

Appendix I

2008 Action Plan Progress Report

2008 IRP 2-Year Action Plan Progress

Action Item 1: In continuing efforts to create a more accurate load forecast, Cascade will research the viability of expanding the detail of the data by determining therm usage per customer per degree day by customer class (residential, commercial, etc.) along with the non-heat sensitive baseload usage. This is largely dependent upon the capabilities of the Company's new Customer Information System which is currently anticipated to "Go-Live" during mid-2009.

Progress:

Cascade continues to evaluate the ability to determine use/customer/degree day by customer class. At this time, the Company has not been able to fully assess the capabilities associated with the new Customer Information System and the ability to extract detailed usage data by customer class since the new Customer Information System only became operational on July 1, 2010.

Action Item 2: Cascade will continue to monitor outside determinants of natural gas usage, such as legislative building code changes and electrical "Direct Use" campaigns as they are determined to significantly affect the Company's forecast.

- a. Cascade will analyze the potential impact of Puget Sound Energy's Direct Use campaign on customer usage in Washington by June 2010.

Progress:

Cascade has remained active in monitoring external developments at the state and national level which carry potential impacts to customer usage within our service territory. In Oregon, legislation passed in 2009 required improvements to commercial building by 15-25% over existing code. It is anticipated that the new code requirements will take effect in Fall 2010. This will likely further reduce the anticipated load growth in the commercial/industrial sector. On the Washington side, changes to the Washington Residential and Commercial building codes which were initially scheduled to go into effect on July 1, 2010 but have since been delayed until October 29, 2010 and there is the potential for a further delay until April 1, 2011.

Currently, only Puget Sound Energy has a Direct Use campaign that has the potential to impact Cascade's customer usage. To-date, the Company has seen little impact on the Company's load.

Action Item 3: The Company continues to explore the incorporation of price elasticity in future forecasts of demand. The integration of this variable in future models will be dependent upon the practicality of its application and significance of its effect.

Progress:

Cascade continues to explore the incorporation of price elasticity in development of its demand forecast. To-date, the Company has not found the data to be statistically valid and therefore has not incorporated this variable in its model. The Company will continue to review this information and will revisit with the development of the upcoming plan.

Action Item 4: Cascade will continue to monitor the effectiveness of the Oregon Public Purpose Fund to ensure the funds are adequate to capture significant portions of achievable therm savings in Oregon. If it is determined that an increase in this Fund will create a subsequent increase in therm savings, the Company will move to act appropriately.

- a. Oregon's incremental annual therm savings targets for the 2009 and 2010 period are 282,657 and 329,937 therms respectively. Estimated spending to achieve the therm savings targets outlined above are \$1,494,000 and \$1,746,000 respectively.

Progress:

Cascade continues to work closely with the Energy Trust of Oregon on both the establishment of annual therm savings targets and determination of needed funds to acquire those therm savings. As reported by the ETO in their 2009 report to the commission, the 2009 therm savings achievements were \$253,181, just shy of the stretch goals for 2009 and spending was \$1,295,025 .

Since acknowledgement of the IRP, the ETO estimates that it can actually achieve a higher level of therm savings in 2010 and 2011 than included in the IRP. For 2010, the revised figure was 373, 554 annual therms savings and the associated funding requirements were estimated at \$2.1 million to \$2.2 million. As a result, the Company filed an application requesting deferred accounting for up to an additional \$950,000 to ensure that the ETO would have adequate funding to meet the 2010 therm savings targets. As of December 2010, it appears that the ETO's actual 2010 achievements and spending requirements will be closer to the 2009 actuals. Although 2010 achievements will be less than anticipated, the ETO's 2011 budget remains at \$2.3 million and they are estimating delivering upwards of \$431,000 incremental annual therm savings. The Company plans to approach the anticipated additional funding requirements similar to how it approached the 2010 anticipated shortfalls, and to request deferred accounting treatment for any funding that the ETO requires above that provided through the existing Public Purpose Funding tariff. The company will revisit a permanent increase in the Public Purpose Funding tariff in 3Q 2011.

Action Item 5: The Company will continue to follow and analyze the impacts of the Western Climate Initiative and proposed carbon legislation at both the state and federal level as they pertain to natural gas conservation, as well as other such acts that may arise from these efforts. The Company will continue to monitor the timing and the costs associated with carbon legislation and analyze the impacts on the Company's overall portfolio costs. As specific carbon legislation is passed, the Company will update its avoided cost calculations, conservation potential and make modifications to its DSM incentive programs as necessary.

- a. The Company is evaluating the potential costs associated with the Waxman/Markey legislation and estimating the impacts on its resource portfolio.

Progress:

Cascade continues to follow closely both potential federal and state level legislation associated with Greenhouse Gas Legislation. Although the proposed legislation has been stalled, the Company continues to review and assess the potential impacts associated with the Kerry/Lieberman bill, which was the latest climate change proposal at the federal level.

Action Item 6: The Company will continue to monitor the cost effectiveness of existing conservation measures and emerging technologies to ensure that the current mix of measures included in the Washington Conservation program is appropriate. Areas for further analysis include the impacts associated with modifications to building codes along with the cost effectiveness of newer technologies such the next generation of high efficiency water heaters (.70 EF) and high-efficiency hybrid heat pumps. The applicability of these measures within Cascade's service territory will be analyzed and the Company's Conservation Incentive Program will be modified as necessary.

Progress:

Cascade continues to monitor the viability of .70 conventional water heaters and other emerging technologies in order to assess their applicability to our Washington service territory. If, and when, such measures become market available, we will take steps to include them in our Washington conservation portfolio. In Oregon, Cascade works closely with the Energy Trust of Oregon to ensure that the therm savings targets are achieved.

Action Item 7: The Company will continue to work with its Conservation Advisory Group, its third party vendors and its Low income weatherization network to ensure that the therm savings targets identified in the plan are met.

- a. As outlined above, the Company's targeted therm savings for Oregon for the 2009 and 2010 period are 282,657 and 329,937 therms respectively.

Progress:

As discussed above, the actual ETO 2009 therm savings achievements associated with Cascade's service territory were \$253,181, just shy of the goals for 2009. Since acknowledgement of the 2008 Plan, the ETO has increased its savings estimates for the 2010 and 2011 periods. For 2010, the revised figure is 373, 554 annual therms savings and through September 2010, they have achieved approximately 158,000 of the annual target.

On the Low Income side, the Company continues to partner with the Oregon Low Income Weatherization Network to deliver conservation programs to low income households. During calendar 2009, 25 homes were weatherized in Oregon with an annual cumulative therm savings of 3,946 with \$36,074 provided in rebates. As of September of calendar year 2010, Cascade's Oregon Low Income Energy Conservation Program has served 71 homes and achieved a savings figure of 10,128 therms with a total expenditure of \$127,983. Expended funds reflect only a small portion of the \$371,451 still available as of September 30, 2010. While remaining funds remain substantial, Oregon agencies that deliver the Low Income Weatherization Program (WAP) have increased the delivery capability of this program with the availability of American Recovery and Reinvestment Act (ARRA) funds. Utilizing these funds in combination with Cascade Low-Income Energy Conservation Program funds have already lead to an increase in homes served, therms saved, and program funds expended as evidenced by the increase in those categories during the first nine months of 2010 compared to all of 2009. Cascade continues to work closely with its Oregon Low Income Advisory Group to better understand the capacity of WAP to serve Cascade homes and evaluate strategies designed to increase the level of participation in the program either through modifications to the program measures, incentives, or delivery approach.

Action Item 8: The Company will continue to update its distribution system analysis to reflect the impacts of conservation. The Company will continue to target its conservation acquisition efforts in those areas where potential distribution constraints have been identified in the hope that some of those investments maybe delayed.

- a. The Company will work with the Energy Trust to ensure that conservation acquisition efforts are targeted to central Oregon and Hermiston area.
- b. The Company will update its Oregon distribution analysis during Summer 2009 to re-assess the reinforcement requirements during the 2010 to 2013 period in light of the current recession and actual conservation achievements in 2008 and 2009 by the Energy Trust.

Progress:

The Company continues to promote conservation and focuses attention on those areas identified as having distribution system constraints. The Company is

currently updating its models and anticipates that a number of anticipated reinforcement needs may be delayed due to changes in the long term load forecast as a result of both increases in conservation achievements and improvement to building codes

Action Item 9: Cascade will continue to evaluate gas supply resources on an ongoing basis including supplies of varying lengths (base, swing, peaking) and pricing alternatives. We will continue to analyze the uncertainties associated with volatile supply and demand relationships and will closely monitor and participate in industry discussions regarding diminishing Canadian gas exports. Of particular concern to us are changing conditions on Northwest Pipeline. As our principle upstream pipeline, Northwest Pipeline is a displacement pipeline dependent upon receiving large amounts of Canadian natural gas exports. The risk associated with reduced Canadian exports is a significant concern and therefore it is critical for Cascade to continuously look for opportunities to improve our supply/capacity diversification.

Progress:

The Company continues to examine the various supply side alternatives available on an on-going basis. The Canadian export outlook has brightened somewhat since acknowledgment of the 2008 IRP. While the levels of exports have decreased due to increased demand in Canada, the prolific shale gas plays, such as Horn River, are expected to ensure that adequate Canadian supplies are available to the Pacific Northwest. Additionally, shale gas plays on the east coast are limiting some of the needs for the western supplies along with increased production in both the Rockies and the Horn River basin in Northern BC/Alberta provide a rosier supply picture than just 2 years ago. As a result, there is little concern that the supplies will be available for the foreseeable future. However, the Company will continue to monitor activities and participate in industry task forces on the various Canadian pipelines to encourage supply availability and price liquidity at important transaction points for our service territory such as Station 2, Sumas, and AECO.

Action Item 10: The Company will continue to monitor the proposed pipeline expansion projects to access more supplies out of the Rockies. As cost estimates change, the Company will analyze those resources under consideration to determine if modifications to the preferred portfolio are necessary.

- a. The Company participated in the initial Open Season associated with the Sunstone/Blue Bridge pipeline in 2008
- b. Update analysis completed and response from CNG Board due late Summer 2009

Progress:

The Company continues to evaluate incremental pipeline capacity proposals that would bring additional Rockies supplies to Cascade's service territory. Two major developments have occurred since acknowledgement of the plan that may impact the resources selections identified in the preferred portfolio. First of all, in fall 2009, Northwest Pipeline announced that it was abandoning its proposed Sunstone pipeline project due to a lack of participation in the open seasons. It appears that going forward Ruby is likely to be the new pipeline from the west with service to Malin operational as early as March 2011 and it also appears that GTN is considering firm backhaul capabilities to move the additional supplies to the Pacific Northwest and the Company continues to evaluate this as option to provide supply diversity to the Company's Central Oregon service territory. On the other side, the need for incremental capacity to serve the Company's central Oregon load has been delayed due to the Central Oregon load forecast being closer to the Low Load forecast than the medium forecast as originally anticipated.

Action Item 11: Continue to refine our specific peak day resource acquisition action plans to address anticipated capacity shortfalls on the Wenatchee and Shelton laterals. Possible solutions include Satellite LNG or pipeline looping to meet the growing requirements of the firm core load. Specifically, the Company will further analyze issues such as determination of project siting issues and risks, project cost estimates, and construction/acquisition lead times.

Progress:

Cascade has continued to monitor and develop plans to address anticipated shortfalls on both the Wenatchee and Shelton Laterals. Since acknowledgement of the plan, the Company has addressed shortfalls on the Shelton lateral as a result of a gate station upgrade and the acquisition of vintage capacity on Northwest Pipeline through a long-term release. To address anticipated shortfalls on the Wenatchee lateral, the Company has notified non-core customers that it will recall the long-term released capacity at the end of the primary term. The returned capacity will allow the Company to meet peak loads through the 2020 period. Additionally, the Company continues to evaluate short-term peaking solutions such as satellite LNG/peak shaving facilities and a propane air plant to address concerns on this lateral.

Action Item 12: The Company will continue to explore options to incorporate BioGas into its portfolio, as specific projects are identified in our service territory. Price, location and gas quality considerations of the BioGas supply will be evaluated.

Progress:

No specific BioGas projects have materialized within the Company's service territory. As those opportunities arise, they will be evaluated for inclusion in the Company's portfolio.

Action Item 13: The Company will continue to monitor proposed LNG import facilities as information becomes available and will evaluate the various options that, if built, could be used to meet core requirements. Issues to monitor include specific cost, the availability of pipeline capacity and project timing.

Progress:

Cascade continues to monitor LNG import facility proposals, however, it appears that it is highly unlikely that any will be sited in the Northwest due to both the complex environmental issues and the competition for those supplies from other higher priced markets.

Action Item 14: The Company will continue to monitor the futures market for price trends and will evaluate the effectiveness of its risk management policy.

Progress:

The Company continues to monitor price trends and evaluates the effectiveness of its risk management policy. Since completion of the Company's 2008 IRP, the forward price curves for natural gas have stabilized considerably. A combination of factors (contango market and economic outlook) have led the Company to modify its hedging strategy for the near-term (2009/10 & 2010/11 periods) to hedge less supplies and leave more at the market.