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June 30, 2008

Ms. Carole J. Washburn  
Executive Secretary  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, Washington 98504-9022

**Filed Electronically (hard copy of Unredacted version to follow via overnight mail)**

**Subject: Informational Filing - Sale of Non-Core Gas Management Services Business  
WUTC Docket Nos. UG-061256, UG-070332, UG-070639, UG-072337**

Dear Ms. Washburn:

On May 29, 2008, Cascade Natural Gas Corporation and CGC Energy, Inc. (collectively "Cascade") signed an asset sale agreement ("Sale") to sell Cascade's non-core gas management services business, as contemplated in the Settlement Agreement approved by the Commission in the above-referenced dockets<sup>1</sup>, to Shell Energy North America (US), L.P. ("Shell"). The Sale, which is expected to close today, includes the transfer and assignment of Cascade's non-core customer sales contracts, gas purchase contracts, and financial hedging instruments to Shell.

Under the Settlement Agreement, Cascade agreed to share 50 percent of the net gain on the Sale with customers through the Purchase Gas Adjustment Mechanism. Details regarding the purchase price along with the estimate of the shared gain are contained in Attachment 1, which has been marked "**CONFIDENTIAL**". The costs of the Sale shown are estimates and will be trued-up in November 2008 when the actual costs of winding down and selling Cascade's non-core gas management services business are known.

Due to the lack of timely receipt of consents from a limited number of non-core customers, some customer sales contracts will not be assigned to Shell. Cascade and Shell agreed not to delay the Sale closing, but enter into back-to-back transactions to mirror these contracts as if they had been assigned effective July 1, 2008. This allows the parties to close the Sale in a timely manner without a purchase price adjustment. The mirror transactions all expire no later than October 31, 2008. There is no intent for Cascade to achieve any financial profit or suffer any financial loss arising out of or related to the mirror transactions. There may be certain costs associated with imbalances in servicing the mirror transactions, but such costs are not expected to be material.

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<sup>1</sup> UG-061256, Order 08; UG-070332, Order 07; UG-070639, Order 02; UG-072337 Order 01, as clarified in Order 09, Order 08, Order 03, and Order 02, respectively.

Please do not hesitate to e-mail or call me at (206) 381-6824 if you have any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Katherine J. Barnard". The signature is written in a cursive style with a large, stylized initial 'K'.

Katherine J. Barnard  
Cascade Natural Gas Corporation  
Senior Director – Gas Supply & Regulatory Affairs

**ATTACHMENT 1**  
**Confidential Per Protective Order in**  
**Dockets UG-061256, UG-070332, UG-070639 and UG-072337**

*Purchase price* [REDACTED]

*Calculation of Gain on Sale Shared with Washington Core Customers*

Gross Proceeds of Sale	[REDACTED]
Estimated Costs of Sale	[REDACTED]
Net Proceeds Before 50% Sharing	[REDACTED]
Percentage of Sale Attributable to Washington	81.26%
Amount Subject to 50% Sharing	[REDACTED]
Washington Sharing Rate	50%
Gain on Sale Shared with Washington Core Customers	[REDACTED]