

July 14, 2005

Public Utility Commission
C/o Vikie Bailey-Goggins
Utility Program
PO Box 2148
Salem, OR 97308-2148

Re: APPLICATION OF CASCADE NATURAL GAS CORPORATION FOR AN
ORDER AUTHORIZING THE ISSUANCE OF DEBT SECURITIES

Dear Ms. Bailey-Goggins,

Enclosed is Cascade Natural Gas Corporation's Application for an order authorizing the issuance of up to \$20,000,000 of debt securities. We respectfully request that you include our request in the agenda of the August 16, 2005 Public Meeting.

If you have any questions regarding this information, please feel free to contact me at (206) 381-6777.

Sincerely,

Cascade Natural Gas Corporation

Matt McArthur
Senior Director, Finance

Attachments

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

IN THE MATTER OF THE APPLICATION OF
CASCADE NATURAL GAS CORPORATION FOR AN
ORDER AUTHORIZING THE ISSUANCE OF
COMMON EQUITY, PREFERRED EQUITY, AND
DEBT SECURITIES

No. UF-
APPLICATION

Application is hereby made to the Public Utility Commission of Oregon for an Order authorizing Applicant to register with the Securities & Exchange Commission (SEC) up to \$20,000,000 of Medium Term Notes, pursuant to provisions of O.R.S. 757.400 et. seq. The following general information and specific exhibits are submitted in support thereof, as required by the Rules and Regulations of the Public Utility Commission of the State of Oregon.

1. In accordance with ORS 757.410(1), ORS 757.415(1), and Rule 860-27-030 of the Utilities Rules and Regulations of the Public Utility Commission, Cascade Natural Gas Corporation respectfully represents:

a) Name of Applicant

Cascade Natural Gas Corporation
222 Fairview Avenue North
Seattle, Washington 98109

b) State and Date of Incorporation

Incorporated January 2, 1953, under the laws of the State of Washington; qualified to do business in the State of Oregon.

c) Name and Address of Person Authorized to Receive Notices and Communications

Matthew D. McArthur
Sr. Director, Finance
222 Fairview Avenue North
Seattle, Washington 98109
(206) 381-6777

d) Names, Titles and Addresses of Applicant's Principal Officers

David W. Stevens	President and Chief Executive Officer	222 Fairview Ave. North Seattle, WA 98109
Rick Davis	Chief Financial Officer	222 Fairview Ave. North Seattle, WA 98109
Will Odell	Chief Operating Officer	222 Fairview Ave. North Seattle, WA 98109
Jon T. Stoltz	Senior Vice President Regulatory & Gas Supply	222 Fairview Ave. North Seattle, WA 98109
Larry C. Rosok	Vice President Human Resources Corporate Secretary	222 Fairview Ave. North Seattle, WA 98109

James E. Haug

Controller

222 Fairview Ave. North
Seattle, WA 98109

e) Description of Business and Territory Served

Applicant's business is the distribution of natural gas, which it sells to residential, commercial and industrial customers in the States of Washington and Oregon. The population of communities served by applicant totals approximately 1,022,000. At the end of March 2005, applicant held the franchises necessary for the distribution of natural gas in all of the communities it serves in Washington and Oregon.

f) Statement of Capital Stock as of March 31, 2005

	<u>Par Value</u>	<u>Authorized Shares</u>	<u>Shares Issued and Outstanding</u>	<u>Stated Value</u>
Common Stock	\$1.00	15,000,000	11,337,642	None
Preferred Stock	\$1.00	1,000,000	0	None

Reference is directed to the Restated Articles of Incorporation included herewith as Exhibit A, for the terms of senior preferred stock.

g) Statement of Long-Term Indebtedness March 31, 2005:

<u>Description</u>	<u>Due Date</u>	<u>Authorized and Outstanding</u>
8.35% Medium-Term Notes	July 1, 2005	\$5,000,000
8.50% Medium-Term Notes	October 2, 2006	\$8,000,000
8.06% Medium-Term Notes	September 4, 2012	\$14,000,000
8.10% Medium-Term Notes	October 8, 2012	\$5,000,000
8.11% Medium-Term Notes	October 8, 2012	\$3,000,000
7.95% Medium-Term Notes	February 4, 2013	\$4,000,000
8.01% Medium-Term Notes	February 12, 2013	\$10,000,000
7.95% Medium-Term Notes	February 25, 2013	\$10,000,000
7.48% Medium-Term Notes	September 2027	\$20,000,000
7.09% Medium-Term Notes	March 17, 2029	\$15,000,000
7.50% Unsecured Notes	November 15, 2031	\$39,900,000
5.25% Unsecured Notes	February 1, 2035	\$30,000,000

None of the above securities is held as re-acquired securities, pledged by Applicant, held by affiliated interests or held in sinking or other funds.

h) Description of the Securities Proposed to be Issued

Applicant proposes to issue and sell not more than \$20,000,000 Unsecured Notes obligating Cascade to pay interest on a periodic basis based on a fixed coupon rate established as part of the note obligation with principal payable at some future date. These notes will have 15-30 year maturity. The face amount will likely be \$1,000 but could vary depending on the method of sale. Applicant is attempting to issue these notes in the month of July, August or September 2005 to benefit from the current low rates. Cascade Natural Gas Corporation's outstanding notes are currently rated: Moody's Baa1 and S&P BBB+.

The interest rate on the Bonds will be determined at the time they are issued. The proposed maximum spread over applicable treasury for various maturities is listed below. The Bonds may have a feature that allows it to be redeemed prior to maturity at specified prices.

<u>Maturity</u>	<u>Currently 30-Year at 4.328% Maximum Spread Over Benchmark Treasury</u>	<u>Worst Case In Potential Major Market Move Maximum Spread Over Benchmark Treasury</u>
9 month - 2 years	+60 basis points	+85 basis points
2 years - 3 years	+70 basis points	+95 basis points
3 years - 4 years	+80 basis points	+115 basis points
4 years - 6 years	+90 basis points	+125 basis points
6 years - 9 years	+100 basis points	+140 basis points
9 years - 10 years	+120 basis points	+160 basis points
10 years - 11 years	+130 basis points	+170 basis points
11 years - 15 years	+150 basis points	+200 basis points
15 years - 20 years	+175 basis points	+225 basis points
20 years - 30 years	+200 basis points	+250 basis points

i) Description of the Proposed Transaction

A. Description of the proposed method of issuing and selling the securities

The notes will be issued with the assistance, of an international investment banking firm or a major bank, as underwriter. The investment banking firms that we will assist us in issuing these notes will likely be one of the following: A.G. Edwards, Edward Jones, or Bank of America. The notes will be sold at one time and will likely be sold in one to three days.

B. Whether securities are to be issued pro-rata, etc.

Securities will be issued based on competitive markets by professional firms accustomed to dealing in securities registered with the SEC.

C. Statement showing why it is in Applicant's interest to issue proposed securities and why the proposed method of sale was adopted

Common equity, preferred stock, and debt are a necessary component of the capital structure for Cascade, which is consistent with the long-term nature of its investments or assets. Applicant retired \$5,000,000 medium term notes in July 2005. Partially because customer growth is more than double the national average, investment in new pipe infrastructure and services has exceeded internally generated cash flow. Projected capital additions in fiscal 2005 are approximately \$28,400,000. Applicant will use proceeds from the proposed securities issuance(s) for the following purposes and no others: the acquisition of utility property or the construction, extension or improvement of utility facilities; the improvement or maintenance of service; the discharge or lawful refunding of its obligations (such as relatively higher-coupon debt and maturing debt previously authorized by the Commission); and refunding the Company's treasury expended on utility purposes and the retirement of long-term debt. To the extent the Company's treasury is refunded, the original expenditures, or their precedents, were made for purposes described by ORS 757.415 (1). To the extent that obligations are discharged or refunded, those obligations or their precedents were used for purposes described by ORS 757.415 (1).

D. The Company has not requested an exemption from the competitive bidding requirements of any Federal or other state regulatory body.

j) Name and Address of any person receiving any fee for services rendered in connection with the negotiations and consummation of the sale of securities

Securities issued will be regulated by laws of the SEC and issued through underwriters that would be investment banks or national banking institutions. Fees on institutional debt securities such as Medium Term Notes (MTNs) will be 1% or less. For debt securities sold to individuals the fees are normally higher but the all-in cost, based on cash flows, will be the same or lower than the all-in cost of securities sold to institutions.

k) A statement showing both in total amount and per unit the price to the public, underwriting commissions and net proceeds

The notes will be issued at 100%. Underwriting commissions will be based on Table 2 or if different the all-in cost will be more attractive to Cascade.

Item	Debt	
	Amount	Per \$1,000
1. Face value or principal amount	\$20,000,000	\$1,000.00
2. Plus premium or less discount		
3. Gross proceeds	\$20,000,000	\$1,000.00
4. Underwriters' spread or commission (1.00%)	200,000	
5. Printing and engraving expenses	15,000	
6. Trustee's charges	10,000	
7. Fees and expenses of independent public accountants	20,000	
8. Legal fees	50,000	
9. Rating agency fees	50,000	
10. Miscellaneous expenses	60,000	
11. Total deductions	\$405,000	20.25
12. Estimated net amount to be realized	\$19,595,000	\$979.75

l) Purpose for which the Securities are to be issued

(1) The Applicant will use the proceeds from this long-term debt issue to retire short-term debt and meet its construction financing needs.

(2) Refer to item i) C.

m) Statement whether or not any application or registration statement is required to be filed with any other regulatory body

A registration statement was filed in 2001 with the SEC and a notification with the Washington Utilities and Transportation Commission will be filed. The unsecured debt securities will be issued under an existing Indenture of the Applicant.

n) Facts relied upon by Applicant to show that the issue

A) is for some lawful object within the corporate purposes of the Applicant

Applicant is a corporation authorized to do business within the State of Oregon. Applicant's Restated By-Laws give it the legal power to issue promissory notes.

B) is compatible with the public interest

Applicant is a public utility with a duty to provide natural gas service wherever economically feasible. The proceeds of this financing will provide capital that allows the Company to provide that service.

C) is necessary or appropriate for or consistent with the proper performance by the Applicant of service as a public utility

Securities issued will provide necessary funds to reimburse the treasury and meet construction needs.

D) will not impair Applicant's ability to perform service

Capital raised from securities issued will strengthen Applicant and its ability to perform service over the long term.

E) is reasonably necessary or appropriate for such purposes

To meet customer growth needs there is a continual need for funds in excess of those funds generated internally. Capital spending to serve customer needs is expected to be approximately \$28 million in 2005 and \$25 million in 2006 and external cash sources must be relied on to meet these needs.

F) Not applicable.

o) Statement of all rights to be a corporation, franchises, permits, etc., included as assets of the Applicant

None included as assets.

2. Exhibits

The following exhibits are made a part of this application:

Exhibit	Description	Reference
Exhibit A	Articles of Incorporation	On file
Exhibit B	Bylaws, as amended	On file
Exhibit C	Board of Directors Resolution	Will submit at a later date
Exhibit D	Indentures, security, etc.	Not applicable
Exhibit E	Balance Sheets	Attached
Exhibit F	Statement of Contingent Liabilities	Attached
Exhibit G	Income Statement	Attached
Exhibit H	Analysis of Surplus	Attached
Exhibit I	Sale, Lease, Purchase Contracts	Not applicable
Exhibit J	Proposed Journal Entry	Attached
Exhibit K	Supporting Schedules of Benefits	Not applicable

WHEREFORE, Applicant respectfully requests that the Commission enter an appropriate Order authorizing issuance of the securities as herein set forth.

CASCADE NATURAL GAS CORPORATION

Senior Director, Finance

STATE OF WASHINGTON

COUNTY OF KING

Matthew D. McArthur, being first duly sworn, deposes and says that he is Senior Director, Finance of Cascade Natural Gas Corporation, the Applicant in the foregoing Application; that he has read said Application, including all exhibits thereto, knows the contents thereof and the same are true to the best of his knowledge and belief.

SUBSCRIBED AND SWORN to before me this **14th day of July 2005**.

Notary Public in and for the State of
Washington, residing

EXHIBIT "A"

Articles of Incorporation on file.

EXHIBIT "A"

EXHIBIT "B"

By-laws on file.

EXHIBIT "B"

EXHIBIT "C"

Will submit as a late exhibit

EXHIBIT "C"

EXHIBIT “D”

Agreement for issuance of long-term debt will be submitted as a late exhibit.

EXHIBIT “D”

EXHIBIT "E"
CASCADE NATURAL GAS CORPORATION

Balance Sheet
At March 31, 2005

	Mar-05	Adjustments	Pro Forma
ASSETS			
Utility Plant in Service	\$585,827,130		\$585,827,130
Less Accumulated Depreciation	-251,060,565		-251,060,565
	334,766,565		334,766,565
Construction Work in Progress	6,433,529		6,433,529
	341,200,094		341,200,094
Other Assets:			
Investments in non-utility property	202,030		202,030
Notes receivable, less current maturities	49,814		49,814
	251,844		251,844
Current Assets:			
Cash and cash equivalents	6,105,141	1,095,000	7,200,141
Accounts Receivable	49,918,615		49,918,615
Allowance for Doubtful Accounts	-1,138,878		-1,138,878
Materials, supplies and inventories	5,771,797		5,771,797
Derivative Instrument Asset-Energy Commodity Current	26,550,865		26,550,865
Prepaid expenses and other assets	4,976,759		4,976,759
Deferred Income Taxes	1,009,053		1,009,053
Regulatory Assets-Current			
	93,193,352	1,095,000	94,288,352
Deferred Charges:			
Deferred Gas Cost Charges	10,803,915		10,803,915
Derivative Instrument Asset-Energy Commodity Non-Current	9,942,048		9,942,048
Other Deferred Charges	6,869,298	405,000	7,274,298
Regulatory Assets-Non Current			
	27,615,261		27,915,261
TOTAL	\$462,260,551	1,500,000	\$463,760,551

	Mar-05	Adjustments	Pro Forma
Common Shareholders' Equity:			
Common stock, par value \$1 per share	\$11,337,642		\$11,337,642
Additional paid-in capital	102,574,825		102,574,825
Accumulated other comprehensive income(loss)	-12,608,695		-12,608,695
Retained earnings	27,052,506		27,052,506
	<u>128,356,278</u>		<u>128,356,278</u>
Long-term Debt			
	<u>158,900,000</u>	20,000,000	<u>178,900,000</u>
Current Liabilities:			
Notes payable and commercial paper	13,500,000	-13,500,000	-
Current Maturities of Long Term Debt	5,000,000	-5,000,000	-
Accounts payable	22,887,358		22,887,358
Property, payroll and excise taxes	8,644,415		8,644,415
Dividends and interest payable	7,081,017		7,081,017
Derivative Instrument Liab.-Energy Commodity-Current	-		-
Other current liabilities	9,901,366		9,901,366
Regulatory Liabilities-Current	26,022,404		26,022,404
	<u>93,036,560</u>	-18,500,000	<u>74,536,560</u>
Deferred Credits and Other:			
Deferred Gas Cost Credit	-		-
Deferred Income Taxes	38,064,631		38,064,631
Deferred Investment Tax Credits	1,215,994		1,215,994
Derivative Instrument Liab.-Energy Commodity-Non Curr	-		-
Retirement Plan Liabilities	20,731,336		20,731,336
Customer Advances	5,818,130		5,818,130
Regulatory Liabilities-Non Current	15,929,765		15,929,765
Other Deferred Credits and Noncurrent Liabilities	207,857		207,857
	<u>81,967,713</u>		<u>81,967,713</u>
TOTAL	<u>\$462,260,551</u>	1,500,000	<u>\$462,560,551</u>

EXHIBIT "E"

EXHIBIT "F"

Statement of contingent liabilities

None

EXHIBIT "F"

EXHIBIT "G"
CASCADE NATURAL GAS CORPORATION

Statement of Income
6 Months Ended March 31, 2005

	Mar-05	Adjustments	Pro Forma
Operating Revenues			
Gas Sales	\$209,728,291		\$209,728,291
Trans Revenue	11,557,424		11,557,424
Other Operating Income (Loss)	1,038,311		1,038,311
	<u>222,324,026</u>		<u>222,324,026</u>
Less			
Gas purchases	147,452,485		147,452,485
Revenue taxes	15,107,614		15,107,614
Operating Margin	<u>59,763,927</u>		<u>59,763,927</u>
Cost of Operations			
Operating expenses	21,440,734		21,440,734
Depreciation and amort	8,485,077		8,485,077
Property and misc.taxes	1,902,547		1,902,547
	<u>31,828,358</u>		<u>31,828,358</u>
Income/(Loss) from operations	<u>27,935,569</u>		<u>27,935,569</u>
Nonoperating Exp/(Inc)			
Interest Expense	5,863,980		5,863,980
Interest charged to const	-100,133		-100,133
	<u>5,763,847</u>		<u>5,763,847</u>
Amort of debt issuance exp	178,056		178,056
Other	-71,725		-71,725
	<u>5,870,178</u>		<u>5,870,178</u>
Income/(Loss) Before Inc Taxes	22,065,391		22,065,391
Income Taxes	<u>8,081,243</u>		<u>8,081,243</u>
Net Income/(Net Loss)	\$13,984,148		\$13,984,148
Other Comprehensive Income (Loss)			
Comprehensive Income			
Average Shares Outstanding	11,295,529		11,295,529
Basic Earnings per Share	<u>\$1.24</u>		<u>\$1.24</u>

EXHIBIT "H"
CASCADE NATURAL GAS CORPORATION

Statement of Retained Earnings
At March 31, 2005

	Mar-05	Adjustments	Pro Forma
Balance - Beginning of Year	\$18,500,092		\$18,500,092
Net Income	\$13,984,148		\$13,984,148
Cash Dividends:	(\$5,431,734)		(\$5,431,734)
Balance Year-To-Date	\$27,052,506		\$27,052,506

EXHIBIT "H"

EXHIBIT "I"

Not applicable.

EXHIBIT "I"

EXHIBIT "J"

Proposed Journal Entries

Notes payable and commercial paper	13,500,000
Current Maturities of Long Term Debt	5,000,000
Cash	1,095,000
Other Deferred Charges	405,000
Long-Term Debt	20,000,000

EXHIBIT "J"

EXHIBIT “K”

Not applicable.

EXHIBIT “K”

Exhibit A

G. Lifeline

1. Applicability:
 - a. Lifeline discounts are applicable to local exchange services provided to eligible residential Applicants.
2. Territory:
 - a. Within the base rate areas of all Qwest, Sprint, and Verizon exchanges as shown and defined in the Incumbent LEC's current and effective Tariffs on file with the Commission.
3. Discounts:
 - a. Lifeline is provided as a reduction of the subscriber's access line rate for local service in amounts equal to the sum of the federal baseline support credit, the company credit (as provided by the Incumbent LEC), and the supplemental federal support credit.
4. Terms and Conditions:
 - a. Lifeline is provided only to the customer's principle residence
 - b. One low-income credit is available per household and applicable to the primary residential connection only. The named subscriber must be a current recipient of any of the low-income assistance programs identified in 5 following.
 - c. Proof of eligibility in any of the qualifying low-income assistance programs should be provided to the Company at the time of application for service. The Lifeline credit will not be established until the Company has received proof of eligibility.
 - d. When, for any reason, a customer is determined to be ineligible the Company will contact the customer. If the customer cannot provide eligibility documentation, the Lifeline account will be disconnected.
 - e. Certification of eligibility in any of the qualifying low-income assistance programs will be required for any account that has been disconnected prior to the reestablishment of the service.
5. Eligible low-income assistance programs:
 - a. The eligible low-income assistance programs are the same as those defined in the Incumbent LEC's current and effective Tariffs on file with the Commission.

Issued: _____

Effective: _____

Issued By: Ronald Munn Jr.
Director, Regulatory & Revenue Assurance
6901 W. 70th Street
Shreveport, LA 71129-2309

H. Link-Up

1. Link-Up is a connection assistance program, which provides for the reduction of applicable charges associated with connection of telephone service.
2. The applicant must meet the requirements for qualification for Lifeline Telephone Service.

Issued: _____

Issued By: Ronald Munn Jr.
Director, Regulatory & Revenue Assurance
6901 W. 70th Street
Shreveport, LA 71129-2309

Effective: _____