be the basis for penalties, failure to implement program changes based on observations identified in the audit will be subject to the suspended portion of the penalties.

The audit must be completed by December 31, 2026. This date may be changed by mutual written agreement filed in the docket by Cascade and Staff.

Cascade Response

CNGC submitted the scope of work to be completed in the assessment and the signed contract with API to Dennis Ritter on January 6, 2026.

The audit is 90% percent complete. During the first quarter, the following action items were completed:

- Joint development of an assessment plan between API and CNG.
- CNG provided requested materials (e.g., procedures, documents, records, etc.) to API for assessor review.

- From March 2 through March 4, 2026, API conducted the headquarters (HQ) portion of the assessment. This included API assessor interviews with CNGC Subject Matter Experts.
- From March 4 through March 13, 2026, API conducted the field visit portion of the assessment which included API assessors visiting multiple site locations to verify the implementation of processes and procedures in the field.

CNGC is pending a report from API.

C. Integration of observations from the API RP Audit

API RP 1173 is a continual improvement process; therefore, Cascade agrees to review and implement the auditor's observations through a system of ranking and prioritizing. Cascade will also evaluate the opportunities to increase effectiveness identified by the auditor and may choose to implement them, but is not required to do so. However, if Cascade chooses not to implement an opportunity to increase effectiveness it will meet with Staff to discuss the opportunity or opportunities and provide the reasons why Cascade is choosing to forgo that opportunity or those opportunities.

In addition to the other action items outlined in Section V, waiver of the suspended penalties is also conditioned on Cascade's implementation of action items derived from the observations from the auditor. The suspended penalty does not apply to an opportunity to increase effectiveness.

The list of priorities and estimated implementation dates for observations will be shared with Staff as they are available, but no later than December 31, 2026. Staff reserves the right to require a change to Cascade's API RP 1173 program based on observations identified in the audit.

Cascade Response

CNGC is pending a report from API. Updates will continue to be provided in future quarterly reports.

D. Cascade's contractor policy and procedure revisions

Cascade agrees Cascade agrees to create a new company policy (new policy) for the oversight and management of contractors hired to perform work on the company's natural gas system to ensure that contractors follow all laws, policies, and procedures concerning pipeline safety.

Cascade agrees to integrate this new policy with its existing policy related to the hiring of contractors. These policies together will require a review of risks and necessary operational controls based on the size and complexity of the work being performed by the contractor. Consideration will be given to a contractor's safety and compliance record and any existing safety management system program. The new policy, and an explanation of how it will be integrated with the existing policy, will be submitted to Staff for review and feedback. Additionally, the new policy will include a special safety management system review of the contractor's plans, policies, and procedures prior to initiating the use of LNG as outlined below in subsection E.

This new policy and its integration with the existing policy will be implemented by December 31, 2025, or within 45 days of the Commission's approval of this Settlement Agreement, whichever is later. Cascade will submit its explanation of its integration of the two policies for review and feedback by December 1, 2025, or within 30 days of the Commission's approval of this Settlement Agreement, whichever is later.

Cascade Response

CNGC submitted a letter of explanation and draft copies of revised *OPS 7 – Hiring a Contractor* and new company policy *OPS 27 – Construction Management* to Dennis Ritter on January 6, 2026. CNGC received comments regarding *OPS 27* from Dennis Ritter on March 2, 2026. CNGC submitted follow up response, addressing *OPS 27* comments, to Dennis Ritter March 6, 2026. OPS 7 and OPS 27 were implemented March 13, 2026.

Please contact Josh Sanders at (701) 222-7773 with questions or comments.

Respectfully Submitted,

Pat Darras

Pat Darras
Vice President, Engineering & Operations Services
Cascade Natural Gas Corporation