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January 20, 2016

Oregon Public Utility Commission
Attn: PUC Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

**Re: LC 59 – Cascade Natural Gas Corporation’s Final Response to Staff and Intervenors
Comments**

Following is the response to comments filed on December 23, 2015 by Staff of the Public Utility Commission of Oregon (Staff) and The Citizens Utility Board of Oregon (CUB) regarding Cascade Natural Gas Corporation (Cascade) 2014 Integrated Resource Plan (IRP).

As indicated in our previous comments, Cascade thanks both Staff and CUB for their comments regarding Cascade’s 2014 Integrated Resource Plan as filed on July 15, 2015.

If you have any questions, please contact me at (509) 734-4589.

Sincerely,

A handwritten signature in black ink that reads "Mark Sellers-Vaughn". The signature is written in a cursive, flowing style.

Mark Sellers-Vaughn
Manager, Supply Resource Planning

Attachment

In the Community to Serve®

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

LC 59

In the Matter of
CASCADE NATURAL GAS CORPORATION
2014 Integrated Resource Plan

CASCADE NATURAL GAS
CORPORATION'S FINAL
RESPONSE TO STAFF AND
INTERVENORS COMMENTS

Demand Side Management

Consistent with Staff's recommendations, with future IRPs Cascade will work with Staff and Stakeholders to better illustrate the plan to acquire cost effective energy efficiency. Additionally, we will work with the parties to improve explanation of policies and methodologies as they relate to DSM analysis. Lastly, we agree to provide an explanation regarding on how annual energy savings are translated into peak day demand and capacity resources.

Portfolio Analysis

With future IRPs Cascade will include portfolio analyses and present the analysis results clearly delineating the deterministic, stochastic and sensitivity analyses and how those steps progressively lead to identification of the preferred portfolio of resources

Demand Forecast

With future IRPs Cascade will work with Staff and other interested parties to look at modifying our existing forecast modeling applications to ensure agreed upon consideration of both economic and weather variables such as price, income, employment, different Heating Degree Days (HDD) cutoffs, seasonality, etc. Further, Cascade agrees to work with the parties to identify alternative regression models to determine the drivers of the forecasted values and plausibility of the parameter estimates relative to the economic theory on demand for natural gas.

Natural Gas Purchasing and Hedging

With future IRPs Cascade will include, under confidential treatment where applicable, detailed descriptions of, and basis for, the gas purchasing plan and hedging strategy,

as well as the gas purchasing risk management plan/policy/strategy. These will likely include or reference Gas Supply Oversight Committee minutes and corporate policies which will be made part of the Appendices in future IRPs, under confidential treatment. In addition, Cascade will provide more detail regarding the rationale by which we chose the various hedging percentage levels based on pricing, volatility and other market factors. Cascade will provide explanation of risk tolerance calculation and continue to hold quarterly meetings with Staff regarding changes in the portfolio design.

Distribution Planning

Cascade agrees with Staff's comments and in future IRPS will present separate listings of enhancement projects from the other projects (ordorizer, regulator, valve, etc.)

Climate Change Regulation

Cascade agrees with Staff's comment and future IRPs will include the price of renewable natural gas compared to traditional sources. Additionally, we will work with Staff to identify a satisfactory means of reporting how much renewable natural gas was purchased between IRP filing periods.

We agree with Staff that Cascade is subject to Environment Protection jurisdiction. However, we are unclear as to what reporting information Staff is referring to in their final comments. Cascade commits to work with Staff to better understand the intent behind their recommendation and how Cascade might best address Staff's request.

Action Plan

Cascade agrees with Staff's comments regarding the Action Plan. We understand this to mean actions to be taken over the next 2-4 year period to acquire identified resources. Plan items will be specific and measurable. We will exclude "business as usual" activities from Oregon's IRP. Cascade will provide an update by Summer 2016 to Action Item 2 (identifying and analyzing storage and transport alternatives for central Oregon shortfall).

Diligence in Pursuit of Regulatory Obligations

Cascade is aware that our IRP staffing strategy has been a source of concern of Staff and Stakeholders for some time. Cascade agrees with Staff's recommendation that Cascade needs to evaluate our current staffing approach for the IRP. In the near-term, Cascade will determine how best to immediately improve our staffing for the IRP. Where appropriate, we will consult with Staff and other Stakeholders on possible

structures and processes to ensure Cascade's future compliance with the Commission's IRP requirements.

Additionally, Cascade will be returning to filing separate IRPs in each jurisdiction. Attempting to address all the unique needs of the two jurisdictions for the 2014 IRP proved problematic. Returning to separate OPUC and WUTC filings should improve our efficiency and ability to ensure we properly meet each state's guidelines.

Further, we believe that Cascade's future IRP process will be better served by extending the number and time period of our Technical Advisory Group (TAG) meetings. Currently, the TAG process over the past few years has covered a 9-10 month span prior to publication. Holding the meetings a few months earlier in the IRP process should allow more time to hear and address stakeholders while providing some cushion in the event unforeseen circumstances impacts internal resources.

Cascade understands that Staff will recommend that the 2014 IRP not be acknowledged. Cascade agrees the IRP as filed was flawed and recognizes that Cascade's future IRPs will be held to a higher standard.

This concludes Cascade's response.

Dated at Kennewick, Washington, this 20st of January, 2016.



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