

SECTION 11

REGULATORY COMPLIANCE

Approach to Regulations, Policies and Stakeholder Comments

Cascade is subject to regulatory oversight by the Washington Utilities and Transportation Commission (WUTC) and the Public Utility Commission of Oregon (OPUC). Each commission has established a set of guidelines or rules to which the company's plan(s) must comply. In Washington those guidelines are established in WAC 480-90-238 and in Oregon the guidelines are found in the Commission Order No. 07-002 in docket UM 1056. In general, both Commissions' guidelines require that Cascade develop a range of demand forecasts, examine all feasible resources for meeting that demand, whether they are supply-side or demand side, and compare them on an equal basis, considering the uncertainty over the planning horizon, develop a 2-year action plan, and involve the public and the various stakeholders in the planning process.

Short History about Compressed Time Schedule

The OPUC formally did not acknowledge our 2014 IRP at the public meeting on February 9, 2016. The Company was ordered to respond to all outstanding data requests by the filing deadline for the annual IRP Update (February 9, 2017). The next Oregon IRP is due February 9, 2018.

The WUTC formally issued a letter on April 16, 2016, which did not acknowledge the Company's 2014 IRP. In their letter the WUTC ordered Cascade to file its next IRP by December 14, 2016. This document represents the Draft 2016 IRP. After filing the final 2016 IRP in December, Cascade's next Washington IRP will be due December 14, 2018.

Resources Provided and Commitment throughout Company

In response to OPUC and WUTC concerns regarding Cascade's IRP staffing, a restructuring of the Resource Planning department was implemented in spring 2016. Two new IRP analyst positions were approved by Cascade senior management. These incremental positions join the Manager of Resource Planning, and the Sr. Resource Planning Analyst to form the principle IRP team for Cascade.

In addition to expanding the Resource Planning team, the Company created an IRP Steering Committee to provide senior management oversight of the internal IRP process. The membership of the IRP Steering Committee is identified below:

- Garret Senger (Executive V.P. Regulatory Affairs, Customer Service & Gas Supply), Committee Chair
- Mark Chiles (V.P. Regulatory Affairs and Customer Service)
- Eric Martuscelli (V.P. Operations)
- Bob Morman (Director, Gas Supply)
- Mike Parvinen (Director, Regulatory Affairs (CNGC))

Internal IRP Team

The primary IRP team consists of Mark Sellers-Vaughn (Manager, Resource Planning), Brian Robertson (Sr. Resource Planning Analyst), and Devin McGreal (Resource Planning Analyst I). One additional analyst position is vacant as of the drafting of this IRP. The Company is actively recruiting to fill this position.

Significant contributions are also made by internal staff in support of the IRP (Conservation, Engineering, Finance & Accounting, Gas Supply/Gas Control, Regulatory, Industrial Services, Information Technology and the Executive team.).

IRP Guidelines

Cascade utilizes integrated resource planning to maximize the efficiencies of the Company's utility operations. The planning process includes an assessment of current and future gas load requirements, the possible resource options for serving the projected load requirements, and a selection of the set of least cost resource alternatives with acceptable levels of reliability through the use of an optimization model. Monte-Carlo simulation tools are utilized to further analyze the results of the optimization model to quantify the range of uncertainty in market price and demand due to changes in weather.

Commission guidelines require that the utility develop a range of demand forecasts, examine all feasible resources for meeting that demand, whether they are supply-side or demand side, and compare them on an equal basis, consider the uncertainty over the planning horizon, develop a 2-year action plan and involve the public and the various stakeholders in the planning process.

Compliance Matrices

Please refer to Appendix C for expanded commentary of compliance with WUTC IRP rules, guidelines and orders.

This 2016 IRP Fully Complies with All Regulations, Orders and Comments

Cascade believes that the 2016 IRP meets the substantive requirements of the WUTC. This IRP includes a range of demand forecasts that encompass the anticipated forces, both economic and weather-driven, that will impact the load forecasts over the planning horizon. The demand side resource section includes an assessment of technically feasible improvements in the efficient use of natural gas. The supply resource section includes a discussion of the supply side resource options available including an assessment of conventional and commercially

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available non-conventional gas supplies, an assessment of opportunities for additional Company-owned and contracted storage, and an assessment of the Company's existing pipeline transportation capability and reliability along with the opportunity for incremental pipeline transportation resources. The integration section provides a comparative evaluation of the cost of the various resource options on a consistent and comparable method. The resource integration section also describes the incorporation of the demand forecast and resource evaluations into a long range resource plan describing the strategies designed to meet current and future needs reliably at the lowest reasonable cost to Cascade's ratepayers. The short-term action plan describes the specific actions the utility will take to implement the long-range integrated resource plan during the next two years and reports on the Company's progress in meeting its prior 2-year action plan goals.

Cascade believes all resources described in this IRP have been evaluated on a consistent and comparable basis through the use of its optimization model. Uncertainty is considered in each component of this plan. The demand forecast includes a reasonable range of uncertainty as quantified in the low, medium and high load growth scenarios along with the additional simulation analysis calculated through SENDOUT's[®] Monte-Carlo functionality that assesses the impacts of weather on the load forecasts. The demand side and supply side resource sections describe relative uncertainties regarding reliability, cost and operating constraints, and external costs. Uncertainties associated with the environmental effects of carbon emissions have also been included through an analysis of the impact of carbon legislation on the portfolio. Price volatility and market risks and their impacts on the Company's long-term resource portfolio have been assessed through the use of the Sendout[®] model.

To involve public interests in the development stages of this IRP, Cascade created a Technical Advisory Group (TAG). Multiple meetings were held to discuss the major IRP topics including the demand forecast, demand side resources, and supply side resources, distribution system planning and resource integration and optimization. The TAG meetings were helpful to Cascade as questions were answered and varying points of view were explored. Appendix A contains copies of the meeting content, a list of participants, and the presentation materials.

As mentioned earlier, Appendix C provides additional information regarding the specific requirements or guidelines for Washington and how the Company has met those requirements.