

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4217

In the Matter of)	
)	
CASCADE NATURAL GAS)	ORDER
)	
Application to Issue and Sell up to 500,000)	
shares of Common Stock and Amend Order)	
No. 89-998.)	

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS
AND REPORTING REQUIREMENTS**

On May 2, 2005, Cascade Natural Gas Company (Cascade or Company) filed an application under Oregon Revised Statute (ORS) 757.400 *et seq.*, for authority to issue 500,000 shares of Cascade’s \$1.00 Par Value Common Stock (Stock) under its current Automatic Dividend Reinvestment Plan (DRIP) and to amend Order 89-998.

On July 31, 1989, the Commission issued Order 89-998 authorizing the original DRIP for Cascade. The authority was to expire on August 31, 1993. On September 13, 1993, the Commission issued Order 93-1300, which extended the authorization for Cascade’s DRIP program and authorized Cascade to offer shares of its stock to its customers under the DRIP.

Cascade represents that the proceeds from the sale will be used to fund the Company’s construction program and other uses consistent with ORS 757.415(1)(a) and (b). In addition, Cascade represents that the fees will not exceed \$50,000. The basis for the current request is further detailed in Staff’s recommendation memo, attached as Appendix A, and incorporated by reference.

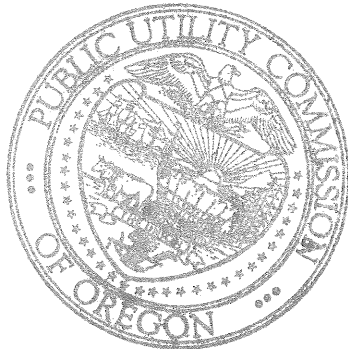
Based on a review of the application and the Commission’s records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on May 17, 2005, the Commission adopted Staff’s recommendation and approved Cascade’s current request.

ORDER

IT IS ORDERED that Cascade's application requesting authority to issue up to 500,000 shares of stock under its DRIP is approved, subject to the conditions and reporting requirements detailed in Appendix A.

Made, entered, and effective MAY 20 2005.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

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.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 17, 2005

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ N/A

DATE: May 10, 2005

TO: Public Utility Commission

FROM: Bryan Conway

THROUGH: Lee Sparling and Marc Hellman

SUBJECT: CASCADE NATURAL GAS: (Docket No. UF 4217) Application to Issue and Sell up to 500,000 shares of Common Stock and Amend Order No. 89-998.

STAFF RECOMMENDATION:

The Commission should approve Cascade Natural Gas Company's (Cascade or Company) application subject to the following conditions and reporting requirements:

- 1) The Company shall file the usual Report of Securities Issued and Disposition of Net Proceeds annually beginning November 30, 2005, for the year ending September 30th. This report shall demonstrate, upon any replacement, renewal, or extension of such credit agreements that the fees, interest rates, and expenses are consistent with competitive market prices for such agreements.
- 2) Rates and fees shall be no greater than those identified in the application.
- 3) As soon as available, Cascade shall file with the Commission copies of the final Registration Statement and Prospectus approved by the SEC.
- 4) Cascade will file a verified statement annually, until the plan is terminated, showing the following information by quarter for the calendar year reported:
 - a. The number of shares sold;
 - b. The prices at which the shares were sold;
 - c. The number of active participants in the plan; and
 - d. The remaining shares authorized by the Commission.

- 5) The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs, including imbedded expenses and capital structure, are just and reasonable.

DISCUSSION:

On May 2, 2005, Cascade filed an application under Oregon Revised Statute (ORS) 757.400 et. seq. for authority to issue 500,000 shares of Cascade's \$1.00 Par Value Common Stock (Stock) under its current Automatic Dividend Reinvestment Plan (DRIP) and to amend Order 89-998. Cascade projects a share price of \$19.00, resulting in total estimated gross proceeds of \$9,500,000. The Company pays cash dividends four times a year on approximately February 15, May 15, August 15, and November 15. DRIP participants elect to purchase additional shares of Company stock with their dividend rather than receive the cash. Additionally, participants may acquire shares by making cash contributions of up to \$120,000 in a year.

On July 31, 1989, the Commission issued Order 89-998 authorizing the original DRIP for Cascade. The authority was to expire on August 31, 1993.

On September 13, 1993, the Commission issued Order 93-1300, which extended the authorization for Cascade's DRIP program and authorized Cascade to offer shares of its stock to its customers under the DRIP.

Cascade's DRIP provides existing holders of common stock, and the Company's eligible residential customers, with a convenient method of purchasing shares of Stock and investing cash dividends and optional cash payments in additional shares of Stock, without payment of any brokerage commission or service charge. Purchases of newly issued Stock under the DRIP provide additional equity capital for the Company.

Participants in the DRIP may have cash dividends from their shares of Stock automatically reinvested in additional shares of Stock and, in addition, invest by making optional cash payments of not less than \$50 per investment and up to a maximum of \$120,000 per calendar year. Eligible residential customers of the Company who do not presently own shares of Stock may become participants in the DRIP by making an initial cash investment of at least \$250 (but not more than \$120,000) to purchase Stock under the DRIP.

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.

Expenses

Cascade projects total issuance costs, including underwriter's fees, legal, printing and accounting fees, will be \$41,374, which is 0.44 percent of the total projected gross proceeds from the sale. In any event, Cascade represents that the fees will not exceed \$50,000.

Use of Proceeds

The Company represents that the proceeds from the sale will be used to fund the Company's construction program and other uses consistent with ORS 757.415(1)(a) and (b). These purposes are consistent with statutory requirements.

PROPOSED COMMISSION MOTION:

Cascade's application for the authority to issue up to 500,000 shares of Stock under its DRIP be approved with staff's conditions.

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