



*In the Community to Serve®*

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February 27, 2019

Oregon Public Utility Commission  
550 Capitol Street NE  
Salem, OR 97310-1380

Re: Application of Cascade Natural Gas Corporation for an Order Authorizing the Issuance of Debt Securities

Enclosed is Cascade Natural Gas Corporation's Application for an order authorizing the issuance of \$75,000,000 of debt securities. We respectfully request that our request be included in the agenda of the March 21 Public Meeting.

The following file are electronically submitted as part of this filing:

- CNGC UF Debt Issuance Application, 2.27.19

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

Sincerely,

Michael Parvinen  
Director, Regulatory Affairs  
Cascade Natural Gas Corporation  
8113 W. Grandridge Blvd.  
Kennewick, WA 99336-7166  
michael.parvinen@cngc.com

Attachment

*In the Community to Serve®*

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

DOCKET UF \_\_\_\_\_

IN THE MATTER OF THE APPLICATION OF )  
CASCADE NATURAL GAS CORPORATION FOR ) APPLICATION  
AN ORDER AUTHORIZING THE ISSUANCE OF ) UF-  
DEBT SECURITIES )

Application is hereby made to the Public Utility Commission of Oregon (“Commission”) for an Order authorizing Cascade Natural Gas Corporation (“the Company” or “Applicant”) to issue a long-term debt security in the amount of \$75,000,000 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 860-27-030 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  
[michael.parvinen@cngc.com](mailto:michael.parvinen@cngc.com)  
(509) 734-4593

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

Mark A. Chiles	Vice President, Regulatory Affairs and Customer Service	8113 West Grandridge Blvd. Kennewick, WA 99336
David L. Goodin	Chair of the Board	1200 West Century Avenue Bismarck, ND 58506
Patrick C. Darras	Vice President – Engineering and Operations Services	400 North Fourth Street Bismarck, ND 58501
Julie A. Krenz	Assistant Secretary	1200 West Century Avenue Bismarck, ND 58506
Daniel S. Kuntz	General Counsel and Secretary	1200 West Century Avenue Bismarck, ND 58506
Scott W. Madison	Executive Vice President – Business Development and Gas Supply	555 South Cole Road Boise, ID 83709
Jason L. Vollmer	Treasurer	1200 West Century Avenue Bismarck, ND 58506
Eric P. Martuscelli	Vice President – Field Operations	8113 West Grandridge Blvd. Kennewick, WA 99336
Nicole A. Kivisto	President and Chief Executive Officer	400 North Fourth Street Bismarck, ND 58501
Hart Gilchrist	Vice President – Safety, Process Improvement and Operations Systems	555 South Cole Road Boise, ID 83709
Anne M. Jones	Vice President – Human Resources	1200 West Century Avenue Bismarck, ND 58506
Karl A. Liepitz	Assistant Secretary	1200 West Century Avenue Bismarck, ND 58506
Margaret (Peggy) A. Link	Chief Information Officer	1200 West Century Avenue Bismarck, ND 58506
Tammy J. Nygard	Controller	400 North Fourth Street Bismarck, ND 58501
Garret Senger	Executive Vice President – Regulatory Affairs, Customer Service and Administration	400 North Fourth Street Bismarck, ND 58501

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 1,240,251. At the end of February 2019, 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, 2018:

	<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, 2018:

<u>Description</u>	<u>Due Date</u>	<u>Authorized and Outstanding</u>
7.48% Medium-Term Notes	September 15, 2027	\$20,000,000
7.10% Medium-Term Notes	March 16, 2029	\$15,000,000
5.21% Medium-Term Notes	September 1, 2020	\$15,000,000
5.79% Medium-Term Notes	March 8, 2037	\$40,000,000
4.11% Medium-Term Notes	August 23, 2025	\$25,000,000
4.36% Medium-Term Notes	August 23, 2028	\$25,000,000
5.25% Notes	February 1, 2035	\$24,361,000
4.09% Senior Notes	November 24, 2044	\$12,500,000
4.24% Senior Notes	November 24, 2054	\$12,500,000
4.09% Senior Notes	January 15, 2045	\$12,500,000
4.24% Senior Notes	January 15, 2055	\$12,500,000

h. Description of the Securities Proposed to be Issued

Applicant proposes to issue and sell not more than \$75,000,000 Unsecured Notes obligating Cascade to pay interest on a periodic basis on a fixed coupon rate established as part of the note obligation with principal payable at some future date. These notes will have a 5 to 30-year maturity. Applicant is proposing to issue these notes between the months of April and July 2019 to benefit from the current low long-term interest rates. Interest rates are based on Treasury rates plus a range of 110 to 200 basis points depending on final maturity date.

i. Description of the Proposed Transaction

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

The notes will be issued by Cascade. The notes will be sold at one time to institutional investors in a private placement led by Wells Fargo Securities, LLC and US Bancorp Investments, Inc.

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

Securities will be issued on a non-pro-rata basis.

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 will pay \$30,000,000 of short-term obligations due June 2019. Projected capital additions in fiscal year 2019 are approximately \$105,000,000. 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; and refunding the Company's treasury expended on utility purposes. 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 will be issued under a private placement agreement with Wells Fargo Securities, LLC and US Bancorp Investments, Inc. (the 'Agents'). Agent fees are anticipated to be 40 bps or up to \$300,000. Legal fees and reasonable out-of-pocket costs will be paid or reimbursed to Wells Fargo Securities, LLC, US Bancorp Investments, Inc., Chapman and Cutler, LLP (Investor special counsel), and Cohen Tauber Spievack & Wagner P.C. (Cascade's legal counsel), and are estimated at \$125,000 as detailed in the following section.

k. A statement showing both in total amount, underwriting commissions and net proceeds

The notes will be issued at 100%.

Item	Debt	
	Amount	
1. Face value or principal amount	\$75,000,000	
2. Plus premium or less discount		
3. Gross proceeds	\$75,000,000	
4. Underwriters' spread or commission (1.00%)	0	
5. Printing and engraving expenses	0	
6. Trustee's charges	0	
7. Fees and expenses of independent public Accountants	0	
8. Legal fees	125,000	
9. Rating agency fees	0	
10. Miscellaneous expenses (Agent Fee)	300,000	
11. Total deductions	\$425,000	
12. Estimated net amount to be realized	\$74,575,000	

l. Purpose for which the Securities are to be issued

(1) The Applicant will use the proceeds from this unsecured note issue to refinance existing debt and general corporate purposes.

(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 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

Securities issued will provide necessary funds to refinance existing short-term debt, capital expenditures and general corporate purposes.

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 \$105 million in 2019 and external cash sources must be relied on to meet these 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:

<b>Exhibit</b>	<b>Description</b>	<b>Reference</b>
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	<b>Sale, Lease, Purchase Contracts</b>	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.

CASCADE NATURAL GAS CORPORATION

A handwritten signature in blue ink, appearing to read "Michael P.", is written over a horizontal line.

Director, Regulatory Affairs



**EXHIBIT “A”**

Articles of Incorporation on file.

**EXHIBIT “A”**

**EXHIBIT "B"**

By-laws on file.

**EXHIBIT "B"**

**EXHIBIT "C"**

**EXHIBIT "C"**

**EXHIBIT “D”**

**Copy of mortgage, indenture, ect.**

Not applicable.

**EXHIBIT “D”**

**EXHIBIT “E”**

**CASCADE NATURAL GAS CORPORATION**

Balance Sheet

Year Ended December 31, 2018

**ASSETS**

Utility Plan in Service	\$ 1,090,080,951.39
Less Accumulated Depreciation	350,428,518.57
	<u>739,652,432.82</u>
Nonutility plant	202,030.18
	<u>739,854,463.00</u>

**Other Assets:**

Investment in subsidiary companies	-
Miscellaneous assets	12,371,315.14
	<u>12,371,315.14</u>

**Current Assets:**

Cash	3,204,308.93
Net Accounts Receivable Intercompany	129,531.37
Other Receivables	19,325,240.05
Accrued unbilled revenue	25,164,949.82
Inventory - Gas Storage	1,940,548.63
Pipeline Imbalance	396,658.82
Prepayments and other current assets	11,607,081.84
Current prepaid income taxes	11,005,649.68
Gas costs recoverable through rate adj.	41,481,153.66
	<u>114,255,122.80</u>

**Deferred Charges:**

Unamortized debt expense and loss on reacquired debt	843,036.78
Other Deferred Charges	89,381,653.14
	<u>90,224,689.92</u>
<b>Total</b>	<u>\$ 956,705,590.86</u>

**Common Shareholders' Equity:**

Common stock, par value \$1 per share	\$ 1,000
Additional paid-in capital	222,117,553.21
other comprehensive income	2,318,457.66
Retained earnings	34,416,893.78
	<u>258,853,904.35</u>

**Long-term Debt**

266,685,211.98

**Current Liabilities:**

Accounts payable Intercompany	2,007,577.17
Accounts payable other	66,440,427.30
Other accrued taxes	7,285,166.28
Dividends declared	2,960,000.00
Natural gas costs recoverable through rate adj.	
Consumer deposits	893,105.13
Accrued Compensation	2,755,359.10
Miscellaneous current liabilities	21,602,975.97
	<hr/>
	103,944,610.95

**Deferred Credits and Other**

Customer advances for construction	4,315,900.87
Accum. deferred investment tax credits	243,929.00
Accum. Deferred income taxes	71,393,936.73
Asset retirement obligation	66,788,045.99
Other	184,480,050.99
	<hr/>
	327,221,863.58
	<hr/>
<b>TOTAL</b>	<b>\$ 956,705,590.86</b>

**EXHIBIT "E"**

**EXHIBIT “F”**

**Statement of contingent liabilities**

None

**EXHIBIT “F”**

**EXHIBIT “G”**

**CASCADE NATURAL GAS CORPORATION**

Statement of Income  
Year Ended December 31, 2018

OPERATING REVENUES:	
RETAIL SALES	\$269,576,010.60
NET UNBILLED REVENUE	(7,074,752.53)
TRANSPORTATION	27,132,008.13
OTHER	1,183,838.67
PROVISION FOR RATE REFUND	(3,982,745.05)
TOTAL OPERATING REVENUES	<u>286,834,359.82</u>
OPERATING EXPENSES	
PURCHASED GAS SOLD	139,413,148.13
OPERATION & MAINTENANCE EXPENSES	63,011,518.04
PROVISION FOR DEPRECIATION	29,789,773.01
TAXES (OTHER THAN INCOME)	28,431,450.14
TOTAL OPERATING EXPENSES	<u>260,645,889.32</u>
UTILITY OPERATING INCOME	<u>26,188,470.50</u>
OTHER INCOME & (DEDUCTIONS):	
INTEREST INCOME	513,667.75
MISCELLANEOUS NON-OPERATING	124,033.53
AFUDC EQUITY	47,519.35
TOTAL OTHER INCOME & (DEDUCTIONS)	<u>685,220.63</u>
INTEREST EXPENSE	
INTEREST ON LONG-TERM DEBT	11,687,433.17
AMORT OF DEBT DISC, EXP & PREM	241,143.39
OTHER INTEREST	359,840.29
AFUDC BORROWED	(291,152.66)
TOTAL INTEREST EXPENSE	<u>11,997,264.19</u>
INCOME TAXES:	
UTILITY INCOME TAXES	497,310.33
NONREGULATED INCOME TAXES	(233,376.23)
INVESTMENT TAX CREDIT	(42,184.00)
ACCRUED TAX INTEREST	0
TOTAL INCOME TAXES	<u>221,750.10</u>
NET INCOME/(Net Loss)	<u>\$14,654,676.84</u>

**EXHIBIT “G”**



**EXHIBIT “H”**

**CASCADE NATURAL GAS CORPORATION**

Statement of Retained Earnings  
Year Ended December 31, 2018

<b>Balance - Beginning of Year</b>	\$ 30,688,673.45
<b>Net Income</b>	\$ 14,654,676.84
<b>Adjustment to Retained Earnings: Dividend Equivalents</b>	\$ (316,456.51)
Dividend appropriation of surplus: Common Stock	\$ (10,610,000.00)
<b>Balance Year-To-Date</b>	<u>\$ 34,416,893.78</u>

**EXHIBIT “H”**

**EXHIBIT “I”**

**Copy of registration statement**

Not applicable

**EXHIBIT “I”**

**EXHIBIT “J”**

**Proposed Journal Entries**

Not applicable.

**EXHIBIT “J”**

**EXHIBIT “K”**

**Copies of the stock certificates**

Not applicable.

**EXHIBIT “K”**