



In the Community to Serve®

MARK SELLERS-VAUGHN
8113 W GRANDRIDGE BLVD, KENNEWICK WA 99336-7166
TELEPHONE 509-734-4589 CELL 206-617-2708 FAX 509-737-7166
www.cngc.com

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Ms. Vickie Bailey Goggins
Oregon Public Utility Commission
550 Capitol Street NE
Salem, OR 97310-1380

RE: Cascade Natural Gas Corporation's 2011 Integrated Resource Plan Filing, Section 8 Replacement

Today, Cascade Natural Gas Corporation is filing a replacement of Section 8 (the Two-year Action Plan) of the Company's 2011 Integrated Resource Plan ("IRP") via e-filing.

If you have any questions regarding the Company's IRP filing, please contact me via email at mark.sellers-vaughn@cngc.com or by telephone at (509) 734-4589.

Sincerely,

Mark Sellers-Vaughn
Manager, Supply Resource Planning

Section 8

Two-year Action Plan



Prior IRP Action Plan and Progress Review

Cascade filed its last Integrated Resource Plan in December 2008. Since that time, Cascade has made significant progress in meeting its Two Year Action Plan. Appendix I includes the detailed Two Year Action Plan along with a description of the Company's progress on each of the items.

2011 Action Plan

Cascade's 2011 Action Plan continues to focus on the following five areas:

- Demand Forecasting
- Distribution System Constraint Analysis
- Demand Side Resources
- Supply Side Resources
- Integration

The Two-year action plan embodies Cascade's commitment to maximizing the efficiency from its Integrated Resource Plan and to achieving the lowest cost resource portfolio of reliable natural gas services and conservation.

Distribution Enhancements actions to be taken in the near term to meet core growth: Cascade has a replacement project scheduled for the Bend, Oregon between 2012 and 2016 which is being undertaken to replace a neighborhood pipeline distribution system. In addition to this replacement, we will be replacing critical pipelines with larger diameter pipe in order to boost overall capacity to the City of Bend with the intent of meeting our 20-year growth forecast. We are currently in the process of developing a more detailed action plan including specific tasks for each year and more detailed cost estimates. Currently we anticipate budgeting an average of \$2 to \$3 million each year toward the project, with about 15% of the total being dedicated toward capacity enhancement. It should be noted that the current estimates for this project have increased considerably from the previous year's budget, due to recent developments in Cascade's Distribution Integrity Management Program (DIMP) and our increasing focus on replacement of aging facilities.

Oregon Public Purpose Fund: Cascade and the Energy Trust of Oregon will work with OPUC staff during 2012 to determine the best and most efficient manner to collect public purpose revenues that meet the approved budget needs of Energy Trust. Additionally, there will be discussions and related decisions during 2012 regarding the low-income program funding portion of the public purpose charge.

NWP delivery rights re-alignment and incremental vintage capacity acquisition program : Cascade was able to take advantage of an opportunity to acquire long-term, vintage capacity that was turned back to Northwest Pipeline. Acquiring the 37,563 dths/day of capacity at current rates allows Cascade to mitigate projected capacity shortfalls from 2021 to 2031 of between 30,000 dths and 60,000 dths/day in the Bellingham WA area and 3,000 to 6,000 dths/day in portions of the Mecham Zone of Northwest Pipeline's system. This action is part of a larger effort to address capacity shortfalls by acquiring or modifying existing upstream pipeline capacity resources. To that end, Cascade will be working with Northwest Pipeline in the near term to re-align Cascade's contractual delivery rights, where operationally feasible, from citygates where we are forecasting an excess of pipeline capacity to citygates where we are projecting a pipeline capacity shortfall, thereby minimizing the cost to secure incremental capacity and facilities in order to meet future peak day demand in those areas.

Securing Ruby capacity to meet load growth and add supply diversity : In order to help mitigate the projected 30,000 dths/day shortfall discussed in Section 5 of the IRP in the Bend, OR area by 2031, Cascade has been negotiating with Ruby Pipeline to acquire 10,000 dths /day of firm, primary path winter-only capacity from the Opal Hub to Ruby's interconnect with GTN. We are negotiating a 25 year contract at a discounted rate that will allow Cascade to bring Rockies gas to Oregon beginning in November 2012, increasing supply diversity (currently over 80% of Central OR is supplied by AECO) and addressing the need for incremental supplies. During the course of the next year, Cascade will determine if it is prudent to invoke a clause in the Ruby contract that allows Cascade to contract for up to an additional 20,000 dths/day to the Ruby deal. This clause is set to expire in October 2014. FERC has conditionally approved this capacity transaction subject to Ruby addressing several of FERC's concerns regarding the services Ruby's tariff allows them to provide in terms of seasonality, ratchets and acquiring other pipeline capacity.

Securing incremental Gas Transmission Northwest Pipeline (GTN) firm backhaul capacity to meet load growth and add supply diversity: On a separate tract to address the projected 30,000 dths day shortfall in the Bend OR area by 2031, Cascade has been working with Ruby Pipeline on an opportunity to obtain 10,000 dths/day of primary, firm Malin north capacity on GTN through a pre-arranged agreement via Ruby. This capacity will provide the means to deliver Rockies supplies to central Oregon, thereby increasing supply diversity. Currently, GTN allows the scheduling of backhauled volumes from Malin northward on a secondary basis at maximum rate. We have discussed with Ruby the idea that should they successfully contract for backhaul capacity on GTN, Cascade would be willing to acquire the GTN backhaul capacity, subject to bid, via a posting on GTN's electronic bulletin board in accordance with existing FERC rules. We anticipate Cascade will finalize a backhaul capacity release on GTN by summer 2012. The initial backhaul capacity is expected to expire within five years at which time we expect GTN will likely file a rate case for the continuation of the primary service; Cascade will be a principle participant in any of those discussions.

Secure incremental storage to meet load growth and mitigate price volatility over the 20 year planning horizon: During 2012 and 2013 Cascade will be exploring several options to acquire approximately 300,000 dths of working inventory at Ryckman Creek Storage facility. The Ryckman Creek Storage facility is located in the Rockies in the Opal Hub area. We are in discussions with existing Ryckman storage holders and will also be considering participation in a possible open season at a negotiated rate for storage service starting in 2013. Ryckman Creek storage will primarily be used to store Rockies gas with the ability to inject and withdraw via Northwest Pipeline and Ruby. This storage will help meet the projected 30,000 dths shortfall during peak days in central Oregon and provide a significant resource for arbitrage opportunities to manage supply costs to all ratepayers.
