

ORDER NO. 05-041

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4213

In the Matter of)	
)	
CASCADE NATURAL GAS)	
CORPORATION)	SUPPLEMENTAL ORDER
)	
Application for Approval to Issue and Sell)	
Not More than \$30 Million of Securities.)	

DISPOSITION: ORDER NO. 05-012 MODIFIED

On December 28, 2004, Cascade Natural Gas Corporation (Cascade) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to Oregon Revised Statutes (ORS) 757.410 and 757.415, and Oregon Administrative Rule (OAR) 860-027-0030 for authority to issue and sell not more than \$30 million of Long-Term Notes (Debt) in the form of Medium Term Notes (MTNs). At the its public meeting held on January 4, 2005, the Commission adopted the Staff's recommendation memorandum and approved the application of Cascade for authorization to issue and sell up to \$30 million of MTNs. On January 10, 2005, the Commission entered Order No. 05-012 to this effect.

On January 19, 2005, pursuant to ORS 756.561, OAR 860-013-0031, and OAR 860-014-0095, Cascade filed a Motion to Amend Order No. 05-012 (Motion) for authority to issue and sell not more than \$30 million of Debt through a retail -insured method in addition to the institutional-uninsured, MTN, method described in the December 28, 2004, application. In its Motion, Cascade also requested that, pursuant to OAR 860-011-0000(6), the Commission waive the fifteen-day response period set forth in OAR 860-013-0050(3)(d) and issue the amended order to be immediately effective.

Staff has reviewed and supports Cascade's Motion. The modifications requested will allow Cascade to issue up to \$30 million of debt securities that are insured up to a AAA level as expressed in the charts attached as Appendix A, incorporated herein. The issuance of insured debt increases up front fees but lowers the interest rate

on the debt. Cascade represents that issuing insured retail notes as described in Cascade's Motion is the most cost-effective option available to it. Even if we amend the order, the original conditions remain in full force and effect. The conditions specify that, for ratemaking purposes, the Commission reserves judgment on the reasonableness of Cascade's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, Cascade shall be required to show that its capital costs, including imbedded expenses, and structure are just and reasonable.

Based on a review of the application and the Commission's records, the Commission finds the modified application meets applicable statutes and administrative rules and the motion should be granted.

ORDER

IT IS ORDERED that:

1. Cascade Natural Gas Company's motion to amend Order No. 05-012 for authority to issue and sell not more than \$30 million of Debt through either a retail-insured method or an institutional-uninsured method should be approved as set out above.
2. Cascade Natural Gas Company's motion to waive the fifteen-day response period set forth in OAR 860-013-0050(3)(d) and issue the amended order is approved.

Made, entered, and effective _____.

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

Interest rate on the Debt:

The interest rate on the Debt will be determined at the time it is issued based on then-current market conditions. The proposed maximum spread over applicable Treasury security for various maturities is listed below.

Table 1. Cascade Summary for Debt All-in Fixed-Rate Spreads over US Treasury

Maturity	Retail - Insured¹	Institutional - Uninsured	
	Maximum Spread Over Benchmark Treasury ² (basis points ³)	Maximum Spread Over Benchmark Treasury ² (basis points ³)	Worst Case In Potential Major Market Move Maximum Spread Over Benchmark Treasury ² (basis points ³)
9 month - 2 years	-	50	75
2 years - 3 years	-	55	85
3 years - 4 years	-	60	95
4 years - 6 years	-	70	110
6 years - 9 years	-	85	130
9 years - 10 years	-	100	150
10 years - 11 years	-	105	155
11 years - 15 years	-	115	165
15 years - 20 years	-	120	170
20 years - 30 years	120	125	175

¹ Estimated maximum spread for 30-year retail-insured notes. Other maturities are not applicable.

² The current Benchmark Treasury Yield for 30-year U.S. treasury obligations is 4.69%. The Benchmark Treasury Yield, with respect to any Debt maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such Debt maturity range, is generally considered by dealers in such obligations to be the standard for such obligations whether Federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any Debt, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such Debt is received by the Company and the Agents.

³ Basis point is defined as one-hundredth of a percentage point; i.e., 100 basis points equals 1 percent.

Expenses:

Total amount of the Debt expenses and net proceeds to the Company resulting from the sale are estimated to be as follows (depending on the Debt alternative selected):

Table 2. Cascade Estimated Fees and Expenses

Item	Retail - Insured		Institutional - Uninsured	
	Amount	Per \$1,000	Amount	Per \$1,000
1. Face value or principal amount	\$30,000,000	\$1,000.00	\$30,000,000	\$1,000.00
2. Plus premium or less discount				
3. Gross proceeds	\$30,000,000	\$1,000.00	\$30,000,000	\$1,000.00
4. Underwriters' spread or commission	945,000		300,000	
5. Bond insurance	742,000		-	
6. Printing and engraving expenses	4,000		4,000	
7. Trustee's charges	6,000		6,000	
8. Fees and expenses of independent public accountants	19,000		15,000	
9. Rating agency fees	95,000		95,000	
10. Legal fees	75,000		75,000	
11. Miscellaneous expenses	10,000		10,000	
12. Total deductions	\$1,896,000	63.20	\$505,000	16.83
13. Estimated net amount to be realized	\$28,104,000	\$936.80	\$29,495,000	\$983.17