

May 2, 2005

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

Re: No. UF-  
APPLICATION OF CASCADE NATURAL GAS CORPORATION FOR AN ORDER  
AUTHORIZING THE ISSUANCE OF 500,000 SHARES OF COMMON STOCK  
THROUGH APPLICANT'S AUTOMATIC DIVIDEND REINVESTMENT PLAN

Dear Ms. Bailey-Goggins,

Enclosed is Cascade Natural Gas Corporation's Application for an order authorizing the issuance of 500,000 shares of common stock through our Automatic Dividend Reinvestment Plan. We would like to be added to the May 17<sup>th</sup> agenda.

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 AND SALE  
OF UP TO 500,000 SHARES OF COMMON STOCK  
THROUGH APPLICANT'S AUTOMATIC DIVIDEND  
REINVESTMENT PLAN

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No. UF-  
APPLICATION

Application is hereby made to the Public Utility Commission of Oregon for an Order authorizing Applicant to issue 500,000 shares of Applicant's \$1.00 Par Value Common Stock, 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
J. D. Wessling	Chief Financial Officer	222 Fairview Ave. North Seattle, WA 98109
Will H. 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

The Applicant proposes to issue and sell not more than 500,000 shares of common stock, \$1.00 par value, of Cascade Natural Gas Corporation. These shares will be issued to participants of the Cascade Natural Gas Corporation Automatic Dividend Reinvestment Plan (DRIP) who elect to have cash dividends reinvested in Cascade common stock. Shares will also be issued to participants who make optional cash contributions up to \$120,000 per year and to new, qualified participants who make an initial contribution of \$250.

The outstanding shares of the Company's Common Stock are, and the shares offered hereby will be, listed on the New York Stock Exchange under the symbol "CGC." The offering price per share will be equal to the average of the high and low sales prices of the Company's Common Stock on the Composite Transactions of the New York Stock Exchange on the Exchange trading day immediately preceding each issuance date.

i) Description of the Proposed Transaction

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

The 500,000 common shares will be issued, over time, to participants in the Cascade Natural Gas Corporation Automatic Dividend Reinvestment Plan. Participants in the Plan receive shares primarily from Company dividends. The Company pays cash dividends four times a year on approximately February 15, May 15, August 15, and November 15. Plan participants have dividends on shares they own used to purchase additional shares of Company stock rather than receive the cash. Additionally, participants may acquire shares by making cash contributions up to \$120,000 in a year. The Plan is administered by the Agent, whose address and telephone number are as follows:

The Bank of New York  
Dividend Reinvestment  
P.O. Box 1958  
Newark, NJ 07101-9774  
(888) 269-8845  
www.stockbny.com

The Agent purchases and holds shares of Common Stock acquired through the Plan, keeps records, sends quarterly statements of account to participants and performs other duties relating to the Plan. Shares of Common Stock purchased under the Plan will be registered in the name of the Agent, as agent for participants in the Plan.

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

Securities will not be issued pro-rata.

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

The purpose of the Plan is to provide record holders of shares of Common Stock and the Company's eligible residential customers with a convenient method of purchasing shares of Common Stock and investing cash dividends and optional cash payments in additional shares of Common Stock. Purchases of newly issued Common Stock under the Plan provide additional equity capital for the Company to use for utility purposes.

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

Not applicable.

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

	<u>Per Share</u>	<u>Total</u>
Estimated Sales Price for 500,000 Shares	\$19.00	\$9,500,000.00

Securities Exchange Commission Registration Fee	0.00	874.00
Legal Fees and Expenses	0.06	30,000.00
Accounting Fees and Expenses	0.00	2,000.00
Printing Fees and Expenses	0.02	7,500.00
Underwriting Fees	0.00	0.00
Miscellaneous expenses	0.00	1,000.00
Total Expenses	0.08	41,374.00
<b>Net Proceeds</b>	<b>\$18.92</b>	<b>\$9,458,626.00</b>

**Note:** All fees are estimated. Actual issuance of shares will take place over time and there is no way to estimate what the proceeds will be. The Applicant has estimated total proceeds by using the closing price on May 2, 2005. The actual proceeds will be different based on actual share prices at the time dividends are paid and cash is invested.

l) Purpose for which the Securities are to be issued

The purpose of the Plan is to provide record holders of shares of Common Stock and the Company's eligible residential customers with a convenient method of purchasing shares of Common Stock and investing cash dividends and optional cash payments in additional shares of Common Stock. Purchases of newly issued Common Stock under the Plan provide additional equity capital for the Company to use for utility purposes.

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

A registration statement on Form S-3 will be filed with the Securities and Exchange Commission. Additional information regarding terms of the offering are set forth in the registration statement.

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 Articles authorize issuance of up to 15 million shares of common stock.

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 this 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 \$30 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:

<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	Attached
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

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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 May 2, 2005.

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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"**

CASCADE NATURAL GAS CORPORATION

Certificate of Resolution Adopted

I, Larry C. Rosok, Secretary of CASCADE NATURAL GAS CORPORATION, a Washington corporation (hereinafter called the "Corporation"), DO HEREBY CERTIFY that the "Resolution adopted by the Board of Directors" of the Corporation annexed hereto are true and correct copies of the resolutions adopted by the Executive Committee of the Board of Directors of the corporation at a meeting of said Board of Directors, duly called and held on April 22, 2005, at which meeting a quorum was present and acted throughout; and that said resolution has not been amended or otherwise changed and remain in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto signed by name and affixed the seal of the Corporation as of this 28<sup>th</sup> day of April 2005.

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Larry C. Rosok  
Secretary

**EXHIBIT "C"**

**EXHIBIT "D"**

Not applicable.

**EXHIBIT "D"**

**EXHIBIT "E"**  
**CASCADE NATURAL GAS CORPORATION**

Balance Sheet  
At March 31, 2005

	<b>Mar-05</b>	<b>Adjustments</b>	<b>Pro Forma</b>
<b>ASSETS</b>			
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
<b>Other Assets:</b>			
Investments in non-utility property	202,030		202,030
Notes receivable, less current maturities	49,814		49,814
	251,844	-	251,844
<b>Current Assets:</b>			
Cash and cash equivalents	6,105,141	9,458,626	15,563,767
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	9,458,626	102,651,978
<b>Deferred Charges:</b>			
Deferred Gas Cost Charges	10,803,915		10,803,915
Derivative Instrument Asset-Energy Commodity Non-Curr	9,942,048		9,942,048
Other Deferred Charges	6,869,298		6,869,298
Regulatory Assets-Non Current	-		-
	27,615,261	-	27,615,261
<b>TOTAL</b>	<b>\$ 462,260,551</b>	<b>9,458,626</b>	<b>\$ 471,719,177</b>

	Mar-05	Adjustments	Pro Forma
<b>Common Shareholders' Equity:</b>			
Common stock, par value \$1 per share	\$ 11,337,642	500,000	\$ 11,837,642
Additional paid-in capital	102,574,825	8,958,626	111,533,451
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>9,458,626</u>	<u>137,814,904</u>
<b>Long-term Debt</b>	<u>158,900,000</u>	-	<u>158,900,000</u>
<b>Current Liabilities:</b>			
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>		<u>93,036,560</u>
<b>Deferred Credits and Other:</b>			
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>
<b>TOTAL</b>	<u>\$ 462,260,551</u>	<u>9,458,626</u>	<u>\$ 471,719,177</u>

**EXHIBIT "E"**

## **EXHIBIT “F”**

### **Statement of contingent liabilities**

#### **Unregistered Shares of Common Stock Under DRIP**

In connection with modifying administrative procedures and updating the prospectus for the Company’s Automatic Dividend Reinvestment Plan (the DRIP), the Company has learned that the number of shares of its common stock issued pursuant to the DRIP exceeded the number of shares previously registered for such purpose under the Securities Act of 1933, as amended (the Securities Act). As a result, the Company may have failed to comply with the registration or qualification requirements of federal and applicable state securities laws with respect to such shares.

Based upon the Company’s preliminary investigation, it appears that approximately 123,000 shares of its common stock were issued to DRIP participants between August 2003 and March 2005 in excess of the number of shares registered specifically for such purpose. Such shares were issued at prices ranging from \$19.07 to \$22.07 per share.

The Company is continuing to investigate details concerning the DRIP participants affected and is evaluating appropriate actions to be taken, including a possible rescission offer, to rectify this oversight. Should the Company undertake a rescission offer, cash would be used to repurchase shares tendered and the number of shares outstanding would be reduced. The Company does not have sufficient information at this time to estimate whether expenses related to conducting a rescission offer would have a material impact on earnings.

## **EXHIBIT F**

**EXHIBIT "G"**  
**CASCADE NATURAL GAS CORPORATION**

Statement of Income  
6 Months Ended March 31, 2005

	<b>Mar-05</b>	<b>Adjustments</b>	<b>Pro Forma</b>
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
	222,324,026	-	222,324,026
Less			
Gas purchases	147,452,485		147,452,485
Revenue taxes	15,107,614		15,107,614
Operating Margin	59,763,927	-	59,763,927
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
	31,828,358	-	31,828,358
Income/(Loss) from operations	27,935,569	-	27,935,569
Nonoperating Exp/(Inc)			
Interest Expense	5,863,980		5,863,980
Interest charged to const	(100,133)		(100,133)
	5,763,847		5,763,847
Amort of debt issuance exp	178,056		178,056
Other	(71,725)		(71,725)
	5,870,178		5,870,178
Income/(Loss) Before Inc Taxes	22,065,391		22,065,391
Income Taxes	8,081,243		8,081,243
Net Income/(Net Loss)	\$ 13,984,148		\$ 13,984,148
Other Comprehensive Income (Loss)			
Comprehensive Income			
Average Shares Outstanding	11,295,529	500,000	11,795,529
Basic Earnings per Share	\$ 1.24		\$ 1.19

**EXHIBIT “H”**  
**CASCADE NATURAL GAS CORPORATION**

Statement of Retained Earnings  
At March 31, 2005

	<b>Mar-05</b>	<b>Adjustments</b>	<b>Pro Forma</b>
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	<u>\$ 27,052,506</u>	<u>\$ -</u>	<u>\$ 27,052,506</u>

**EXHIBIT “H”**

**EXHIBIT "I"**

Not applicable.

**EXHIBIT "I"**

**EXHIBIT "J"**

Cash	\$9,458,626
Common Stock	500,000
Additional Paid-in Captial	8,958,626

**EXHIBIT "J"**

**EXHIBIT “K”**

Not applicable

**EXHIBIT “K”**