

 **MDU RESOURCES**
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July 10, 2007

BY ELECTRONIC AND U.S. MAIL

Administrative Law Judge Dennis Moss
Washington Utilities and Transportation
Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504

**Re: Docket No. UG-061721
In the Matter of the Joint Application of MDU Resources Group, Inc. and
Cascade Natural Gas Corporation**

Dear Judge Moss:

In its Order 06 issued June 27, 2007, the Washington Utilities and Transportation Commission ("Commission") approved and adopted a Stipulation, and granted the necessary approvals for MDU Resources Group, Inc. ("MDU") to acquire Cascade Natural Gas Corporation ("Cascade"). Included in the 36 commitments attached to the Stipulation is Commitment 30, which pertains to a non-consolidation opinion to be provided by Cascade within three months of closing the transaction. The purpose of this letter is to indicate Cascade's intentions with respect to compliance with Commitment 30, particularly in light of a question raised by Commissioner Jones with respect to this Commitment at the June 18 settlement hearing in this matter.

During the hearing, Commissioner Jones directed the following questions to witnesses for MDU and Cascade:

- Q. Has the company identified a law firm and are you in the process of developing a non-consolidated opinion? This has to come from an independent law firm, independent from the law firm that represents you currently, correct?¹

¹ Transcript at 43:19-23.

David Goodin responded as follows on behalf of MDU and Cascade:

- A. That's correct, Commissioner. We have, throughout this process, been in contact with one particular law firm, Thelen Reid Priest, to get some advice so far as structuring these commitments so that they would allow for a clean opinion when everything is said and done.

Now, is that the only law firm that we routinely deal with? Well, they're one of several, so to say they would be the ultimate one might be premature at this point given we do have 90 days post-transaction, but part of our contact, again, has been throughout the process so that our commitments here can be consistent with a clean opinion.²

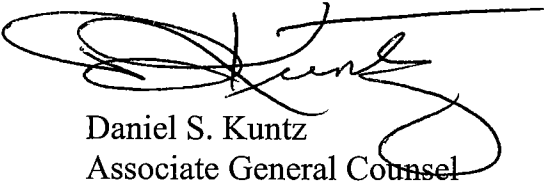
Now that the transaction has closed (as of July 2), MDU and Cascade are in the process of developing the non-consolidation opinion required by Commitment 30. As stated by Mr. Goodin during the June 18 hearing, MDU consulted with the firm formerly known as Thelen Reid & Priest, now Thelen Reid Brown Raysman & Steiner LLP, regarding the structuring of the transaction and ring-fencing provisions to maintain Cascade's financial independence. The Thelen Reid law firm has represented MDU for a number of years on a continuing basis primarily on transactional, financial and securities related matters. For purposes of the non-consolidation opinion, however, MDU and Cascade plan to retain a law firm that has not been involved in MDU's or Cascade's corporate and transactional issues, inasmuch as a different firm would be in a position to provide an opinion independent of legal advice given on such issues. Accordingly, MDU and Cascade intend to retain Perkins Coie LLP ("Perkins") for purposes of rendering this opinion. As the Commission may be aware, Perkins is a firm with a national reputation, and has sufficient expertise in bankruptcy matters to have the qualifications necessary to render a trustworthy non-consolidation opinion. Moreover, although Perkins did not represent either MDU or Cascade in the acquisition transaction, Perkins is familiar with the transaction by virtue of its joint representation of MDU and Cascade with respect to the state regulatory approvals in Washington and Oregon. It is also familiar through that representation with the various commitments made by MDU and Cascade as part of the regulatory approval process to maintain Cascade's financial independence. The terms of Commitment 30 do not impose any requirement with respect to whether or not the law firm retained for purposes of this Commitment may have a previous

² Transcript at 43:24 – 44:11.

relationship with either MDU or Cascade.³ Any need for independence on the part of the person providing the non-consolidation opinion, as suggested by Commissioner Jones's comment, is satisfied by obtaining that opinion from an outside law firm, as opposed to my providing it as in-house counsel. In our view, retaining Perkins for purposes of rendering the non-consolidation opinion satisfies the requirements of Commitment 30. In light of the questions raised by Commissioner Jones, however, we believed it appropriate to advise the Commission of our plans.

Thank you for your attention to this matter.

Sincerely yours,



Daniel S. Kuntz
Associate General Counsel

cc: Service List
James M. Van Nostrand

³ Commitment 30 provides as follows:

Within three months of closing of the transaction, Cascade commits to obtain a non-consolidation opinion, subject to customary limitations and qualifications, concluding that if the ring-fencing around Cascade is maintained, a bankruptcy court, on its own or upon proper request of a party in interest, in a case under the United States Bankruptcy Code commenced against MDU Resources, would not order the substantive consolidation of the assets and liabilities of Cascade with those of MDU Resources. Cascade commits to promptly file such opinion with the Commission. If the ring-fencing provisions of this agreement are insufficient to obtain a non-consolidation opinion, MDU Resources and Cascade agree to promptly undertake the following actions:

- a. Notify the Commission of this inability to obtain a non-consolidation opinion.
- b. Propose and implement, upon consultation with Commission Staff and parties to this stipulation and Commission approval, such ring-fencing provisions that are sufficient to obtain such a non-consolidation opinion.
- c. Obtain a non-consolidation opinion.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served this **Letter to Administrative Law Judge Dennis Moss**, in Docket UG-061721, by causing a copy to be sent by electronic mail and U.S. mail to:

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Dated this 11th day of July, 2007.

PERKINS COLE LLP

By 

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