May 13, 1999

Ms. Jo Wadsworth   **FAX DELIVERED**
WUTC Y2K Coordinator   **360-586-1150**
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Dr. SW
Olympia, WA 98504-8203

RE: Year 2000 Readiness Report
        For Period Ending March 31, 1999

Dear Ms. Wadsworth:

Below are responses to questions raised in your May 13, 1999 e-mail and FAX. Please feel free to
contact me at (206) 624-3900 should you have questions regarding this information.

Contact Name: Gary Iverson

Company: Cascade Natural Gas Corporation

Address: 222 Fairview Avenue North, Seattle, WA 98109

Telephone: (206) 624-3900 ext. 3275

Annual Revenue: $189,656,000 Op. Rev. (YE 9/30/98) $195,786,000 Op. Rev. (YE 9/30/97)

B.1. Year 2000 Progress: Cascade's overall remediation time line is as follows:

Remediation Stage	Est. Completion
Inventory	Completed
Assessment	Completed
Repair/Replace	Aug. 1999
Testing/Validation	Aug. 1999
Implementation	Aug. 1999

System remediation for the following projects will proceed as follows:

System	Est. Completion
Legacy Systems Conversion	Jun. 1999 (90 % est.)
SCADA System Replacement	Aug. 1999
Human Resources - Eric System	Completed (100 %)
Oracle Financials (G/L & Acct. Pay.)	Completed (100 %)
ER "Jupiter" Database	Completed (100 %)
Hand-Held Meter Reading (ITRON)	Jul. 1999 (50 % - based on units installed)
Telephone system - incl. switches	Aug. 1999 (60 % - districts completed)
Personal Computers	Jun. 1999 (97 % est.)

The following projects are reflective of Cascade's core business areas and where the majority of Year 2000 resources have been applied. Substantially all mission critical systems have been identified. Approximately 600 of the Company's personal computers, embedded building and office systems, and fleet vehicles have been inventoried and assessed for compliance. To date, nearly 97% have been tested and verified to be compliant. Most vendor based software has been or soon will be upgraded or replaced, including the Company's hand-held meter reading equipment (Itron), and SCADA system. Corrections to internally developed software, including billing, cash receipts processing, and payroll, are now complete and are being tested for compliance. All internal systems are scheduled to be fully compliant by August 31, 1999.

Business IT Systems

Legacy Systems Conversion - Cascade began full system testing our legacy systems in April. The Company is using a software package to simulate critical system dates to ensure that all changes have been made for Year 2000 compliance. The Company also plans to "age" data by altering the test data to make the data appear as if it has been updated through the date being tested. Though we expect to exercise all of the regularly run procedures through this test plan, we are concentrating on processes most critical to business operations. Those procedures include billing cycles, cash receipts and payroll.

Personal Computers - Cascade uses 292 PCs in the corporate and district offices. Eighteen PCs remain to be upgraded. This process will be completed in August 1999.

Operations and Embedded Systems

SCADA System Replacement Project - A system test plan has been designed for the OASyS SCADA system to ensure compliance on Cascade's system. A formal set of test procedures for use during factory acceptance testing has been developed by Valmet (SCADA vendor) from a baseline set of test procedures. Application-specific tests have been included in the test procedure. Cascade continues to work on system configuration and has a number of training classes scheduled during April and May. Factory Acceptance Testing is scheduled for June in Calgary, Alberta, Canada. Recently, Cascade made enhancements to several of our Daniel Flow computers which allows us to retain hourly flow data on-site for up to 30 days. These enhancements involved adding memory and making program changes to the computers at customer sites on the SCADA system. Since data is stored on-site in these units, it is less likely to be lost during temporary interruptions in telephone or power service. The host will automatically retrieve missing data once service is restored.

Hand-Held Meter Reading - Cascade continues to work on a compliant update to our current hand-held software, Enterprise 5000. Upgrading has been completed in half of our districts and the Company expects work will be completed in all districts by July 1999.

Telephone Systems - The telephone system in Seattle has been upgraded to be Year 2000 compliant. Of the twenty-two district telephone systems, thirteen upgrades have been completed. The nine

remaining systems will be upgraded by August 1999.

Embedded Systems - Embedded systems include computers that can have a number of modules that may produce date anomalies. A typical embedded system consists of multiple controllers connected to a supervisory or monitoring system and network communications. In many systems, embedded systems are closed loop systems that control only one piece of equipment.

One of the goals in identifying and assessing embedded systems at Cascade was to distinguish between those systems whose failure would affect core business functionality and those affecting auxiliary operations. Cascade not only wanted to consider the immediate component that may be impacted, but other equipment as well. By either testing or relying on supplier verification, we found most controllers to be compliant. That is, they are capable of representing dates in MM/DD/YY or similar format and the underlying real time clock (RTC) will roll over correctly at 12/31/99. Cascade will continue to follow-up with vendors on this issue.

Human Resources - Cascade has been using a compliant HR database system since February 1999.

Oracle Financial System Upgrade - Cascade has been using a compliant release since August 1998.

<u>**Supply Chain**</u>

Suppliers and Vendors
Cascade has contacted suppliers and vendors with whom it has a significant business relationship to determine the extent to which it may be vulnerable to a Year 2000 failure. The Company has received communications from substantially all significant suppliers and vendors. While most companies can provide no assurance that their suppliers, vendors or customers will be compliant, Cascade has not received indication that any major third party will have a significant compliance problem that would adversely affect its ability to conduct business with Cascade. To a large extent, Year 2000 Readiness is based on information provided to the Company by outside suppliers and vendors. While Cascade believes this outside information is accurate, the Company has not independently verified the information submitted to us.

B.2. Year 2000 Action Plans:

Not in Plan	N/A	Included in Plan	Item
		X	**Prioritization** Prioritizing your company's hardware, software and embedded systems according to critical functions for Year 2000.
		X	**Supporting Infrastructure** Addressing infrastructure systems such as communications, power, heat, water, and other utilities, building systems, maintenance and operating systems.
		X	**Supply Chain Coordination** Addressing Year 2000 readiness of key suppliers, customers and organizations that can impact your mission critical functions.
	X		**Safety, Environmental & Health Functions** Addressing safety, environmental and health systems.
		X	**Testing** Testing Year 2000 mission critical systems.
		X	**Internal Communications** Promoting widespread awareness of Year 2000 issues to employees in your company, and their roll in the solutions.
		X	**External Communications** Communicating with critical agencies, businesses and the general public.

B.3. Which of the following is the __major__ challenge facing your company in achieving Year 2000

readiness by December 31, 1999?

Limited resources including manpower and money. Cascade will, however, meet the Year 2000 challenge by August 1999.