

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4242

In the Matter of)	
)	
CASCADE NATURAL GAS)	ORDER
CORPORATION)	
)	
Application for authorization to enter into a)	
five-year revolving credit agreement.)	

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

On November 28, 2007, Cascade Natural Gas Corporation (Cascade) submitted an application to the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.410, ORS 757.415, and OAR 860-027-0030, requesting authorization to enter into a five-year revolving credit agreement in the amount of \$50,000,000. 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 December 18, 2007, the Commission adopted Staff's recommendation and approved Cascade's current request.

ORDER

IT IS ORDERED that the application of Cascade Natural Gas Corporation is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective DEC 19 2007.

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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2007

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: December 11, 2007

TO: Public Utility Commission

FROM: Steve Storm *SS*

THROUGH: Lee Sparling, Marc Hellman *MH*, and Bryan Conway *BC*

SUBJECT: CASCADE NATURAL GAS CORPORATION: (Docket No. UF 4242)
Application for authorization to enter into a 5-year revolving credit agreement.

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 customary Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance. Such reports shall demonstrate, upon any replacement, renewal, or extension of the credit agreement, that any fees, interest rates, and expenses are consistent with competitive market prices for such agreements.
- 2) Rates, fees, and maximum dollar amount of credit agreement shall be no greater than those identified in the application.
- 3) The Company shall file reports with the Commission no less frequently than annually, with each report including the outstanding balances of revolving credit under the new facility and the outstanding letters of credit issued under the credit agreement. Filing of such reports shall continue as long as this credit facility remains in effect.
- 4) The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and any associated commissions and expenses incurred for security issuances. In its next rate proceeding the Company will be required to show that its capital costs, including embedded expenses and capital structure, are just and reasonable. Approval of

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this application and the conditions and requirements herein by the Commission does not constitute a precedent or finding as to whether any or all of this revolving credit agreement shall be treated as long-term debt for purposes of any minimum capital requirement pursuant to a Commission order.

DISCUSSION:

Cascade filed an application November 28, 2007 under Oregon Revised Statutes (ORS) 757.410(1), 757.415(1), and Oregon Administrative Rule (OAR) 860-027-0030 for authorization to enter into a five-year revolving credit agreement in the amount of \$50,000,000.

Review of the November 8, 2007 Form 10-Q filing for the period ending September 30, 2007 for parent company MDU Resources Group, Inc.¹ reveals "Cascade has a \$60 million bank revolving credit agreement which expires on January 1, 2008. The Company is currently in negotiations regarding a renewal of this agreement. Cascade also has a \$20 million uncommitted line of credit which may be terminated by the bank or Cascade at any time. There were no outstanding borrowings under the Cascade credit agreements at September 30, 2007. As of September 30, 2007, there were outstanding letters of credit...of which \$1.9 million reduced amounts available under the \$60 million credit agreement."

Use of Proceeds

Company represents the line of credit will be used for the following purposes:

- (a) The acquisition of property, or the construction, completion, extension or improvement of Cascade's facilities.
- (b) The improvement or maintenance of Cascade's service.
- (c) The discharge or lawful refunding of Cascade's obligations.
- (d) The reimbursement of money actually expended from income or from any other money in the treasury of Cascade not secured by or obtained from the issue of stocks or bonds, notes or other evidences of indebtedness, or securities of Cascade, for any of the purposes listed in paragraphs (a) to (c) of this subsection except the maintenance of service and replacements, in cases where the Company has kept its accounts and vouchers for such expenditures in such

¹ Cascade is an indirect wholly owned subsidiary of MDU Energy Capital, LLC, which in turn is a direct wholly owned subsidiary of MDU Resources Group, Inc.

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manner as to enable the Commission to ascertain the amount of money so expended and the purposes for which such expenditures were made.

- (e) The compliance with terms and conditions of options granted to Cascade's employees to purchase its stock, if the Commission first finds that such terms and conditions are reasonable and in the public interest.
- (f) The finance or refinance of bondable conservation investment as described in ORS 757.455. Bonds, notes, certificates of beneficial interests in a trust and other evidences of indebtedness or ownership, issued for this purpose are conservation bonds for the purposes of ORS 757.460. Conservation bonds may rely partly or wholly for repayment on conservation investment assets and revenues arising with respect to conservation investment assets.

These purposes are consistent with statutory requirements and are permitted under ORS 757.415(1). The proceeds are reasonably required.

Expenses

Cascade has selected U.S. Bank National Association as Agent for this agreement. The loan agreement will also include Toronto Dominion (Texas) Inc. and JPMorgan Chase Bank, N.A. as lenders in the syndication. Other lenders may enter into the syndication from time to time as needed.

Interest is to be paid on a periodic basis based on current interest rates at the time Cascade borrows. Interest rates are based on LIBOR² and are determined based on Cascade's long-term debt ratings. Cascade represents outstanding notes are currently rated as "Baa1" by Moody's and "BBB+" by Standard & Poor's.

Cascade will pay the Agent a quarterly facility in an amount determined by applying the per annum Applicable Fee Percentage to the average daily revolving commitment amount of such Lender for the period from the closing date to the termination date. Cascade will also pay the Agent for the account of each Lender a quarterly utilization fee in an amount equal to the sum of all Daily Utilization Fees for each utilization day occurring during the fiscal quarter in which such Utilization Fee is due. The Utilization Fee only applies when the borrowings are in excess of 50% of the total line of credit (\$50,000,000).

² LIBOR is the acronym for London Interbank Offered Rate and is the interest rate offered among a specific group of London banks for Eurodollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments.

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The Company represents that the fees at closing of the loan agreement will be a \$50,000 arrangement fee to U.S. Bank National Association and a “new money” fee of 3 bps³ on \$30,000,000⁴—or \$9,000—for the new banks in the syndication. Annual administration fees of \$5,000 per lender are also required.

Cascade represents that: fees for these securities were obtained through competitive bidding; the fees do not exceed the customary fees for such services in arm's-length transactions; and the fees are reasonable in the light of the cost of rendering the services.

PROPOSED COMMISSION MOTION:

Cascade’s application for the authority to enter into a revolving credit agreement for up to a five-year term is approved with Staff’s conditions.

UF 4242- Cascade's Application for Authority to Enter into A Revolving Credit Agreement

³ A bps or “basis point” is one-hundredth (1/100) of a percentage point; i.e., 100 bps or 100 basis points equals 1.00 percent.

⁴ The Company had an error on the original application, with text reading “...a “new money” fee of 3 bps or \$30,000,000...” The Company confirmed this error via e-mail dated December 10, 2007, and the application text should read “...a “new money” fee of 3 bps on \$30,000,000...”