



8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166  
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[www.cnqc.com](http://www.cnqc.com)

December 23, 2014

Oregon Public Utilities Commission  
P.O. Box 1088  
Salem, OR 97308-1088

ATTN: Filing Center

RE: Application requesting approval of a contract between affiliated interests – Cascade Natural Gas Corporation and Knife River Corporation Northwest – both subsidiaries of MDU Resources Group, Inc.

Pursuant to ORS 757.495 and OAR 860-027-0043, Cascade Natural Gas Corporation hereby submits for filing the Company's application requesting approval of the following contract related to a lease agreement with Knife River Corporation Northwest:

- A lease agreement between Cascade Natural Gas Corporation and Knife River Corporation Northwest, both affiliated interests (See Lease Agreement or "Lease")
- Map of Office Facility – Exhibit "A"

Please direct any questions regarding this filing to Mike Parvinen at (509) 734-4593.

Sincerely,

Michael Parvinen  
Director, Regulatory Affairs

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UI \_\_\_\_\_

|                                     |   |                 |
|-------------------------------------|---|-----------------|
| In the matter of the application of | ) |                 |
| Cascade Natural Gas Corporation     | ) |                 |
| requesting approval of the lease    | ) | APPLICATION OF  |
| agreement contract between          | ) | CASCADE NATURAL |
| affiliated interests                | ) | GAS CORPORATION |

Pursuant to ORS 757.495 and OAR 860-027-0040, Cascade Natural Gas Corporation, (“Cascade”) requests approval from the Public Utility Commission of Oregon (“Commission”) of the attached Lease Agreement with Knife River Corporation Northwest Company (“Knife River”).

**I. Background**

Knife River Corporation Northwest is based in Tangent, Oregon, and was incorporated in Oregon on 4/16/1962 and is 100% owned by KRC Holdings, Inc. KRC Holdings, Inc. is 100% owned by Knife River Corporation, which is a subsidiary of MDU Resources Group Inc.

Cascade is also a wholly-owned subsidiary of MDU Resources Group, Inc.

With this application, Cascade requests Commission approval of the affiliated interest agreement described below.

**II. Compliance With OAR 860-027-0040 Filing Requirements**

**A. Address**

The applicant’s exact name and address of its principal business office is:

Cascade Natural Gas Corporation  
8113 West Grandridge Blvd.  
Kennewick, WA 99336-7166

## **B. Communications and Notices**

All notices and communications with respect to this application should be addressed to:

Cascade Natural Gas Corporation  
Attn: Mike Parvinen  
8113 West Grandridge Blvd.  
Kennewick, WA 99336-7166  
Tel: 509-734-4593  
Email: Michael.Parvinen@cngc.com

## **C. Relationship Between Cascade and the Other Entity**

Cascade and Knife River are both wholly-owned subsidiaries of MDU Resources Group, Inc. Accordingly, Knife River is an “affiliated interest” of Cascade as defined in ORS 757.015(3).

## **D. Voting Securities**

Cascade and Knife River do not own voting stock in each other.

## **E. Common Officers and Directors**

Cascade and Knife River share one common officer: Paul K. Sandness serves as General Counsel and Secretary for both subsidiaries.

## **F. Pecuniary Interest**

No officer or director of either Cascade or Knife River is a party to or has a pecuniary interest in the anticipated business transactions between Cascade and Knife River.

## **G. Description of Goods and Services Provided; Cost(s) Incurred; Market Value; Pricing Methods**

Approximately 1,352 square feet, located in Knife River Corporation, Northwest’s office building located in Bend, OR. The exact location within the property is depicted on attached Exhibit A. The fair market value for the lease was determined by performing a comparable market analysis of similar properties in the area.

**H. Estimate of Amount Cascade Will Pay Annually for Services and the Accounts in which it will Record the Charges**

Cascade will pay rent in the amount of \$1,352 per month. This is a month-to-month lease and on each proceeding January 1, the rent shall be adjusted by 1.5%. The rent will be recorded in FERC Account No. 931 Rent.

**I. Reasons Relied Upon for Procuring the Proposed Services and Benefits to the Public**

Cascade's operations in the Bend district have grown and more space is needed to continue to provide service to our customers.

**J. Description of the Procurement Process**

Cascade and Knife River jointly purchased the current facility in 2009 as approved by the OPUC in UI 290. Cascade's operational needs have expanded since the original purchase and a month-to-month lease meets the needs of both entities. Cascade worked with Knife River and a realtor to establish a market rate based on comparable rents in the area.

**K. Relationship of Cost of Provision of Services and Market Value**

The lease agreement is competitive given the comparable market analysis that was performed.

**L. Agreements**

A copy of the Lease Agreement between Cascade and Knife River Corporation Northwest is attached.

**M. Copy of Board Resolutions**

Authorization of the agreement between Cascade and Knife River Corporation Northwest does not require approval by Cascade's/MDU Resources Group's Boards of Directors.

WHEREFORE, for the reasons set forth above, Cascade Natural Gas respectfully requests that the Commission issue an order approving the Lease Agreement pursuant to the provisions of ORS 757.495 and OAR 860-027-0040.

DATED: December 23, 2014.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael Parvinen", with a long horizontal flourish extending to the right.

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Michael Parvinen  
Director  
Regulatory Affairs  
Cascade Natural Gas Corporation

Exhibit "A"

# OFFICE FACILITY

CNG TOTAL BUILDING AREA INCLUDING 1/2 COMMON AREA = 6681 sqft.  
CNG TOTAL LAND AREA = 30706 sqft. or .705 acres



CNG BUILDING AREA = 8153 sqft.  
KRC BUILDING AREA = 10998 sqft.  
COMMON AREA = 1058 sqft.  
TOTAL BUILDING AREA = 20207 sqft.

PARKING LOT AREA = 22025 sqft.

CNG LEASE - 1,352 sf

CNG/KRC shared - 1,105 sf

## LEASE AGREEMENT

**THIS LEASE AGREEMENT** ("Lease") is entered into this 1st day of January, 2015, by and between Knife River Corporation Northwest, 32260 Old Hwy 34, Tangent, OR. hereinafter called Landlord, and Cascade Natural Gas Corporation 8113 W. Grandridge Blvd. Kennewick, WA. hereinafter called Tenant.

**WHEREAS**, Landlord is the owner of certain real property and improvements as are hereinafter defined; and

**WHEREAS**, Tenant desires to lease the real property and improvements from the Landlord.

**NOW, THEREFORE**, in consideration of the mutual covenants, conditions and promises set forth herein, Landlord and Tenant agree as follows:

1. Premises. Landlord, in consideration of the rent to be paid by Tenant and Tenant's agreement to the terms of this Lease, hereby leases unto Tenant the following-described premises, situated at 64500 O.B. Riley Road, Bend, County of Deschutes, State of Oregon, more particularly described, to-wit ("Premises"):

**Approximately 1,352 square feet, located in Knife River Corporation NW office building (the "Property") located in Bend, Oregon. The location of the Premises within the Property is depicted on Exhibit A attached hereto.**

2. Term. This is a month-to-month Lease, commencing on January 1, 2015. Either party shall give the other party thirty (30) days prior written notice of their intention to terminate the Lease.

3. Rent. The first day of each month, in advance, Tenant shall pay Landlord a monthly rent as follows:

Beginning January 1, 2015 through the term of the Lease rent is \$1,352 per month.

Each proceeding January 1, the rent shall be adjusted by 1.5%.

Rent checks are to be made out to Knife River Corporation – NW and mailed to the following address: 32260 Old Hwy 34, Tangent, OR 97389. Attn: Jeff Steyaert

4. Use of Premises. Tenant shall have the right to use and occupy the Premises as office space. Tenant agrees that it will (a) surrender the premises at the termination of the Lease in as good condition as received, and (b) permit the Landlord or its agent to enter upon said Premises at all reasonable times during usual business hours to examine the condition of the Premise.

5. Maintenance and Repair. Tenant agrees to keep the Premises in good repair and condition at Tenant's own cost and expense during the continuance of this Lease, including, but not limited to, all plumbing, glass, windows, doors, floors, roof, basement, and heating system. Tenant agrees to maintain the Premises in a clean and orderly manner.

6. Alterations and Improvements. Tenant, at Tenant's expense, shall have the right, following Landlord's consent, to remodel, redecorate, or make improvements to any part of the Premises from time to time as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials. Tenant shall have the right to place and install personal property, fixtures, equipment and other temporary installations in and upon the Premises provided that Tenant removes the same at the termination of this Lease. All damage to the Premises caused by such removal shall be repaired by Tenant at Tenant's expense. Any alterations, improvements, fixtures, or equipment left in the Premises after the expiration of this Lease shall be considered abandoned by Tenant and shall become and remain the property of Landlord.

7. Utilities. Tenant agrees to pay the cost of all utilities, including electricity, gas, water and sewer, trash removal and janitorial services for the Property including the Premises.

8. Termination of Lease. Landlord shall not terminate this Lease, or declare any forfeiture for nonpayment of rent, or for any violation of the terms and conditions of this Lease, unless Landlord first gives Tenant written notice. The notice shall specify Tenant's failure to pay the rent or any other default in the terms of this Lease. Tenant shall have thirty (30) days from the date of receipt of the notice to correct the default and to make full compliance with the terms of this Lease. If Tenant fails to comply within the 30-day period, Landlord may immediately reenter and take full and exclusive possession of the leased premises and remove all persons and their property. This Lease shall then immediately cease and terminate as to both parties. Upon termination of this Lease, Tenant shall surrender the Premises in good order and condition, reasonable wear and tear, damage from casualty and condemnation and Landlord's obligations excepted.

9. Damage and Destruction. In case of a total or partial destruction of the Premises, either during the term or prior thereto, so as to render the Premises wholly untenable, then the terms of the Lease shall cease and terminate as of the date of such destruction or damage, and the rent paid in advance shall be adjusted apportionately as of the date of such damage or destruction. In the event of partial destruction of the Premises, not rendering the Premises wholly untenable, by any cause whatsoever, the Premises shall be restored to good condition and state of repair within a period of ninety (90) days from the date of such happening by Landlord, and the rent, until completion of such repairs or restoration, shall abate in proportion to the area of the Premises which is unusable by Tenant.

10. Indemnification. Tenant agrees to protect, defend, indemnify and hold harmless the Landlord, its employees and agents, from and against any and all liability, damages, losses, claims, demands, liens, actions and costs, including reasonable attorney's fees and expenses, resulting from the death or injury to any person or damage or loss to any property, to the extent caused by the Tenant, its employees, agents, contractors, subcontractors, or any other person for whom such Tenant is responsible at law, arising out of Tenant's use of the Premises or Tenant's performance or nonperformance of its obligations under this Lease.

11. Insurance. Tenant shall carry general liability insurance with a minimum combined single limit of \$1,000,000. Tenant shall also carry appropriate property insurance covering the value of Tenant's contents, inventory, betterments, and improvements on the Premises.

12. Assignment. Tenant may not assign this Lease or sublet the above rented Premises or any part thereof, without first obtaining the written consent of the Landlord.



13. Notices. All notices required under this Lease shall be in writing and shall be deemed delivered when deposited in the United States mail, postage prepaid, or delivered in person. All such notices shall be delivered to the parties at the following addresses:

If intended for Landlord:  
Knife River Corporation – NW  
32260 Old Hwy 34  
Tangent, Oregon 97389

If intended for Tenant:  
Cascade Natural Gas Corporation  
8113 W. Grandridge Blvd.  
Kennewick, Washington 99336

16. Modification of Lease. The terms, covenants, and conditions hereof may not be changed orally, but only by an agreement in writing signed by the parties. The failure of either party to insist in any one or more cases upon the strict performance of any term or condition of this Lease by the other party shall not constitute a waiver or relinquishment for the future of any such term or condition. Any waiver at any time of a breach or default of any of the conditions of this Lease shall in no way impair or affect the continued existence of such condition nor deprive either party of its remedies arising out of any subsequent breach or default hereunder.

17. Sale of Property. This Lease shall in no way prohibit Landlord from selling the Premises. Landlord shall give Tenant at least thirty (30) days advance notice of any sale.

18. Headings. The titles to the sections of this Lease are inserted only as a matter of convenience and for reference and in no way confine, limit or describe the scope or intent of any section of this Lease.

19. Successors and Assigns. The terms, covenants, and conditions of this Lease shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective successors and assigns.

20. Final Agreement. This Lease terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Lease may be modified only by a further writing that is duly executed by both parties.

21. Authority. Each party hereby represents to the other than the person(s) who have executed this Lease are duly authorized to do so.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:  
Knife River Corporation Northwest

TENANT:  
Cascade Natural Gas Corporation

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_