

Meeting Title:	CASCADE NATURAL GAS CORPORATION GAS SUPPLY OVERSIGHT COMMITTEE (GSOC) MEETING MINUTES			
Date of Meeting:	July 9, 2019 2:30 PM until 3:55 PM (Pacific Time)			
Location:	Conference Call #: (888) 503-1226, Conference Code #: 7502912118, press # to join			
			GSOC Member Eligible to Vote	
Name	Job Title	E-mail Address		Comment
Naina Agarwal	Internal Controls Coord, Sr	[REDACTED]		
Kent Bayazitoglu	Director of Market Analytics	[REDACTED]		Gelber & Associates
Mark Chiles	VP, Reg Affairs & Cust Svc	[REDACTED]		
Kevin Connell	Dir, Gas Supply	[REDACTED]	Y	Unable to attend
Patrick Darras	VP, Engineering & Operation Services	[REDACTED]	Y	
Ashton Davis	Resource Planning Analyst I	[REDACTED]		
Art Gelber	President	[REDACTED]		Gelber & Associates
Brian Hoyle	Financial Analyst II	[REDACTED]		
Scott Madison	EVP, Bus Dev & Gas Supply	[REDACTED]	Y	GSOC Chair
Devin McGreal	Resource Planning Analyst I	[REDACTED]		
Daniel Myers	Market Analyst	[REDACTED]		Gelber & Associates
Isaac Myhrum	Regulatory Analyst II	[REDACTED]		
Tammy Nygard	Controller - Utility Group	[REDACTED]	Y	
Michael Parvinen	Dir, Regulatory Affairs	[REDACTED]	Y	
Brian Robertson	Supv, Resource Planning	[REDACTED]		
Mark Sellers- Vaughn	Manager, Supply Resource Planning	[REDACTED]		Recording Secretary
Garret Senger	EVP, Regulatory Affairs & CAO	[REDACTED]	Y	
Carolyn Stone	Gas Supply Analyst III	[REDACTED]		
Eric Wood	Supv, Gas Supply	[REDACTED]		
Prepared by:	Mark Sellers-Vaughn, Carolyn Stone			
Materials Provided:	Presentation - Hedge Execution Plan Recommendation to GSOC			

AGENDA

- Hedge Execution Roles
- Previous Year Hedged Percentages Results
- Market Outlook
- Gelber & Associates Hedge Recommendation
- Other Important Notices

MEETING DISCUSSION

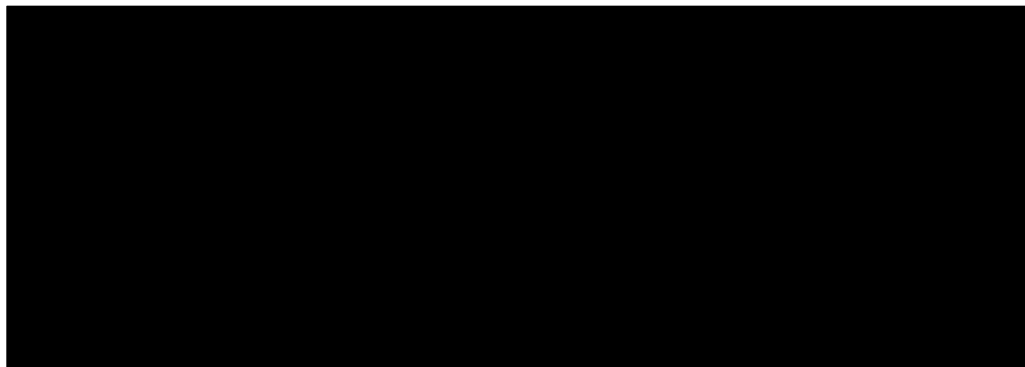
Sellers-Vaughn noted a quorum was present (5 of 6 members). Sellers-Vaughn welcomed the attendees and noted receipt of the 2018 WA IRP acknowledgement letter. Pointed out that WUTC expects Cascade to model an Enbridge type event in next IRP.

The purpose of the meeting was to discuss the 2019 Hedge Execution Plan (HEP). He also asked attendees to keep in mind that the HEP does not change the physical portfolio volumes. We will still buy the supply needed at the various basins to meet the demand. The physical portfolio is sourced to meet actual demand as always. Sellers-Vaughn stated that it has been a very active period for the internal team and Gelber. Unfortunately, portions of the timeline have been stretched a bit, but the transition continues. Finally, he noted that this is Cascade’s last transition year from the current hedging plan to the new hedge program that GSOC authorized earlier this year. Other than establishing the thresholds, the basic principles of the HEP elements are consistent with hedging discussions held with GSOC over the past year.

The discussion then turned to a review of the hedge execution roles (see below). It was noted that the Policy Management Committee should listed as the Management Policy Committee.

ROLE	ASSIGNED TO	TITLE
Corporate Authority to Hedge	Policy Management Committee	President MDUR President MDUG VP, Treasurer & Controller MDUR
Oversight and authorization of Cascade’s Hedge Program	Gas Supply Oversight Committee	
Final Transaction Approval (upon receipt of signed agreement from counterparty)	Scott Madison	EVP, Business Development & Gas Supply
Hedge Execution Director	Kevin Connell	Director, Gas Supply
Delegated Execution Primary	Eric Wood	Supervisor, Gas Supply
Delegated Execution Secondary	Chris Robbins	Manager, Gas Supply & Controls
Deal Capture	Carolyn Stone	Gas Supply Analyst III
Confirmation Review	Mark Sellers-Vaughn	Manager, Supply Resource Planning

Gelber & Associates (G&A) reviewed the previous year’s hedged percentages results:



G&A noted that the savings estimate was based upon hedges compared to monthly indexed prices. [REDACTED]

[REDACTED] The reason for the gains was due to the Enbridge event. This primarily impacted Sumas prices, particularly in March. That is where the significant savings occurred.

G&A then moved on to discuss highlights of their market outlook. They noted the following:

- NYMEX Henry Hub benchmark prices have tumbled to three-year lows this summer due to record production and quickly rising storage inventories.
 - Demand growth (LNG, Industrial, Mexican exports, Power) not far behind; price risk remains.
- Historically, the Pacific Northwest (PNW) basins have had a strong correlation to prices in the rest of the country, namely NYMEX Henry Hub.
 - Correlation has weakened in recent years due to falling Northwest prices, especially at the AECO hub.
 - The Enbridge incident further broke the pricing relationship with the rest of the country as Sumas prices skyrocketed this past winter.
 - G&A expects Enbridge to be fully repaired by November 2019, although Sumas will remain the most expensive basin for winter 2019/2020.
- G&A expects a strong correlation to return, although PNW locations will often trade at a discount to NYMEX during non-peak periods.
- Year 2 and Year 3 remain the best value

G&A then provided attendees with G&A's hedge recommendation. A summary of their recommendation is provided below.

- The transition to the new Hedge Program continues.
[REDACTED]
- Mechanisms to handle financial transactions should be fully tested and implemented in 3rd quarter.
- G&A recommends that Cascade continue to hedge primarily with fixed-price physicals until financial mechanisms are in place.
[REDACTED]
- G&A recommends the implementing financial instruments, when economically appropriate, to increase the offering of hedge tools.
- In general, G&A believes there is value in all forward purchases, particularly Year 2 and Year 3.
- G&A's end of season hedge volume recommendations are as follows:
 - Year 1 (November 2019 through October 2020) - **40%** (from 20% start)
 - Year 2 (November 2020 through October 2021) - **40%** (from 5% start)
 - Year 3 (November 2021 through October 2022) - **20%** (from 0% start)

Sellers-Vaughn noted the hedge program approved by GSOC now allows Cascade to hedge using NYMEX Henry Hub, in addition to the regular pricing basins.

There was some brief discussion involving the GSOC membership (Members or Membership) on whether the WUTC considers storage as a hedge under the new WUTC guidelines. Since the value of storage layers are currently booked as a fixed price, the membership felt it was a hedge but wasn't sure if the WUTC saw it that way. Sellers-Vaughn indicated we will hopefully get some clarification about this when Cascade files the 2019 Annual Hedge Plan with the Commission later this summer.

G&A stated that recording systems will be in place by 3rd quarter and plan to implement financials during this time frame. [REDACTED]

[REDACTED] It was pointed out that the Commission expects financials as part of the company's risk management toolbox.

[REDACTED]

[REDACTED] However, if the Enbridge shortfalls continue this winter, it would also cause the price at other basins to rise. The upside risks would be higher if that occurs. That is part of the calculation of how much to hedge looking at VaR Up and VaR Down to protect against the pipeline not being back to full capacity. A percentage of the market that is going to be at Sumas is already priced at an escalated level because of the fear.

Madison felt that based institutional knowledge of the qualitative risks associated with uncertainty at Enbridge, pricing is attractive, and the downside risk is low. [REDACTED]

[REDACTED]

[REDACTED]

Madison expressed that there is some risk that Enbridge won't be back to full capacity in time. Robbins agreed and noted that prices would rise in that situation. Sellers-Vaughn felt that Parvinen's concerns are valid about not hedging more compared to the other regional LDCs. He reminded attendees that there has been some past concern expressed by the commission because we have historically hedged lower than the other LDCs. It was noted that the Commission also recognizes that Cascade is still in transition to the new program. Still, the Commission will expect to see demonstrative progress in implementing a more risk responsive program.

Madison, noting Parvinen’s earlier comments, was in favor of being more highly hedged.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Sellers-Vaughn also provided the following information:

- GSOC will be informed (via email and return receipt) prior to notable deviations from the HEP. An example of a deviation would be actions that would change the end of year hedge percentage target by more than 500 basis points.
 - *Example: A purchase that changes the end of year hedge percentage from 20% to 26% would be deemed a notable deviation to the HEP while a purchase that changed the end of year hedge percentage from 20% to 24% would not.*
- Unwinding financial derivatives requires authorization from the Policy Management Committee
- GSOC reserves all other hedging authority subject to MDUR Corporate Derivative Policy 21.14.

Action Items

Agenda Item	Decision Made
Gelber & Associates Hedge Recommendation	GSOC approved the Hedge Execution Plan as presented with the following modifications: [REDACTED]

ID	Actions Required:	Person(s) Assigned	Open Date	Due Date/ Status
1	Modify Hedge Execution Plan to reflect GSOC’s decision above	M Sellers-Vaughn	7/9/2019	7/23/2019

