MDU RESOURCES
GROUP, INC.

1200 West Century Avenue
Mailing Address:
P.O. Box 5650
Bismarck, ND 58506-5650
(701) 530-1000

November 7, 2006

BY OVERNIGHT MAIL

PUC Filing Center
Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301

Re: In the Matter of MDU Resources Group, Inc. Application for Authorization to Acquire Cascade Natural Gas Corporation

Enclosed for filing are the original and twenty (20) copies of the Application of MDU Resources Group, Inc. ("MDU Resources") for Authorization to Acquire Cascade Natural Gas Corporation ("Cascade"). Also enclosed is a CD containing electronic copies of the Application, testimony and exhibits in test searchable Adobe Acrobat file format.

Persons authorized on behalf of MDU Resources to receive notices and communications with respect to this Application are:

Daniel S. Kuntz
Assistant General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
1200 West Century Avenue
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dan.kuntz@MDUResources.com

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JVanNostrand@perkinscoie.com
LReichman@perkinscoie.com

Also, Applicant respectfully requests that all data requests regarding this filing be addressed to the following:

To MDU Resources:

Addressed to:	Donald R. Ball, Vice-President-Regulatory Affairs
By email (preferred)	don.ball@mdu.com
By fax:	(701) 222-7606
By regular mail:	Montana-Dakota Utilities Co. 400 North 4th Street Bismarck, ND 58501-4092

To Cascade:

Addressed to:	Christine Kautzman
By email (preferred):	ckautzman@cngc.com
By fax:	(206) 654-4039
By regular mail:	Christine Kautzman Cascade Natural Gas Corporation P.O. Box 24464 Seattle, WA 98124-0464

To be helpful to the parties and in an effort to expedite the proceedings, MDU Resources and Cascade will accept and respond to data requests expeditiously. Additionally, MDU Resources has created an Electronic Document Room containing the documents listed in the Index provided as Appendix 2 to the Application. These documents are intended to anticipate initial discovery needs and provide parties with a solid foundation of knowledge pertaining to MDU Resources. Provisions for access to the Electronic Document Room can be arranged by registering via the internet at http://publicinfo.montana-dakota.com or by contacting the following representative of MDU Resources:

Rita A. Mulkern
Regulatory Analysis Manager
Montana-Dakota Utilities Co.
400 North 4th Street
Bismarck, ND 58501-4092
Tel.: (701) 222-7854
Fax: (701) 222-7606
rita.mulkern@mdu.com

Please acknowledge receipt by stamping or initialing the duplicate copy of this letter attached hereto and returning the same in the enclosed self-addressed, stamped envelope.

Thank you for your assistance.

Sincerely,

Donald R. Ball

Donald R. Ball
Vice President – Regulatory Affairs

cc: Service List, Docket UG 167

MDU Resources Group, Inc.
Docket No. UM __
Service List

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Cascade Natural Gas
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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

Docket UM ____

In the Matter of MDU RESOURCES GROUP, INC. Application for Authorization to Acquire Cascade Natural Gas Corporation	**APPLICATION**

MDU Resources Group, Inc. ("MDU Resources" or "Applicant") hereby requests an order of the Public Utility Commission of Oregon (the "Commission") authorizing MDU Resources to acquire the power to exercise substantial influence over the policies and actions of Cascade Natural Gas Corporation ("Cascade").

I. JURISDICTION

This Application (the "Application") is filed pursuant to ORS 757.511, which requires the Commission's authorization before any person may, directly or indirectly, acquire the power to exercise any substantial influence over the policies and actions of a public utility that provides heat, light, or power, if such person is, or by such acquisition would become, an affiliated interest with such public utility as defined in ORS 757.015(1), (2), or (3). Pursuant to ORS 757.511(3), the Commission is required to grant approval if it finds that the proposed transaction will serve Cascade's customers in the public interest. The Commission has ruled that transactions under ORS 757.511 must satisfy a "net benefits" standard.

II. TIME FOR PROCESSING THE APPLICATION

MDU Resources agrees to extend, to March 8, 2007, the 19-business day period for the Commission to issue an Order disposing of this Application, as provided in ORS 757.511(3).

MDU Resources respectfully requests completion of all required state reviews of the proposed transaction by March 8, 2007, in order to complete the acquisition on or before April 8, 2007. MDU Resources' proposed acquisition of Cascade is an important transaction for Cascade's customers, employees, and communities. In order to mitigate the ill effects of uncertainty associated with the sale of Cascade, MDU Resources respectfully requests that the Commission schedule review of the Application in a manner that will facilitate issuance of an order by March 8, 2007.

The Agreement and Plan of Merger among MDU Resources, Cascade, and MDU Resources' acquisition subsidiary, a copy of which is included as Appendix 1 to this Application (the "Agreement"), permits MDU Resources or Cascade to terminate the Agreement if the merger has not been consummated by April 8, 2007, subject to extension if the only unfulfilled conditions to closing are approval by this Commission and the Washington Utilities and Transportation Commission ("WUTC"). When the issues in this docket are more fully identified, MDU Resources is willing to consider the need for an additional extension and to discuss that with Cascade.

III. APPLICANT INFORMATION

The exact name and address of MDU Resources' principal business office is as follows:

MDU Resources Group, Inc.
1200 West Century Avenue
Bismarck, ND 58506-5650

MDU Resources was incorporated in 1924 under the laws of the State of Delaware, and is a publicly traded company (NYSE: MDU).

Persons authorized on behalf of MDU Resources to receive notices and communications with respect to this Application are:

Daniel S. Kuntz
Assistant General Counsel
MDU Resources Group, Inc.
P.O. Box 5650
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Portland, OR 97209-4128
Tel.: (503) 727-2000
Fax: (503) 727-2222
JVanNostrand@perkinscoie.com
LReichman@perkinscoie.com

Data Requests

Data requests for the Applicants should be addressed in the following manner with copies to Applicant's counsel:

To MDU Resources:

Addressed to:	Donald R. Ball, Vice-President-Regulatory Affairs
By email (preferred):	don.ball@mdu.com
By fax:	(701) 222-7606
By regular mail:	Montana-Dakota Utilities Co. 400 North 4th Street Bismarck, ND 58501-4092

To Cascade:

Addressed to:	Christine Kautzman

By email (preferred): ckautzman@cngc.com

By fax: (206) 654-4039

By regular mail: Christine Kautzman
Cascade Natural Gas Corporation
P.O. Box 24464
Seattle, WA 98124-0464

MDU Resources Electronic Document Room

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Tel: (701) 222-7854
Fax: (701) 222-7606
rita.mulkern@mdu.com

IV. DESCRIPTION OF TRANSACTION

As of July 8, 2006, MDU Resources, Firemoon Acquisition, Inc. ("Merger Sub"), and Cascade entered into the Agreement. Pursuant to the Agreement, upon the closing of the transaction, Merger Sub, a Washington corporation that is a wholly-owned subsidiary of MDU Resources, will merge with and into Cascade, with Cascade continuing in existence as the surviving corporation (the "Surviving Corporation"). Each share of Cascade common stock will be canceled and converted into the right to receive $26.50, on the terms set forth in the

Agreement. Each share of common stock of Merger Sub will be converted into one share of common stock of the Surviving Corporation.

Upon completion of the transaction, Cascade will be a direct, wholly owned subsidiary of MDU Resources, as illustrated in the organizational chart included as MDU Exhibit 101 accompanying the testimony of MDU Resources' witness Bruce T. Imsdahl. MDU Resources will thereby acquire the power to exercise substantial influence over the policies and actions of Cascade. MDU Resources will also become an affiliated interest of Cascade, as defined in ORS 757.015(1).

The acquisition is subject to customary closing conditions, including approval of the transaction by the shareholders of Cascade and receipt of required state regulatory approvals. In addition to seeking approval from this Commission and the WUTC, MDU Resources will seek approval for the acquisition from the commissions in two of the states in which it already operates public utilities: the North Dakota Public Service Commission and the Minnesota Public Utilities Commission. Cascade's shareholders approved the transaction on October 27, 2006.

V. INFORMATION ABOUT MDU RESOURCES AND THE TRANSACTION, REQUIRED BY ORS 757.511(2)

A. MDU Resources' Identity, Financial Ability, and Experience in the Energy and Natural Resources Industry

1. Description of MDU Resources' Business Activities

MDU Resources, through its utility divisions Montana-Dakota Utilities Co. ("Montana-Dakota") and Great Plains Natural Gas Co. ("Great Plains"), and through its subsidiary business units, is engaged in several lines of business which focus on the energy and natural resources industries: natural gas distribution; electric generation, transmission and distribution; natural gas and oil production; construction materials and mining; domestic and international

independent power production; natural gas pipeline and energy services; and construction services. Through a combination of these regulated and unregulated businesses, MDU Resources seeks to achieve reliable and growing returns for its shareholders. MDU Resources also seeks to grow by making long-term acquisitions in the areas of its core competencies. MDU Resources' six major business units are described below.

a. Natural Gas and Electric Distribution – Montana-Dakota Utilities Co. and Great Plains Natural Gas Co.

MDU Resources has been engaged in the utility business for over 80 years. MDU Resources, through its utility division Montana-Dakota, provides natural gas distribution service to approximately 228,000 customers in 144 communities in the states of North Dakota, South Dakota, Montana and Wyoming. Montana-Dakota also provides electric service to over 118,000 retail customers in 177 communities in North Dakota, South Dakota, Montana, and Wyoming. The electric operation is a vertically integrated utility which owns four generation plants and has an ownership interest in two additional generation facilities.

In July 2000, MDU Resources acquired and has since operated Great Plains. Great Plains provides natural gas distribution service to approximately 23,000 customers in 19 communities in western Minnesota and southeastern North Dakota.

Montana-Dakota and Great Plains are discussed in more detail below in connection with addressing MDU Resources' experience in operating public utilities.

b. Pipeline and Energy Services – WBI Holdings, Inc./Williston Basin Interstate Pipeline Company and Bitter Creek Pipelines

WBI Holdings, Inc., primarily through its subsidiaries Williston Basin Pipeline Interstate Company and Bitter Creek Pipelines, LLC, provides natural gas transportation, underground storage, and gathering services through regulated and unregulated pipeline systems primarily in the Rocky Mountain and northern Great Plains regions of the United States. Its interstate natural gas pipeline and storage operations are regulated by the Federal Energy Regulatory Commission.

c. Natural Gas and Oil Production – WBI Holdings, Inc./Fidelity Exploration & Production Company

Fidelity Exploration & Production Company, also a subsidiary of WBI Holdings, Inc., is engaged in natural gas and oil acquisition, exploration, development, and production activities primarily in the Rocky Mountain and Mid-Continent regions of the United States and in and around the Gulf of Mexico.

d. Independent Power Production – Centennial Energy Resources

Centennial Energy Resources LLC owns, builds and operates electric generating facilities in the United States and has investments in domestic and international natural resource-based projects. Electric capacity and energy produced at its power plants are sold to nonaffiliated entities primarily under mid- and long-term contracts.

e. Construction Materials and Mining – Knife River Corporation

Knife River Corporation mines aggregates and markets crushed stone, sand, gravel, and related construction materials, including ready-mixed concrete, cement, asphalt, and other value-added products, as well as performs integrated

construction services, in the central and western regions of the United States, including Oregon, Washington, California, Idaho, Montana, Alaska and Hawaii.

f. Construction Services – MDU Construction Services Group, Inc.

MDU Construction Services Group, Inc. offers utilities and large manufacturing, commercial, government, and institutional customers a diverse array of products and services. The construction services segment specializes in electrical line construction, pipeline construction, inside electrical wiring and cabling, mechanical services, and the manufacture and distribution of specialty equipment. MDU Construction Services Group, Inc. currently operates in many states, including Oregon, Washington, California, Montana, Colorado and Nevada.

Through its various operating companies, MDU Resources employed over 2,600 persons in Oregon as of September 30, 2006, making Oregon the Company's largest state of employment. The MDU Resources companies employed over 340 persons in the State of Washington as of September 30, 2006. More information regarding MDU Resources and its business units is available in the Company's report on Form 10-K which is contained in the electronic data room.

2. Financial Strength

MDU Resources has the financial resources to successfully complete the proposed acquisition and operate the combined companies. MDU Resources' assets exceeded $4.4 billion as of December 31, 2005, its operating revenues in 2005 totaled approximately $3.5 billion, and its 2005 operating income was $448 million. MDU Resources' financial reports are contained in the company's 10-K report which is available in the electronic data room.

On a consolidated basis (MDU Resources and Cascade), as of June 30, 2006, MDU Resources' pro forma combined assets would be approximately $5.3 billion, and pro forma combined annual revenues would be approximately $4.3 billion for the twelve months ending June 30, 2006.

MDU Resources' corporate credit is currently rated BBB+ by Standard & Poor's ("S&P"), A3 by Moody's, and A- by Fitch. Prior to announcement of this transaction, S&P advised MDU Resources that it would affirm the MDU Resources credit rating with the acquisition of Cascade. S&P's Rating Evaluation Service report stated the "acquisition of Cascade would be modestly beneficial from a business risk profile perspective." Further, in the same report, S&P indicated MDU Resources' utility business risk profile would be enhanced from "strong" to "excellent". Moody's and Fitch reaffirmed their MDU Resources *ratings following the announcement of the proposed acquisition.*

Prior to announcement of the merger, Cascade's long-term debt was rated BBB+ by S&P and Baa1 by Moody's. Following the announcement of the acquisition, S&P affirmed its BBB+ credit rating on Cascade stating, "The rating action on Cascade reflects our preliminary assessment that, upon the closing of the transaction, the company's ratings will be the same as the ratings on MDU Resources." Moody's also affirmed Cascade's ratings.

Under the Agreement, MDU Resources committed to complete the acquisition without any financing conditions. MDU Resources has the financial strength to complete the acquisition and provide Cascade with access to necessary capital at reasonable cost for safe, efficient, and reliable operation of its business. MDU Resources' proposed acquisition of Cascade is expected to maintain or improve Cascade's current credit rating and overall cost of capital.

These financial issues are discussed in the testimony of MDU Resources witness John F. Renner.

B. Background of Key Personnel

The principal officers of MDU Resources and Montana-Dakota are as follows:

Terry D. Hildestad, 57, is the President and Chief Executive Officer of MDU Resources. Mr. Hildestad was elected President of MDU Resources in 2005 and named Chief Executive Officer in 2006. Mr. Hildestad previously served as President and Chief Executive Officer of Knife River Corporation. He has been employed by the MDU Resources family of companies for 32 years.

Vernon A. Raile, 61, is Executive Vice President, Treasurer, and Chief Financial Officer of MDU Resources. Mr. Raile was named to these positions in 2006. He previously served as Vice President and Chief Accounting Officer. Mr. Raile has been employed by the MDU Resources family of companies for 26 years.

Paul K. Sandness, 52, is General Counsel and Secretary of MDU Resources. Mr. Sandness was named to this position in 2004 and has been employed within the MDU Resources Legal Department for 27 years.

Bruce T. Imsdahl, 58, is President and Chief Executive Officer of Montana-Dakota and Great Plains. Mr. Imsdahl has been employed by the MDU Resources family of companies for 36 years.

David L. Goodin, 45, is Vice President-Operations of Montana-Dakota and Great Plains. Mr. Goodin has been employed by the MDU Resources family of companies for 23 years.

Dennis L. Haider, 54, is Executive Vice President, Business Development and Gas Supply of Montana-Dakota and Great Plains. Mr. Haider has been employed by the MDU Resources family of companies for 27 years.

John F. Renner, 60, is Executive Vice President Finance and Chief Accounting Officer of Montana-Dakota and Great Plains. Mr. Renner has been employed by the MDU Resources family of companies for 22 years.

Donald R. Ball, 59, is Vice President – Regulatory Affairs of Montana-Dakota and Great Plains. Mr. Ball has been employed by the MDU Resources family of companies for 37 years.

Richard D. Spratt, 58, is Vice-President-Human Resources of Montana-Dakota and Great Plains. Mr. Spratt has been employed by the MDU family of companies for 5 years.

Andrea L. Stomberg, 53, is Vice-President-Electric Supply of Montana-Dakota. Ms. Stomberg has been employed by the MDU family of companies for 16 years.

The business address for Messrs. Hildestad, Raile, and Sandness is:

MDU Resources Group, Inc.
1200 West Century Avenue
P.O. Box 5650
Bismarck, ND 58506-5650

The business address for Messrs. Imsdahl, Goodin, Haider, Renner, Ball, and Spratt, and for Ms. Stomberg is:

Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501-4092

C. Source of Funds

As provided in the Agreement, Merger Sub will cause holders of Cascade's common stock to be paid the aggregate amount of approximately $305 million in cash at closing in exchange for 100 percent of the common stock of Cascade. Short-term bridge debt financing is expected be used to fund the capital infusion to Merger Sub between the time of closing and the issuance of common stock and long-term debt.

In addition, approximately $165 million in net debt currently outstanding at Cascade will remain outstanding as liabilities of Cascade. After closing, MDU Resources will redeem approximately $237.5 million of the bridge financing with MDU Resources' internal funds or funds raised by MDU Resources through the issuance of common stock. Cascade will issue approximately $67.5 million in long-term debt subsequent to the closing to redeem the balance of the bridge financing.

D. Compliance With Federal Law

MDU Resources and Cascade will make notification filings pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 ("HSR Act"). The proposed transaction cannot be consummated until the waiting periods prescribed in the HSR Act lapse.

E. Violation of Statutes

Neither MDU Resources nor its key personnel have violated any state or federal statute regulating the activities of public utilities.

F. Documents Associated With the Transaction

The Agreement and Plan of Merger is included as Appendix 1 to this Application.

G. MDU Resources' Experience Operating Public Utilities

Montana-Dakota got its start in 1924 when a group of investors purchased the electric systems in a handful of farming communities along the North Dakota-Montana state line. By building a central power plant in Glendive, Montana, and stringing power lines to surrounding towns, the company was able to provide all-day electrical service to communities in eastern Montana and western North Dakota.

In 1926, Montana-Dakota discovered natural gas in the Baker, Montana area, which provided a boiler fuel for its Glendive power plant. The company

built a natural gas transmission line to Glendive and entered the natural gas distribution business by providing natural gas service to homes and businesses as well. This pattern of electric and natural gas expansion repeated itself over the next few decades. Montana-Dakota purchased and interconnected small electric companies and expanded the provision of natural gas service to other Montana, South Dakota and North Dakota communities and to the flanks of the Big Horn Mountains in northern Wyoming. Acquisition of gas supplies in newly discovered fields in Montana, North Dakota, and Wyoming enabled the company to expand natural gas distribution service around the region. In 1968, the company moved its headquarters from Minneapolis, Minnesota to Bismarck, North Dakota to be closer to its customer base.

In 1985, Montana-Dakota's corporate name was changed to MDU Resources Group, Inc. and Montana-Dakota Utilities Co. was created as a division of the corporation for operation of its natural gas and electric distribution utility business. At the same time, the company's interstate natural gas pipeline and storage facilities and natural gas production properties were transferred to wholly owned subsidiaries. Today, Williston Basin Interstate Pipeline Company operates over 3,350 miles of interstate natural gas pipeline and 340 miles of natural gas field and gathering lines within various production areas in North Dakota, South Dakota, Montana, and Wyoming. Its storage fields have a working capacity of approximately 193 billion cubic feet of natural gas. Its system is interconnected with nine other natural gas pipeline systems. Another operating company, Bitter Creek Pipelines, LLC owns and operates 1,600 miles of natural gas gathering lines in Montana, Wyoming, and Colorado.

In 2000, MDU Resources acquired Great Plains Natural Gas which serves approximately 23,000 customers in 19 communities in southwestern North Dakota and western Minnesota. Like Montana-Dakota, Great Plains is operated

as a division of MDU Resources, with its headquarters in Fergus Falls, Minnesota. Senior management for Great Plains is provided by Montana-Dakota, and certain services, such as legal and tax services, are provided by MDU Resources while other services, such as corporate accounting, human resources, and gas supply are provided by or shared with Montana-Dakota.

MDU Resources was named "2005 Utility of the Year" by Electric Light & Power (EL&P) magazine in its November/December 2005 issue. According to EL&P, MDU Resources was chosen because it was built on an electric and natural gas utility foundation, and it follows a corporate strategy based on integrity and solid, conservative growth. MDU Resources was also ranked No. 18 on Public Utility Fortnightly's 2005 "Fortnightly 40" and No. 16 on its 2006 "Fortnightly 40," the magazine's Top 40 list of the best energy companies in America. The "Fortnightly 40" is a financial ranking of electric and gas utilities, pipeline and distribution companies that appears in the annual September issue of the magazine. The publication describes its list as "a benchmark that highlights the industry's leading companies – its brightest stars proven in performance and exceptional corporate management." For the sixth straight year, MDU Resources was also included in Forbes magazine's "Platinum 400 Best Big Companies" in America list. Criteria used were corporate governance and accounting practices, as well as financial performance. In 2004, Forbes named MDU Resources as the Best Managed Company within the utilities industry in America.

The natural gas distribution operations of Montana-Dakota and Great Plains resemble those of Cascade in many respects, which strengthens MDU Resources' assurances that Cascade will continue to operate in relatively the same manner as it does today. Montana-Dakota, Great Plains, and Cascade serve a mixture of residential, commercial, and transportation service customers

in primarily mid- and small-size communities in multiple states in areas of relatively low population density. Despite the relatively low density of their service areas, the companies have a history of being safe and reliable service providers at reasonable and stable prices. The combination of these utility operations and personnel provide the opportunity for benefits to each utility system.

H. MDU Resources' Plan for Operating Cascade

Like its other acquisitions, MDU Resources plans to own Cascade for the long term. MDU Resources believes that Cascade is currently providing very good customer service in a cost-effective manner. MDU Resources plans to maintain continuity in the operations of Cascade, while looking for opportunities to improve customer service and to increase efficiencies through the sharing of "best practices" and the consolidation of certain corporate functions.

MDU Resources plans to maintain the operational headquarters of Cascade in Washington. Except for some shared corporate functions and administrative functions, the management of Cascade will remain located in Washington, and Pacific Northwest personnel will be authorized to represent and bind Cascade in its dealings with its customers, regulators and suppliers. Cascade will also maintain a strong operational presence in the communities it serves in Oregon and Washington.

MDU Resources is committed to Cascade's focus on its core operations. MDU Resources does not anticipate the sale of any operational assets currently used in Cascade's regulated utility business.

MDU Resources, through its divisions Montana-Dakota and Great Plains, has extensive experience operating both natural gas and electric utilities. Moreover, like Cascade, MDU Resources has experience with operations that serve relatively low-density populations that are distributed over a wide

geographic area in multiple states. MDU Resources intends to seek opportunities to import its best practices to Cascade to improve customer service and the efficiency of Cascade's operations.

I. Public Interest Considerations

MDU Resources' proposed acquisition of Cascade will serve Cascade's customers in the public interest. The Commission has determined that ORS 757.511 requires satisfaction of a "net benefits" test. In adopting this standard, the Commission has stated that providing net benefits to the utility's customers is a way to address the general concern that a transaction could harm customers. *In the Matter of a Legal Standard for Approval of Mergers*, Order No. 01-778 at 10-11. In addition to finding a net benefit to the utility's customers, the Commission must also find that the proposed transaction will not impose a detriment on Oregon citizens as a whole. *Id.* at 10. The potential benefits and harms of the transaction are weighed against the utility as currently configured. *In the Matter of MidAmerican Energy Holdings Company*, Order No. 06-082 at 3. The Commission does not consider hypothetical alternative transactions. *In the Matter of Oregon Electric Utility Company, LLC*, Order No. 05-114 at 16.

MDU Resources believes that its proposed acquisition of Cascade will not expose Cascade's customers to any risk of harm. As discussed in more detail in the testimony of MDU Resources witness Donald R. Ball, MDU Resources makes a number of commitments to formalize this assurance. The proposed acquisition will not harm Cascade's customers, and MDU Resources submits that the proposed acquisition will bring benefits to Cascade's customers. The proposed transaction will produce the following benefits for Cascade's customers:

- Cascade will benefit from the financial strength of MDU Resources;

- MDU Resources will consolidate corporate and administrative functions, achieve operational efficiencies, and improve purchasing power which should lead to prices that are lower than they otherwise would have been without the merger;

- MDU Resources commits to the continuation of specific customer benefits, including conservation benefits, performance standards backed by penalties, and assistance to low-income customers, as well as the investigation and implementation of other cost effective conservation, demand-side management and low income assistance programs;

- MDU Resources will introduce its best utility practices to Cascade;

- Apart from the improvements identified above, Cascade will continue to operate in much the same way as it does today;

- MDU Resources will maintain and enhance Cascade's commitment to its employees and the communities it serves, and;

- MDU Resources has committed to a number of conditions that will protect Cascade's customers from the risks of MDU Resources' other businesses.

1. Continuity of business

MDU Resources intends to operate Cascade in much the same way as it is currently being operated. MDU Resources is committed to maintaining adequate staffing and presence in Oregon and Washington. The Commission will continue to exercise the same degree of regulatory oversight over Cascade as it does today, and will continue to have access to Cascade's books, records, and employees. MDU Resources recognizes and values the positive relationships that Cascade has built with its regulators and is committed to maintaining them. The Commission's continued regulatory oversight over Cascade, and its ability to regulate transactions between Cascade and its affiliates, ensures that customers will suffer no harm from the merger. This issue is discussed in the testimony of MDU Resources witness Donald R. Ball, and is further addressed by the commitments included in his Exhibit 401.

2. Financial strength

MDU Resources believes that Cascade will benefit from its acquisition by MDU Resources in that it will have greater access to capital on more competitive terms than Cascade would as a stand-alone company. These benefits flow from both the increased security resulting from being part of a large, financially stable enterprise as well as from having a single shareholder that can invest in the business when needed. This issue is discussed in the testimony of MDU Resources witness John F. Renner.

3. Conditions to protect Cascade's customers

MDU Resources is committing to a number of conditions that will ensure that Cascade's customers are not exposed to the risks of MDU Resources' other businesses. These include positioning Cascade as a first-tier subsidiary of MDU Resources (which will ring fence Cascade from the risks associated with the operations of MDU Resources' unregulated operations in Centennial Energy Holdings, Inc.), a commitment to maintain separate credit ratings, guaranteeing the Commission's ability to audit accounting records, a commitment not to cross-subsidize between regulated and non-regulated businesses, a commitment to corporate and affiliate cost allocation methodologies reviewable by the Commission, a commitment that MDU Resources will not pledge the assets of Cascade, a commitment that Cascade will not loan money to or invest in MDU Resources or its other subsidiaries, and a commitment to exclude the acquisition premium from the utility accounts of Cascade for ratemaking purposes and to not request rate recovery of the transaction costs associated with the acquisition. These commitments are discussed in the testimony of MDU Resources witnesses John F. Renner and Donald R. Ball, and are included in Mr. Ball's Exhibit 401.

4. Introduction of best utility practices

The natural gas distribution operations of Montana-Dakota and Great Plains resemble those of Cascade in many respects in that they all serve a mixture of residential, commercial, and transportation service customers in primarily mid- and small-size communities in multiple states in areas of relatively low population density. Through its many years of operating Montana-Dakota and, more recently, Great Plains, MDU Resources has developed practices that may, in some circumstances, be more advanced or efficient than Cascade's, and especially suited to Cascade's service territory. MDU Resources is committed to sharing such best practices with Cascade to enhance customer service and to enhance the efficiency of Cascade's operations, thereby potentially lowering operating and administrative expenses and mitigating future cost increases.

For example, MDU Resources has deployed mobile dispatching, by which Montana-Dakota customers have toll-free access to a 24 hour per day, 7 days per week Customer Call and Emergency Services Center to place routine and emergency utility service requests. A Dispatch Center, located in this facility, in turn transmits electronic service orders to the mobile terminals placed in the fleet of service and construction vehicles. This network provides rapid response to customer requests and emergency situations. The mobile services system is interfaced with the Customer Information System and, as the orders are worked and completed, they are returned electronically and customer service history data is updated daily to provide more efficient processing as well as more timely information available to customer service representatives.

Also, both MDU Resources and Cascade are in need of upgraded customer information systems. The process of reviewing, purchasing, and installing a system can be accomplished more efficiently on a combined basis with the costs spread over a larger organization at a lower cost per customer.

MDU Resources also anticipates that Cascade employees will be given the option to participate in MDU Resources' health care program – which currently has 6,000 participants – which may also provide opportunities for lower costs for Cascade's operation through participation in a larger organization.

MDU Resources also offers a number of non-utility services, including an appliance repair and protection program, home and health security monitoring, pipeline installation, and gas management services. MDU Resources will explore the introduction and enhancement of such services to Cascade's service area, to bring the benefit of additional services or additional competitive providers and to help allocate certain costs away from the regulated operations, while being sensitive to the concerns of cross-subsidization and competitive issues that may arise in this context. This issue is discussed in the testimony of MDU Resources witness Bruce T. Imsdahl.

5. Customer service benefits

In Docket UG 167, Cascade agreed to introduce a new Service Quality Measure ("SQM") backed by monetary penalties. Order No. 06-191 at 3. Cascade also agreed to contribute certain revenues for public purposes, including conservation and assistance to low-income customers for bill-paying and weatherization. *Id.* The SQM is in effect for 10 years and the public purpose contributions are part and parcel of the tariff that implements Cascade's Conservation Alliance Plan.

MDU Resources stands behind Cascade's commitments and is itself committed to providing excellent customer service and cost-effective assistance to all customers, including low-income customers that may require additional assistance. MDU Resources is committed to investigating and implementing additional conservation and demand-side management programs that can be delivered in a cost-effective manner. MDU Resources is also willing to explore

additional programs to assist low-income customers, to establish beyond doubt that the proposed transaction will benefit Cascade's customers. This issue is discussed in the testimony of MDU Resources witness Donald R. Ball.

MDU Resources is also aware of various reliability issues in Central Oregon arising from customer growth on that part of the system. MDU Resources has included a specific commitment to meet with the Commission Staff and other interested parties to provide an update regarding the status of the operational and reliability issues.

6. Combination of corporate functions

Given that the service territories of MDU Resources' current utility businesses and Cascade are not in contiguous states, MDU Resources does not believe that there are many operational synergies that would lead to a reduction in Cascade's operating expenses. There are two areas, however, that MDU Resources has identified for potential cost savings. Because this merger involves two public companies, MDU Resources believes that it can reduce overall costs through the combination of certain corporate functions, such as: certain officer positions, director expenses, shareholder services and investor relations, audit fees, legal services, securities compliance and corporate governance. MDU Resources also believes there are opportunities for efficiencies through the combination of administrative and support functions with those of its existing operations, such as customer information and work management systems. MDU Resources hopes to achieve cost savings in these corporate, administrative and support areas where two independent companies would have overlap or duplication as stand-alone entities.

Given the early stage of this transaction, the limited access that MDU Resources will have to Cascade's business prior to the closing and the fact that many of the consolidations will occur over a period of time, MDU Resources is

unable to determine or quantify the amount of potential cost savings that may reasonably be achieved. In addition, MDU Resources will allocate a portion of its expenses to Cascade for the provision of these services, pursuant to an inter-company services agreement, which will offset some of these cost savings. Nevertheless, it is MDU Resources' expectation that the combination of certain corporate functions will lead to expenses for Cascade that are lower than they otherwise would be if Cascade was a stand-alone company. This issue is discussed in the testimony of MDU Resources witness John F. Renner.

7. Commitment to communities and employees

MDU Resources will continue and enhance Cascade's contributions and commitment to the communities and states it serves. MDU Resources will maintain Cascade's operational headquarters in Washington. MDU Resources also commits to maintain Cascade's current level of charitable contributions in Oregon and Washington. Some of these contributions may be made directly by Cascade. In addition, qualified entities in Oregon and Washington will be eligible to apply for grants from the MDU Resources Foundation, which made $1.2 million in donations and contributions in 2005 to qualified charities and organizations located within the communities that MDU Resources' businesses serve. The Foundation's level of grants is expected to total nearly $1.8 million in 2006. The Foundation also provides scholarships to deserving students of employees of MDU Resources' business units and the utility divisions annually make grants to qualified 501(c)(3) organizations for environmental improvement projects in the service areas of the utility divisions.

MDU Resources' commitment extends to Cascade's employees. MDU Resources intends to honor all existing agreements with Cascade employees and to work to maintain and expand constructive relationships with labor unions representing Cascade's employees, including safety and training initiatives.

MDU Resources contracts with the Great Place to Work® Institute and surveys the employees of each of its business units every other year to measure and work to improve the employees experience in the workplace. MDU Resources has not experienced a union work stoppage in over thirty years, since 1975. MDU Resources places a particular emphasis on employee safety. During the last five years, Montana-Dakota's and Great Plains' average OSHA recordable injury frequency rate has been 3.8 while the national average for the gas and electric distribution industry has been 4.6.

VI. OTHER INFORMATION REQUIRED BY COMMISSION RULE

A. Capital Structure – OAR 860-027-0200(2)

Set forth in Appendix 3 is a description of Cascade's existing capital structure as of June 30, 2006. MDU Resources does not expect Cascade's capital structure twelve (12) months after the proposed transaction is completed to be materially different, although MDU Resources anticipates using a slightly more conservative debt-to-equity ratio for Cascade than is currently being used. Cascade will have its own long-term and short-term debt and MDU anticipates the debt-to-equity ratio will be approximately 50/50.

B. Bond Ratings – OAR 860-027-0200(3)

MDU Resources does not expect any adverse effect on the credit ratings and debt costs of Cascade as a result of this acquisition. MDU Resources expects to maintain separate credit ratings for Cascade. Indeed, as discussed above, MDU Resources anticipates that the impact of the transaction on the credit ratings and debt costs of Cascade will be positive.

C. Affiliated Interests and Organization Structure – OAR 860-027-0200(4)

A description of existing and planned non-utility businesses which will become affiliated interests of Cascade under ORS 757.015 if the merger is

completed, and a description of the organizational structure under which MDU Resources intends to operate its businesses, is contained in the testimony and exhibits of MDU Resources witness Bruce T. Imsdahl. Securities regulations prohibit MDU Resources from disclosing information regarding future business acquisitions beyond its stated strategy of growing its existing lines of business including acquisitions in its areas of core competencies.

D. Allocations – OAR 860-027-0200(5)

Applicant expects that the only corporate overhead, common costs that will be allocated to Cascade will relate to corporate, administrative and support services. The method by which such costs will be allocated between MDU Resources' utility and non-utility businesses is described in the testimony of MDU Resources witness John F. Renner.

E. Planned Changes – OAR 860-027-0200(6)

MDU Resources has not yet identified specific plans for any changes that would have a significant impact on the policies, management, operations, or rates of Cascade except as related in the testimony of MDU Resources witness Bruce T. Imsdahl. The composition of the Board will reflect the new ownership. A president will be appointed with responsibility to direct and oversee Cascade's business. This president will report to Bruce T. Imsdahl who will serve as Cascades chief executive officer and a member of its board of directors.

F. Asset Disposition – OAR 860-027-0200(7)

MDU Resources has no plans to sell, exchange, pledge, or otherwise transfer any of Cascade's operational assets being acquired in the proposed transaction. Any sale of Cascade's utility jurisdictional assets would be subject to Commission approval pursuant to ORS 757.480.

G. Affiliated Interests – OAR 860-027-0200(8)

Other than as described above in connection with MDU Resources' commitment concerning shared corporate services (addressed by MDU Resources witness John F. Renner), MDU Resources is not aware of any existing or proposed affiliated interest contracts between MDU Resources, or any of its subsidiaries, and Cascade.

VII. DESCRIPTION OF THE FILING

This Application is supported by testimony from the following witnesses:

- **Bruce T. Imsdahl**, President and CEO of Montana-Dakota and Great Plains, will describe MDU Resources and its business platforms, with a specific focus on its utility businesses; describe the transaction; explain the reasons for MDU Resources' proposed purchase of Cascade; demonstrate that the transaction will benefit Cascade's customers, employees, and communities; and describe Cascade's operations once the transaction is completed.

- **David W. Stevens**, President and CEO of Cascade, will testify about the events leading up to the transaction, and will describe why the transaction is in the best interests of Cascade's customers, employees and other stakeholders.

- **John F. Renner**, Executive Vice President, Finance and Chief Accounting Officer of Montana-Dakota and Great Plains, will provide details regarding MDU Resources' corporate structure, Cascade's place within that structure, MDU Resources' capital structure, the financial and accounting aspects of the transaction, some of the financial and structural commitments being offered by MDU Resources, and the "ring fencing" protections MDU Resources will employ. Mr. Renner will also testify about the provision of common services for Cascade, the methodology for allocating costs for such services, and the implications and benefits for Cascade's customers.

- **Donald R. Ball**, Vice President – Regulatory Affairs of Montana-Dakota and Great Plains, will provide evidence that the transaction is in the public interest and will sponsor commitments to ensure there will be no harm to customers or the public generally. He will also provide testimony regarding the similarities between Cascade and MDU Resources' existing utility operations at Montana-Dakota and Great Plains, and the experience of Montana-Dakota and Great Plains as regulated utilities operated as divisions of MDU Resources. He will

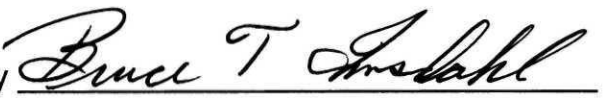
also sponsor some of the regulatory commitments being offered by MDU Resources.

VIII. CONCLUSION

MDU Resources looks forward to being a responsible and committed owner of Cascade for many years to come. MDU Resources believes that its acquisition of Cascade will bring benefits to Cascade's Oregon customers and the public generally. MDU Resources has made 29 commitments designed to ensure that Cascade's customers are not harmed by, and will benefit from, this acquisition. MDU Resources looks forward to bringing its knowledge and experience in operating similar utilities to bear upon Cascade's operations to enhance the quality and efficiency of the service provided to Cascade's customers. Cascade and its customers will benefit from being a part of a larger, financially secure enterprise. Cascade's customers will also benefit from the acquisition through enhanced service, and through rates, over the long term, being lower than they otherwise would be if Cascade remains a stand-alone entity.

For these reasons, MDU Resources Group, Inc. respectfully requests that the Commission grant its Application for authority to acquire the power to exercise substantial influence over the policies and actions of Cascade Natural Gas Corporation.

DATED: November 7, 2006.

By 

Bruce T. Imsdahl
President and Chief Executive Officer
Montana-Dakota Utilities Co. and
Great Plains Natural Gas. Co.
On Behalf of MDU Resources Group, Inc.

LIST OF APPENDICES

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AGREEMENT AND PLAN OF MERGER

BY AND AMONG

MDU RESOURCES GROUP, INC.

FIREMOON ACQUISITION, INC.

AND

CASCADE NATURAL GAS CORPORATION

DATED AS OF JULY 8, 2006

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger, is made and entered into as of July 8, 2006 (this "***Agreement***"), by and among MDU RESOURCES GROUP, INC., a Delaware corporation ("***Buyer***"), FIREMOON ACQUISITION, INC., a Washington corporation and a wholly-owned subsidiary of Buyer ("***Merger Sub***"), and CASCADE NATURAL GAS CORPORATION, a Washington corporation (the "***Company***").

W I T N E S S E T H:

WHEREAS, the parties desire that Merger Sub be merged with and into the Company (the "***Merger***") pursuant to which the Company will become a wholly-owned Subsidiary of Buyer; and

WHEREAS, the respective Boards of Directors of Buyer, Merger Sub and the Company have approved this Agreement and the Merger.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I
THE MERGER

Section 1.1 The Merger. Upon the terms and subject to the conditions hereof, and in accordance with the Washington Business Corporation Act (the "***WBCA***"), Merger Sub will be merged with and into the Company at the Effective Time. Following the Effective Time, the separate corporate existence of Merger Sub will cease and the Company will continue as the surviving corporation (the "***Surviving Corporation***") and will succeed to and assume all the rights and obligations of Merger Sub and the Company in accordance with the WBCA.

Section 1.2 Closing. The closing of the Merger will take place at 9:00 a.m. on a date mutually agreed to by Buyer and the Company, which will be no later than the business day after satisfaction or waiver of the conditions set forth in Article VII (the "***Closing Date***"), at the offices of Preston Gates & Ellis LLP, Seattle, Washington, unless another date, time or place is agreed to in writing by Buyer and the Company.

Section 1.3 Effective Time. The Merger will become effective (the "***Effective Time***") upon the later of (a) the date of filing of properly executed Articles of Merger (the "***Articles of Merger***") relating to the Merger with the Secretary of State of Washington in accordance with the WBCA, and (b) at such other time as Buyer and the Company agree and set forth in the Articles of Merger.

Section 1.4 Effects of the Merger. The Merger will have the effects set forth in this Agreement and in the WBCA.

Section 1.5 Articles of Incorporation and Bylaws; Officers and Directors.

(a) The Articles of Incorporation of the Company, as in effect immediately prior to the Effective Time, will be the Articles of Incorporation of the Surviving Corporation until thereafter changed or amended as provided therein and by applicable law.

(b) The bylaws of the Company, as in effect immediately prior to the Effective Time, will be the bylaws of the Surviving Corporation until thereafter changed or amended as provided by the Surviving Corporation's Articles of Incorporation, bylaws and by applicable law.

(c) The directors and officers of Merger Sub immediately prior to the Effective Time will be the directors and officers of the Surviving Corporation, until their respective successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Articles of Incorporation and bylaws and by applicable law.

ARTICLE II
EFFECT OF THE MERGER; CONVERSION OF SHARES

Section 2.1 Effect on Company Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of any of Buyer or the Company or the holders of any securities thereof:

(a) Cancellation of Certain Shares. Each share of Common Stock, $1.00 par value per share, of the Company ("***Company Common Stock***,") that (i) has been reacquired by the Company and is held as authorized but unissued Company Common Stock, (ii) is owned by any Subsidiary of the Company or (iii) is owned by Buyer or any Subsidiary of Buyer, will automatically be cancelled and retired and will cease to exist, and no consideration will be delivered in exchange therefor. "***Subsidiary***" of any Person means another Person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its Board of Directors or other governing body (or, if there are no such voting interests, greater than 50% of the equity interests of which) is owned directly or indirectly by such first Person.

(b) Conversion of Company Common Shares. Each share of Company Common Stock issued and outstanding, including Company Stock Options deemed exercised pursuant to Section 2.2, (but not Dissenting Shares and shares of Company Common Stock to be cancelled in accordance with Section 2.1(a)) (the "***Company Common Shares***") will be converted into the right to receive $26.50 in cash, without interest (the "***Merger Consideration***") on the terms set forth in this Agreement. All such Company Common Shares, when so converted, will no longer be outstanding and will automatically be cancelled and retired, and each holder of a certificate representing any such Company Common Shares will cease to have any rights with respect thereto, except the right to receive Merger Consideration without interest upon the surrender of the proper documentary evidence to the Paying Agent in accordance with Section 2.4(c).

Section 2.2 Effect on Company Options and Other Company Securities; Suspension of DRIP and Employee Savings Plans.

(a) Immediately prior to the Effective Time, contingent on consummation of the Closing, each outstanding option to purchase Company Common Stock (a "***Company Stock Option***") that is outstanding immediately prior to the Effective Time pursuant to the Company's 1998 Stock Incentive Plan (including the Company's 2000 Director Stock Award Plan (the "***Director Stock Plan***")) (collectively, the "***Company Option Plan***") that is not vested, will immediately vest and become exercisable by the holder. If this Agreement is terminated, all Company Stock Options that were otherwise unvested will revert to their original status. The Company will exercise reasonable efforts to cause all holders of Company Stock Options to either exercise such options or irrevocably waive his or her rights to do so. At the Effective Time, each Company Stock Option with respect to which the holder has delivered to the Company a proper exercise notice will be considered exercised. The Common Stock issuable in respect of such exercise will be deemed issued without the necessity of issuing a stock certificate and will be treated as Company Common Shares in the Merger. The Paying Agent, on Buyer's behalf, will deduct the exercise price payable in connection with the exercise of Company Stock Options from the Merger Consideration otherwise payable in respect of the Company Common Shares deemed issued in respect of the exercised option; it will not be necessary for holders of Company Stock Options to tender the exercise price. Any Company Stock Options with respect to which the Payment Agent has not received notice of exercise before termination of the Payment Fund will be cancelled.

(b) At the Effective Time, all remaining restrictions with respect to shares of Company restricted stock issued pursuant to the Company Option Plan (the "***Company Restricted Shares***") will expire and all of the Company Restricted Shares will be fully vested and will be treated as Company Common Shares in the Merger, *provided, however*, that the amount payable by the Paying Agent in respect of such Company Common Shares shall be reduced by all applicable federal, state and local Taxes required to be withheld by the Company or otherwise with respect thereto.

(c) Prior to the record date for the Company Shareholders Meeting, the Company will take such actions and enter into such agreements to cause (i) all outstanding Stock Units (as defined in the Director Stock Plan) (the "***Company Stock Units***") to be cancelled and (ii) to be issued to each holder of Company Stock Units a number of Company Common Shares equal to number of Company Stock Units such Person holds, which will be treated as Company Common Shares in the Merger, in each case to be effective immediately prior to the Effective Time.

(d) Prior to the Effective Time, the Company will cause the Company's Automatic Dividend Reinvestment Plan (the "***Company DRIP***") and all rights thereunder to be suspended immediately following the Investment Date (as defined in the Company DRIP) ending immediately prior to the Effective Time, with the effect of such suspension being that no offering period will commence or continue under such plan during the period of such suspension.

(e) Prior to the Effective Time, the Company will cause the Company's Employee Retirement Savings Plan (2002 Restatement) (the "***Company Employee Savings Plan***" and,

collectively with the Company Option Plan and the Company DRIP, the "***Company Stock Plans***"), to be amended to suspend investments in Qualifying Employer Securities (as defined therein) effective as of the last business day prior to the Effective Time.

Section 2.3 Conversion of Merger Sub Common Shares. Each share of common stock, no par value, of Merger Sub issued and outstanding immediately prior to the Effective Time will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and exchangeable for one (1) share of common stock of the Surviving Corporation and each certificate evidencing ownership of any shares of common stock of Merger Sub shall evidence ownership of the same number of shares of common stock of the Surviving Corporation.

Section 2.4 Payment Procedures.

(a) Payment Agent; Payment Fund. Not less than five business days prior to the Effective Time, Buyer will authorize a banking or other financial institution selected by Buyer and reasonably satisfactory to the Company to act as Payment Agent hereunder (the "***Payment Agent***") with respect to the Merger. At or prior to the Effective Time, Buyer will deposit, or will cause to be deposited, with the Payment Agent, for the benefit of the holders of Company Common Shares, for exchange in accordance with this Article II, the aggregate Merger Consideration payable in connection with the Merger (the "***Payment Fund***"). Such funds shall be invested by the Payment Agent as directed by the Surviving Corporation, provided that such investments shall be in obligations of or guaranteed by the United States of America or any agency or instrumentality thereof, in commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Services, Inc. or Standard & Poor's Corporation, respectively, or in certificates of deposits, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $500,000,000; provided however that (i) none of the foregoing will affect Buyer's obligation to pay the Merger Consideration as set forth in this Section 2.4 and (ii) Buyer and the Surviving Corporation will promptly replace any losses relating to the aggregate Merger Consideration. Any net profit resulting from, or interest or income produced by, such investments will be payable to Buyer. The Payment Agent will, pursuant to irrevocable instructions of the Buyer, deliver the applicable Merger Consideration pursuant to this Article II out of the Payment Fund. At or prior to the Effective Time, the Company will provide to the Payment Agent a certified ledger setting forth the names and amounts held by the holders of all Company Stock Options. The Payment Fund will not be used for any purpose other than as set forth in this Section 2.4(a).

(b) Instructions. Promptly after the Effective Time, the Surviving Corporation will cause the Payment Agent to mail to each holder of record of Company Common Shares (i) a letter of transmittal (which will specify that delivery will be effected, and risk of loss and title to the Certificates will pass, only upon delivery of the Certificates to the Payment Agent and will be in a form and have such other provisions as Buyer may specify and that are acceptable to the Company) and (ii) instructions for use in effecting the surrender of the Certificates and shares that are held in book-entry form ("***Book-Entry Shares***") in exchange for the consideration contemplated hereby, if not previously surrendered. "***Certificate***" means a stock certificate representing the applicable holder's Company Common Shares or, in the case of Company Stock

Options exercised for Company Common Shares pursuant to Section 2.2, the holder's applicable stock option agreement together with the proper executed exercise notice.

(c) Procedures. Upon surrender of a Certificate for cancellation to the Payment Agent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Payment Agent, the holder of such Certificate or Book-Entry Shares will be entitled to receive in exchange therefor the Merger Consideration that such holder has the right to receive in respect of the Certificate or Book-Entry Shares surrendered pursuant to the provisions of this Article II, after giving effect to any required withholding Tax. In the event of a transfer of ownership of Company Common Shares that is not registered in the Company's transfer records, a check for the Merger Consideration to be paid pursuant to this Section 2.4, if applicable, may be issued to such a transferee if such Certificate or Book-Entry Shares are properly endorsed (as applicable) or otherwise be in proper form for transfer and the transferee will pay any transfer or other Taxes required by reason of the payment to any person, employee, individual, corporation, limited liability company, partnership, trust, or any other non-governmental entity (including any foreign entity) or any governmental or regulatory authority or body (including any foreign entity) (each a "***Person***"), other than the registered holder of such Certificate or Book-Entry Shares, or establish to the satisfaction of the Surviving Corporation that such Tax has been paid or is not applicable.

(d) Tax Withholding. Each of the Surviving Corporation, Buyer, Merger Sub and the Payment Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement (without duplication) such amounts as it is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "***Code***") or under any provision of state, local or foreign Tax law and to pay such amounts to the applicable taxing authority. To the extent that amounts are so withheld by the Surviving Corporation, Buyer, Merger Sub or the Payment Agent, as the case may be, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made. "***Tax***" means: (i) any federal, state, local or foreign net income, gross income, gross receipts, windfall profit, severance, property, production, sales, use, license, excise, franchise, employment, payroll, estimated, withholding, alternative or add-on minimum, ad valorem, value-added, transfer, stamp, or environmental (including taxes under Section 59A of the Code) tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any governmental authority and (ii) any liability in respect of any items described in clause (i) payable by reason of contract, assumption, transferee liability, operation of law, Treasury Regulation 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under law) or otherwise.

(e) No Further Ownership Rights in Shares. All Merger Consideration paid upon the surrender of Certificates in accordance with the terms of this Article II will be deemed to have been issued in full satisfaction of all rights pertaining to the Company Common Shares theretofore represented by such Certificates or Book-Entry Shares. At the Effective Time, the Company's stock transfer books will be closed, and there will be no further registration of transfers on the stock transfer books of the Surviving Corporation of the Company Common

Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Payment Agent for any reason, they will be cancelled as provided in this Article II.

(f) Termination of Payment Fund. Any portion of the Payment Fund (including the proceeds of any investments thereof) which remains undistributed to the holders of Company Common Shares for 12 months after the Effective Time may be delivered to Buyer upon its demand, and any holder of Company Common Shares who has not theretofore exchanged such holder's Certificate(s) or Book-Entry Shares in accordance with this Article II and the instructions set forth in the letter of transmittal mailed to such holders after the Effective Time will thereafter look only to Buyer or its agent (subject to abandoned property, escheat or other similar laws) for payment of their Merger Consideration deliverable in respect of each Company Common Share such shareholder holds as determined pursuant to this Agreement.

(g) No Liability. None of Buyer, the Surviving Corporation, the Company or the Payment Agent will be liable to any Person in respect of any amount properly delivered or deliverable to a public official pursuant to any applicable abandoned property, escheat or other similar law.

Section 2.5 Dissenting Shares. Shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (but not Company Common Shares deemed issued for exercised Company Stock Options pursuant to Section 2.2) that are held by a holder who (a) has not voted such shares in favor of the adoption of this Agreement and the Merger, (b) is entitled to, and who has, properly demanded and perfected dissenter's rights for such Company Common Shares in accordance with the WBCA and (c) has not effectively withdrawn or forfeited such dissenter's rights prior to the Effective Time (the "***Dissenting Shares***"), will not be converted into a right to receive Merger Consideration at the Effective Time. If, after the Effective Time, such holder fails to perfect or withdraws, forfeits or otherwise loses such holder's dissenter's rights, (i) such Company Common Shares will be treated as if they had been converted as of the Effective Time pursuant to Section 2.1(b), without any interest therefor, and (ii) the procedures in Section 2.4 will apply with respect to the payment of Merger Consideration with regard to such Company Common Shares. The Company will give Buyer prompt notice of any written notice received by the Company for dissenter's rights with respect to Company Common Shares, and Buyer will have the right to participate in all negotiations and proceedings with respect to such demands. The Company will not, except with the prior written consent of Buyer, make any payment with respect to, or settle or offer to settle, any such demands.

Section 2.6 Lost Certificates. If any Certificate has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation or the Payment Agent, the posting by such Person of a bond, in such reasonable amount as Surviving Corporation or the Payment Agent may direct as indemnity against any claim that may be made against them with respect to such Certificate, the Payment Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration in respect thereof pursuant to this Agreement.

Section 2.7 Adjustment of Merger Consideration. In the event that the Company changes, or establishes a record date for changing, the number of shares of Company Common Stock issued and outstanding as a result of a stock split, stock dividend, recapitalization, subdivision, reclassification, combination or similar transaction and the record date therefor is or will be prior to the Effective Time, the Merger Consideration will be appropriately, equitably and proportionately adjusted in light of such stock split, stock dividend, recapitalization, subdivision, reclassification, combination or similar transaction.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Buyer, except as set forth in the Company Disclosure Schedules dated as of the date hereof (the "***Company Disclosure Schedules***"), and except as disclosed in the documents (excluding any exhibits or portions thereof) filed with or furnished to the Securities and Exchange Commission (the "***SEC***") by the Company and publicly available on the Electronic Data Gathering, Analysis and Retrieval System prior to the date of this Agreement (the "***Company Filed SEC Documents***") (it being understood that any matter set forth in the Company Filed SEC Documents will be deemed to qualify any representation or warranty in this Article III only to the extent that the description of such matter in the Company Filed SEC Documents is made in such a way as to make its relevance to the information called for by such representation or warranty readily apparent), as follows:

Section 3.1 Organization. The Company is validly existing under the laws of the State of Washington and has all requisite power and authority to carry on its businesses as now being conducted, except where the failure to be so existing or to have such power and authority would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company is duly qualified or licensed to do business and in good standing (as applicable) in each jurisdiction in which the nature of its businesses or the ownership or leasing of its properties makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing (as applicable) would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company has made available to Buyer complete and correct copies of its Articles of Incorporation and bylaws. "***Company Material Adverse Effect***" means any event, effect, change or development that, individually or in the aggregate with other events, effects, changes or developments (i) is, or would reasonably be expected to be, material and adverse to the financial condition, business, assets, liabilities (contingent or otherwise), operations or results of operations of the Company and its Subsidiaries taken as a whole or (ii) has, or would reasonably be expected to have, a material and adverse effect on the ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated hereby by the End Date; provided, however, that to the extent any event, effect, change or development is caused by or results from any of the following, in each case, it will not be taken into account in determining whether there has been (or would reasonably be expected to be) a Company Material Adverse Effect: (A) general economic, legal or regulatory conditions affecting the gas utility industry as a whole, except to the extent the Company and its Subsidiaries, taken as a whole, are materially and adversely affected in a disproportionate manner as compared to comparable gas utilities; (B) the

announcement of the execution of this Agreement; (C) any failure by the Company to meet any revenue or earnings predictions prepared by the Company or revenue or earnings predictions of equity analysts or the receipt by the Company or any of its Subsidiaries of any credit ratings downgrade (it being understood that the facts or occurrences giving rise or contributing to any such effect, event, change or development which affect or otherwise relate to or result from the failure to meet revenue or earnings predictions prepared by the Company or revenue or earnings predictions of equity analysts or to the receipt of any credit ratings downgrade may be deemed to constitute, or be taken into account in determining whether there has been, or would reasonably be expected to be, a Company Material Adverse Effect); (D) changes in laws, rules or regulations of any Governmental Entity affecting the energy market as a whole except to the extent the Company and its Subsidiaries, taken as a whole, are materially and adversely affected in a disproportionate manner as compared to comparable participants in the energy market; (E) any orders or decisions by the Washington Utilities and Transportation Commission (the "***WUTC***") or Oregon Public Utility Commission (the "***OPUC***") regarding the Company or the transactions contemplated hereby; (F) any change in generally accepted accounting principles ("***GAAP***") by the Financial Accounting Standards Board, the SEC or any other regulatory body; (G) any change in the price of the Company Common Shares (it being understood that the facts or occurrences giving rise or contributing to any such change in the price of the Company Common Shares may be deemed to constitute, or be taken into account in determining whether there has been, or would reasonably be expected to be, a Company Material Adverse Effect); (H) any outbreak or escalation of hostilities, terrorism or war (whether or not declared), or the declaration by the United States of a national emergency or war or the occurrence of any other calamity or crisis or natural disaster, in each case that does not directly affect the assets or properties of, or communities served by, the Company and its Subsidiaries, taken as a whole; (I) the effects of weather or other meteorological events; or (J) the compliance of any party hereto with the terms of this Agreement.

Section 3.2 Subsidiaries.

(a) Section 3.2(a) of the Company Disclosure Schedules lists each Subsidiary of the Company and its jurisdiction of organization. No Subsidiary of the Company is a Significant Subsidiary. "***Significant Subsidiary***" of any Person means a Subsidiary of such Person that would constitute a "significant subsidiary" of such Person within the meaning of Rule 1.02(w) of Regulation S-X as promulgated by the SEC.

(b) All of the outstanding Capital Stock of each Subsidiary of the Company is owned by the Company, by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company. Except for the Capital Stock of its Subsidiaries, the Company does not own, directly or indirectly, any Capital Stock of any corporation, partnership, joint venture, limited liability company or other entity. Neither the Company nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar written or oral agreement, undertaking, contract, commitment, lease, license, permit, franchise, concession, deed of trust, contract, note, bond, mortgage, indenture, arrangement or other instrument or obligation ("***Contract***"). "***Capital Stock***" means, as applicable any capital stock of a corporation or any other equity interest

(including preferred interests) in any Person including any equity interest (including preferred interests) in any partnership, limited liability company or limited liability partnership.

Section 3.3 Capital Structure.

(a) The authorized Capital Stock of the Company consists of 15,000,000 shares of Company Common Stock, 96,560 shares of 55 cents Cumulative Preferred Stock, no par value ("***Company Cumulative Preferred Stock***"), and 1,000,000 shares of preferred stock, $1.00 par value per share ("***Company Preferred Stock***"). At the close of business on June 30, 2006, (i) 11,498,571 shares of Company Common Stock (which includes 5,000 Company Restricted Shares for which restrictions have not lapsed) were issued and outstanding, (ii) 3,501,429 shares of Company Common Stock were held by the Company as authorized but unissued Company Common Stock, (iii) 326,730 shares of Company Common Stock were reserved for issuance pursuant to the Company Option Plan (including 33,000 shares of Company Common Stock reserved for issuance pursuant to outstanding Company Stock Options and 14,750 shares of Company Common Stock reserved for issuance pursuant to outstanding Long-Term Incentive Award Agreements), (iv) 22,112 shares of Company Common Stock were reserved for issuance pursuant to the Director Stock Plan (including 10,702.8352 shares of Common Stock reserved for issuance pursuant to outstanding Company Stock Units), (v) 170,113 shares of Company Common Stock were reserved for issuance pursuant to the Company Employee Savings Plan, (vi) 113,834 shares of Company Common Stock were reserved for issuance pursuant to the Company DRIP, (vii) 2,027,054 shares of Company Common Stock were reserved for issuance for other matters (including 2,012,300 shares reserved for issuance pursuant to a previously anticipated offering that the Company has since abandoned) and (viii) no shares of Company Cumulative Preferred Stock or Company Preferred Stock were outstanding. As of the close of business on the date of this Agreement, except as set forth above, no shares of Company Common Stock or shares of Company Cumulative Preferred Stock or Company Preferred Stock are issued, reserved for issuance or outstanding, and there are no phantom stock or other contractual rights the value of which is determined in whole or in part by the value of any Capital Stock of the Company ("***Company Stock Equivalents***"). There are no outstanding stock appreciation rights with respect to the Capital Stock of the Company. Each outstanding share of Company Common Stock is, and each share of Company Common Stock which may be issued pursuant to the Company Stock Plans and any awards thereunder will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no outstanding bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matter on which the Company's shareholders may vote ("***Company Voting Debt***").

(b) As of the date of this Agreement, other than as contemplated by Section 3.3(a), there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company is a party or by which it is bound obligating the Company to issue, deliver or sell or create, or cause to be issued, delivered or sold or created, additional Capital Stock, Company Stock Options, Company Voting Debt or other securities or Company Stock Equivalents of Company or obligating the Company to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. As of the date of this Agreement, there are no outstanding contractual obligations of the Company to repurchase, redeem or otherwise acquire any Capital Stock of the Company.

There are no outstanding agreements to which the Company, or to its Knowledge any of its officers or directors, is a party concerning the voting of any Capital Stock of the Company.

Section 3.4 Authority. On or prior to the date of this Agreement, the Board of Directors of the Company unanimously approved this Agreement, declared this Agreement and the Merger advisable and in the best interest of the Company and its shareholders, resolved to recommend the approval of this Agreement by the Company's shareholders, directed that this Agreement be submitted to the Company's shareholders for approval and adoption (all in accordance with the WBCA) and approved the other agreements to be entered into by the Company as contemplated hereby. The Company has all requisite corporate power and authority to execute and deliver this Agreement and, subject to the satisfaction of the conditions set forth in Sections 7.1 and 7.2, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject to the satisfaction of the conditions set forth in Sections 7.1 and 7.2. This Agreement has been, and any agreements contemplated herein to which the Company is or will be a party will be, duly executed and delivered by the Company and (assuming the valid authorization, execution and delivery hereof and thereof by Buyer and the other Persons party thereto) constitutes, or upon execution will constitute, the valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

Section 3.5 Consents and Approvals; No Violations.

(a) Except for filings, permits, authorizations, consents and approvals contemplated by Section 3.5(b), neither the execution, delivery or performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby will (i) subject to the receipt of Company Shareholder Approval, conflict with or result in any breach of any provision of the Company's Articles of Incorporation or bylaws, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, guaranteed payment, loss of rights, cancellation or acceleration) under any of the terms, conditions or provisions of any material Contract to which the Company is a party or by which it or any of its properties or assets may be bound or any material Company Permit, (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its properties or assets or (iv) result in the creation of any material pledges, liens and security interests of any kind or nature whatsoever ("***Liens***") upon any of the properties or assets of the Company, except in the case of clauses (ii) through (iv) for such matters that would not, individually or in the aggregate, have a Company Material Adverse Effect.

(b) No filing or registration with, or authorization, consent or approval of, any Governmental Entity (other than filings, registrations, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, have a Company Material Adverse Effect or, after giving effect to the Merger, on Buyer) is required by or with respect to the Company in connection with the execution and delivery of this Agreement by the

Company or is necessary for the consummation by the Company of the Merger and the other transactions contemplated by this Agreement, except (i) receipt from the WUTC of approvals and orders, as applicable, pertaining to the Merger (excluding any approvals or orders relating to the Rate Case, the "***WUTC Approval***"), (ii) receipt from the OPUC of approvals and orders, as applicable, pertaining to the Merger (the "***OPUC Approval***"), (iii) in connection, or in compliance, with the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "***HSR Act***"), (iv) the filing of the Articles of Merger with the Secretary of State of Washington, and appropriate documents with the similar relevant authorities of other states in which the Company is qualified to do business, (v) as may be required by state takeover laws and foreign or supranational laws relating to antitrust and competition clearances disclosed on Section 3.5(b) of the Company Disclosure Schedules, (vi) such filings as may be required in connection with the Taxes described in Section 6.6, (vii) as may be required under the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder (the "***Securities Act***") or the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder (the "***Exchange Act***") and (viii) such other filings, registrations, authorizations, consents and approvals as set forth on Section 3.5(b) of the Company Disclosure Schedules (collectively, whether or not legally required to be made or obtained, the "***Company Required Statutory Approvals***"). References to "obtained" with respect to Company Required Statutory Approvals will include the making of all filings and registrations and the giving of all applicable notices. "***Governmental Entity***" means any federal, state, local or foreign government or any court, tribunal, administrative agency or commission or other governmental or other regulatory authority or agency, domestic, foreign or supranational.

Section 3.6 SEC Documents; Financial Statements; and Other Reports.

(a) The Company has timely filed with or furnished to the SEC the documents required to be filed or furnished by it since December 31, 2001 under the Securities Act or the Exchange Act. As of their respective filing or furnishing dates, the Company Filed SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, each as in effect on the date so filed or furnished, and at the time filed with the SEC, none of the Company Filed SEC Documents so filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The consolidated financial statements of the Company included in the Company Filed SEC Documents complied as of their respective dates in all material respects with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP (except in the case of the unaudited statements, as permitted by Form 10-Q under the Exchange Act) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and their consolidated cash flows for the periods then ended all in accordance with GAAP (subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein that were not or are not expected to be, individually or in the aggregate, materially adverse to the Company).

(b) (i) The Company has filed with the WUTC and the OPUC or the appropriate public utilities commission, as the case may be, all material documents required to be filed by it under applicable state public utility laws and regulations, and (ii) all such documents complied, as of the date so filed or, if amended, as of the date of the last amendment prior to the date hereof, in all material respects with all applicable requirements of the applicable statute and rules and regulations thereunder, except for filings the failure of which to make, or the failure of which to make in compliance with all applicable requirements of the applicable statute and the rules and regulations thereunder, individually or in the aggregate, have not had and could not reasonably be expected to have a Company Material Adverse Effect.

Section 3.7 Absence of Material Adverse Effect. Between September 30, 2005 and the date hereof the Company has conducted its business in all material respects only in the ordinary course, and there has not been (i) any Company Material Adverse Effect, (ii) any declaration, setting aside or payment of any dividend or other distributions with respect to its Capital Stock (other than (a) regular quarterly cash dividends paid by the Company on Company Common Stock with usual record and payment dates and consistent with the Company's past dividend policy and (b) material dividends and distributions by a direct or indirect Subsidiary of the Company to its parent or another Subsidiary of the Company), (iii) any split, combination or reclassification of any of its Capital Stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its Capital Stock, (iv) any change in accounting methods, principles or practices by the Company, (v) any material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company, whether or not covered by insurance or (vi) any increase in the compensation payable or that could become payable by the Company to officers or key employees or any amendment of any of the Benefit Plans of the Company other than increases or amendments in the ordinary course. "***Benefit Plan***" means any bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, restricted stock, phantom stock, stock appreciation or other equity-based compensation, retirement, vacation, severance, disability, death benefit, hospitalization, medical, dental, vision care, life insurance or other plan, program or arrangement providing compensation or benefits to or in respect of any current or former employee, officer or director of the Company or Buyer, as the case may be, or any of their respective Subsidiaries.

Section 3.8 Information Supplied. None of the information supplied or to be supplied by the Company specifically for inclusion or incorporation by reference in the proxy statement (together with any amendments or supplements thereto, the "***Proxy Statement***") relating to the Company Shareholders Meeting to be filed by the Company with the SEC, will, at the time it is first mailed to the shareholders of the Company and at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. No representation or warranty is made by the Company with respect to statements made or incorporated by reference in the Proxy Statement based on information supplied by Buyer or any of its representatives specifically for inclusion or incorporation by reference therein.

Section 3.9 Compliance with Laws; Permits.

(a) The business of the Company is not being and has not been conducted in material violation of any law, ordinance or regulation of any Governmental Entity, except for violations that would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company is in possession of all franchises, authorizations, licenses, permits, easements, exceptions, consents, certificates, approvals and orders of any Governmental Entity necessary for the Company to own, lease and operate its properties or to carry on its business as it is now being conducted (the "***Company Permits***"), except where the failure to have any of the Company Permits would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company has not received notice of any suspension or cancellation of any of the Company Permits, except where such suspension or cancellation would not, individually or in the aggregate, have a Company Material Adverse Effect. Notwithstanding the foregoing, no representation or warranty is made in this Section 3.9(a) with respect to Environmental Laws, which are covered exclusively by Section 3.14.

(b) The Company is in compliance in all material respects with (i) the applicable provisions of the Sarbanes-Oxley Act of 2002 and the related rules and regulations promulgated thereunder or under the Exchange Act (the "***Sarbanes-Oxley Act***") and (ii) the applicable listing and corporate governance rules and regulations of the New York Stock Exchange, Inc. Except as permitted by the Exchange Act, including Sections 13(k)(2) and (3), since the enactment of the Sarbanes-Oxley Act, neither the Company nor any of its Affiliates has made, arranged or modified (in any material way) personal loans to any executive officer or director of the Company. "***Affiliate***" has the meaning as defined in Rule 12b-2 under the Exchange Act.

(c) Each of the principal executive officer of the Company and the principal financial officer of the Company (or each former principal executive officer of the Company and each former principal financial officer of the Company) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act or Sections 302 and 906 of the Sarbanes-Oxley Act and the rules and regulations of the SEC promulgated thereunder with respect to Company Filed SEC Documents. For purposes of the preceding sentence, "principal executive officer" and "principal financial officer" have the meanings given to such terms in the Sarbanes-Oxley Act.

(d) The Company has (i) designed disclosure controls and procedures to ensure that material information relating to it and its consolidated Subsidiaries is made known to its management by others within those entities and (ii) to the extent required by applicable laws, disclosed, based on its most recent evaluation, to its auditors and the audit committee of its Board of Directors (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect its ability to record, process, summarize and report financial information and (B) to the Knowledge of the Company, any fraud, whether or not material, that involves management or other employees who have a significant role in its internal control over financial reporting. "***Knowledge***" means the actual knowledge of the Persons set forth on Section 1.1(a) of the Company Disclosure Schedules, in the case of the Company, and the actual knowledge of the Persons set forth on Section 1.1(a) of the Buyer Disclosure Schedules, in the case of Buyer.

(e) Through the date hereof the Company has delivered to Buyer copies of any written notifications it has received since December 31, 2002 of a (i) "reportable condition" or (ii) "material weakness" in the Company's internal controls. For purposes of this Agreement, the terms "reportable condition" and "material weakness" have the meanings assigned to them in the Statements of Auditing Standards No. 60, as in effect on the date hereof.

(f) Section 3.9(f) of the Company Disclosure Schedules lists any Off-Balance Sheet Arrangements of the Company. "***Off-Balance Sheet Arrangement***" has the meaning given to "off-balance sheet arrangement" in Section 303(a) of Regulation S-K of the SEC.

(g) Section 3.9(g) of the Company Disclosure Schedules contains a description of all non-audit services performed by the Company's auditors for the Company and its Subsidiaries for the fiscal year ended September 30, 2005 and the fees paid for such services. All such non-audit services, and any non-audit services performed by the Company's auditors for the Company and its Subsidiaries since September 30, 2005, have been approved as required by Section 202 of the Sarbanes-Oxley Act.

Section 3.10 Tax Matters.

(a) (i) The Company, each Subsidiary of the Company and each Company Group has timely filed all Tax Returns required to be filed, except where the failure to timely file would not, individually or in the aggregate, have a Company Material Adverse Effect, (ii) all such Tax Returns are true, correct and complete and disclose all Company Material Taxes required to be paid by the Company, each Subsidiary of the Company and each Company Group for the periods covered thereby, except where the failure to be true, correct and complete or to disclose all Company Material Taxes would not, individually or in the aggregate, have a Company Material Adverse Effect, (iii) none of the Company, any Subsidiary of the Company or any Company Group is currently the beneficiary of any extension of time within which to file any Tax Return, (iv) all Taxes (whether or not shown on any Tax Return) due and payable by the Company, any Subsidiary of the Company or any Company Group have been timely paid, except where the failure to timely pay would not, individually or in the aggregate, have a Company Material Adverse Effect, (v) neither the Company nor any Subsidiary of the Company has waived or been requested in writing to waive any statute of limitations in respect of Company Material Taxes which waiver is currently in effect, (vi) the Tax Returns referred to in clause (i) have been examined by the appropriate taxing authority or the period for assessment of the Taxes in respect of which each such Tax Return was required to be filed (taking into account all applicable extensions and waivers) has expired, (vii) there is no action, suit, proceeding, audit, claim or assessment pending, and to the Knowledge of the Company there is no action, suit, proceeding, inquiry, investigation, audit, claim or assessment proposed in writing or threatened in writing with respect to Taxes of the Company, any Subsidiary of the Company or any Company Group, except for such actions, suits, proceedings, audits, claims or assessments that would not singularly or in the aggregate have a Company Material Adverse Effect, (viii) all deficiencies asserted or assessments made as a result of any examination of any Tax Returns required to be filed by the Company, any Subsidiary of the Company or any Company Group have been paid in full or finally settled, (ix) there are no Liens for Taxes upon the assets of the Company or any Subsidiary of the Company except Liens relating to current Taxes not yet due or except to the extent such Liens would not, individually or in the aggregate, have a Company Material Adverse

Effect, (x) all material Taxes which the Company or any Subsidiary of the Company are required by law to withhold have been duly withheld and paid to the appropriate tax authorities, (xi) to the Knowledge of the Company, neither the Company nor any Subsidiary of the Company has any material liability for Taxes of another Person under Treasury Regulation §1.1502-6 (or any similar provision of state, local or foreign law), (xii) to the extent the Company, any Subsidiary of the Company or any Affiliate thereof has participated in a transaction that is a "reportable transaction" within the meaning of Section 6707A(c)(1) of the Code, information with respect to such transaction has been adequately disclosed to the Internal Revenue Service ("***IRS***") in compliance with applicable reporting requirements and (xiii) neither the Company nor any Subsidiary of the Company has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (with the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement. For purposes of the representations and warranties contained in this Section 3.10(a), references to the Company or any Subsidiary of the Company includes, except where the context requires otherwise, any predecessor thereof. "***Company Group***" means (a) any "affiliated group" (as defined in Section 1504(a) of the Code without regard to the exceptions set forth in Section 1504(b) of the Code) that, at any time on or before the Closing Date, includes or included the Company (or any predecessor), any Subsidiary of the Company (or any predecessor) or any combination thereof or that, at any time on or before the Closing Date, has or had the Company (or any predecessor) or any Subsidiary of the Company (or any predecessor) as the common parent corporation, and (b) any other group of entities that, at any time on or before the Closing Date, files or has filed, or is or has been required to file, Tax Returns on a combined, consolidated or unitary basis and includes or included the Company (or any predecessor), any Subsidiary of the Company (or any predecessor) or any combination thereof or that, at any time on or before the Closing Date, files or has filed or is, or has been required to file, Tax Returns on a combined, consolidated or unitary basis and has or had the Company (or any predecessor) or any Subsidiary of the Company (or any predecessor) as the common parent corporation.

(b) No transaction contemplated by this Agreement is subject to withholding under Section 1445 of the Code.

(c) Neither the Company nor any Subsidiary of the Company is a party to any indemnification, allocation or sharing agreement with respect to Taxes that could give rise to a material payment or indemnification obligation (other than agreements among the Company and its Subsidiaries and other than customary Tax indemnifications contained in credit or other commercial lending agreements).

(d) Each of the Company and its Subsidiaries and their respective successors will not be required to include any item of income in, exclude any item of deduction from, or otherwise adjust, taxable income for any taxable period ending after the Closing Date as a result of any: (i) change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date; (ii) agreement by the Company or any Subsidiary with a tax authority relating to Taxes executed on or prior to the Closing Date; (iii) installment sale or open transaction

disposition or intercompany transaction made or deemed to be made on or prior to the Closing Date; (iv) the completed contract method of accounting or other method of accounting applicable to long-term contracts (or any comparable provisions of state, local or foreign law); (v) prepaid amount received on or prior to the Closing Date; or (vi) other Tax positions, elections or methods taken, made, or used by the Company or any of its Subsidiaries having the effect of either deferring taxable income to taxable periods or portions thereof ending after the Closing Date or accelerating deductions to taxable periods or portions or thereof ending on or prior to the Closing Date.

(e) None of the Company or any of its Subsidiaries has received written notice from any governmental entity in a jurisdiction in which such entity does not file a Tax Return stating that such entity is or may be subject to taxation by that jurisdiction.

(f) Neither Company nor any of the Subsidiaries is party to any agreement, contract or arrangement or plan that resulted or will result, separately or in the aggregate in the payment of any amount that is not deductible pursuant to Code section 404 or 162 (or any corresponding provision of state, local or foreign Tax law).

(g) "***Tax Return***" means any return, report or similar document filed or required to be filed with respect to any Tax (including any attached schedules), including any information return, claim for refund, amended return or declaration of estimated Tax. "***Company Material Taxes***" means (i) federal income Taxes imposed on the Company, any Subsidiary of the Company or any Company Group, (ii) material state income Taxes imposed on the Company, any Subsidiary of the Company or any Company Group and (iii) material foreign Taxes imposed on the Company, any Subsidiary of the Company or any Company Group (including, in the case of each reference to the Company or any Subsidiary of the Company, any predecessor thereof).

Section 3.11 Litigation. There is no suit, action, order or proceeding pending, and to the Knowledge of the Company no suit, action, order, proceeding or investigation is threatened, against the Company that would, individually or in the aggregate, have a Company Material Adverse Effect. The Company is not subject to any outstanding judgment, order, writ, injunction or decree that would, individually or in the aggregate, have a Company Material Adverse Effect. Notwithstanding the foregoing, no representation or warranty is made in this Section 3.11 with respect to Environmental Laws, which are covered exclusively by Section 3.14.

Section 3.12 Benefit Plans.

(a) Section 3.12(a) of the Company Disclosure Schedules sets forth a true and complete list of each Benefit Plan (including each Benefit Plan maintained as of the date of this Agreement which is also an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) or which is also an "employee welfare benefit plan" (as defined in Section 3(1) of ERISA) (an "***ERISA Benefit Plan***")) maintained by the Company. Except as required by law, the Company has not adopted or amended in any material respect any Benefit Plan since the date of the most recent audited financial statements included in the Company Filed SEC Documents. As of the date of this Agreement (i) none of the Company or any trade or business which is treated as a single employer ("***ERISA Affiliate***") with the Company under Section 414(b), (c),

(m) or (o) of the Code contributes to any ERISA Benefit Plan that is a "multiemployer plan" (as defined in Section 3(37) of the Employee Retirement Income Security Act of 1974, as amended, together with the rules and regulations promulgated thereunder ("***ERISA***")) or maintains any ERISA Benefit Plan that is subject to Title IV of ERISA or Section 412 of the Code, (ii) there exists no material Contract, commitment, understanding, plan, policy or arrangement of any kind, whether written or oral, with or for the benefit of any current or former officer, director, employee or consultant, including each employment, compensation, deferred compensation, severance, pension, supplemental pension, life insurance, termination or consulting Contract or arrangement and any Contracts or arrangements associated with a change in control between the Company and any current or former employee, officer, director or consultant of the Company ("***Compensation Commitments***") and (iii) neither the Company nor any ERISA Affiliate maintains or contributes to any Benefit Plan or employ any employees outside of the United States.

(b) With respect to each Benefit Plan listed on Section 3.12(a) of the Company Disclosure Schedules, correct and complete copies, where applicable, of the following documents have been made available to Buyer: (i) all Benefit Plan documents and amendments, trust agreements and insurance and annuity contracts and policies, (ii) the most recent IRS determination letter or opinion letter if the Benefit Plan is intended to satisfy the requirements for Tax favored treatment pursuant to Sections 401-417 or 501(c)(9) of the Code, (iii) the Annual Reports (Form 5500 Series) and accompanying schedules, as filed, for the three most recently completed plan years, (iv) any discrimination or coverage tests performed during the last two plan years and (v) the current summary plan description. True and complete copies of all written Compensation Commitments and of all related insurance and annuity policies and contracts and other documents with respect to each Compensation Commitment have been made available to Buyer. Section 3.12(b) of the Company Disclosure Schedules contains a true and complete description of all material oral Compensation Commitments.

(c) Each Benefit Plan listed on Section 3.12(a) of the Company Disclosure Schedules which is intended to be a Benefit Plan that is intended to be qualified and exempt from federal income Taxes under Sections 401(a) and 501(a) of the Code (a "***Qualified Plan***") has received a favorable determination letter from the IRS that such plan is so qualified under the Code (or an application for such letter has been or will be submitted to the IRS within the applicable remedial amendment period) or has been established pursuant to a prototype plan that has received a favorable opinion letter from the IRS, and no circumstance exists which, might cause such plan to cease being so qualified except for any circumstance that would not, individually or in the aggregate, have a Company Material Adverse Effect. Each Benefit Plan listed on Section 3.12(a) of the Company Disclosure Schedules complies and has been maintained in all respects with its terms and all requirements of law and regulations applicable thereto, and there has been no notice issued by any Governmental Entity questioning or challenging such compliance, except for any circumstance that would not, individually or in the aggregate, have a Company Material Adverse Effect. Neither the Company nor any ERISA Affiliate has taken any action within the 12-month period ending on the date hereof to take corrective action or make a filing under any voluntary correction program of the IRS, Department of Labor or any other Governmental Entity with respect to any Benefit Plan or Compensation Commitment, and neither the Company nor any ERISA Affiliate has any Knowledge of any plan defect which would qualify for correction

under any such program, except for any action, filing or plan defect that would not, individually or in the aggregate, have a Company Material Adverse Effect. There is no dispute, arbitration, grievance, action, suit or claim (other than routine claims for benefits) pending or, to the Knowledge of the Company, threatened involving such Benefit Plans or the assets of such plans that would, individually or in the aggregate, have a Company Material Adverse Effect. Neither the Company nor any ERISA Affiliate has any obligation under any welfare plans or otherwise to provide health or death benefits to or in respect of former employees of the Company, except as specifically required by the continuation requirements of Part 6 of Title I of ERISA or applicable state law. No plan or arrangement disclosed on Section 3.12(c) of the Company Disclosure Schedules that provides health or death benefits to or in respect of former employees of the Company or an ERISA Affiliate contains provisions that by their terms prohibit the Company or an ERISA Affiliate from amending or terminating such plan or arrangement at any time without the consent of any other Person and without incurring liability thereunder other than in respect of claims incurred prior to such amendment or termination. Neither the Company nor any ERISA Affiliate has, directly or indirectly, any liability (i) on account of any violation of the health care requirements of Part 6 of Title I of ERISA or Section 4980B of the Code, (ii) under Section 406, Section 502(c), Section 502(i) or Section 502(l) of ERISA or Section 4975 of the Code, (iii) under Section 302 of ERISA or Section 412 of the Code, (iv) under Sections 511, 4971, 4972, 4976, 4977, 4978, 4979, 4979A, 4980B or 5000 of the Code or (v) under Title IV of ERISA that would, individually or in the aggregate, have a Company Material Adverse Effect.

(d) Neither the Company nor any ERISA Affiliate has, within the 12-month period ending on the date hereof, incurred and does not expect to incur any material withdrawal liability with respect to a "multiemployer plan" (within the meaning of Section 3(3) of ERISA) (a "***Multiemployer Plan***") (regardless of whether based on contributions of an ERISA Affiliate of the Company). No notice of a "reportable event," within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived or extended, has been required to be filed for any pension plan or by any ERISA Affiliate of the Company within the 12-month period ending on the date hereof or will be required to be filed in connection with the transactions contemplated by this Agreement.

(e) All contributions or premiums required to be paid under the terms of any Benefit Plan maintained by the Company, collective bargaining agreement or by any applicable laws as of the date hereof have been timely made or have been reflected on the most recent consolidated balance sheet filed or incorporated by reference in the Company Filed SEC Documents. No Benefit Plan maintained by the Company that is subject to Section 412 of the Code or Section 302 of ERISA has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or Section 302 of ERISA and the Company does not have an outstanding funding waiver. The Company has not provided, and is not required to provide, security to any Benefit Plan pursuant to Section 401(a)(29) of the Code.

(f) Under each Benefit Plan maintained by the Company which is a single-employer plan (as defined in Section 4001(a)(15) of ERISA), as of the last day of the most recent plan year ended prior to the date hereof, the actuarially determined present value of all "benefit liabilities," within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions contained in the Benefit Plan's most recent actuarial valuation), did not exceed the

then current value of the assets of such Benefit Plan by more than $16,000,000 as of the date hereof, and there has been no material adverse effect in the financial condition of such Benefit Plan since the last day of the most recent plan year.

(g) None of the execution and delivery of this Agreement, approval of this Agreement, or consummation of the transactions contemplated by this Agreement will: (i) entitle any employees of the Company to severance pay or any increase in severance pay upon termination of employment, (ii) accelerate the time of payment or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the Benefit Plans or Compensation Commitments, (iii) result in any breach or violation of, or a default under, any of the Benefit Plans or Compensation Commitments or (iv) limit or restrict the right of the Company or, after the consummation of the transactions contemplated hereby, Buyer or any of its Subsidiaries to merge, amend or terminate any of the Benefit Plans maintained by the Company or Compensation Commitments.

(h) The Company is not a party to any agreement, plan or arrangement that, individually or considered collectively with such other agreements, plans or arrangements, could reasonably be expected to result in payments, in connection with the transactions contemplated by this Agreement, that would constitute a "parachute payment" to a "disqualified individual" as those terms are defined in Section 280G of the Code and the Treasury Regulations thereunder.

(i) To the extent applicable, each Benefit Plan has complied with the "secondary payor" requirements of Section 1862(b)(2) of the Social Security Act and Section 1860D-13(b)(6) of the Social Security Act.

(j) Neither the Company nor any ERISA Affiliates maintains, sponsors, or contributed to (or has at any time maintained, sponsored or contributed to, or been obligated to maintain, sponsor or contribute to): any welfare benefit fund within the meaning of Section 419 of the Code.

(k) The Company and each ERISA Affiliate are not subject to any legal, contractual, equitable, or other obligation to (1) establish as of any date any employee benefit plan of any nature, including, without limitation, any pension, profit sharing, welfare, post-retirement welfare, stock option, stock or cash award, non-qualified deferred compensation or executive compensation plan, policy or practice; or (2) continue any Benefit Plan listed hereunder or otherwise (or to continue their participation in any such Benefit Plan) after the Closing Date; The Company may, in any manner, subject to the limitations imposed by applicable law or any applicable collective bargaining agreement, and without the consent of any employee, beneficiary or other Person, prospectively terminate, modify or amend any Benefit Plan, whether or not listed hereunder (or its participation in any such Benefit Plan) effective as of any date; and has made no representations or communications (directly or indirectly, orally, in writing or otherwise) with respect to participation, eligibility for benefits, vesting, benefit accrual coverage or other material terms of any Benefit Plan prior to the Closing Date to any employee, beneficiary or other Person other than any such representations or communications which are in accordance with the terms and provisions of each such Benefit Plan as in effect immediately prior to the Closing Date.

(l) Any "nonqualified deferred compensation plan" (within the meaning of Section 409A of the Code) to which the Company is a party has at all times since the effective date of Section 409A of the Code, complied in operation with the requirements of Section 409A of the Code as set forth in regulatory guidance available as of the Closing Date, except for any circumstance that would not, individually or in the aggregate, have a Company Material Adverse Effect.

Section 3.13 Labor Matters.

(a) The Company has complied with all applicable requirements of law which relate to prices, wages, hours, discrimination in employment and collective bargaining and to the operation of its business and is not liable for any arrears of wages or any withholding Taxes or penalties for failure to comply with any of the foregoing, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company. The collective bargaining agreements and labor Contracts to which the Company is a party, and all union organizing activities related to the Company of which the Company has Knowledge, are set forth on Section 3.13 of the Company Disclosure Schedules. The Company has not engaged in any unfair labor practice with respect to any Persons employed by or otherwise performing services primarily for the Company (the "***Company Business Personnel***"), and the Company has not received written notice of any unfair labor practice charge or complaint against the Company by the National Labor Relations Board or any comparable state agency pending or threatened in writing with respect to Company Business Personnel, except, in each case, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company.

(b) There is (i) no labor strike, dispute, slowdown or stoppage pending, or to the Knowledge of the Company threatened against or affecting the Company, that could interfere with the respective business activities of the Company, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company and (ii) no pending, or to the Knowledge of the Company threatened, employee or governmental claim or investigation regarding employment matters, including any charges to the Equal Employment Opportunity Commission or state employment practice agency or investigations regarding Fair Labor Standards Act or similar state law or other wage and hour compliance, or audits by the Office of Federal Contractor Compliance Programs, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company.

Section 3.14 Environmental Matters. Except for matters that would not, individually or in the aggregate, have a Company Material Adverse Effect:

(a) the Company has materially complied at all times with all applicable Environmental Laws and all Company Permits issued pursuant to Environmental Laws;

(b) the Company has not received any notice, demand, letter, claim or request for information alleging that the Company is or may be in violation of or subject to liability under any Environmental Law (including claims of exposure, personal injury or property damage); and

(c) the Company is not party to any proceeding, or subject to any order, decree, injunction, indemnity or other agreement with any Governmental Entity or any third party resolving or relating to violations of or liability under any Environmental Law or liability with respect to Hazardous Substances.

(d) "***Environmental Law***" means any federal, state, local or foreign statute, law, regulation, order, decree, permit, authorization, common law or agency requirement relating to: (i) the protection, investigation or restoration of the environment, health, safety or natural resources, (ii) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance or radioactive material or (iii) noise, odor, indoor air, employee exposure, wetlands, pollution, contamination or any injury or threat of injury to persons or property relating to any Hazardous Substance or nuclear and radioactive materials. "***Hazardous Substance***" means any substance of a type or quantity which would reasonably be expected to require remediation pursuant to any Environmental Law that is (A) any petroleum product or by-product, asbestos-containing material, lead-containing paint, polychlorinated biphenyls or radioactive material or (B) any other substance which is regulated by or for which liability or standards of care are imposed by any Environmental Law.

Section 3.15 Regulation as a Utility. The Company is regulated as a public utility by the States of Washington and Oregon and by no other state. Except as set forth above, neither the Company nor any "subsidiary company" or "affiliate" of the Company is subject to regulation as a public utility or public service company (or similar designation) by any other state in the United States or any foreign country. The Company is a "gas utility company" as defined by the Public Utility Holding Company Act of 2005 ("***PUHCA 2005***").

Section 3.16 Title to Properties. The Company has good title in and to each material parcel of real property owned in fee by the Company, subject to no Liens that would, individually or in the aggregate, have a Company Material Adverse Effect or materially impair the Company's rights to or ability to use any such property. Section 3.16 of the Company Disclosure Schedules lists all Contracts pursuant to which the Company leases real property.

Section 3.17 Regulatory Proceedings. Section 3.17 of the Company Disclosure Schedules sets forth each rate proceeding pending before a Governmental Entity with respect to rates charged by the Company. Other than fuel adjustment or purchase gas adjustment or similar adjusting rate mechanisms, the Company (a) does not have rates in any amounts that have been or are being collected subject to refund, pending final resolution of any rate proceeding pending before a Governmental Entity or on appeal to a court or (b) is not a party to any Contract with any Governmental Entity entered into other than in the ordinary course consistent with past practice imposing conditions on rates or services in effect as of the date hereof or which, to the Knowledge of the Company, are as of the date hereof scheduled to go into effect at a later time, except in each case as would not, individually or in the aggregate, have a Company Material Adverse Effect. No representation or warranty with respect to the Company Permits is made by this Section 3.17.

Section 3.18 Hedging Transactions. Section 3.18 of the Company Disclosure Schedules sets forth all agreements or arrangements which are related to hedges, forwards, derivatives or similar transactions (collectively "***Hedging Transactions***") to which the Company is a party as of the date noted on such Company Disclosure Schedules.

Section 3.19 Intellectual Property. The Company owns or has a valid right to use all patents, trademarks, trade names, service marks, domain names, copyrights, and any applications and registrations therefor, technology, trade secrets, know-how, computer software and tangible and intangible proprietary information and materials (collectively, "***Intellectual Property Rights***") used in connection with the business of the Company except as would not, individually or in the aggregate, have a Company Material Adverse Effect. No Person has notified the Company that its use of such Intellectual Property Rights infringes, misappropriates or violates any rights of any third party except where such infringement, misappropriation or violation would not, individually or in the aggregate, have a Company Material Adverse Effect. To the Company's Knowledge, no third party infringes, misappropriates or violates any Intellectual Property Rights owned or exclusively licensed by or to the Company, except where such infringement, misappropriation or violation would not, individually or in the aggregate, have a Company Material Adverse Effect.

Section 3.20 Required Vote of the Company Shareholders. The affirmative vote of the holders of two-thirds of the issued and outstanding shares of Company Common Stock (the "***Company Shareholder Approval***") is the only vote of the holders of any class or series of the Company's Capital Stock necessary to approve this Agreement and the transactions contemplated by this Agreement.

Section 3.21 State Takeover Statutes. Assuming Buyer does not beneficially own 10% or more of the Company Common Stock on the date hereof, the action of the Board of Directors of the Company in approving the Merger, this Agreement and the transactions contemplated by this Agreement is sufficient to render inapplicable to Buyer, the Merger and this Agreement the provisions of Section 23B.19 of the WBCA and Article XII of the Company's Articles of Incorporation.

Section 3.22 Brokers. No broker, investment banker, financial advisor or other Person, other than J.P. Morgan Securities Inc. ("***JPMorgan***"), the fees and expenses of which will be paid by the Company (and are reflected in an agreement between JPMorgan and the Company, complete copies of which have been furnished to Buyer), is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

Section 3.23 Material Contracts.

(a) As of the date hereof, the Company is not a party to or bound by any Contract that (i) is a "material contract" (as such term is defined in Section 601(b)(10) of Regulation S-K promulgated by the SEC) as to the Company, (ii) would, after giving effect to the Merger, limit or restrict the Surviving Corporation or any successor thereto, from engaging or competing in

any line of business or in any geographic area or that contains restrictions on pricing (including most favored nation provisions) or exclusivity or non-solicitation provisions with respect to customers, (iii) limits or otherwise restricts the ability of the Company to pay dividends or make distributions to its shareholders, (iv) provides for the operation or management of any operating assets of the Company by any Person other than the Company and its Subsidiaries or (v) is a material guarantee or contains a material guarantee by the Company of any indebtedness or other obligations of any Person (each Contract referred to in (i) – (v) is a "***Company Material Contract***").

(b) Each Company Material Contract is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms and, to the Company's Knowledge, each other party thereto, and is in full force and effect, and the Company has performed in all material respects all obligations required to be performed by it to the date hereof under each Company Material Contract and, to the Company's Knowledge, each other party to each Company Material Contract has performed in all material respects all obligations required to be performed by it under such Company Material Contract, except, in each case, as would not, individually or in the aggregate, have a Company Material Adverse Effect. The Company has not received notice of any violation of or default under (or any condition which with the passage of time or the giving of notice would cause such a violation of or default under) any Company Material Contract to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that would not, individually or in the aggregate, have a Company Material Adverse Effect or, after giving effect to the Merger, on Buyer. "***Company Indebtedness***" means (i) indebtedness for borrowed money of the Company, (ii) obligations of the Company evidenced by notes, bonds, debentures or other similar instruments or by letters of credit agreements, including purchase money obligations or other obligations relating to the deferred purchase price of property and (iii) direct or indirect guarantees by the Company of indebtedness for borrowed money of any Person.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER AND MERGER SUB

Buyer and Merger Sub hereby jointly and severally represent and warrant to the Company, other than as set forth in the Buyer Disclosure Schedules dated as of the date hereof (the "***Buyer Disclosure Schedules***") and except as disclosed in the documents (excluding any exhibits or portions thereof) filed with or furnished to the SEC by Buyer and publicly available on the Electronic Data Gathering, Analysis and Retrieval System prior to the date of this Agreement (the "***Buyer Filed SEC Documents***") (it being understood that any matter set forth in the Buyer Filed SEC Documents will be deemed to qualify any representation or warranty in this Article IV only to the extent that the description of such matter in the Buyer Filed SEC Documents is made in such a way as to make its relevance to the information called for by such representation or warranty readily apparent), as follows:

Section 4.1 Organization. Each of Buyer and Merger Sub is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority

would not, individually or in the aggregate, have a Buyer Material Adverse Effect. Buyer is duly qualified or licensed to do business and in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have a Buyer Material Adverse Effect. Buyer has delivered to the Company complete and correct copies of its Certificate of Incorporation and bylaws and the Articles of Incorporation and bylaws of Merger Sub. "***Buyer Material Adverse Effect***" means any event, effect, change or development that, individually or in the aggregate with other events, effects, changes or developments) has, or would reasonably be expected to have, a material and adverse effect on the ability of Buyer or Merger Sub to perform its obligations under this Agreement or to consummate the transactions contemplated hereby by the End Date. Merger Sub has been organized solely for the purpose of consummating the Merger and has conducted no business or engaged in any operations of any kind.

Section 4.2 Authority. On or prior to the date of this Agreement, the Board of Directors of each of Buyer and Merger Sub, and the sole shareholder of Merger Sub, approved the Merger and this Agreement. Each of Buyer and Merger Sub has all requisite corporate power and authority to execute and deliver this Agreement. Merger Sub has all requisite corporate power and authority to consummate the Merger. The execution, delivery and performance of this Agreement by Buyer and Merger Sub and the consummation by Merger Sub of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer and Merger Sub. This Agreement has been duly executed and delivered by Buyer and Merger Sub and (assuming the valid authorization, execution and delivery of this Agreement by the Company) constitutes the valid and binding obligation of Buyer and Merger Sub enforceable against them in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity.

Section 4.3 Consents and Approvals; No Violations.

(a) Except for filings, permits, authorizations, consents and approvals contemplated by Section 4.3(b) and as set forth on Section 4.3(a) of the Buyer Disclosure Schedules, neither the execution, delivery or performance of this Agreement by Buyer and Merger Sub nor the consummation by Buyer and Merger Sub of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or bylaws of Buyer or the Articles of Incorporation or bylaws of Merger Sub, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, guaranteed payment, loss of rights, cancellation or acceleration) under any of the terms, conditions or provisions of any Contract to which Buyer is a party or by which it or any of its properties or assets may be bound or any Buyer Permit, (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Buyer or Merger Sub or any of its properties or assets or (iv) result in the creation of any Lien upon any of the properties or assets of Buyer except in the case of clauses (ii) through (iv) for such matters that would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

(b) No filing or registration with, or authorization, consent or approval of, any Governmental Entity (other than filings, registrations, authorizations, consents and approvals the failure of which to make or obtain would not, individually or in the aggregate, have a Buyer Material Adverse Effect) is required by or with respect to Buyer in connection with the execution and delivery of this Agreement by Buyer and Merger Sub or is necessary for the consummation by Buyer and Merger Sub of the Merger and the other transactions contemplated by this Agreement, except (i) the WUTC Approval, (ii) the OPUC Approval, (iii) in connection, or in compliance, with the provisions of the HSR Act, (iv) the filing of the Articles of Merger with the Secretary of State of Washington and appropriate documents with the relevant authorities of other states in which Buyer or any of its Subsidiaries is qualified to do business, (v) as may be required by state takeover laws and foreign or supranational laws relating to antitrust and competition clearances disclosed on Section 4.3(b) of the Buyer Disclosure Schedules, (vi) such filings as may be required in connection with the Taxes described in Section 6.6, (vii) as may be required under the Exchange Act and (viii) such other filings, registrations, authorizations, consents and approvals as set forth on Section 4.3(b) of the Buyer Disclosure Schedules (collectively, whether or not legally required to be made or obtained, except for those items set forth on Section 4.3(b)(1) of the Buyer Disclosure Schedules, the "***Buyer Required Statutory Approvals***"). References to "obtained" with respect to Buyer Required Statutory Approvals will include the making of all filings and registrations and the giving of all applicable notices.

Section 4.4 Available Funds. Buyer has or will have available to it all funds necessary to deliver the Merger Consideration and satisfy all of its obligations hereunder.

Section 4.5 Information Supplied. None of the information supplied or to be supplied by Buyer specifically for inclusion or incorporation by reference in the Proxy Statement relating to the Company Shareholders Meeting will, at the time it is first mailed to the shareholders of the Company and at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 4.6 Ownership of Company Common Shares. None of Buyer or its Subsidiaries owns any shares of Company Common Stock.

Section 4.7 Brokers. No broker, investment banker, financial advisor or other Person, other than UBS Securities LLC (***"Buyer's Banker"***), the fees and expenses of which will be paid by Buyer, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

Section 4.8 SEC Documents and Other Reports.

(a) Buyer has timely filed with or furnished to the SEC all documents required to be filed or furnished by it since December 31, 2001 under the Securities Act or the Exchange Act. As of their respective filing or furnishing dates, the Buyer Filed SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case

may be, each as in effect on the date so filed or furnished, and at the time filed with the SEC, none of the Buyer Filed SEC Documents so filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The consolidated financial statements of Buyer included in the Buyer Filed SEC Documents complied as of their respective dates in all material respects with the then applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP (except in the case of the unaudited statements, as permitted by Form 10-Q under the Exchange Act) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and fairly present in all material respects the consolidated financial position of Buyer and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and their consolidated cash flows for the periods then ended all in accordance with GAAP (subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein that were not or are not expected to be, individually or in the aggregate, materially adverse to Buyer).

(b) The financial statements of each of the deconsolidated Subsidiaries of Buyer, if any, for each of the last three fiscal years fairly present in all material respects the financial position of such deconsolidated Subsidiary of Buyer as at the dates thereof and the results of their operations and their cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments and to any other adjustments described therein).

Section 4.9 Litigation. There is no suit, action, order or proceeding pending, and to the Knowledge of Buyer there is no suit, action, order, proceeding investigation threatened, against Buyer or any of its Subsidiaries that would, individually or in the aggregate, have a Buyer Material Adverse Effect. Neither Buyer nor any of its Subsidiaries is subject to any outstanding judgment, order, writ, injunction or decree that would, individually or in the aggregate, have a Buyer Material Adverse Effect.

ARTICLE V
COVENANTS RELATING TO CONDUCT OF BUSINESS

Section 5.1 Conduct of Business Pending the Merger.

(a) Conduct of Business by the Company Pending the Merger. During the period from the date of this Agreement until the Effective Time, except as expressly permitted by this Agreement or as set forth on Section 5.1(a) of the Company Disclosure Schedules or as Buyer otherwise agrees in writing, the Company will and will cause each of its Subsidiaries to carry on its business in the ordinary course consistent with past practice and, to the extent consistent therewith, use reasonable efforts to preserve its business organization intact, maintain in full force and effect the Company Permits and maintain its existing relations and goodwill with Governmental Entities, customers, suppliers, distributors, creditors, lessors, licensors, licensees, employees and business associates to the end that their goodwill and ongoing businesses will not

be impaired in any material respect at the Effective Time. Without limiting the generality of the foregoing, and except (i) as otherwise expressly permitted by this Agreement, (ii) as contemplated by the Confidential Evaluation Material, dated March 2006, previously provided by the Company to Buyer (the ***"CEM"***), except as otherwise set forth below in this Section 5.1(a), or (iii) as set forth on Section 5.1(a) of the Company Disclosure Schedules, during the period from the date of this Agreement to the Effective Time, the Company will not, and will not permit any of its Subsidiaries to, without the prior written consent of Buyer (which consent will not be unreasonably withheld or delayed), take any of the following actions:

(i) (A) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of its Capital Stock, other than (1) dividends and distributions by a direct or indirect Subsidiary of the Company to its parent and (2) regular quarterly cash dividends and distributions with respect to the Company Common Stock, not to exceed $0.24 per share of Company Common Stock per quarter, and otherwise in accordance with the Company's dividend policy as set forth on Section 5.1(a)(i)(A)(2) of the Company Disclosure Schedules (regardless of any assumptions regarding dividends set forth in the CEM), with record dates and payment dates consistent with the Company's past dividend practice, (B) split, combine or reclassify any of its Capital Stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for its Capital Stock or (C) purchase, redeem or otherwise acquire any Capital Stock of the Company or any of its Subsidiaries or any other securities thereof or any rights, warrants or options to acquire any Capital Stock or other securities thereof, other than purchases of shares of Company Common Stock for issuance to participants in the Company DRIP and the Company Employee Savings Plan;

(ii) issue, deliver, pledge, encumber, sell, dispose of or grant (A) any of its Capital Stock or any Capital Stock in any of its Subsidiaries, (B) any Company Voting Debt, Company Stock Equivalents or other voting securities, (C) any securities convertible into or exchangeable for, or any options, warrants or rights to acquire, any Capital Stock referred to in clause (A), Company Voting Debt, Company Stock Equivalents, voting securities or convertible or exchangeable securities or (D) any "phantom" stock, "phantom" stock rights, stock appreciation rights or stock-based performance units, other than (1) the issuance of Company Common Stock upon the exercise or conversion of awards made under the Company Stock Plans that are outstanding on the date of this Agreement and in accordance with their present terms, upon the exercise or conversion of awards granted under the Company Stock Plans awarded in accordance with Section 5.1(a)(ii)(D)(2) or pursuant to the terms of any Compensation Commitment as in effect on the date of this Agreement or as amended in accordance with or as permitted by this Agreement, (2) issuances by a direct or indirect Subsidiary of the Company of its Capital Stock to its parent, (3) the reissuance of shares of Company Common Stock that have been purchased in accordance with Section 5.1(a)(i)(C) pursuant to the Company DRIP and the Company Employee Savings Plan or (4) the annual issuance of 8,000 shares (in the aggregate) of Company Common Stock in accordance with Section 6.1 of the 2000 Director Stock Award Plan (as amended), as in effect on the date hereof.

(iii) amend the Company's Articles of Incorporation or bylaws;

(iv) (A) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or portion of the assets of, or by any other manner, any business or any corporation, partnership, joint venture, association or other business organization or division thereof, (B) acquire or agree to acquire any assets, other than in the ordinary course of business consistent with past practice or pursuant to capital expenditures made in accordance with Section 5.1(a)(ix) or (C) make any investment in the Capital Stock of, or other instrument convertible into or exchangeable for the Capital Stock of, any other Person (other than direct or indirect Subsidiaries of the Company that are direct or indirect Subsidiaries of the Company as of the date hereof);

(v) except to the extent required by applicable law or by the terms of any Benefit Plan maintained by the Company, Compensation Commitment or collective bargaining agreement in effect as of the date of this Agreement, (A) grant to any current or former employee, officer or director of the Company or any of its Subsidiaries any increase in compensation or benefits or new incentive compensation grants except in the ordinary course of business consistent with past practice (including annual salary and compensation increases in respect of any fiscal year regardless of when such increases were approved), provided that such compensation and benefits increases, in the aggregate, do not result in an increase of more than 5% when compared to the prior year (excluding the effect of increases due to actuarial assumptions), (B) grant to any current or former employee, officer or director of the Company or any of its Subsidiaries any increase in severance, pay to stay or termination pay except to the extent consistent with past practice and that, in the aggregate, does not result in a material increase in benefits or compensation expenses, (C) enter into or amend any Compensation Commitment with any such current or former employee, officer or director, (D) establish, adopt, enter into or amend in any material respect any collective bargaining agreement or Benefit Plan, except with respect to any Benefit Plan maintained by the Company that is a Qualified Plan, as may be required to facilitate or obtain a determination from the IRS that such Benefit Plan is a Qualified Plan or (E) take or permit to be taken any action to accelerate any rights or benefits or the funding thereof, or make or permit to be made any material determinations not in the ordinary course of business consistent with past practice, under any collective bargaining agreement, Benefit Plan or Compensation Commitment; provided, however, that notwithstanding anything in this Section 5.1(a)(v) to the contrary, the foregoing will not restrict the Company or its Subsidiaries from entering into or making available to newly hired officers, or employees hired to fill existing positions or up to ten newly created positions, or to officers or employees in the context of promotions based on job performance or workplace requirements in the ordinary course of business consistent with past practice, plans, agreements (except employment, severance or change of control agreements), benefits and compensation arrangements (excluding equity grants) that have, consistent with past practice, been made available to newly hired or promoted officers or employees;

(vi) make any material change in accounting methods, principles or practices except as required by GAAP, by regulatory authorities of competent jurisdiction or by law;

(vii) sell, lease (as lessor), license or otherwise dispose of or subject to any Lien (other than Liens as required by after acquired property covenants in Contracts evidencing Company Indebtedness and Liens created in connection with the refinancing of Company

Indebtedness in accordance with Section 5.1(a)(viii) that are no less favorable to the Company and its Subsidiaries than those Liens that were created in connection with the Company Indebtedness that is being refinanced) any properties or assets that are material, individually or in the aggregate, to the Company and its Subsidiaries, taken as a whole, other than sales of excess or obsolete assets in the ordinary course of business consistent with past practice;

(viii) except with respect to indebtedness incurred under the Company's Amended and Restated Loan Agreement, dated as of September 30, 2004, with U.S. Bank National Association and the Company's uncommitted line of credit with The Bank of New York in the ordinary course of business consistent with past practice (A) incur any indebtedness for borrowed money or guarantee any such indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or any of its Subsidiaries, guarantee any debt securities of another Person, enter into any "keep well" or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing, in each case, other than (1) in connection with any refinancing on commercially reasonable terms any borrowings of the Company or its Subsidiaries outstanding on the date hereof (or under any extensions or replacements thereof), including any revolving credit agreements or similar credit facilities and the Company's 8.50% medium term notes due October 2006, and (2) indebtedness incurred by any Subsidiary of the Company under any loan permitted by clause (B), or (B) make any loans, advances or capital contributions to, or investments in, any other Person, other than to or in the Company or any Subsidiary;

(ix) make or agree to make any capital expenditure or expenditures, other than (A) expenditures in accordance with Section 5.1(a)(ix) of the Company Disclosure Schedules, (B) expenditures contemplated in the CEM and (C) expenditures to the extent made or agreed to be made in order to ensure compliance with the rules and regulations or an order of the WUTC or OPUC or any other Governmental Entity or to ensure compliance with the terms of any Permit, in which case, to the extent permissible under applicable law, the Company will consult with Buyer prior to making or agreeing to make any such expenditure;

(x) engage in any activities not engaged in on the date hereof which would cause a change in the Company's status as a local distribution company under PUHCA 2005;

(xi) enter into any Contract for the purchase and/or sale of natural gas ("***Gas Supply Agreement***") other than any Gas Supply Agreement entered into in the ordinary course of business consistent with past practice unless the Company consults with Buyer regarding such Gas Supply Agreement and the Company has obtained the prior written consent of Buyer to such Gas Supply Agreement or such Gas Supply Agreement is fully compliant with criteria to which Buyer has previously given a generic consent, in each case, which consent will not be unreasonably withheld or delayed, it being understood that in such consultation process Buyer and the Company will comply with all applicable laws and any applicable confidentiality or similar third party agreement;

(xii) pay, discharge, settle, compromise or satisfy any material claims, liabilities, litigation or other obligations (absolute, accrued, asserted or unasserted, contingent or

otherwise), or waive, release or assign any such material rights or claims, other than the payment, discharge or satisfaction (A) in the ordinary and usual course of business consistent with past practice or (B) in accordance with their terms, with respect to liabilities or other obligations reserved against in the financial statements in the Company Filed SEC Documents (in amounts not to exceed such reserves).

(xiii) enter into any Hedging Transactions other than in the ordinary course of business consistent with past practice as set forth in Section 5.1(a)(xiii) of the Company Disclosure Schedule, provided, however, that all such Hedging Transactions (including those set forth in Section 5.1(a)(xiii) of the Company Disclosure Schedule) shall qualify for hedge accounting treatment under current accounting guidelines set forth in Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities";

(xiv) adopt a plan of complete or partial liquidation or a dissolution or resolutions providing for or authorizing such a liquidation or a dissolution, restructuring, recapitalization or reorganization;

(xv) commit or agree to take any of the foregoing actions; or

(xvi) (A) make any change (or file any such change) in any method of Tax accounting for a material amount of Taxes, (B) make, change or rescind any material Tax election with respect to the Company or any Subsidiary of the Company (except as required by law), (C) settle or compromise any material Tax liability or otherwise pay or consent to any material assessment as the result of an audit, (D) file any amended Tax Return involving a material amount of additional Taxes (except as required by law), (E) enter into any closing agreement relating to a material amount of Taxes, or (F) waive or extend the statute of limitations in respect of Taxes (other than pursuant to extensions of time to file Tax Returns obtained in the ordinary course of business), other than, in each case, in the ordinary course of business and consistent with past practice.

(b) Conduct of Business by Buyer Pending the Merger. During the period from the date of this Agreement until the Effective Time, except as expressly permitted by this Agreement or as the Company otherwise agrees in writing, Buyer agrees that it will not acquire or agree to acquire any asset or to make any investment in any Person to the extent such agreement, acquisition or investment would reasonably be expected to have a material adverse effect on the ability of Buyer or the Company to obtain any Buyer Required Statutory Approval or Company Required Statutory Approval, respectively, or to delay by a material period the receipt thereof.

Section 5.2 No Solicitation.

(a) From the date hereof until the earlier of the Effective Time or the date on which this Agreement is terminated in accordance with the terms hereof, the Company will not, nor will it permit any of its Subsidiaries to, nor will it or its Subsidiaries authorize or permit any of their respective officers, directors, employees, representatives or agents to, directly or indirectly, (i)

solicit, initiate or knowingly encourage or facilitate (including by way of furnishing non-public information regarding the Company or its Subsidiaries) any inquiries regarding, or the making of any proposal which constitutes or that may reasonably be expected to lead to, any Takeover Proposal, (ii) enter into any letter of intent or agreement related to any Takeover Proposal (each, an "***Acquisition Agreement***") or (iii) participate in any discussions or negotiations regarding, or that may reasonably be expected to lead to, any Takeover Proposal; provided, however, that if, at any time after the date hereof and prior to the receipt of the Company Shareholder Approval the Company receives an unsolicited bona fide written Takeover Proposal from any third Person that in the good faith judgment of the Company's Board of Directors constitutes, or is reasonably likely to constitute, a Superior Proposal and the Board of Directors of the Company determines in good faith, after consultation with outside counsel, that the failure to take any of the following actions in (A) - (C) with respect to such Takeover Proposal would be reasonably likely to result in a breach of its fiduciary duties under applicable law, the Company may, in response to such Superior Proposal, (A) furnish information with respect to the Company to any such Person and its representatives pursuant to a confidentiality agreement no more favorable to such Person than the Confidentiality Agreement is to Buyer, (B) participate in discussions and negotiations with such Person regarding such Superior Proposal and (C) enter into, approve or recommend (or propose any of the foregoing) any letter of intent or agreement involving the Company or any Subsidiary of the Company related to any Takeover Proposal or Superior Proposal if (1) prior to furnishing such non-public information to such third Person the Company provides at least two business days advance written notice to Buyer of the identity of the third Person making, and the proposed material terms and conditions of, such Superior Proposal and (2) the Company continues to comply with this Section 5.2. "***Takeover Proposal***" means any proposal or offer from any Person (other than Buyer and its Affiliates) that contemplates, or could reasonably be expected to lead to, a Takeover Transaction. "***Takeover Transaction***" means a proposal or offer relating to (x) any direct or indirect acquisition or purchase of 10% or more of the assets of the Company and its Subsidiaries, taken as a whole (other than a proposal to acquire or purchase the building in which the Company's principal executive offices are located on the date hereof) or 10% or more of the voting power of the Capital Stock of the Company then outstanding, (y) any tender offer or exchange offer that if consummated would result in any Person beneficially owning 10% or more of the voting power of the Capital Stock of the Company then outstanding, or (x) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, as a result of which a third party or the shareholders of a third party would acquire 10% or more of the voting power of the Capital Stock of the Company then outstanding, other than the transactions with Buyer contemplated by this Agreement. "***Superior Proposal***" means any bona fide written offer made by any Person (other than Buyer and its Affiliates) to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 50% of the voting power of the Capital Stock of the Company then outstanding or all or substantially all the assets of the Company and otherwise on terms which the Board of Directors of the Company determines in good faith (after consultation with its financial and other advisors) to be more favorable (taking into account (I) all financial and strategic considerations, including relevant legal, financial, regulatory and other aspects of such Takeover Proposal and the Merger and the other transactions contemplated by this Agreement deemed relevant by the Board of Directors, (II) the identity of the third party making such Takeover Proposal and (III) the conditions and prospects for completion of such Takeover Proposal) to the Company's shareholders than the Merger (and any revised proposal made by

Buyer), which is reasonably capable of being completed on the terms proposed (taking into account the ability to deliver any consideration to be paid in connection with such transaction and obtain required regulatory approvals).

(b) Except as contemplated in Section 5.2(a) and otherwise in this Agreement, neither the Board of Directors of the Company nor any committee thereof will (i) withdraw, qualify or modify, in a manner adverse to Buyer, the approval by such Board of Directors of the Merger and this Agreement and the transactions contemplated hereby or the recommendation by such Board of Directors of this Agreement, (ii) approve or recommend, or propose to approve or recommend, any Takeover Proposal or (iii) authorize or permit the Company or any of its Subsidiaries to enter into any Acquisition Agreement.

(c) Nothing contained in this Section 5.2 will prohibit the Company and its Board of Directors from complying with Rules 14d-9 or 14e-2 promulgated under the Exchange Act with respect to a Takeover Proposal; provided, however, that compliance with such rules will not in any way limit or modify the effect that any action taken pursuant to such rules has under any other provision of this Agreement, including Section 8.1(d).

(d) The Company agrees that it and its Subsidiaries will, and the Company will direct and cause its and its Subsidiaries' respective officers, directors, employees, representatives and agents to, immediately cease and cause to be terminated any activities, discussions or negotiations with any Persons with respect to any Takeover Proposal. The Company agrees that it will notify Buyer in writing as promptly as practicable (and in any event within two business days) after any Takeover Proposal is received by, any information is requested by any Person who the Board of Directors in good faith believes is reasonably likely to make a Takeover Proposal from, or any discussions or negotiations relating to a Takeover Proposal are sought to be initiated or continued with, the Company, its Subsidiaries, or their officers, directors, employees, representatives or agents. The notice will indicate the name of the Person making such Takeover Proposal or taking such action and the material terms and conditions of any proposals or offers, and thereafter the Company will keep Buyer informed, on a current basis, of the status and materials terms of any such proposals or offers and the status of any such discussions or negotiations.

Section 5.3 Rate and Regulatory Matters. To the extent permitted by applicable law, the Company will cause each of its Subsidiaries to deliver to Buyer a copy of each principal filing or agreement (other than filings or agreements related to a fuel adjustment or purchase gas adjustment or similar adjusting rate mechanism) related to its generally applicable rates, charges, standards of service, accounting or regulatory policy which could lead to a material change in any of those areas as soon as practicable and in any event no later than five business days prior to the filing or execution thereof so that Buyer may comment thereon. The Company will, and will cause its respective Subsidiaries to, make all such filings only in the ordinary course of business consistent with past practice or as required by a Governmental Entity or regulatory agency with appropriate jurisdiction or under existing settlement agreements to which the Company is a party.

Section 5.4 Disclosure of Certain Matters; Delivery of Certain Filings.

(a) The Company will promptly notify Buyer if, to the Knowledge of the Company, there exists a material breach of a representation or warranty made by the Company contained herein or if there occurs, to the Knowledge of the Company, any change or event which results in the executive officers of the Company having a good faith belief that such change or event has resulted in, or is reasonably likely to result in, a material breach of a representation or warranty made by the Company contained herein. Buyer will promptly notify the Company if, to the Knowledge of Buyer, if there exists a material breach of a representation or warranty made by Buyer contained herein or if there occurs, to the Knowledge of Buyer, any change or event which results in the executive officers of Buyer having a good faith belief that such change or event has resulted in, or is reasonably likely to result in, a material breach of a representation or warranty made by Buyer contained herein. The Company will provide to Buyer, and Buyer will provide to the Company, copies of all filings made by the Company or Buyer, as the case may be, with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

(b) To the extent permitted by applicable law, the Company will, and will cause its Subsidiaries to, promptly notify Buyer of any written communication with or notice from any taxing authority relating to any material Tax audit or examination relating to any material Taxes, any extension of any statute of limitations relating to Taxes or any change in method of accounting relating to material Taxes.

(c) To the extent permitted by applicable law, the Company will, and will cause its Subsidiaries to, consult with Buyer with respect to negotiations relating to the renewal of any collective bargaining agreement. No consultation in accordance with this Section 5.4(c) will be deemed to be a consent by either party to any action proposed by the other party with respect to renewal of a collective bargaining agreement.

(d) The Company and Buyer each will give prompt notice to the other of any proposed change that is reasonably likely to result in a Company Material Adverse Effect and Buyer Adverse Effect, respectively.

ARTICLE VI
ADDITIONAL AGREEMENTS

Section 6.1 Employee Benefits; Workforce Matters.

(a) From and after the Effective Time, the Surviving Corporation will, or will cause one of its Subsidiaries to, honor and perform in accordance with their respective terms (as in effect on the date of this Agreement or as amended in accordance with or as permitted by this Agreement), all the collective bargaining agreements to which the Company or one of its Subsidiaries is a party and is set forth on Section 3.13(a) of the Company Disclosure Schedules. Nothing in this Section 6.1(a) will be interpreted to prevent the Surviving Corporation or any of its Subsidiaries from enforcing such agreements in accordance with their respective terms,

including enforcement of any reserved right to amend, modify, suspend, revoke or terminate any such agreement.

(b) Subject to applicable law and obligations under each applicable collective bargaining agreement, Compensation Commitment and Benefit Plan, and except as provided in Section 2.3, the Surviving Corporation will, or will cause one of its Subsidiaries to, assume, maintain in effect, honor and perform in accordance with their respective terms (as in effect on the date of this Agreement or as amended or established in accordance with or as permitted by this Agreement) each Benefit Plan and Compensation Commitment listed on Section 3.12(a) of the Company Disclosure Schedules and in effect on the date of this Agreement (or established as permitted by this Agreement), with respect to the current and former employees, officers or directors of the Company and its Subsidiaries who are covered by such plans or commitments immediately prior to the Effective Time. Nothing in this Section 6.1(b) will be interpreted to limit any reserved right contained in any such Benefit Plan or Compensation Commitment to amend, modify, suspend, revoke or terminate any such plan or commitment in accordance with its terms. As soon as practicable after the execution of this Agreement, the Company will provide Buyer with the documentation and information requested by Buyer to determine whether a merger of the Company Employee Savings Plan into the Buyer's 401(k) Plan would require amendment of the Buyer's 401(k) Plan in order to satisfy Section 411(d)(6) of the Code and applicable IRS regulations and rulings. If Buyer determines that the Company Employee Savings Plan should instead be terminated and gives the Company timely notice of that determination, the Company's Board of Directors will ensure that appropriate resolutions terminating the plan are passed by the Company's Board of Directors at least three (3) business days before the Closing Date, with such resolutions conditioned upon the Closing occurring.

(c) Following the Effective Time, subject to the terms of this Agreement, applicable law and applicable collective bargaining agreements: (i) the Surviving Corporation will, in good faith and consistent with business needs, consider reductions in work force in a fair and equitable manner and in light of the circumstances and the objectives to be achieved, giving consideration to previous work history, job experience and qualifications and (ii) all employees of the Surviving Corporation will be entitled to fair and equitable consideration in connection with any job opportunities with the Surviving Corporation and its Subsidiaries, in each case without regard to whether employment prior to the Effective Time was with the Company and its Subsidiaries or the Surviving Corporation and its Subsidiaries.

(d) Nothing contained in this Section 6.1 will be deemed to constitute an employment Contract between the Surviving Corporation or any Subsidiary of the Surviving Corporation and any individual, or a waiver of the Surviving Corporation's or any of its Subsidiaries' right to discharge any employee at any time, with or without cause.

Section 6.2 Shareholder Approval; Preparation of Proxy Statement; Other Actions.

(a) As soon as practicable following the date of this Agreement the Company will duly call, give notice of, convene and hold a meeting of its shareholders (including any adjournments or postponements thereof, the "***Company Shareholders Meeting***") for the purpose

of obtaining the Company Shareholder Approval. The Company will, through its Board of Directors, recommend to its shareholders that the Company Shareholder Approval be given and will not withdraw, qualify or modify, or propose to withdraw, qualify or modify, in a manner adverse to Buyer, the approval or recommendation by such Board of Directors of the Merger and this Agreement and the transactions contemplated hereby or the recommendation by such Board of Directors of the approval of the Merger and this Agreement or take any other action or make any other statement in connection with the Company Shareholders Meeting inconsistent with such recommendation or approval except to the extent expressly permitted in Section 5.2.

(b) The Company, with Buyer's reasonable assistance, will promptly prepare and file with the SEC the Proxy Statement. The Company will distribute the Proxy Statement to its shareholders.

(c) No filing of, or amendment or supplement to, the Proxy Statement (other than filings of Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K) will be made by the Company without providing Buyer the opportunity to review and comment thereon. If at any time prior to the Effective Time any information relating to Buyer or the Company, or any of their respective Affiliates or officers or directors, should be discovered by Buyer with respect to Buyer or any of its Subsidiaries or any of its Affiliates, officers or directors or the Company with respect to the Company or any of its Subsidiaries or any of its Affiliates, officers or directors which should be set forth in an amendment or supplement to the Proxy Statement, so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information will promptly notify the other parties hereto and an appropriate amendment or supplement describing such information will be promptly filed with the SEC and, to the extent required by law, disseminated to the shareholders of the Company.

Section 6.3 Access to Information.

(a) Upon reasonable notice and subject to the terms of the Confidentiality Agreement, dated as of February 28, 2006, between the Company and Buyer, as the same may be amended, supplemented or modified (the "***Confidentiality Agreement***"), and applicable laws relating to the exchange of information, the Company will, and will cause its Subsidiaries to, afford to the Buyer and its officers, employees, accountants, counsel, financial advisors, consultants and other representatives reasonable access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts and records and personnel and, during such period, the Company will (and will cause its Subsidiaries to) make available to Buyer or its designated advisors (i) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of the federal or state securities laws or the federal Tax laws, (ii) all other information concerning its business, properties and personnel as Buyer may reasonably request and (iii) copies of any written notifications it has received after the date hereof of a (A) "reportable condition" or (B) "material weakness" in the Company's internal controls.

(b) No investigation or exchange of information or other action pursuant to this Section 6.3 will be deemed to affect any representation or warranty made by any party hereto in this Agreement.

Section 6.4 Fees and Expenses. Except as provided in this Section 6.4 and Section 8.2, all fees and expenses incurred in connection with the Merger, this Agreement and the transactions contemplated hereby will be paid by the party incurring such fees or expenses, whether or not the Merger is consummated; provided, however, that Buyer and the Company will share equally up to $2,000,000 in the aggregate of (i) all fees and expenses (but excluding fees and expenses of legal counsel and investment bankers) incurred in relation to the preparing, printing, filing and mailing of the Proxy Statement (including any related preliminary materials) and any amendments or supplements thereto, and (ii) if the Company Shareholder Approval is obtained, all fees and expenses incurred by the Company (including fees and expenses of legal counsel, consultants, accountants and investment bankers, excluding, however, the Company's fees for its investment bankers in connection with the Merger) related to any efforts to obtain the Company Required Statutory Approvals (including, for the purposes of this sentence, any efforts in connection with the Rate Case).

Section 6.5 Public Announcements; Employee Communications. Buyer and the Company will consult with each other before issuing any press release or otherwise making any public statements with respect to the transactions contemplated by this Agreement and will not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law, fiduciary duties or by obligations pursuant to any listing agreement with any national securities exchange, and each party hereto will use reasonable efforts to provide copies of such release or other announcement to the other party, and give due consideration to such comments as such other party may have, prior to such release or announcement.

Section 6.6 Transfer Taxes. The Company and Buyer will cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, documentary, transfer, value added, stock transfer and stamp Taxes, any transfer, recording, registration and other fees and any similar Taxes which become payable under applicable law in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, the Surviving Corporation will be responsible for any pay any real estate transfer tax under Chapter 82.45 of the Revised Code of Washington in connection with the transactions contemplated hereby and will hold the holders of the Company Common Shares harmless therefrom.

Section 6.7 State Takeover Laws. If any "fair price" or "control share acquisition" statute or other similar statute or regulation is or becomes applicable to the transactions contemplated hereby, the Company and its Board of Directors will use its reasonable best efforts to grant such approvals and take such actions as are necessary so that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to minimize the effects of any such statute or regulation on the transactions contemplated hereby.

Section 6.8 Indemnification; Directors and Officers Insurance.

(a) All rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time now existing in favor of the current or former directors, officers, employees, or agents, or fiduciaries under benefit plans, currently indemnified by the Company and its Subsidiaries (each an "***Indemnified Person***"), as provided in their respective articles of incorporation, bylaws (or comparable organizational documents) or other agreements providing indemnification, will survive the Merger and will continue in full force and effect in accordance with their terms. In addition, from and after the Effective Time, Indemnified Persons who become directors, officers or employees, or fiduciaries under benefit plans, of the Surviving Corporation will be entitled to the indemnity rights and protections afforded to directors, officers, employees and fiduciaries under benefit plans of the Surviving Corporation. Without limiting the generality of the preceding sentence, in the event that any Indemnified Person becomes involved in any actual or threatened action, suit, claim, proceeding or investigation covered by this Section 6.8 after the Effective Time, the Surviving Corporation will promptly advance to such Indemnified Person his or her legal and other expenses (including the cost of any investigation and preparation incurred in connection therewith), subject to the receipt by the Surviving Corporation of an undertaking by or on behalf of such Indemnified Party to reimburse all amounts so advanced in the event of a non-appealable determination of a court of competent jurisdiction that such Indemnified Person is not entitled thereto.

(b) The Surviving Corporation will purchase officers' and directors' liability insurance with an insurer substantially comparable to the insurer under the Company's current policy of at least the same coverage and amounts, containing terms and conditions no less favorable to the insured for a period of at least six years after the Effective Time and, prior to the Effective Time, Buyer will provide evidence to the Company of such insurance.

(c) The provisions of this Section 6.8 are intended to be for the benefit of, and will be enforceable by, each Indemnified Person, his or her heirs and his or her personal representatives and will be binding on all successors and assigns of the Surviving Corporation and the Company.

Section 6.9 Appropriate Actions; Consents; Filings.

(a) The Company and Buyer will cooperate with each other and use (and will cause their respective Subsidiaries to use) reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable laws to consummate and make effective the Merger and the other transactions contemplated by this Agreement as soon as reasonably practicable, including preparing and filing as promptly as reasonably practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as reasonably practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Merger or any of the other transactions contemplated by this Agreement, including obtaining the Buyer Required Statutory Approvals and the Company Required Statutory Approvals and other actions requested in order to satisfy the conditions to the parties' obligations set forth in Article VII.

(b) Subject to applicable laws relating to the exchange of information, Buyer and the Company will have the right to review in advance, and to the extent practicable each will consult the other on, all the material information relating to Buyer or the Company, as the case may be, and any of their respective Subsidiaries, that appear in any filing made with, or material written materials submitted to, any third party and/or any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. In exercising the foregoing right, each of the Company and Buyer will act reasonably and as promptly as practicable.

(c) (i) Promptly after the date hereof, Buyer and the Company will establish a regulatory approval team (the "***Regulatory Approval Team***"), the chairperson (the "***Chairperson***") of which will be Bruce Imsdahl or such other person as may be designated by Buyer and the other members of which (the "***Regulatory Approval Coordinators***") will consist of representatives designated by the Company (the "***Company Coordinators***") and representatives designated by Buyer (the "***Buyer Coordinators***"), which will be equal in number unless Buyer and the Company otherwise agree. The Chairperson will assign areas of responsibility to the Regulatory Approval Coordinators. Subject to the terms and conditions of this Agreement, the Regulatory Approval Team will formulate the approach to be taken with respect to obtaining the Company Required Statutory Approvals and coordinate filings for such approvals as set forth below. The primary responsibility for formulating the approach to be taken with respect to obtaining the Company Required Statutory Approvals will reside with the entire Regulatory Approval Team and not a committee thereof. The responsibility for formulating the approach to be taken with respect to all required approvals from Governmental Entities (including but not limited to the Buyer Required Statutory Approvals) other than the Company Required Statutory Approvals will reside with Buyer, unless Buyer otherwise agrees; provided, however, that Buyer will (A) regularly consult with the Company regarding such approvals and (B) not agree to any terms or conditions contained in or relating to such approvals without the Company's prior written consent, which consent shall not be unreasonably withheld.

(ii) No committee of the Regulatory Approval Team or any member thereof or of the Regulatory Approval Team will make or commit to make any concessions, agreements or other undertakings with or to any Governmental Entity or other Person in connection with obtaining the Company Required Statutory Approvals or otherwise consummating the Merger and the other transactions related to the Merger without the prior approval of Buyer and the Company.

(d) The Company and Buyer each will, through the Regulatory Approval Team, keep the other apprised of the status of matters relating to completion of the transactions contemplated hereby, including: (i) promptly furnishing the other with copies of notice or other material communications received by Buyer or the Company, as the case may be, or any of its Subsidiaries, from any third party and/or any Governmental Entity and (ii) providing the other with copies of any materials to be provided to any Governmental Entities, in each case with respect to the Merger and the other transactions contemplated by this Agreement.

(e) Subject to applicable laws relating to the exchange of information, the Company and Buyer each will, upon request by the other, furnish the other with all information concerning

itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement or any other material statement, filing, notice or application made by or on behalf of Buyer, the Company or any of their respective Subsidiaries to any third party and/or any Governmental Entity in connection with the Merger and the transactions contemplated by this Agreement.

(f) The Company agrees to provide, and shall use commercially reasonably efforts to cause its officers, employees and advisors to provide, all cooperation reasonably requested by Buyer in connection with Buyer's arrangement of financing in connection with the Merger, including (x) participation in meetings, drafting sessions, due diligence sessions, management presentation sessions, road shows and meetings with rating agencies, (y) preparation of business projections or financial or other information required to be included in offering memoranda, prospectuses or similar documents and (z) using commercially reasonable efforts to obtain, at Buyer's expense, comfort letters of accountants and consents of accountants for use of their reports in connection with such financing and legal opinions with respect to the Company required to be delivered in connection with such financing. Buyer shall provide copies of any materials that contain information provided to Buyer by the Company that are to be provided to third parties in connection with any such financing efforts.

(g) No investigation or exchange of information or other action pursuant to this Agreement will be deemed to modify any representation or warranty made by any party to this Agreement. In the event of a termination of this Agreement for any reason (other than because of a breach by the other party), each party will promptly return or destroy, or cause to be returned or destroyed, all nonpublic information obtained from the other party or any of its Subsidiaries.

(h) The Company will be solely responsible with respect to all matters related to the Company's general rate application with the WUTC (docket number UG-060256) (the "***Rate Case***"), including all communications and filings with the WUTC or any other third parties related thereto; provided that the Company will (i) regularly consult with Buyer regarding the Rate Case, (ii) promptly furnish Buyer with copies of notice or other material communications received by the Company from any third party with respect to the Rate Case, (iii) provide Buyer with copies of any materials to be provided to the WUTC with respect to the Rate Case and (iv) not settle or compromise all or any portion of the Rate Case without Buyer's prior written consent, which consent shall not be unreasonably withheld, provided, however, that such consent will not constitute a waiver of, otherwise have any effect on the rights of Buyer regarding, the condition set forth in Section 7.1(c)(ii).

Section 6.10 Charitable Contributions. Following the Effective Time, the Surviving Corporation will honor and pay all commitments of the Company and its Subsidiaries with respect to charitable contributions and local community support that are set forth on Section 6.10(a) of the Company Disclosure Schedules.

Section 6.11 Further Assurances. If at any time after the Effective Time the Surviving Corporation will consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of

the rights, privileges, powers, franchises, properties, permits, licenses or assets of the Company, or (b) otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors or their designees will be authorized to execute and deliver, in the name and on behalf the Company, all such deeds, bills of sale, assignments and assurances and to do, in the name and on behalf of the Company, all such other acts and things as may be necessary, desirable or proper to vest, perfect or confirm the Surviving Corporation's right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of the Company and otherwise to carry out the purposes of this Agreement.

ARTICLE VII
CONDITIONS PRECEDENT

Section 7.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger will be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Shareholder Approval. The Company Shareholder Approval will have been obtained.

(b) No Prohibition. No Governmental Entity of competent jurisdiction will have enacted, issued, promulgated, enforced or entered any statute, law, ordinance, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the Merger or the other transactions contemplated by this Agreement (collectively, an "***Order***"), and no federal or state Governmental Entity will have instituted any action, suit or proceeding that is pending seeking any such Order.

(c) Regulatory Consents.

(i) The waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act will have expired or been terminated.

(ii) Other than as set forth in Section 7.1(c)(i), the Buyer Required Statutory Approvals and Company Required Statutory Approvals (including solely for the purpose of this Section 7.1(c)(ii), a Final Order relating to the Rate Case) will have been obtained and will have become Final Orders and such Final Orders will not impose terms or conditions that, in the aggregate, have had or could reasonably be expected to have a Company Material Adverse Effect (but excluding, solely for the purposes of this Section 7.1(c)(ii), matters described in clause (E) of the definition of "Company Material Adverse Effect"). "***Final Order***" means any action by the relevant Governmental Entity which has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

(iii) Other than the filings provided for in Section 1.3, Section 7.1(c)(i) and (ii), and in Section 4.3(b)(1) of the Buyer Disclosure Schedules, all other notices, reports and other filings required to be made prior to the Effective Time by the Company or Buyer or any of their respective Subsidiaries with, and all other consents, registrations, approvals, permits and authorizations required to be obtained prior to the Effective Time by the Company or Buyer or any of their respective Subsidiaries from, any Governmental Entity in connection with the execution and delivery of this Agreement and the consummation of the Merger and the other transactions contemplated hereby by the Company and Buyer will have been made or obtained, as the case may be, except for those the failure to be made or obtained would not, individually or in the aggregate, have a Company Material Adverse Effect or Buyer Material Adverse Effect (in each case considering the operations of Buyer and the Company separately).

Section 7.2 Conditions to the Obligations of the Company to Effect the Merger. The obligation of the Company to effect the Merger will be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Buyer and Merger Sub set forth in this Agreement (i) will be true and correct with respect to those matters that are qualified by Material Adverse Effect or materiality and (ii) will be true and correct in all material respects with respect to those matters that are not so qualified, in each case as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that any representation and warranty that expressly speaks as of a specified date will be determined as of such specified date). The Company will have received a certificate signed by Buyer's Chief Executive Officer and Chief Financial Officer to such effect.

(b) Performance of Obligations. Buyer and Merger Sub will have performed in all material respects all obligations and complied in all material respects with all agreements and covenants of Buyer and Merger Sub to be performed and complied with by them under this Agreement at or prior to the Effective Time.

(c) Material Adverse Effect. From the date hereof through the Effective Time, there will not have been any event, effect, change or development that, individually or in the aggregate with other such events, effects, changes or developments, has had, or would reasonably be expected to have, a Buyer Material Adverse Effect.

(d) Consents Under Agreements. Buyer will have obtained the consent or approval of each Person whose consent or approval will be required under any Contract to which Buyer or any of its Subsidiaries is a party, except those to be obtained pursuant to Section 7.1(c), and those for which the failure to obtain such consent or approval would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

Section 7.3 Conditions to the Obligations of Buyer and Merger Sub to Effect the Merger. The obligation of Buyer and Merger Sub to effect the Merger will be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of the Company set forth in this Agreement (i) will be true and correct with respect to those matters that are qualified by Material Adverse Effect or materiality, (ii) will, except with respect to Section 3.10(d), be true and correct in all material respects with respect to those matters that are not so qualified and (iii) with respect to Section 3.10(d), will be true and correct except where the failure to be so true and correct would in the aggregate not have a Company Material Adverse Effect, in each case as of the date of this Agreement and as of the Effective Time as though made on and as of the Effective Time (except that any representation and warranty that expressly speaks as of a specified date will be determined as of such specified date). Buyer will have received a certificate signed on behalf of the Company by the Company's Chief Executive Officer and Chief Financial Officer to such effect.

(b) Performance of Obligations. The Company will have performed in all material respects all obligations and complied in all material respects with all agreements and covenants of the Company to be performed and complied with by it under this Agreement at or prior to the Effective Time.

(c) Material Adverse Effect. From the date hereof through the Effective Date, there will not have been any event, effect, change or development that, individually or in the aggregate with other such events, effects, changes or developments, has had, or would reasonably be expected to have, a Company Material Adverse Effect.

(d) Consents Under Agreements. The Company will have obtained the consent or approval of each Person whose consent or approval will be required under any Contract to which the Company or any of its Subsidiaries is a party, except those to be obtained pursuant to Section 7.1(c), and those for which the failure to obtain such consent or approval would not, individually or in the aggregate, have a Company Material Adverse Effect or, after giving effect to the Merger, a material adverse effect on Buyer.

(e) FIRPTA. Prior to the Closing on the Closing Date, the Company shall cause to be delivered to Buyer an executed affidavit, in accordance with Treasury Regulation Section 1.897-2(h)(2), certifying that an interest in the Company is not a U.S. real property interest within the meaning of Section 897(c) of the Code and sets forth the Company's name, address and taxpayer identification number.

ARTICLE VIII
TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after the Company Shareholder Approval (the date of any such termination, the "***Termination Date***"):

(a) by mutual written consent of Buyer and the Company;

(b) by either Buyer or the Company if (i) any Government Authority of competent jurisdiction has issued a Final Order denying the grant of a Required Buyer Statutory Approval

or a Company Required Statutory Approval, in each case as a result of which the condition set forth in Section 7.1(c) cannot be satisfied, or (ii) any Governmental Entity will have enacted, issued, promulgated or entered any statute, law, ordinance, regulation, judgment, injunction, order, decree or ruling or taken any other action which is a Final Order permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement; provided, that the party seeking to terminate this Agreement under this Section 8.1(b) shall otherwise have performed or observed the covenants and agreements of such party set forth herein;

(c) by Buyer if there has been a breach of any representation, warranty, covenant or other agreement made by the Company in this Agreement, or any such representation and warranty will have become untrue after the date of this Agreement, in each case such that Section 7.3(a) or Section 7.3(b) would not be satisfied, and such breach or condition is not curable or, if curable, is not cured within 60 days after written notice thereof is given by Buyer to the Company;

(d) by Buyer if (i) the Company's Board of Directors has not recommended, or has withdrawn or qualified or modified in any manner adverse to Buyer its recommendation of, this Agreement or the Merger, (ii) the Company's Board of Directors (or any committee thereof) has entered into a definitive agreement for or recommended any Takeover Proposal, (iii) the Company has breached Section 5.2 in any material respect or (iv) a tender offer or exchange offer for 50% or more of the outstanding shares of Capital Stock of the Company is commenced, and the Company's Board of Directors fails to recommend against acceptance of such tender offer or exchange offer by its shareholders within ten days after such commencement (including by taking no position with respect to the acceptance of such tender offer or exchange offer by its shareholders);

(e) by the Company prior to obtaining the Company Shareholder Approval if (i) the Board of Directors of the Company authorizes the Company, subject to complying with the terms of this Agreement, to enter into a definitive agreement concerning a transaction that constitutes a Superior Proposal and the Company notifies Buyer in writing that it intends to enter into such an agreement, attaching the most current version of such agreement to such notice, (ii) Buyer does not make, within five business days of receipt of the Company's written notification of its intention to enter into a definitive agreement for a Superior Proposal, an offer that the Board of Directors of the Company determines, in its reasonable good faith judgment after consultation with its financial and other advisors, is at least as favorable (taking into account (A) all financial and strategic considerations, including relevant legal, financial, regulatory and other aspects of such Takeover Proposal and the Merger and the other transactions contemplated by this Agreement deemed relevant by the Board of Directors, (B) the identity of the third party making such Takeover Proposal and (C) the conditions and prospects for completion of such Takeover Proposal) to the shareholders of the Company as the Superior Proposal and (iii) the Company prior to or concurrently with such termination pays to Buyer in immediately available funds the amount required by Section 8.2(b). The Company agrees (1) that it will not enter into a definitive agreement referred to in clause (i) above until at least the sixth business day after it has provided the notice to Buyer required thereby and (2) to notify Buyer promptly in writing if its intention to enter into a definitive agreement referred to in its notification changes at any time after giving such notification;

(f) by the Company if there has been a breach of any representation, warranty, covenant or other agreement made by Buyer in this Agreement, or any such representation and warranty will have become untrue after the date of this Agreement, in each case such that Section 7.2(a) or Section 7.2(b) would not be satisfied, and such breach or condition is not curable or, if curable, is not cured within 60 days after written notice thereof is given by the Company to Buyer;

(g) by either the Company or Buyer if at the Company Shareholders Meeting (including any adjournment or postponement thereof), the Company Shareholder Approval is not obtained; or

(h) by either Buyer or the Company if the Merger has not been consummated by the date which is nine months after the date of this Agreement (the "***End Date***"); provided, however, that if all other conditions set forth in Article VII (other than conditions that by their nature are to be satisfied on the Closing Date) are satisfied except that the WUTC Approval and the OPUC Approval have not been obtained, either Buyer or the Company, by written notice delivered to the other party prior to the End Date, may extend such period by six months after the End Date; provided, further, that the right to terminate this Agreement under this Section 8.1(i) will not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of the Merger to occur on or before the End Date.

Section 8.2 Effect of Termination.

(a) In the event of a termination of this Agreement by either the Company or Buyer as provided in Section 8.1, this Agreement will forthwith become void and there will be no liability or obligation on the part of Buyer or the Company or their respective officers or directors, except with respect to Section 3.22, Section 4.10, Section 6.4, this Section 8.2 and Article IX; provided, however, that nothing herein will relieve any party for liability for any willful or knowing breach hereof.

(b) If this Agreement is terminated by Buyer pursuant to Section 8.1(c), then the rights of Buyer to pursue all legal remedies available will survive such termination unimpaired and no election of remedies will be deemed to be made, and further, if (i) at or prior to the Termination Date a Takeover Proposal shall have been publicly announced, commenced or otherwise communicated or made known to the Company's Board of Directors (or any person shall have publicly announced, commenced or otherwise communicated or made known an intention to the Company's Board of Directors, whether or not conditional, to make a Takeover Proposal) and (ii) within 12 months after the Termination Date, the Company or any of its Subsidiaries either becomes a party to any definitive, binding agreement with respect to a Takeover Proposal (which need not be the same Takeover Proposal described in clause (i)) or consummates a transaction that would constitute a Takeover Proposal (which need not be the same Takeover Proposal described in clause (i)), then, in either case, the Company will pay to Buyer an amount equal to the Termination Fee.

(c) If this Agreement is terminated (i) by Buyer pursuant to Section 8.1(d) or (ii) by the Company pursuant to Section 8.1(e), then the Company will pay to Buyer, an amount equal to the Termination Fee.

(d) If this Agreement is terminated by the Company pursuant to Section 8.1(f), the rights of the Company to pursue all legal remedies available will survive such termination unimpaired and no election of remedies will be deemed to have been made.

(e) If this Agreement is terminated by either the Company or Buyer pursuant to Section 8.1(b), Section 8.1(g) (other than a termination of this Agreement by reason of the issuance of a Final Order by the North Dakota Public Service Commission or the Minnesota Public Utilities Commission denying the grant of a Buyer Required Statutory Approval) or Section 8.1(h), and (i) at or prior to the Termination Date a Takeover Proposal shall have been publicly announced, commenced or otherwise communicated or made known to an executive officer or the Board of Directors of the Company (or any person shall have publicly announced, commenced or otherwise communicated or made known an intention to an executive officer or the Board of Directors of the Company, whether or not conditional, to make a Takeover Proposal) and (ii) within twelve months after the binding Termination Date, the Company or any of its Subsidiaries either became a party to any definitive, binding agreement, with respect to a Takeover Proposal (which need not be the same Takeover Proposal described in clause (i)) or consummates a transaction that would constitute a Takeover Proposal (which need not be the same Takeover Proposal described in clause (i)), then, in either case, the Company will pay to Buyer an amount equal to the Termination Fee.

(f) The Company shall pay the Termination Fee to Buyer by wire transfer of immediately available funds within two business days after the date giving rise to the obligations to make such payment.

(g) As used in this Agreement, "***Termination Fee***" shall mean $9,000,000.

(h) The Company and Buyer acknowledge that the agreements contained in Section 8.2 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Buyer or the Company, as applicable, would not enter into this Agreement. If the Company fails to promptly pay the amount due pursuant to this Section 8.2 and, in order to obtain such payment, Buyer commences a suit which results in a judgment against the Company for any of the amounts set forth in this Section 8.2, the Company will pay to Buyer, its costs and expenses (including attorneys' fees) in connection with such suit.

(i) Neither the Company nor Buyer, as the case may be, may terminate this Agreement, and receive any applicable fees pursuant to this Section 8.2, under more than one subsection of Section 8.1.

ARTICLE IX
GENERAL PROVISIONS

Section 9.1 Non-Survival of Representations and Warranties and Agreements. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement will survive the Effective Time. Any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time of the Merger will survive the Effective Time.

Section 9.2 Notices. All notices and other communications hereunder will be in writing addressed as follows:

(a) if to Buyer or Merger Sub, to:

MDU Resources Group, Inc.
1200 West Century Avenue
P.O. Box 5650
Bismarck, ND 58506-5650
Attn: Paul K. Sandness, General Counsel and Secretary
Fax: (701) 530-1731
Email: Paul.Sandness@MDUResources.com

with a copy (which will not constitute notice) to:

Thelen Reid & Priest LLP
875 Third Avenue
New York, NY 10022-6225
Attn: Richard S. Green
Fax: (212) 829-2006
Email: rgreen@thelenreid.com

(b) if to the Company, to:

Cascade Natural Gas Corporation
222 Fairview Avenue N
Seattle, WA 98109
Attn: David W. Stevens, Chief Executive Officer
Fax: (206) 654-4052
Email: dstevens@cngc.com

Cascade Natural Gas Corporation
222 Fairview Avenue N
Seattle, WA 98109
Attn: Rick A. Davis, Chief Financial Officer
Fax: (206) 654-4052
Email: rdavis@cngc.com

with a copy (which will not constitute notice) to:

Preston Gates & Ellis LLP
925 Fourth Avenue, Suite 2900
Seattle, Washington 98104
Attn: Kent Carlson
Fax: (206) 623-7022
Email: kentc@prestongates.com

Any such notice or communication will be deemed given (i) when made, if made by hand delivery, (ii) when sent, if delivered via email, provided, however, that the party sending such notice or communication shall also concurrently telephone the intended recipient of such notice or communication that such a notice or communication has been sent by email, (iii) upon confirmation of receipt, if made by facsimile between the hours of 9:00 A.M. and 5:00 P.M. in the recipient party's time zone, (iv) one business day after being deposited with a next-day courier, postage prepaid, or (v) three business days after being sent certified or registered mail, return receipt requested, postage prepaid, in each case addressed as above (or to such other address as such party may designate in writing from time to time). For the purposes of this Agreement, delivery or transmission of (A) a writing, a copy of a writing, or a physical reproduction, on paper or on other tangible material, or (B) an email, in each case pursuant to this Section 9.2, constitutes delivery "in writing."

Section 9.3 Counterparts. This Agreement may be executed in counterparts, all of which will be considered one and the same agreement, and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 9.4 Entire Agreement; No Third-Party Beneficiaries. Except for the Confidentiality Agreement and all documents contemplated herein to be executed and/or delivered at or in connection with the Merger, this Agreement (and the schedules and exhibits hereto) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement, except for the provisions of Section 6.8, is not intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 9.5 Governing Law and Venue; Waiver of Jury Trial. (a) THIS AGREEMENT WILL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS WILL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF WASHINGTON WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION. Each of the parties irrevocably submits to the exclusive jurisdiction of any state or federal court sitting in the State of Washington for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each of the parties hereto irrevocably and fully waives the defense of an inconvenient forum to the maintenance of such suit, action or

proceeding. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in any state or federal court sitting in the State of Washington, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUITE OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

Section 9.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 9.7 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced by any rule of law or public policy, the parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement may be consummated as originally contemplated to the fullest extent possible.

Section 9.8 Enforcement of this Agreement. In addition to any remedy to which any party hereto is specifically entitled by the terms hereof, each party will be entitled to pursue any other remedy available to it at law or in equity (including damages, specific performance or other injunctive relief) in the event that any of the provisions of this Agreement were not performed in accordance with their terms or were otherwise breached; provided that, notwithstanding the foregoing, if a termination fee or any expenses in connection with the transactions contemplated by this Agreement are payable pursuant to Section 8.2, then, subject to Section 8.2(a), such termination fee or expenses will be the sole remedy with respect to the failure or failures to perform or other breach or breaches giving rise to such obligation to pay such termination fee or expenses. The parties hereto agree that (a) irreparable damage would occur and that the parties hereto would not have an adequate remedy at law if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and (b) they will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically this Agreement in any court having jurisdiction over the parties and the matter, subject to Section 9.5, in addition to any other remedy to which they may be entitled at law or in equity.

Section 9.9 Obligations of Subsidiaries. Whenever this Agreement requires any Subsidiary of Buyer or of the Company to take any action, such requirement will be deemed to include an undertaking on the part of Buyer or the Company, as the case may be, to cause such Subsidiary to take such action.

Section 9.10 Amendment. This Agreement may be amended by the parties hereto at any time before or after obtaining the Company Shareholder Approval, but if the Company Shareholder Approval has been obtained, thereafter no amendment will be made which by law requires further approval by the Company's shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.11 Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (iii) waive compliance with any of the agreements or conditions contained herein; provided, however, that such extension or waiver will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Any agreement on the part of a party hereto to any such extension or waiver will be valid only if set forth in a written instrument signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise will not constitute a waiver of those rights.

Section 9.12 Disclosure Schedules. The disclosures made on the Company Disclosure Schedules and the Buyer Disclosure Schedules, with respect to any representation or warranty hereunder, will be deemed to be made with respect to any other representation or warranty requiring the same or similar disclosure to the extent that the relevance of such disclosure to other representations and warranties is reasonably evident from the face of such disclosure. The inclusion of any matter on the Company Disclosure Schedules and the Buyer Disclosure Schedules will not be deemed an admission by any party that such matter is material or that such matter has or could reasonably be expected to have a Material Adverse Effect with respect to the Company or Buyer, as applicable.

Section 9.13 Construction. The table of contents, index of defined terms and headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation." Words in the singular form will be construed to include the plural and vice versa, unless the context requires otherwise. Any reference to the Surviving Corporation or to the Company after giving effect to the Merger means Buyer as the Surviving Corporation. Any agreement referred to herein means such agreement as amended, supplemented or modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Buyer, Merger Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized all as of the date first written above.

Buyer:

MDU RESOURCES GROUP, INC.

By: Martin A White
Martin A. White
Chairman of the Board and
Chief Executive Officer

Merger Sub:

FIREMOON ACQUISITION, INC.

By: Terry D Hildestad
Terry D. Hildestad
Chairman of the Board and
Chief Executive Officer

Company:

CASCADE NATURAL GAS CORPORATION

By: _____
David W. Stevens
President and Chief Executive Officer

IN WITNESS WHEREOF, Buyer, Merger Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized all as of the date first written above.

Buyer:

MDU RESOURCES GROUP, INC.

By:_____
Martin A. White
Chairman of the Board and
Chief Executive Officer

Merger Sub:

FIREMOON ACQUISITION, INC.

By:_____
Terry D. Hildestad
Chairman of the Board and
Chief Executive Officer

Company:

CASCADE NATURAL GAS CORPORATION

By:_____
David W. Stevens
President and Chief Executive Officer

Section 4.3
Consents and Approvals; No Violations

Section 4.3(a)

Consent of Required Lenders under the Credit Agreement dated June 21, 2005 among MDU, as Borrower, Wells Fargo Bank, N.A., as Administrative Agent, and the other financial institutions party thereto.

Section 4.3(b)

Receipt from the Federal Energy Regulatory Commission of approvals, as applicable, pertaining to financing for the Merger.

Receipt from the North Dakota Public Service Commission of approval and orders, as applicable, pertaining to the Merger and the issuance of debt secured by utility property or securities for the financing of the Merger.

Receipt from the Montana Public Service Commission of approval and orders, as applicable, for the issuance of securities for the financing of the Merger.

Receipt from the Minnesota Public Utilities Commission of approval and orders, as applicable, pertaining to the Merger and the issuance of debt secured by utility property or securities for the financing of the merger.

Receipt from the Wyoming Public Service Commission of approval and orders, as applicable, for the issuance of debt secured by utility property or securities for the financing of the Merger.

Registration under the Securities Act of 1933, as amended, of any public offering of securities to be sold by MDU in connection with the financing the Merger.

Listing on the New York Stock Exchange of any shares of common stock of MDU to be issued and sold by MDU in connection with the financing of the Merger.

Section 4.3(b)(1)

Receipt from the Federal Energy Regulatory Commission of approvals, as applicable, pertaining to financing of the Merger

Receipt from the North Dakota Public Service Commission of approval and orders, as applicable, for the issuance of debt secured by utility property or securities for the financing of the Merger

Receipt from the Montana Public Service Commission of approval and orders, as applicable, for the issuance of securities for the financing of the Merger

Receipt from Minnesota Public Utilities Commission of approval and orders, as applicable, for the issuance of debt secured by utility property or securities for financing of the Merger

Receipt from Wyoming Public Service Commission of approval and orders, as applicable, for the issuance of debt secured by utility property or securities for the financing of the Merger

Registration under the Securities Act of 1933, as amended, of any public offering of securities to be sold by MDU in connection with the financing of the Merger

Listing on the New York Stock Exchange of any shares of common stock of MDU to be issued and sold by MDU in connection with the financing of the Merger

Company Disclosure Schedules

These confidential Company Disclosure Schedules ("***Company Disclosure Schedules***") are delivered pursuant to that certain Agreement and Plan of Merger (the "***Agreement***") dated as of July 8, 2006 by and between MDU RESOURCES GROUP, INC., a Delaware corporation ("***Buyer***"), FIREMOON ACQUISITION, INC., a Washington corporation and a wholly-owned subsidiary of Buyer ("***Merger Sub***"), and CASCADE NATURAL GAS CORPORATION, a Washington corporation (the "***Company***"). All capitalized terms in these Company Disclosure Schedules have the meanings given them in the Agreement, unless otherwise indicated in these Company Disclosure Schedules.

The section numbers in these Company Disclosure Schedules correspond to the section numbers in the Agreement. Any information disclosed in one section of these Company Disclosure Schedules with respect to any representation or warranty contained in the Agreement will be deemed to be disclosed in and incorporated into any other section to the extent that the relevance of such disclosure to such other section and the representations and warranties to which it relates is reasonably evident from the face of such disclosure.

No disclosure in these Company Disclosure Schedules will be deemed an admission that such matter is material or that such matter has or could reasonably be expected to have a Company Material Adverse Effect. No disclosure in these Company Disclosure Schedules relating to any agreement, document or arrangement will be construed as an admission or indication to any party other than to Buyer as set forth in the Agreement that such agreement, document or arrangement is enforceable or currently in effect. No disclosure in these Company Disclosure Schedules relating to any possible breach or violation of any agreement, law, or regulation will be construed as an admission or indication that any such breach or violation exists or has actually occurred.

The headings in these Company Disclosure Schedules are for reference purposes only and will not affect in any way the meaning or interpretation of these Company Disclosure Schedules.

Section 1.1(a)
Knowledge

David Stevens
Rick Davis
Matt McArthur
Larry Rosok
Dan Meredith
Jim Haug
Jon Stoltz
Mike Gardner
Julie Marshall

Section 3.1
Organization

None

Section 3.2
Subsidiaries

Section 3.2(a):

Subsidiary	Jurisdiction of Organization
Cascade Land Leasing Co.	Washington
CGC Properties, Inc.	Washington
CGC Resources, Inc.	Washington
CGC Energy, Inc.	Washington

Section 3.2(b):
None

Section 3.3
Capital Structure

Section 3.3(a):
None

Section 3.2(b):
None

Section 3.4
Authority

None

Section 3.5
Consents and Approvals; No Violations

The Company has numerous contracts which contain provisions such as: "this contract may not be assigned without the prior consent of the other party" or substantially similar wording/concepts. The Company does not believe that such contracts require the consent of the other party in the case of a merger under the Washington Business Corporation Act. There is not a Washington case directly on point; however, the Company believes that the provisions of RCW 23B.11.060(1) govern and the Official Legislative History to such section provides in relevant part: "A merger is not a conveyance or transfer, and does not give rise to claims of reverter or impairment of title based on a prohibited conveyance or transfer." Other parties to contracts with such language may assert that the proposed merger is an assignment to which their consent is required.

The Company has listed in this Section 3.5 contracts with provisions which restrict transfer by operation of law or which have change of control provisions which would be triggered by the proposed merger. Such listing is not an admission by the Company that the other party must consent to the Surviving Corporation being a party to such contracts by operation of the Washington Business Corporation Act or the laws of any other jurisdiction.

Section 3.5(a):

Consent, notice or other action is required under the following:

Master Customer Agreement between Mincom, Inc. and Cascade Natural Gas Corporation, dated September 28, 2000

Amended and Restated Loan Agreement, dated as of September 30, 2004, between U.S. Bank National Association and the Company

Indenture dated as of August 1, 1992, between the Company and The Bank of New York

First Supplemental Indenture dated as of October 25, 1993, between the Company and The Bank of New York

Second Supplemental Indenture, dated January 25, 2005, between the Company and The Bank of New York

ISDA Master Agreement between the Toronto-Dominion Bank and the Company dated as of May 26, 2004

ISDA Master Agreement between the Canadian Imperial Bank of Commerce and the Company dated as of August 11, 2004

ISDA Master Agreement between Wells Fargo Bank, N.A. and the Company dated as of July 27, 2004

ISDA Master Agreement between Bank One, NA and the Company dated as of July 30, 2004

ISDA Master Agreement between Bank of America, N.A. and the Company dated as of August 26, 2003

ISDA Master Agreement between LD Energy Canada L.P. and the Company dated as of February 24, 2005

Benefits Contracts:

- Definity Health Administrative Service Agreement
- NBR (Stop-loss for Definity coverage)
- Washington Dental Service
- First Choice Health (EAP)
- Magellan Behavioral Health (EAP)
- Flex-Plan
- Great West Life (Medical – active field operations bargaining unit)
- PacifiCare (Medical – Medicare eligible retirees)
- Clear Choice (Medical – Medicare eligible retirees – Bend Oregon area)
- Regence Life
- UNUM LTD – Policy 590285
- UNUM LTD – Policy 563754
- UNUM STD – Policy 589460
- VSP
- Medco (mail order prescription – salaried)
- Walgreens (mail order prescription – union)

The Company was advised by the Confederated Tribes and Bands of the Yakama Nation in 2002 of a new tribal ordinance requiring new franchise agreements for all non-municipal utilities conducting business within the external boundaries of the Yakama Nation Reservation. The Company and its predecessors have operated within the external boundaries of the reservation for many years. The Company to this date has been unsuccessful in negotiating or executing a franchise agreement with the Yakama Nation. The Yakama Nation has not responded to the most recent request and has taken no known action to enforce the provisions of its ordinance. The final outcome of this issue is unknown.

The Company has agreements with other tribes and with federal and state agencies. These have not been specifically researched or compiled. It is not known, what, if any, notification/consent requirements exist.

The Company is party to easements, permits, licenses and other instruments for the installation and operation of various portions of the natural gas distribution system. The Company does not have a comprehensive record or database of these instruments which lists or identifies in any way any potential notification, consent or approval requirements in these easements, permits, licenses and other instruments, or a comprehensive system for confirming that the Company is not in violation of any of these easements, permits, licenses and other instruments.

Section 3.5(b):

Filing, registration, authorization, consent or approval is required under the following:

Areawide Public Utilities Contract between the United State of America, acting through the Administrator of General Services and the Company, dated as of June 13, 2005

City of Bremerton Ordinance No. 4933, dated March 2, 2005 (accepted March 15, 2005)

Ordinance No. 2005-51, City of Yakima, Washington, dated September 20, 2005 (accepted November 17, 2005)

City of Athena, Oregon, Ordinance No. 437, dated July 11, 1996 (accepted August 1, 1996)

Ordinance No. 3251, Baker City, Oregon, dated January 10, 2006 (accepted January 18, 2006)

Ordinance No. 2-2203, City of Boardman, Oregon, dated August 6, 2002.

Ordinance No. 1958, City of Hermiston, Oregon, dated June 8, 1998 (accepted June 16, 1998)

Ordinance No. 279, City of Huntington, Oregon, dated July 25, 1988 (accepted August 2 1998)

Ordinance No. 144, City of Irrigon, Oregon, dated April 8, 2003 (accepted April 15, 2003)

Franchise Agreement, Addendum, Letter of Clarification, City of Madras, dated March 15, 1991 and Ordinance No. 478, dated November 13, 1990 (accepted March 6, 1991)

City of Metolius, Ordinance No. 172, dated September 10, 1992 (accepted September 22, 1992)

Ordinance No. 840, City of Milton-Freewater, Oregon, dated March 24, 1997.

Ordinance No. 564, City of Nyssa, Oregon, dated May 14, 1996 (accepted May 23, 1996)

Franchise, City of Pendleton, No. 3547, dated July 2, 1996 (accepted July 31, 1996)

Ordinance No. 1132, City of Prineville, Oregon, dated January 24, 2006.

City of Redmond Ordinance No. 2000-05, dated June 13, 2000 (accepted June 28, 2000)

Ordinance No. 719, City of Umatilla, Oregon, dated January 7, 2003 (accepted January 15, 2003)

Ordinance No. 844, City of Vale, Oregon, dated September 20, 2005.

City of Weston, Oregon, Ordinance No. 9703, dated May 20, 1997.

Agreement between Morrow County and Cascade Natural Gas Corporation, dated September 4, 2002 (accepted September 10, 2002)

Franchise, Island County, Washington, dated March 27, 1995.

Order Granting Application for Franchise, Skagit County, Washington, dated December 2, 1986 (accepted December 23, 1986)

Ordinance No. 96-019 Granting Franchise, Whatcom County, dated May 14, 1996.

The Company is party to easements, permits, licenses and other instruments granted by government entities for the installation and operation of various portions of the natural gas distribution system. The Company does not have a comprehensive record or database of these instruments which lists or identifies in any way any potential notification, consent or approval requirements in these easements, permits, licenses and other instruments, or a comprehensive system for confirming that the Company is not in violation of any of these easements, permits, licenses and other instruments.

Section 3.6
SEC Documents; Financial Statements; and Other Reports

Section 3.6(a):

The Company has discovered a number of SEC Form 3 and Form 4 reporting errors. Management is currently evaluating and has determined that some amended forms may need to be filed.

In the Company's 2005 Annual Report on Form 10-K, filed on December 15, 2005, Item 9B, "Other Information" included information that was reported one day late, in that it was required to be filed by December 14.

In connection with modifying administrative procedures and updating the prospectus for the Company's Automatic Dividend Reinvestment Plan (the "DRIP"), the Company determined in April 2005 that the number of shares of its common stock issued pursuant to the DRIP had exceeded the number of shares previously registered for such purpose under the Securities Act of 1933, as amended. 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.

Section 3.6(b):
None

Section 3.7
Absence of Material Adverse Effect

The Company has accrued in fiscal 2006 (through March 31) approximately $2.1 million in incentive compensation as an estimate of amounts payable to non-bargaining unit employees, based on performance of financial and other measures. Based on performance for the remainder of the fiscal year, additional amounts may be accrued and paid pursuant to action taken by the Company's Board of Directors under the plan.

A proposal to increase the annual stock award for non-employee directors to 1,000 shares from 500 shares under the Director Stock Award Plan effective April 2006 was approved at the February 17, 2006 Annual Meeting of Shareholders.

The following agreements have varying change of control provisions and were executed or amended after September 30, 2005:

- Employment Agreement between the Company and David W. Stevens
- Employment Agreement between the Company and Rick Davis
- Employment Agreement between the Company and Larry C. Rosok
- Employment Agreement between the Company and Julie A. Marshall
- Employment Agreement between the Company and Michael J. Gardner
- Employment Agreement between the Company and Matthew McArthur
- Employment Agreement between the Company and Doris A. Brettell
- Employment Agreement between the Company and Daniel E. Meredith
- The Cascade Natural Gas Corporation Executive Deferred Compensation Plan
- Long Term Incentive Award Agreement between the Company and David W. Stevens
- Long Term Incentive Award Agreement between the Company and Rick Davis
- The Cascade Natural Gas Corporation Executive Supplemental Retirement Income Plan
- The Cascade Natural Gas Corporation Severance Pay Plan including retention supplement awards

Section 3.8
Information Supplied

None

Section 3.9
Compliance with Laws; Permits

Section 3.9(a):
The Company was advised by the Confederated Tribes and Bands of the Yakama Nation in 2002 of a new tribal ordinance requiring new franchise agreements for all non-municipal utilities conducting business within the external boundaries of the Yakama Nation Reservation. The Company and its predecessors have operated within the external boundaries of the reservation for many years. The Company to this date has been unsuccessful in negotiating or executing a franchise agreement with the Yakama Nation. The Yakama Nation has not responded to the most recent request and has taken no known action to enforce the provisions of its ordinance. The final outcome of this issue is unknown.

The Company is party to easements, permits, licenses and other instruments for the installation and operation of various portions of the natural gas distribution system. The Company does not have a comprehensive record or database of these instruments which lists or identifies in any way any potential notification, consent or approval requirements in these easements, permits, licenses and other instruments, or a comprehensive system for confirming that the Company is not in violation of any of these easements, permits, licenses and other instruments. The Company is not currently aware of any litigation or other action disputing the placement or presence of Company facilities pursuant to these easements, permits, licenses and other instruments or any allegation that the Company is in violation of these easements, permits, licenses and other instruments.

One portion of the Company's land rights include numerous permits and franchises granted by the Washington State Department of Transportation (WSDOT), Oregon Dept. of Transportation, Washington Department of Natural Resources, Oregon Department of Public Lands and other state and federal agencies for the installation and operation of Company facilities. Many of the franchises contain expiration dates, some of which have passed. A comprehensive system for confirming that the Company is not in violation of any of these easements, permits, licenses and other instruments does not exist. The Company is not currently aware of any litigation or other action disputing the placement or presence of Company facilities pursuant to these easements, permits, licenses and other instruments or any allegation that the Company is in violation of these easements, permits, licenses and other instruments. The Company is aware that a portion of the WSDOT franchises have expired. The Company coordinates with WSDOT to renew or consolidate historic approvals into new instruments. WSDOT does not, in our experience, actively investigate, provide notice or enforce expiration dates on this type of instrument. WSDOT historically changes operating practices from time to time and may, without notice, change its administrative process or focus on these agreements.

The Company historically acquires easements or other suitable approvals from fee title property owners prior to the installation of natural gas mains or related facilities on private property. The Company believes it has been reasonably diligent in this effort and consistent with industry practice in this region. The Company historically does not acquire specific property rights for service lines which provide service to the subject property or the neighboring property. It is possible that the Company has installed facilities on private property either intentionally or

unintentionally without proper approvals, including securing approval from the incorrect owner or securing approval from one or more owners but not all owners of a particular property. The Company has not purchased title insurance for most instruments. The Company is not currently aware of any litigation or other action by property owners disputing the placement or presence of Company facilities on their property.

The Company routinely applies for and receives approval on local, state and/or federal permits required for construction, maintenance or operation of the natural gas system or Company facilities. The Company may have completed projects intentionally or unintentionally without securing some or all permits which may, in the opinion of a regulatory agency or individual, have been required for the project. The Company is not aware of any litigation or actions pending by any regulatory agencies regarding past projects.

In connection with modifying administrative procedures and updating the prospectus for the Company's Automatic Dividend Reinvestment Plan (the "DRIP"), the Company determined in April 2005 that the number of shares of its common stock issued pursuant to the DRIP had exceeded the number of shares previously registered for such purpose under the Securities Act of 1933, as amended. 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.

Section 3.9(b):
The Company's 2006 Proxy Statement inadvertently omitted a New York Stock Exchange required disclosure to include the Company's Standards of Independence for Directors in the Proxy Statement. This issue was cured by filing a current report on Form 8-K on April 17, 2006.

The Company's 2005 Annual Report to Shareholders inadvertently failed to disclose that the Company had filed its 2005 Annual CEO Certification required under Section 303A.12(a) of the New York Stock Exchange Listed Company Manual. The Company filed that certification with the New York Stock Exchange in March 2005. To address this issue the Company filed a current report on Form 8-K on April 17, 2006.

The Company does not have any record of submitting subsequent listing applications to the New York Stock Exchange after 1996 with respect to securities issued by the Company after such time that had not been included in previous listing applications.

Section 3.9(c):
None

Section 3.9(d):
In connection with the audit of the Company's financial statements for the year ended September 30, 2005 and internal control over financial reporting as of September 30, 2005, the following significant deficiencies in the Company's internal control over financial reporting were noted:

- *Derivative Instrument Valuations* – All derivative contracts should be valued at their net realizable value which includes a component for discounting the contract for the time value of money. Procedures were not in place to correctly value derivative contracts. This

deficiency resulted in an adjustment to the financial statements which caused a decrease in current derivative assets and current regulatory liabilities of $230,000 and a decrease in long-term derivative assets and long-term regulatory liabilities of $486,000. Substantially all of the adjustments were made to properly correct the 2005 financial statements. Potential misstatements were not considered material. The controls surrounding derivative instrument valuations had not been designed effectively.

- *Ellipse System Segregation of Duties* – Procedures were not in place to ensure management has implemented a division of roles and responsibilities (segregation of duties) that reasonably prevents a single individual from subverting a critical process (e.g., separation of administrative and security functions) with the Ellipse System. No deficiencies in business cycle controls were found as a result of the weaknesses in general computer controls. There were no errors found that required adjustments to the 2005 financial statements and potential misstatements were not considered material.

- *Deferred Income Tax Liability* – Based on a review of its deferred income tax accounts, the Company determined its Deferred Income Tax liability was understated by $930,000. This understatement stemmed from an understatement of the provision for deferred taxes for the fiscal years 2001, 2002, and 2003 by $242,000, $304,000, and $384,000, respectively. The understatement of income tax expense and the ensuing restatement of results of operations have no impact on the Company's income tax returns or current income tax liability for any of the years.

Section 3.9 (e):
None

Section 3.9 (f):
None

Section 3.9(g):
The Company's auditors provided tax services to the Company in fiscal 2005 for fees aggregating $10,360.

The Company's auditors provided "audit-related" services to the Company in fiscal 2005 for fees aggregating $56,543 for audits of the Company's benefit plans.

Section 3.9:
On June 13, 2006, an error with the reading of the meter at Paneltech in Hoquiam, Washington was discovered by Cascade's meter inspector while performing a routine 5-year meter test. The index on the meter was incorrectly configured and displayed the customer usage without the ones digit of the reading. The effect was that the readings were assumed to include the ones digit and were entered into the billing system as read. The result was that Paneltech was billed for 10% of the actual volume. This occurred from the time of original meter installation on January 31, 1997 until June 13, 2006. The June 2006 billing was issued after the error was discovered and the bill was adjusted to reflect actual usage. The actual usage and resulting customer deficiency was calculated at $1,100,396. This amount represents the difference between the actual usage at the

rate in effect in each billing period plus all applicable taxes less the amount actual paid by the customer on the original bills.

Paneltech was informed of the discovery on June 13, 2006. Paneltech has also been informed of the overall process Cascade is using to research and recalculate the billing for this account and our expectation that they will be required to pay the adjusted amount. The exact amount of the correction has not yet been given to Paneltech. Based on initial discussions with Paneltech, Cascade anticipates that the customer will seek legal representation and will investigate all available means to avoid paying for the past usage. Cascade will likely enter into negotiations with Paneltech in an effort to secure a reasonable level of repayment up-front and avoid the risk of long-term repayment arrangements. Cascade does not know if the WUTC would agree with Cascade's actions or impose any penalty or repayment of any remaining portion of the adjustment by Cascade.

At this time, based on the circumstances of the adjustment, Cascade plans to recognize the revenue on a cash basis. From a Sarbanes-Oxley Act point of view, it will most likely be a significant deficiency. The Company is currently assessing the matter and expects to implement appropriate controls.

Section 3.10
Tax Matters

Section 3.10(a):
The Company's filing dates for its annual Federal and State Income Tax returns for the year ended 9/30/05 have been extended to 6/15/06 and 7/17/06 respectively.

The Company has agreed, through Form 872, to extend to June 30, 2007, the open periods with respect to federal tax returns for the years ended September 30, 1997, 1998, and 2002. Amended returns were filed for these years and the claimed refund required joint committee consent; a condition of the refund was the extension of the statute for these returns. Other than the referenced U.S. Federal Tax returns, the Company has received no indication that any tax returns for open periods are under examination by any taxing authority.

The Company's quarterly Federal and Oregon deposits of estimated income tax liability, in the amounts of $3,750,000 and $92,000 respectively, due on March 15, 2006 were paid on April 5, 2006. The payments had inadvertently been scheduled for April 15 rather than March 15. This scheduling error was discovered prior to April 15, and the payments were made on April 5, 2006.

Section 3.11
Litigation

Deschutes County, Oregon, on behalf of the Deschutes County Fair and Expo Center in Redmond, Oregon advised the Company in March 2006 that it may initiate litigation to recover costs it believes were wrongly charged for natural gas use due to a meter error. In May 2004, the Company discovered that it had received several meters from the manufacturer that were defective. One of these meters was installed at the Deschutes County Fair and Export Center and was in use for several years prior to discovery of the error. Consistent with past practice and Oregon statute, the Company requested a billing adjustment from Deschutes County in July 2004. Between August 2004 and present, Deschutes County has paid the monthly billing adjustment in addition to on-going natural gas service charges. The March 2006 demand for reimbursement was based on a defense of damages caused by the presence of the defective meter. The Company replied in March 2006 and denied the request for reimbursement citing Oregon statues and regulations and, on advice of counsel, the likely outcome of a court action. The Company has not received a subsequent reply from the County.

Two other commercial customers, Pacific Ecosolutions and Renegade Powder Coating, were also required to pay billing adjustments due to the same meter error. These parties have made or continue to make the required payments. The Company has not received any similar claims from these customers but does not know if these customers contemplate any further action.

The Company was advised by the Confederated Tribes and Bands of the Yakama Nation in 2002 of a new tribal ordinance requiring new franchise agreements for all non-municipal utilities conducting business within the external boundaries of the Yakama Nation Reservation. The Company and its predecessors have operated within the external boundaries of the reservation for many years. The Company to this date has been unsuccessful in negotiating or executing a franchise agreement with the Yakama Nation. The Yakama Nation has not responded to the most recent request and has taken no known action to enforce the provisions of its ordinance. The final outcome of this issue is unknown.

The Company is currently pursuing recovery of historical and future costs related to the Eugene Water and Electric Board (EWEB) former manufactured gas plant site from prior insurance carriers. The Company has not filed litigation in this matter but may be forced to file litigation to compel the carriers to honor past policies requirements. The Company may pursue a similar strategy for other sites as the need arises.

Section 3.12
Benefit Plans

Section 3.12(a):

- Employee Medical Benefit Plan for Employees of Cascade Natural Gas Corporation
- Cascade Natural Gas Corporation Employee Retirement Savings Plan – 401(k)
- Retirement Plan for Employees of Cascade Natural Gas Corporation
- Long Term Disability Plan
- Life, Accidental Death and Dismemberment Benefits
- Cascade Natural Gas Corporation Severance Pay Plan
- Cascade Natural Gas Corporation Officer Severance Pay Plan
- The Cascade Natural Gas Corporation Executive Supplemental Retirement Income Plan
- The Cascade Natural Gas Corporation Executive Deferred Compensation Plan
- 1998 Stock Incentive Plan
  - Long Term Incentive Plan
  - Director Stock Award Plan
  - Stock Option Grants
- The Cascade Natural Gas Corporation Cafeteria Plan (Health Care Reimbursement Account, Dependent Care Spending Account)

Changes to Retirement Plan for Employees of Cascade Natural Gas Corporation:

- Revise accrual for employees in the field operations bargaining unit to $107 per month for each year of full-time service beginning January 1, 2007.
- Limit the plan to employees who are already participants and permit no new participants as of January 1, 2007.

Changes to the Cascade Natural Gas Corporation Employee Retirement Savings Plan:

- For employees in the field operations bargaining unit who were hired before January 1, 2007, reduce the employer matching contribution to $.25 per $1.00.
- For employees in the field operations bargaining unit who are hired on January 1, 2007 or later, change the employer matching contribution to $.50 per $1.00 of each eligible employee's elective contribution up to 6% of eligible pay and provide each such employee a non-elective employer contribution of 4% of eligible pay.
- For non- bargaining unit employees, change the employer matching contribution to $.75 per $1.00 of each such eligible employee's elective contribution up to 6% of eligible pay effective July 1, 2006.

Other Potential Changes:

- The Company will be conducting a review of benefits for non-bargaining unit employees to determine appropriate types and levels of benefits.
- The Company is in the process of bargaining with the CSR Bargaining Unit. This process will determine benefits and pay for Customer Service Representatives.

See also Sections 3.12(g)(i) and 3.12(g)(ii)

Section 3.12(a)(i):
The Retirement plan for Employees of Cascade Natural Gas Corporation is subject to Title IV of ERISA and to Section 412 of the Code.

Section 3.12(a)(ii):
See Sections 3.12(a) and 3.12(g)

Section 3.12(b):
The Company is reviewing procedures and documentation as it relates to the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Revisions in procedures and documentation may be required.

Section 3.12(b)(iii):
- Form 5500 for the Retirement Plan for Employees of Cascade Natural Gas Corporation for the year ending December 31, 2005 is due as of July 31, 2006 and has not been completed. It is expected to be completed and filed prior to the due date.
- Form 5500 for the Cascade Natural Gas Corporation Retirement Savings Plan for the year ending December 31, 2005 is due as of July 31, 2006 and has not been completed. It is expected to be completed and filed prior to the due date.
- Form 5500 for the Long Term Disability Plan for the year ending December 31, 2005 is due as of July 31, 2006 and has not been completed. It is expected to be completed and filed prior to the due date.
- Form 5500 for the Employee Medical Benefit Plan for Employees of Cascade Natural Gas Corporation for the year ending December 31, 2005 is due as of December 31, 2006 and has not been completed. It is expected to be filed or an extension applied for prior to the due date.
- IRS Form 5500 for Long-Term Disability Plan for 2004 was not filed. The Company will file using the delinquent filing procedure established by the Department of Labor.
- The Company has discovered errors in the number of shares issued in place of cash dividends affecting its 401(k) participants and possibly other shareholders. Management believes the amounts to be minor.

Section 3.12(b)(iv):
- The 401(k) ADP test for the period January 1, 2004 through December 31, 2004 failed. Excess contributions have been resolved. Some contribution shortages still need to be resolved.
- The non-discrimination testing for the Section 125 plan for the year ending December 31, 2005 have not been completed. It is expected to be completed prior to July 31, 2006.

Section 3.12(b)(v):
The Summary Plan Description for the Medical Plan does not include the Health Savings Account even though it has been implemented and employees have been provided information.

Section 3.12(c):
The Company provides retiree health coverage for certain retired employees under its Employee Medical Benefit Plan for Employees of Cascade Natural Gas Corporation.

Section 3.12(c)(iii) and (iv):
The Company maintains a Retirement Plan for Employees of Cascade Natural Gas Corporation. See the discussion under Section 3.12(a)(i).

Section 3.12(d):
None

Section 3.12(e):
None

Section 3.12(f):
None

Section 3.12 (g)(i) and (ii):
The following agreements have varying change of control provisions:

- Employment Agreement between the Company and David W. Stevens
- Employment Agreement between the Company and Rick Davis
- Employment Agreement between the Company and Larry C. Rosok
- Employment Agreement between the Company and Julie A. Marshall
- Employment Agreement between the Company and Michael J. Gardner
- Employment Agreement between the Company and Matthew McArthur
- Employment Agreement between the Company and Doris A. Brettell
- Employment Agreement between the Company and Daniel E. Meredith
- The Cascade Natural Gas Corporation Executive Deferred Compensation Plan
- Long Term Incentive Award Agreement between the Company and David W. Stevens
- Long Term Incentive Award Agreement between the Company and Rick Davis
- The Cascade Natural Gas Corporation Executive Supplemental Retirement Income Plan
- Cascade Natural Gas Corporation Supplemental Benefit Trust
- The Cascade Natural Gas Corporation Severance Pay Plan including retention supplement awards

Section 3.12(g)(iv):
The following plans prevent the Company from terminating the plans or related trusts without paying the participants benefits already accrued.

- The Cascade Natural Gas Corporation Executive Supplemental Retirement Income Plan
- Cascade Natural Gas Corporation Supplemental Benefit Trust
- The Cascade Natural Gas Corporation Executive Deferred Compensation Plan

Section 3.12(h):
Each of the plans or agreements that provide benefits that are contingent on a change in control limits benefits to prevent any benefit or payments from becoming a parachute payment.

Section 3.12(j):
- Cascade Natural Gas Corporation Employee Benefit Trust
- Cascade Natural Gas Corporation Retired Employees Medical Benefits Trust

Section 3.12(k):

Collective Bargaining Agreement between Cascade Natural Gas Corporation and The International Chemical Workers' Council/UFCW

The Company is in the process of bargaining with the CSR Bargaining Unit. This process will determine benefits and pay for Customer Service Representatives.

The Company is also required to pay certain benefit levels pursuant to employment agreements with its executive officers.

See Section 3.12(g)(i) and Section 3.12(g)(ii)

Section 3.13
Labor Matters

Section 3.13(a):

- Agreement effective April 1, 2006 between the Company and the International Chemical Workers Union Council/UFCW Local 121-C, Field Operations Bargaining Unit.

- In November 2005, customer service representatives voted to be represented by the International Chemical Workers Union Council/UFCW. The Company is in the process of negotiating a new bargaining agreement with the International Chemical Workers Union Council/UFCW – Customer Service Representative Bargaining Unit.

Section 3.13(b):

- The Company is in the process of negotiating a new bargaining agreement with the International Chemical Workers Union Council/UFCW – Customer Service Representative Bargaining Unit.

Section 3.14
Environmental Matters

Section 3.14(a):

The Company acquired the gas distribution assets of numerous small utilities. The records of these acquisitions are not sufficient to determine if the pipe, pipe coating or associated materials acquired in the existing systems of these companies or the land surrounding these existing systems contain any asbestos, PCB's, petroleum products or other hazardous or potentially hazardous materials which may require investigation or remediation in the future.

The Company formerly operated gasoline and diesel underground storage tanks ("UST") at some or all of its operations locations. The USTs have been decommissioned and/or removed. The Company currently only stores bulk vehicle fuel in aboveground tanks. The Company performed remediation at one UST site in Sunnyside and negotiated a subsequent settlement with a prior property owner. It is assumed that any other apparent or detected contamination was handled appropriately at the time of the tank removal or decommissioning.

The Company previously operated measurement devices which required the use of liquid mercury. The Company no longer uses these devices. The Company previously investigated and remediated meter sites which had mercury present. It is assumed that the Company identified and remediated all necessary sites. It is possible that additional sites exist, that these sites were not remediated and may require remediation in the future.

The Company operates a natural gas facility at each point natural gas is delivered to our system in conjunction with upstream interstate pipeline operators. These facilities exist on Company-owned property, Company-held easements, pipeline-owned property and various combinations. It is possible that the upstream provider has introduced hazardous or potentially hazardous material on the Company's owned or operated property. If this has occurred, it is possible that the site will need to be investigated and remediated in the future.

The Company owns property in Walla Walla, Washington that is known to be the site of a former manufactured gas production plant. The Company has not conducted testing to determine the presence or extent of possible contamination on the site. Contamination is often associated with this type of facility. The Company currently operates an operations office and parking lot on the property.

The Company owns property in Yakima, Washington that is known to be the site of a former manufactured gas production plant. The Company has not conducted testing to determine the presence or extent of possible contamination on the site. Contamination is often associated with this type of facility. The Company currently operates an operations office and parking lot on the property. In 2003, the Company removed a tar-like substance from one underground storage structure that is believed to have been part of the plant. The removal was performed by licensed contractors and wastes were disposed of in approved facilities. The Company did not perform testing of the soil in and around the structure at the time of the removal.

The Company owns property in Shelton, Washington that is known to be the site of a former butane-air gas distribution plant. The Company has not conducted testing to determine the presence or extent of possible contamination on the site. The Company currently operates and operations office and parking lot on the property.

The Company currently owns or operates a number of office and warehouse facilities. There is no record of any specific investigation for the presence of asbestos, lead paint, petroleum products or any other hazardous or potentially hazardous substance at these locations. In the course of prior maintenance or remodeling, the Company has determined that asbestos is present in at least floor tiles or pipe insulation at the Company's 222 and 230 Fairview Ave, Seattle, WA facility. The Company has not specifically identified the entire extent of the asbestos or other hazardous materials outside the scope of the specific projects. Given the age of many of the facilities, it is likely that asbestos, lead paint or other previously, commonly-used materials are present at these facilities and have not been investigated or removed.

The Company, either directly or through a predecessor company, formerly owned property in Eugene, Oregon that is known to be the site of a former manufactured gas production plant. The site has been extensively investigated and contamination is known to exist. The property is currently undergoing a voluntary clean up action under the direction of the current property owner. The Company participates in the planning and payment of the site costs under an existing participation agreement with two other parties. The ultimate cost to the Company for the site is not known.

The Company currently operates aboveground and belowground storage tanks for the purpose of storing natural gas odorant for introduction to the natural gas in the distribution system. This odorant is required by state and federal regulations. The Company is not aware of any deficiencies in the integrity of these tanks which have or may result in leakage of odorant. The potential exists that leaks have or may occur that require investigation and clean up.

The Company formerly owned or operated office and warehouse space in addition to the facilities currently owned or operated. There is no record of any specific investigation for the presence of asbestos, lead paint, PCBs, petroleum products, or any other hazardous or potentially hazardous substance at these locations.

The Company, either directly or through a predecessor company, formerly owned property in Pendleton, Oregon that is known to be the site of a former manufactured gas production plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. Contamination is often associated with this type of facility. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Lewiston, Idaho that is known to be the site of a former manufactured gas production plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. Contamination is often associated with this type of

facility. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Bremerton, Washington that is known to be the site of a former manufactured gas production plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. Contamination is often associated with this type of facility. The Washington Department of Ecology (the "WDOE") conducted preliminary testing at the site and determined that contamination does exist. The site is currently listed as a contaminated site by the WDOE. The current site owner has enlisted the help of the City of Bremerton to secure grant funding for additional site investigation. The type and extent of site testing is not known. It is unknown what, if any, liability the Company will have in this site.

The Company, either directly or through a predecessor company, formerly owned two (2) properties in Bellingham, Washington known to be sites of former manufactured gas production plants. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the sites. Contamination is often associated with this type of facility. It is not expected that the Company will have any future liability in these sites but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Astoria, Oregon that is known to be the site of a former manufactured gas production plant. The site has been extensively investigated and contamination is known to exist. The Company negotiated a settlement with the then-current owner. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Bend, Oregon that is thought to be the site of a former butane-air gas distribution plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. There is no known contamination and no pending actions by the current owner. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Wenatchee, Washington that is thought to be the site of a former manufactured gas production plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. Contamination is often associated with this type of facility. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Anacortes, Washington that is thought to be the site of a former butane-air gas distribution plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. There is no known contamination and no

pending actions by the current owner. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in Longview, Washington that is thought to be the site of a former propane-air gas distribution plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. There is no known contamination and no pending actions by the current owner. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company, either directly or through a predecessor company, formerly owned property in the Sunnyside, Prosser, Grandview or Toppenish, Washington area that is known to be the site of a former butane-air gas distribution plant. The Company did not conduct testing to determine the presence or extent of possible contamination on the site prior to transferring the site. There is no known contamination and no pending actions by the current owner. It is not expected that the Company will have any future liability in this site but the current status and ultimate disposition of the site is not known.

The Company received a demand letter from the property owner adjacent to the former manufactured gas plant site in Bremerton, Washington. The adjacent owner, Sesko, claimed that his property was contaminated by material from the former plant. The Company denied the claim and Sesko did not pursue the claim further. As noted in Section 3.14(a) above, the Bremerton site has not been investigated and the Company's responsibility, if any, is not known.

The Company was advised in March 2006 by WDOE that the lack of soil sampling at the Yakima location after the tar removal noted in Section 3.14(a) above required that the site remain on the WDOE Confirmed and Suspected Sites List. The Company has not initiated any further testing.

The Company does not have settlements with local, state or federal regulatory authorities releasing the Company from liability or protecting the Company from contribution or other potential claims by third parties related to the above sites and facilities.

Section 3.14(b):

The Company received a demand letter from the property owner adjacent to the former manufactured gas plant site in Bremerton, Washington. The adjacent owner, Sesko, claimed that his property was contaminated by material from the former plant. The Company denied the claim and Sesko did not pursue the claim further. As noted in Section 3.14(a) above, the Bremerton site has not been investigated and the Company's responsibility, if any, is not known.

The Company was advised in March 2006 by WDOE that the lack of soil sampling at the Yakima location after the tar removal noted in Section 3.14(a) above required that the site remain on the WDOE Confirmed and Suspected Sites List. The Company has not initiated any further testing.

Section 3.14(c):
The Company, either directly or through a predecessor company, formerly owned property in Eugene, Oregon that is known to be the site of a former manufactured gas production plant. The site has been extensively investigated and contamination is known to exist. The property is currently undergoing a voluntary clean up action under the direction of the current property owner. The Company participates in the planning and payment of the site costs under an existing participation agreement with two other parties. The ultimate cost to the Company for the site is not known.

Section 3.15
Regulation as a Utility

None

Section 3.16
Title to Properties

Leases:

Easement Agreement and Right of First Offer and Refusal with Michael Moen regarding land adjacent to Yakima Office/Operations Facility

Commercial Lease Agreement dated April 1, 2002, between Taylor Brothers, LLC and Cascade Natural Gas Corporation (Bend, Oregon Operations Center)

Lease Agreement dated June 1, 2004, between Charles Chandler, Trustee of the Herbert Chandler Trust and Cascade Natural Gas Corporation (Baker City Oregon Operations Center)

Agreement of Lease dated September 28, 2004 between Stone Brothers Inc. and the Company

Section 3.17
Regulatory Proceedings

The Company is subject to U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA) audit findings as detailed in CPF No. 5-2006-1004M regarding the operation of the Kelso-Beaver pipeline. The Company has responded to the findings and has recieved confirmation of acceptance by PHMSA.

The Company is subject to Washington Utilities and Transportation Commission (WUTC) audit findings as detailed in docket PG-051353 and Oregon Public Utilities Commission (OPUC) audit findings in Inspection Report 2005-22-01 for a joint audit of the Company's Integrity Management Program. The findings did not include any probable violation and the Company has until August 2006 to update its program and respond the joint comments.

The Company is subject to the findings of a WUTC audit of its Aberdeen, Washington operations in May 2006, docket PG-060217. The findings included six probable violations and one area of concern. The Company has until July 3, 2006 to respond.

The Company periodically files with the WUTC and OPUC for a purchased gas cost adjustment.

On February 14, 2006 the Company filed a $11.7 million general rate application filing with the WUTC that has been docketed as UG-060256. The Company is still responding to data requests. Settlement discussions are set for July 25, 2006 and hearings are scheduled for October 9 –13, 2006. The suspension period expires on January 15, 2007.

As part of the Stipulation approving decoupling in Oregon, the Company agreed to submit a general rate filing in Oregon ("2008 Rate Case") not later than April 1, 2008 if requested by the OPUC no later than December 31, 2007. The Company will bear the burden of proof in such filing, in accordance with ORS 757.210. The historic test period for purposes of such filing will be fiscal year 2007 (the twelve months ended September 30, 2007), or such other period as may be agreed upon by the parties.

Section 3.18
Hedging Transactions

As part of its current Gas Procurement Strategy, the Company purchases price swaps or fixed price physical contracts for 90% of the expected requirements of the core customers for the upcoming year, 60% of year two and 30% of year three. The purchase of such swaps or fixed price physical contracts are spread out over three or four buying periods throughout the year.

The Company will also secure price swaps or fixed price physical contracts on behalf of Non-Core transportation customer(s) that have requested and agreed to such fixed price arrangements.

The following is a list of the hedges in effect as of July 7, 2006:

Contract ID	Counterparty	Expiration Date
Core Portfolio		
H-0002-TD-A	TD Securities	10/31/2006
H-0003-TD-A	TD Securities	10/31/2007
H-0005-TD-A(PUT OPTION)	TD Securities	10/31/2006
H-0006-TD-A (CALL OPTION)	TD Securities	10/31/2007
H-0006-TD-A (PUT OPTION)	TD Securities	10/31/2007
H-0009-TD-S	TD Securities	3/31/2007
H-0010-WF-A	Wells Fargo Bank	10/31/2006
H-0012-TD-S	TD Securities	3/31/2007
H-0015-WA-S	Wasatch Energy, LLC	3/31/2007
H-0017-WF-S	Wells Fargo Bank	3/31/2007
H-0023-SEMPRA-S	Sempra Energy Trading	3/31/2007
H-0026-TD-S	TD Securities	3/31/2007
H-0028-TD-A	TD Securities	10/31/2006
H-0029-TD-A	TD Securities	10/31/2007
H-0033-TD-P	TD Securities	1/31/2007
H-0036-WF-P	Wells Fargo Bank	1/31/2007
H-0041-LD-A	L D Energy Canada	10/31/2008
H-0042-BONE-S	Bank One	3/31/2008
H-0043-BONE-A	Bank One	10/31/2008
H-0044-CIBC-S	Canadian Imperial Bank of Commerce	3/31/2008
H-0046-JPMORGAN-A	JP Morgan Chase	10/31/2008
H-0047-JPMORGAN-S	JP Morgan Chase	3/31/2008
H-0051-BOA-A	Bank of America	10/31/2008
H-0052-BOA-S	Bank of America	3/31/2008
H-0058-TD-A	TD Securities	10/31/2006

H-0066-CIBC-A	Canadian Imperial Bank of Commerce	10/31/2009
H-0067-CIBC-S	Canadian Imperial Bank of Commerce	10/31/2009
H-0068-CIBC-S	Canadian Imperial Bank of Commerce	11/30/2006
H-0069-WF-S	Wells Fargo Bank	4/30/2008
H-0070-CIBC-S	Canadian Imperial Bank of Commerce	11/30/2006
H-0071-CIBC-S	Canadian Imperial Bank of Commerce	2/28/2009
H-0072-WF-S	Wells Fargo Bank	10/31/2008
H-0084-TD-S	TD Securities	4/30/2007
H-0085-TD-S	TD Securities	10/31/2007
H-0086-TD-S	TD Securities	12/31/2007
H-0087-TD-S	TD Securities	4/30/2007
H-0088-TD-S	TD Securities	3/31/2007
H-0092-JPMorgan-S.pdf	JP Morgan Chase	10/31/2009
H-0079-WF-S	Wells Fargo Bank	5/31/2009
H-0080-WF-S	Wells Fargo Bank	10/31/2009
H-0081-WF-S	Wells Fargo Bank	4/30/2009
H-0082-WF-S	Wells Fargo Bank	4/30/2009
H-0082-WF-S	Wells Fargo Bank	5/31/2009
H-0089-CIBC-S	Canadian Imperial Bank of Commerce	3/31/2009
H-0090-CIBC-S	Canadian Imperial Bank of Commerce	11/30/2008
H-0091-CIBC-S	Canadian Imperial Bank of Commerce	2/29/2008
H-0093-WF-S	Wells Fargo Bank	10/31/2007
Non-Core Gas Management Portfolio		
H-0048-TD-A	TD Securities	10/31/2008
H-0057-TD-A	TD Securities	10/31/2006
H-0061-TD-Apdf	TD Securities	10/31/2006
H-0063-TD-A	TD Securities	3/31/2007
H-0064-TD-Spdf	TD Securities	10/31/2006
H-0094-TD-S	TD Securities	10/31/2006

The Company may enter into additional hedges from time to time in accordance with its policy.

The Company is a party to the following agreements (and related confirmations and documentation):

ISDA Master Agreement between the Toronto-Dominion Bank and the Company dated as of May 26, 2004

ISDA Master Agreement between the Canadian Imperial Bank of Commerce and the Company dated as of August 11, 2004

ISDA Master Agreement between Wells Fargo Bank, N.A. and the Company dated as of July 27, 2004

ISDA Master Agreement between Bank One, NA and the Company dated as of July 30, 2004

ISDA Master Agreement between Bank of America, N.A. and the Company dated as of August 26, 2003

ISDA Master Agreement between LD Energy Canada L.P. and the Company dated as of February 24, 2005

Section 3.19
Intellectual Property

The Company has not registered a trademark for ServicePlus, the name under which the Company provides contracting services for natural gas system design, construction, maintenance and inspection.

Section 3.20
Required Vote of the Company Shareholders

None

Section 3.21
State Takeover Statutes

None

Section 3.22
Brokers

The Company may engage a separate financial advisor to render a fairness opinion in connection with the Merger.

Section 3.23
Material Contracts

Section 3.23(a)(i):

Indenture dated as of August 1, 1992, between the Company and The Bank of New York

First Supplemental Indenture dated as of October 25, 1993, between the Company and The Bank of New York

Second Supplemental Indenture, dated January 25, 2005, between the Company and The Bank of New York

Service Agreement (Storage Gas Service under Rate Schedule SGS-1) dated January 12, 1994, between Northwest Pipeline Corporation and the Company

Service agreement (assigned Storage Gas Service under Rate Schedule SGS-1) dated January 12, 1994, between Northwest Pipeline Corporation and the Company

Service Agreement (Liquefaction — Storage Gas Service under Rate Schedule SGS-1) dated January 12, 1994, between Northwest Pipeline Corporation and the Company

Transaction Confirmation, dated May 18, 2004, between Enserco Energy Inc., and the Company, to the Base Contract for Sale and Purchase of Natural Gas dated September 12, 2002 between Enserco and the Company

Natural Gas Transaction Confirmation dated November 21, 2001, and executed on April 3, 2002, between Engage Energy Canada, L.P., and the Company

Assignment and Novation Agreement dated June 24, 2004, between Engage Energy Canada L.P., Nexen Marketing and the Company

Service Agreement dated as of September 11, 2001, between TransCanada Pipelines Limited and the Company

Gas transportation agreement dated as of April 30, 1997, between Pacific Gas Transmission Company and the Company

Service Agreement dated October 18, 2005, between Northwest Pipeline Corporation and the Company

Firm Transportation Service Agreement dated December 1, 1997, between Pacific Gas Transmission Company and the Company

Firm Transportation Service Agreement dated October 27, 1993, between Pacific Gas Transmission Company and Company

Storage Agreement dated July 23, 1990, between Washington Water Power Company and the Company

Second amendment to the agreement for the release of Jackson Prairie Storage Capacity dated as of July 30, 1997, amending the Storage Agreement dated July 23, 1990, between Washington Water Power Company and the Company

Service Agreement (Firm Redelivery Transportation Agreement under Rate Schedule TF-2 for the Company's SGS-1) dated January 12, 1994, between Northwest Pipeline Corporation and the Company

Service Agreement (Firm Redelivery Transportation Agreement under Rate Schedule TF-2 for the Company's assignment of SGS-1 from WWP) dated January 12, 1994, between Northwest Pipeline Corporation and the Company

Service Agreement (Firm Redelivery Transportation Agreement under rate Schedule TF-2 for the Company's LS-1) dated January 12, 1994, between Northwest Pipeline Corporation and the Company

Firm Transportation Service Agreement dated November 4, 1994, effective November 1, 1995, between Pacific Gas Transmission and the Company

Firm Transportation Agreement dated August 1, 1994, between Northwest Pipeline Corporation and the Company

Prearranged Permanent Capacity Release of Firm Natural Gas Transportation Agreements dated November 30, 1993, between Tenaska Gas Co., Tenaska Washington Partners, L.P., and the Company

Reimbursement and Indemnity Agreement, dated January 25, 2005, between MBIA Insurance Corporation and the Company

2000 Director Stock Award Plan of the Company

Executive Supplemental Retirement Income Plan of the Company and Supplemental Benefit Trust as amended and restated as of October 1, 2003

Employment agreements between the Company and executive officers of the Company. See Section 3.7

Cascade Natural Gas Corporation Officer Severance Pay Plan, dated October 1, 2004

Cascade Natural Gas Corporation – Cascade Incentive Plan, 2006 and 401(k) Profit Sharing Plan

Amended and Restated Loan Agreement, dated as of September 30, 2004, between U.S. Bank National Association and the Company

Cascade Natural Gas Corporation Employee Retirement Savings Plan 2002 Restatement January 1, 2002 (as Amended Through Amendment No. 3)

Employment Agreement, dated March 3, 2005, between David W. Stevens and the Company

Employment Agreement, dated June 16, 2005, between Rick Davis and the Company

Cascade Natural Gas Corporation Board Compensation Arrangements, as described in the Company's Form 8-K, dated September 29, 2004

Cascade Natural Gas Corporation Severance Pay Plan, 2005 Restatement, August 1, 2005; Amendment One to Severance Pay Plan, February 17, 2006

Cascade Natural Gas Corporation Board of Directors Orientation and Continuing Education Policy

Long-Term Incentive Award Agreement dated January 11, 2006, between David W. Stevens and the Company

Long-Term Incentive Plan

Long-Term Incentive Award Agreement dated January 11, 2006, between Rick Davis and the Company

Executive Deferred Compensation Plan

Agreement Regarding Supplemental Retirement Benefits dated January 11, 2006, between David W. Stevens and the Company

Agreement Regarding Supplemental Retirement Benefits dated January 11, 2006 between Rick Davis and the Company

Employment Agreement signed January 11, 2006 between the Company and Julie A. Marshall

Employment Agreement signed January 11, 2006 between the Company and Michael J. Gardner

Cascade Natural Gas Corporation Amended and Restated 1998 Stock Incentive Plan

Areawide Public Utilities Contract between the United State of America, acting through the Administrator of General Services and the Company, dated as of June 13, 2005

Settlement Agreement entered into February 3, 2006 between the Company and Mint Farm Generation, LLC and the order of approval of the Settlement Agreement by the US Bankruptcy Court of the Northern District of Texas, Fort Worth Division dated March 2, 2006

Gas Management Contracts:

Contract	Amended Contract Date	Contract Term	Customer Number
A. E. Staley Manufacturer	11/01/05	10/31/06	0045
Naval Air Station–Whidbey Island	10/01/05	09/30/08	0122
Brunswick Family Boat Company	04/01/06	03/30/07	0128
Behlen Manufacturing Company	11/01/05	10/31/06	0170
Naval Hospital - Bremerton	10/01/05	09/30/08	0957
Chemco, Inc.	11/01/05	10/31/06	0405
Cowlitz Water Pollution	11/01/05	10/31/06	0263
Eastern Oregon Correction Institution	11/01/05	10/31/08	0540
Fairchild Airforce Base	10/01/05	09/30/08	0637
Foster Farms	11/0105	10/31/06	1885
Frito Lay	11/01/05	10/31/07	0672
Hampton Lumber Mills	11/01/05	10/31/06	0780
J. M. Huber	04/01/06	03/31/07	0887
Johnson Controls, Inc.	11/01/05	09/30/06	0975
J. H. Baxter	04/01/06	03/31/07	0127
Kadlec Medical Center	11/01/05	10/31/06	1000
BF Goodrich Kalama, Inc.	04/01/06	04/30/06	0500
Les Schwab Products	11/01/05	10/31/06	1150
Rohm & Haas Company	04/01/06	03/31/07	2250
March Point Cogeneration	04/01/06	04/30/06	1300
Snack Alliance, Inc.	11/01/05	10/31/06	1410
Naval Air Station - Everett	10/01/05	09/30/08	1398
North Cascade Gateway Center	11/01/05	10/31/08	1440
Pacific Lamination	11/01/05	10/31/06	1495
Puget Sound Naval Shipyard	10/01/05	09/30/08	1625
Subase - Bangor	10/01/05	09/30/08	1435
PCC Schlosser	11/01/05	10/31/06	1495
Shonans USA, Inc.	11/01/05	10/31/06	1865
Skagit Gardens, Inc.	11/01/05	10/31/06	1895
Skagit Gardens	11/01/05	10/31/06	1900
Solar Grade Silicon	11/01/05	10/31/06	1915
Ore Dept of Corrections (Snake River)	11/01/05	10/31/08	1482
St. Anthony Hospital	12/01/05	10/31/06	1965
St. Elizabeth Hospital	11/01/05	10/31/06	1982
Sugiyo USA	11/01/05	10/31/06	2005
Ore Dept of Corrections (Two Rivers)	11/01/05	10/31/08	2150

Umatilla Chemical Depot	11/01/05	09/30/08	0360
Naval Undersea Warfare Station	10/01/05	09/30/08	1425
Chemi-Con Materials Co	11/01/05	10/31/06	2190
Washington State Penitentiary	11/01/05	10/31/08	2325
Watts Brothers Frozen Foods	04/01/06	03/31/07	2350
Welches Grandview	09/01/05	08/31/06	2360
Welches Foods, Inc.	09/01/05	08/31/06	2580
Western Washington University	11/01/04	10/31/06	2460
Ocean Protein, LLC	05/01/05	10/31/06	1461
HAP Taylor & Sons	05/01/05	10/31/06	0850
Albina Fuel Company	05/01/05	10/31/06	0050
Smucker Fruit Processing Company	3/23/06	4/40/08	1390

Section 3.23(a)(ii):
Confidentiality Agreement, dated June 26, 2006 (note: contains a "standstill provision" and a non-solicitation of employees, officers and directors provision)

Section 3.23(a)(iii):
Amended and Restated Loan Agreement, dated as of September 30, 2004, between U.S. Bank National Association and the Company

Section 3.23(a)(iv):
None

Section 3.23(a)(v):
None

Section 3.23(b):
The Company provides services for customer-owned facilities as part of the ServicePlus program. There are currently seven on-going operations or maintenance contracts with various customers and other entities. It is possible that the Company will no longer be able to provide those services due to regulatory constraints created by this agreement or decisions by the owner of those facilities in response to this agreement.

Section 5.1(a)
Conduct of Business Pending The Merger

Section 5.1(a)(i)(A)(2):
Company practice is for management to recommend each quarter's dividend payout for the Company's Board of Directors' assessment and approval. The Board's decisions are made each quarter for payment at the middle of the subsequent quarter.

Section 5.1(a)(v):

- The Company is in the process of bargaining with the CSR Bargaining Unit. This process will determine benefits and pay for CSR's.
- The Company anticipates that it will review compensation for non-bargaining unit positions within the next year. This may result in adjustments in salary ranges, salary grades, and pay levels for affected positions.
- The Company anticipates that it will review benefits for non-bargaining unit employees. This review could result in changes in PTO accrual, increases in Company contributions to the 401(k), or improvements in miscellaneous benefits such as contributing to employee membership in a health club.
- The Company may add positions if it is determined that the effectiveness or efficiency of the Company will be improved or if additional positions are desirable due to safety, reliability or government approved programs.
- The Company will establish incentive programs for non-bargaining unit employees for fiscal 2007 in a manner consistent with fiscal 2006.
- The Company may provide retention supplement agreements if considered desirable to attempt to retain employees during the period prior to closing.

Section 5.1(a)(vi):
The Company is in the process of evaluating its bad debt expense estimating practices and will continue its evaluation during this period. The Company may change such estimating process as a result of this evaluation.

Section 5.1(a)(xii):
The Company may pay the Company's 8.50% medium term notes due October 2006 pursuant to their terms.

The Company may also settle claims relating to the Paneltech matter described in Section 3.9 of the Company Disclosure Schedules.

Section 5.1(a)(xiii):
The Company has recently reviewed and decided to lock pricing covering 90%, 60% and 30% of estimated warmer than normal requirements (for core customer requirements), respectively, for the next three heating seasons, with 90% of estimated requirements fixed at the beginning of

each heating season. The Company has historically locked in pricing covering 90%, 60% and 30% of the fixed purchase volumes for the next three heating seasons only.

Section 6.13(b)
Governance; Charitable Contributions

Winter Help (Low-Income Bill Assistance Program). Customers may choose to contribute to the Company's low-income assistance fund, Winter Help. Funds are used to assist the Company's low-income customers pay bills and in some cases assist with equipment replacement for the Company's low-income customers.

Customer contributions are matched by the Company with an annual contribution level of $30,000.

MDU Resources Group, Inc.
Electronic Document Room Index

1.0 Corporate Records
- 1.0.1 Certificate of Incorporation
- 1.0.2 Bylaws of MDU Resources Group, Inc.
- 1.0.3 Organization Charts
- 1.0.4 Acquisition Agreement
  - 1.0.4.1 Agreement and Plan of Merger
  - 1.0.4.2 Webcast Transcript
- 1.0.5 Annual Report to Stockholders

1.1 Financial Documents
- 1.1.1 Indentures
- 1.1.2 Credit Agreements

1.2 Regulatory Documents
- 1.2.1 Rate Case Orders
- 1.2.2 Regulatory Approval of Recent Reorganizations
- 1.2.3 Annual Reports to State Commissions
- 1.2.4 Prior Testimony of Witnesses
- 1.2.5 Other Acquisition Related Filings
  - 1.2.5.1 State
  - 1.2.5.2 Hart-Scott-Rodino

1.3 FERC
- 1.3.1 FERC Form 1

1.4 Service Area Map

1.5 Gas Conservation Programs

1.6 Other
- 1.6.1 MDU Resources Foundation 2005 Annual Report

SEC Filings

CASCADE NATURAL GAS CO.
CAPITAL STRUCTURE
000's

	Pre Acquisition		Targeted Post Acquisition	
Capital Structure	6/30/2006 Amount	Capital Ratios	Amount	Capital Ratios
Debt	$173,333	58.00%	$237,500	50.00%
Equity	128,081	42.00%	237,500	50.00%
Total	$301,414	100.00%	$475,000	100.00%