

EXECUTIVE SUMMARY

Lamb Weston, Richland, Washington – April 14, 2017Project details/background

The project consists of the installation of a High Pressure Reinforcement of Cascade's Distribution System through the Cities of Kennewick and Richland, WA to provide additional capacity to serve a \$240 million potato processing facility in north Richland. The proposal also includes the installation of an intermediate pressure distribution main, regulator station and service line at the site of the new production facility.

The proposed Reinforcement will increase the distribution capacity in the north Richland area by an additional 500 Mfch based on Engineering's flow study calculations. Lamb Weston has requested 100 Mcfh for their new production facility. Under the attached backbone industrial capacity addition guidelines, Lamb Weston will be responsible for 20% of the incremental capacity cost and Cascade will be responsible for the remaining 80% of the cost.

Completion of this Reinforcement will allow Cascade to pursue growth opportunities in the nearby Horn Rapids Industrial Park where Cascade has longstanding requests to provide natural gas service to unserved industrial customers. The reinforcement also addresses Cascade's lack of adequate distribution capacity to serve core customers in downtown Richland as the company experienced very low pressure conditions in Richland during the extreme cold weather experienced in early January.

COST

Please see attached **Work Order 236820** (\$4,195,327) for Reinforcement estimate and **Work Order 241318** (\$259,589) for onsite infrastructure estimate.

Lamb Weston Reinforcement and Service line costs			
	Direct Cost	ESGA (Where Applicable) Project Cap of \$397,350	Total Cost
HIGH PRESSURE REINFORCEMENT COST (Lamb Weston share)	\$737,589	LW share ESGA balance after WO 241318 = \$37,445	\$775,034
HIGH PRESSURE REINFORCEMENT COST (Cascade share)	\$2,950,358	CNG share ESGA balance after WO 241318 = \$306,843	\$3,257,201
AFUDC @ 20% (Lamb Weston)	32,618	N/A	32,618
AFUDC @ 80% (Cascade)	130,474	N/A	130,474

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6" PE SERVICE LINE (Lamb Weston)	\$10,722	\$2,840	\$13,562
6" PE Main (Lamb Weston)	\$36,967	\$9,793	\$46,760
8" TURBO METER SET (Cascade)	\$41,664	\$11,037	\$52,701
R-122 Regulator Station (Lamb Weston)	\$110,956	\$29,392	\$140,348
AFUDC (Lamb Weston)	\$6,218	N/A	\$6,218
ESTIMATED COST	\$4,057,566	\$397,350	\$4,454,916

Notes on cost breakdown**Total ESGA cost based on new \$1.5 million limit on capital work order charges.**

Maximum ESGA charge for project is \$397,350 with Lamb Weston responsible for 20% or \$79,470 and Cascade covering the remaining 80% or \$317,880. Lamb Weston's 20% share of AFUDC charges is \$20,000. Cascade's 80% share of AFUDC charges is \$80,000.

LAMB WESTON SHARE OF TOTAL PROJECT COST

Lamb Weston's **20%** share of Reinforcement cost totals **\$807,652** which includes \$737,589 direct cost plus ESGA overhead & AFUDC (\$37,445 + \$32,618). In addition, Lamb Weston is responsible for Service Line cost \$13,562; Main Line cost \$46,760 and Regulator Station cost \$140,348 plus the AFUDC cost of \$6,218 for a total on-site infrastructure cost of **\$206,888**. Total LW 20% share cost of remote High Pressure Reinforcement AND on-site infrastructure is **\$1,014,540**. Note: Even though meter set cost of \$41,664 is included in W.O 241318 for on-site infrastructure the cost is now pre-capitalized and falls under Cascade's share of the total project cost below.

CASCADE SHARE OF TOTAL PROJECT COST

CNG's **80%** share of Reinforcement cost totals **\$3,440,376** which includes \$2,950,358 direct cost plus ESGA overhead & AFUDC (\$317,880 + \$130,474) + Meter Set cost \$41,664.

ANNUAL MARGIN & NET CAPITAL INVESTMENT FOR LW

PROJECTED ANNUAL MARGIN = \$199,944 (based on annual throughput of 650,000 Dkt). **Actual Net Capital Investment for LW's share of total project cost = \$1,014,540.** Maximum allowable Net Capital Investment available under CNG's current line extension policy = \$2,720,327.

Net Capital Investment for new customer = \$1,014,540

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Cascade Capital investment for growth & distribution integrity = \$3,440,376

TOTAL CAPITAL PROJECT OUTLAY FOR CASCADE = \$4,454,916

LEGAL REVIEW: Karl Liepitz has reviewed and approved the attached draft service Agreement proposal.

TIMING

Reinforcement in-service deadline is September 1, 2017 to meet Lamb Weston's initial production timeline. Material ordering will commence as soon as executive authorizations are obtained through Power Plan process and as soon as Lamb Weston has executed the new service Agreement.

Construction is expected to take between 60 and 70 business days after materials arrive. Prior to the completion of the reinforcement project the customer will use existing distribution capacity to test fire portions of the new facility as weather permits.

Project Team

Project Manager—David Yexley

Project Engineering – Kathleen Chrigwin, Nathan Sundt

Region Director—Steve Kessie

District—Greg Miller, Operations Manager

Industrial Services—John Cooley