

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UF 4219

In the Matter of	)	
	)	ORDER
CASCADE NATURAL GAS	)	
CORPORATION	)	
	)	
Application for Authority to Issue and Sell	)	
not more than \$20 Million of Securities.	)	

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

On July 18, 2005, Cascade Natural Gas Corporation (Cascade) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410 and ORS 757.415, and OAR 860-027-0030, for authority to issue and sell up to \$20 million of Medium Term Notes (Debt). The Debt will be issued at one time, with a maturity life of 15-30 years. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

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 August 16, 2005, the Commission adopted Staff's recommendation and approved Cascade's current request subject to the conditions outlined in Staff's memo.

**ORDER**

IT IS ORDERED THAT the application of Cascade Natural Gas Corporation for authorization to issue and sell up to \$20 million of Medium-Term Notes is approved, subject to the conditions further specified in Appendix A.

Made, entered, and effective                     AUG 22 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.

ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 16, 2005

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: August 1, 2005

TO: Public Utility Commission

FROM: Ming Peng, *mp.* *W* *D*

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway *BAC*

SUBJECT: CASCADE NATURAL GAS CORPORATION: (Docket No. UF 4219)  
Application for Authority to Issue and Sell not more than \$20 Million of Securities.

**STAFF RECOMMENDATION:**

The Commission should approve Cascade Natural Gas Corporation'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 statements as soon as possible after any issuance. This report shall include the total amount, per unit price, total expenses, and net proceeds of the issuance.
- 2) The Company shall demonstrate that the rate(s) it achieves on new securities is consistent with competitive market rates. The Company shall provide an analysis that indicates the competitiveness of the rates it achieves on any early refinancing, exchange or remarketing, including this issuance, is cost effective. The demonstrations and analysis shall be filed as soon as possible after each issuance and sale, and shall include a demonstration that fees for partial issuances are reasonable.
- 3) The interest rates and commissions will be consistent with those specified in the Company's application and detailed in the Attachment.
- 4) For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate

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proceeding, the Company shall be required to show that its capital costs, including imbedded expenses, and capital structure are just and reasonable.

#### **DISCUSSION:**

On July 18, 2005, Cascade filed an application pursuant to Oregon Revised Statutes (ORS) 757.410 & 757.415, and Oregon Administrative Rule (OAR) 860-027-0030 for authority to issue and sell not more than \$20,000,000 of Medium Term Notes (MTNs or Debt).

The Debt issued will be issued with a maturity life of 15-30 years, and the \$20,000,000 Debt will be issued at one time. The Company will issue the Unsecured Notes under the Indenture with one of the following investment banking firms: A.G. Edwards, Edward Jones, or Bank of America. The Company's outstanding unsecured debt is currently rated Baa1 by Moody's Investors Service, BBB+ by Standard & Poor's Ratings Services.

#### **Interest Rate**

The interest rate on the Debt will be determined at the time of issuance. Cascade's proposed maximum spread over the respective Treasury security for Debt is provided in Table 1 at the end of this memorandum. The MTNs may have a feature that allows them to be redeemed prior to maturity at specified prices.

#### **Expense**

Cascade anticipates that the new Debt will require the Company to pay the underwriters' commission of \$200,000, which is 1.0% of the total amount. The total expense from the sale is estimated to be \$405,000, which is 2.0% of the total amount of \$20,000,000. Cascade's proposed Debt issuance cost is provided in Table 2.

The interest rates, fees, and expenses appear reasonable.

#### **Use of Proceeds**

Cascade represents that it will use the proceeds from the proposed securities issuance(s) for the following purposes: the acquisition of utility property or the construction, extension or improvement of utility facilities; the improvement or maintenance of service; the discharge or lawful refunding of its obligations (such as relatively higher-coupon debt and maturing debt previously authorized by the Commission); and refunding the Company's treasury for amounts expended on utility purposes and the retirement of long-term debt. 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

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refunded, those obligations or their precedents were used for purposes described by ORS 757.415 (1).

Specifically, Cascade represents that it will use the proceeds from this long-term unsecured debt to retire shorter-term unsecured debt and meet its construction financing needs. Cascade retired \$5,000,000 medium term notes in July 2005. The new Debt will provide funds for capital investment related to investment in new pipe infrastructure and services that has exceeded internally generated cash flow. Projected capital additions in fiscal 2005 are approximately \$28,400,000. Cascade has customer growth more than twice the national average.

**PROPOSED COMMISSION MOTION:**

Cascade's application for the authority to issue securities of not more than \$20,000,000 be approved with Staff's Conditions.

UF 4219 – Cascade's Application to Issue Not More than \$20 Million in Securities.

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### Attachment

#### Interest rate on the Debt:

The interest rate on the Bonds will be determined at the time they are issued. The proposed maximum spread over applicable treasury for various maturities is listed below. The Bonds may have a feature that allows them to be redeemed prior to maturity at specified prices. Table 1 has been revised by the Company on July 25, 2005.

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

Maturity	Currently 30-Year at 4.328% Maximum Spread Over Benchmark Treasury	Worst Case In Potential Major Market Move Maximum Spread Over Benchmark Treasury
9 month - 2 years	+50 basis points	+75 basis points
2 years - 3 years	+55 basis points	+85 basis points
3 years - 4 years	+60 basis points	+95 basis points
4 years - 6 years	+70 basis points	+110 basis points
6 years - 9 years	+85 basis points	+130 basis points
9 years - 10 years	+100 basis points	+150 basis points
10 years - 11 years	+105 basis points	+155 basis points
11 years - 15 years	+115 basis points	+165 basis points
15 years - 20 years	+120 basis points	+170 basis points
20 years - 30 years	+125 basis points	+175 basis points

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**Expenses:**

Total amount of the Debt expenses and net proceeds to the Company resulting from the sale are estimated to be as follows:

**Table 2. Cascade Estimated Fees and Expenses**

Item	Debt	
	Amount	Per \$1,000
1. Face value or principal amount	\$20,000,000	\$1,000.00
2. Plus premium or less discount		
3. Gross proceeds	\$20,000,000	\$1,000.00
4. Underwriters' spread or commission (1.00%)	200,000	
5. Printing and engraving expenses	15,000	
6. Trustee's charges	10,000	
7. Fees and expenses of independent public accountants	20,000	
8. Legal fees	50,000	
9. Rating agency fees	50,000	
10. Miscellaneous expenses	60,000	
11. Total deductions	\$405,000	20.25
12. Estimated net amount to be realized	\$19,595,000	\$979.75