



In the Community to Serve®

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August 19, 2014

Oregon Public Utility Commission
Kathy Williams
3930 Fairview Industrial Drive SE
Post Office Box 1088
Salem, Oregon 97308-1088

Re: Application of Cascade Natural Gas Corporation for an Order Authorizing Cascade Natural Gas Corporation to Enter into a term loan agreement.

Dear Ms. Williams:

Enclosed is Cascade Natural Gas Corporation's Application for an order authorizing Cascade Natural Gas Corporation to enter into a term loan agreement for an amount not to exceed \$50 million.

If you have any questions regarding this information, please feel free to contact me at (509) 734-4593.

Sincerely,

Michael Parvinen
Director, Regulatory Analyst

Attachments

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET UF _____

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

APPLICATION

Application is hereby made to the Public Utility Commission of Oregon (“Commission”) for an Order authorizing Cascade Natural Gas Corporation (“the Company”, “Cascade” or “Applicant”) to enter into a term loan agreement in an amount of no more than \$50,000,000 pursuant to provision 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 860-027-0030 of the Rules and Regulations of the Commission, Applicant respectfully submits the following:

- a. Name of Applicant

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

- 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

Michael Parvinen
Director, Regulatory Affairs
8113 West Grandridge Blvd.
Kennewick, WA 99336-7166
(509) 734-4593

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

Mark A. Chiles	Vice President, Controller, Assistant Treasurer and Assistant Secretary	8113 West Grandridge Blvd. Kennewick, WA 99336
Michael J. Gardner	Executive Vice President – Utility Operations Support	400 North Fourth Street Bismarck, ND 58501
David L. Goodin	Chairman of the Board	1200 West Century Avenue Bismarck, ND 58506
Anne M. Jones	Vice President – Human Resources, Customer Service And Safety	400 North Fourth Street Bismarck, ND 58501
Julie A. Krenz	Assistant Secretary	400 North Fourth Street Bismarck, ND 58501
Daniel S. Kuntz	Assistant Secretary	1200 West Century Avenue Bismarck, ND 58506
Scott W. Madison	Executive Vice President and General Manager	555 South Cole Road Boise, ID 83709
Douglass A. Mahowald	Treasurer	1200 West Century Avenue Bismarck, ND 58506
Eric P. Matuscelli	Vice President – Operation	8113 West Grandridge Blvd. Kennewick, WA 99336
K. Frank Morehouse	President and Chief Executive Officer	400 North Fourth Street Bismarck, ND 58501
Paul K. Sandness	General Counsel and Secretary	1200 West Century Avenue Bismarck, ND 58506

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 1,274,216. At the end

of June 2014, 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 December 31, 2013:

	<u>Par Value</u>	<u>Authorized Shares</u>	<u>Shares Issued and Outstanding</u>	<u>Stated Value</u>
Common Stock	\$1.00	1,000	1,000	None

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.

g. Statement of Long-Term Indebtedness December 31, 2013:

<u>Description</u>	<u>Due Date</u>	<u>Authorized and Outstanding</u>
7.48% Medium-Term Notes	September 15, 2027	\$20,000,000
7.09% Medium-Term Notes	March 16, 2029	\$15,000,000
5.21% Notes	September 2, 2019	\$15,000,000
5.25% Unsecured Notes	February 1, 2035	\$24,863,000
5.79% Senior Note	March 8, 2037	\$40,000,000
4.11% Senior Note	August 23, 2024	\$25,000,000
4.36% Senior Note	August 23, 2027	\$25,000,000

h. Description of the Securities Proposed to be Issued

Applicant proposes to borrow funds up to \$50,000,000 from an unsecured term loan agreement obligating Applicant to pay interest on a periodic basis based on current interest rates at the time the Applicant borrows. Interest rates are based on LIBOR and are determined based on the Applicant's long-term debt ratings. Applicant's outstanding notes are currently rated: "A-" by Fitch and "BBB+" by Standard & Poor's.

The interest rate on the amounts borrowed will be determined at the time they are issued but are expected not to exceed 5.5%.

i. Description of the Proposed Transaction

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

The Applicant anticipates entering into a loan agreement with Toronto Dominion (Texas), Inc. The term of the loan will be no longer than 40-years. The borrowing will include a delayed draw. The first funding date is anticipated to occur in November 2014 and the second funding date is anticipated to occur in June 2015.

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

The Company will borrow under a one-time use provision under the terms of the loan.

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

The Applicant requires borrowing to meet capital and operation needs. This loan agreement is necessary to the Applicant to maintain a balanced capital structure during a time of extensive capital and operating needs.

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

The Applicant will pay normal and customary fees to the selected lending institution in association with the establishment of the loan. The fees associated with this issuance are expected to be less than \$300,000, including placement and legal fees. The exact fees have not yet been determined.

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

These costs have not yet been determined.

l. Purpose for which the Securities are to be issued

The Applicant requires short-term borrowing to meet working capital needs and operations.

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

A notification with the Washington Utilities and Transportation Commission

will be filed.

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 to provide natural gas service wherever economically feasible. The proceeds of this financing will provide funds that allow 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

The revolving loan agreement will provide short-term borrowings to meet working capital needs and operations.

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

Funds borrowed will strengthen Applicant and its ability to perform service over the long term.

E. is reasonably necessary or appropriate for such purposes

The Applicant requires borrowing to meet working capital needs and operations. This loan agreement is necessary to the Applicant in order to maintain an appropriate capital structure during a time of extensive capital and operating needs.

F. Not applicable.

o. Statement of all rights to be a corporation, franchise, 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	None
Exhibit G	Income Statement	Attached
Exhibit H	Analysis of Surplus	Attached
Exhibit I	Sale, Lease, Purchase Contracts	Not applicable
Exhibit J	Proposed Journal Entry	Not applicable
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.

EXHIBIT "A"

Articles of Incorporation on file.

EXHIBIT "B"

By-laws on file

EXHIBIT "C"

Will submit as a late exhibit.

EXHIBIT "D"

Not applicable.

EXHIBIT "E"

CASCADE NATURAL GAS CORPORATION

Balance Sheet
Year Ended December 31, 2013

ASSETS

Utility Plan in Service	\$ 780,512,467
Less Accumulated Depreciation	<u>\$ (271,326,652)</u>
	\$ 509,185,815
Nonutility plant	<u>\$ 202,030</u>
	<u>\$ 509,387,845</u>

Other Assets:

Investment in subsidiary companies	\$ -
Miscellaneous assets	<u>\$ 10,095,569</u>
	<u>\$ 10,095,569</u>

Current Assets:

Cash	\$ 2,025,353
Net Accounts Receivable Intercompany	\$ 123,269
Other Receivables	\$ 20,660,190
Accrued unbilled revenue	\$ 32,266,682
Inventory - Gas Storage	\$ 2,893,474
Pipeline Imbalance	\$ 960,973
Inventory - Materials & Supplies	\$ 6,093,327
Prepayments and other current assets	\$ 4,750,729
Current deferred income taxes	\$ 194,608
Natural gas costs recoverable thru rate adj.	<u>\$ 3,982,993</u>
	<u>\$ 73,951,598</u>

Deferred Charges:

Unamortized debt expense and loss on reacquired debt	\$ 3,252,278
Other Deferred Charges	<u>\$ 57,906,057</u>
	<u>\$ 61,158,335</u>

Total	<u>\$ 654,593,347</u>
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Common Shareholders' Equity:

Common stock, par value \$1 per share	\$ 1,000
Additional paid-in capital	\$ 117,703,952
Accumulated other comprehensive income (loss)	\$ -
Retained earnings	\$ 47,283,729
	<u>\$ 164,988,681</u>

Long-term Debt

\$ 164,863,000

Current Liabilities:

Notes payable and commercial paper	\$ 11,500,000
Long-term debt due within one year	\$ 000
Accounts payable Intercompany	\$ 1,500,660
Accounts payable other	\$ 29,071,727
Other accrued taxes	\$ 8,096,164
Current income taxes payable	\$ 1,203,434
Dividends declared	\$ 4,160,000
Natural gas costs recoverable through rate adj.	\$ 1,644,449
Consumer deposits	\$ 1,749,584
Accrued Compensation	\$ 1,578,395
Miscellaneous current liabilities	\$ 12,197,982
	<u>\$ 72,702,395</u>

Deferred Credits and Other

Deferred Income Taxes	\$ 91,570,833
Deferred Investment Tax Credits	\$ 483,242
Customer Advances	\$ 4,296,051
Other	\$ 155,689,146
	<u>\$ 252,039,272</u>

TOTAL

\$ 654,593,348

EXHIBIT "F"

Statement of contingent liabilities

None

EXHIBIT "G"

CASCADE NATURAL GAS CORPORATION

Statement of Income
Year Ended December 31, 2013

OPERATING REVENUES:	
RETAIL SALES	\$245,754,254.82
NET UNBILLED REVENUE	8,545,102.42
TRANSPORTATION	23,444,371.76
OTHER	1,610,894.71
TOTAL OPERATING REVENUES	<u>279,354,623.71</u>
OPERATING EXPENSES	
PURCHASED GAS SOLD	150,276,671.28
OPERATION & MAINTENANCE EXPENSES	49,122,995.91
PROVISION FOR DEPRECIATION	20,681,951.92
TAXES (OTHER THAN INCOME)	26,545,301.17
TOTAL OPERATING EXPENSES	<u>246,626,920.28</u>
UTILITY OPERATING INCOME	<u>32,727,703.43</u>
OTHER INCOME & (DEDUCTIONS):	
INTEREST INCOME	198,410.00
MISCELLANEOUS NON-OPERATING	23,112.28
AFUDC EQUITY	(563.20)
TOTAL OTHER INCOME & (DEDUCTIONS)	<u>220,959.08</u>
INTEREST EXPENSE	
INTEREST ON LONG-TERM DEBT	7,578,332.03
AMORT OF DEBT DISC, EXP & PREM	196,603.26
OTHER INTEREST	1,211,331.47
AFUDC BORROWED	(263,260.24)
TOTAL INTEREST EXPENSE	<u>8,723,006.52</u>
INCOME TAXES:	
UTILITY INCOME TAXES	8,575,497.04
NONREGULATED INCOME TAXES	1,640.18
INVESTMENT TAX CREDIT	(63,288.00)
ACCRUED TAX INTEREST	44,385.00
TOTAL INCOME TAXES	<u>8,558,234.22</u>
NET INCOME/(Net Loss)	<u><u>\$15,667,421.77</u></u>

EXHIBIT "H"

CASCADE NATURAL GAS CORPORATION

Statement of Retained Earnings
Year Ended December 31, 2012

Balance - Beginning of Year \$ 48,284,212

Net Income \$ 15,667,422

Cash Dividends \$ (16,667,905)

Balance Year-To-Date \$ 47,283,729

EXHIBIT "I"

Not applicable

EXHIBIT "J"

Proposed Journal Entries

Not applicable.

EXHIBIT "K"

Not applicable.