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Lawrence Reichman
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May 1, 2007

BY ELECTRONIC MAIL AND U.S. MAIL

Filing Center
Oregon Public Utility Commission
550 Capitol Street NE #215
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1283

Dear Sir/Madam:

I am enclosing for filing a Stipulation to resolve all issues in this proceeding. I am also enclosing for filing an Amended Application which the parties to the Stipulation agreed the Commission should approve. Attached to the Amended Application is a revised Appendix 3. Appendices 1 and 2 from the original Application are unchanged and, to conserve resources, I am not filing additional copies of those appendices.

Thank you for your attention to this matter.

Sincerely yours,

Lawrence Reichman

LR:dma
Enclosures
cc: Service List

24878-0033/LEGAL13204051.1

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May 1, 2007

BY ELECTRONIC MAIL AND U.S. MAIL

Honorable Christina M. Hayes
Administrative Judge
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1283

Dear Judge Hayes:

I am pleased to inform you that we have filed on this date a Stipulation executed by most of the parties to this proceeding. The parties that have signed the Stipulation agree that the Commission should approve both the Stipulation and the Amended Application of MDU Resources Group, Inc., also filed today.

The parties have agreed to the following process for approval of the Stipulation and the Amended Application. The parties intend to file joint testimony in support of the Stipulation in approximately two weeks. I am authorized to represent to the Commission that the two other parties to this proceeding who have not signed the Stipulation, PacifiCorp and NW Natural, do not intend to oppose approval of the Stipulation and the Amended Application. It is our expectation that upon submission of the joint testimony, this matter would be ripe for a Commission decision.

Please let us know if you have any comments or concerns about this proposed procedure. We would certainly be willing to participate in a status or scheduling conference if that is your preference.

Thank you for your attention to this matter.

Sincerely yours,

Lawrence Reichman

LR:ac
Enclosures

cc: Service List

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

Docket UM 1283

In the Matter of MDU RESOURCES GROUP, INC. Application for Authorization to Acquire Cascade Natural Gas Corporation	**AMENDED 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 Amended 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 June 5, 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 June 5, 2007, in order to complete the acquisition on or before July 5, 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 June 5, 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").

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
1200 West Century Avenue
Bismarck, ND 58506-5650
Tel.: (701) 530-1016
Fax: (701) 530-1731
dan.kuntz@MDUResources.com

James M. Van Nostrand
Lawrence Reichman
Perkins Coie LLP
1120 N.W. Couch St., 10th Floor
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

MDU Resources has created an Electronic Document Room containing the documents listed in the Index provided as Appendix 2 to this 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

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 an indirect, 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 sought and obtained 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.

On April 26, 2007, MDU Resources announced that a purchase and sale agreement had been reached to sell its domestic independent power production business unit. Proceeds from the sale are expected to fund the acquisition of Cascade and provide funds to deploy into growth opportunities that exist in MDU Resources' core lines of business.

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 $4.9 billion as of December 31, 2006, its operating revenues in 2006 totaled approximately $4.1 billion, and its 2006 operating income was $532 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 December 31, 2006, MDU Resources' pro forma combined assets would be approximately $5.6 billion, and pro forma combined annual revenues would be approximately $4.5 billion for the twelve months ending December 31, 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 unsecured 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, at the time of the closing of the acquisition transaction, MDU Resources will arrange for cash to be deposited to a paying agent in an amount sufficient to enable the 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. In addition, approximately $165 million in net debt currently outstanding at Cascade will remain outstanding as liabilities of Cascade. MDU Resources may use the proceeds of short-term bridge debt financing to fund the payment of some or all the cash required to be paid for the shares of Cascade's common stock in the acquisition transaction during the period between the time of the closing of the acquisition for Cascade and the time of the closing of permanent financing for the acquisition transaction. Substantially simultaneously with the closing of the acquisition (the merger of Merger Sub into Cascade), the stock of the surviving corporation in the merger will be contributed to a wholly-owned subsidiary of MDU Resources. The surviving corporation in the merger of Merger Sub and Cascade together with the intermediate subsidiary of MDU Resources through which the shares of the surviving corporation are held, will have consolidated equity of approximately $220 to $237.5 million generated from MDU Resources' internal funds as permanent equity financing for the transaction. An intermediate subsidiary will issue approximately $67.5 to $85 million in long-term debt at the time of, or subsequent to, the closing of the acquisition transaction to complete the permanent financing of the acquisition.

D. Compliance With Federal Law

MDU Resources and Cascade made notification filings pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 ("HSR Act"). The waiting periods prescribed in the HSR Act were waived providing clearance for the acquisition under the HSR Act.

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 and Cascade are 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 an indirect wholly owned subsidiary of MDU Resources (which will ring fence Cascade from the risks associated with the operations of MDU Resources including the 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 Cascade will not pledge the assets of Cascade as backing for any securities of MDU Resources or its other subsidiaries, a commitment that Cascade will not loan money to or invest in MDU Resources or its other subsidiaries, and a commitment not to request rate recovery of the transaction costs associated with the acquisition. MDU Resources will also exclude the acquisition premium from the accounts of Cascade. These commitments are attached to the Stipulation to be filed concurrently with this Amended Application, and will be discussed in testimony to be filed in support of that Stipulation.

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 hours 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.

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' acquisition of Cascade 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. Cascade's current level of charitable contributions in Oregon and Washington will be maintained. 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 $1.8 million in donations and contributions in 2006 to qualified charities and organizations located within the communities that MDU Resources' businesses serve. 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. Cascade will continue 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 intends to use 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 Resources anticipates that over time, Cascade's 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 and Cascade are making 35 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: May 1, 2007.

By ______________________

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LIST OF APPENDICES

1 Agreement and Plan of Merger (attached to original Application filed November 8, 2006, and incorporated herein by reference)

2 Index to Electronic Document Room (attached to original Application filed November 8, 2006, and incorporated herein by reference)

3 Description of Cascade's Existing Capital Structure (revised version attached hereto)

APPENDIX 3

CASCADE NATURAL GAS CO.
CAPITAL STRUCTURE
000's

	Pre Acquisition		Targeted Post Acquisition	
Capital Structure	12/31/2006 Amount	Capital Ratios	Amount	Capital Ratios
Debt	$165,018	57.00%	$165,018	57.00%
Equity	126,307	43.00%	126,307	43.00%
Total	$291,325	100.00%	$291,325	100.00%

CERTIFICATE OF SERVICE

I certify that I served, on May 1, 2007, an **Amended Application** by causing a copy to be sent by electronic and U.S. Mail to:

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