



In the Community to Serve®

8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-7166
www.cngc.com

June 27, 2013

Steven V. King
Acting Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: UG-061721 Merger Commitments Submittal

Dear Mr. Danner:

According to Commitment No. 23 of the MDU/Cascade Natural Gas Merger Stipulation, approved by the Commission in Docket UG-061721, Order 06, Cascade is required to file a report with the Commission and Commission Staff regarding the implementation of the conditions within twelve months of the closing of the transaction, which occurred on July 2, 2007 and annually thereafter through December 31, 2012.

Attached is a copy of the annual report detailing Cascade's ongoing compliance with the 36 merger commitments.

If there are any questions regarding this filing, please feel free to contact me at (509) 734-4593.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Parvinen", with a long horizontal flourish extending to the right.

Michael Parvinen
Director, Regulatory Affairs

Attachments

We make warm neighbors

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

General Commitment Number	Commitment Description	Status	Status Description
1	<p>Cascade will maintain its own accounting documentation, and financial data will be accessible in Cascade's Washington office. Cascade's financial books and records and state and federal utility regulatory filings and documents will continue to be maintained in Cascade's Washington office consistent with current practice and be available to the Commission, upon request.</p>	Ongoing compliance	<p>No additional steps required at the Cascade level. Company currently maintains its own accounting records, which are separate from MDU Resources'. The Company adheres to the Regulatory Commission's requirements for maintenance and availability of financial data.</p>
2	<p>Financial statements and other financial books and records for Cascade shall be maintained separate from the books and records of MDU Resources. The assets of Cascade and its subsidiaries will be accounted for separately from the assets of MDU Resources and its other subsidiaries, divisions and affiliates in accordance with the Commission's rules governing the system of accounts. This condition shall not prevent the maintenance of books and records for Cascade, MDU Resources or their affiliates on or through a common computer accounting platform. This condition shall also not prevent, for non-Washington regulatory purposes, the consolidated treatment or reporting of financial statements, financial results, and other financial books and records of Cascade, MDU Resources or their subsidiaries and affiliates for financial reporting, tax or other purposes.</p>	Ongoing compliance	<p>No additional steps required at the Cascade level. Company currently maintains its own financial statements, and its assets are accounted for separately from the assets of MDU Resources.</p>
3	<p>MDU Resources and Cascade will provide the Commission and Commission Staff access to all books of account, as well as all documents, data, and records of their affiliated interests, which pertain to transactions between Cascade and its affiliated interests or which are otherwise reasonably calculated to lead to discoverable information regarding Cascade. Upon request and subject to execution of a confidentiality agreement that incorporates the terms of the Commission's standard protective order, MDU and Cascade will</p>	Ongoing compliance	<p>Agreed per signed stipulation. No additional steps required at the Cascade level.</p>

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	provide copies of relevant documents subject to this commitment to Public Counsel and other consumer parties to this docket.		
4	In accordance with Washington law or regulation, the Commission or its agents may audit the accounting records of MDU Resources and its subsidiaries or divisions that are the basis for charges to Cascade. MDU Resources agrees to cooperate fully with such Commission audits.	Ongoing compliance	Agreed per signed stipulation.
5	Any diversified holdings and investments (e.g., non-utility related business or foreign utilities) of MDU Resources will not be held by Cascade or a subsidiary of Cascade. This condition will not prohibit MDU Resources or its affiliates other than Cascade from holding diversified businesses.	Ongoing compliance	Agreed per signed stipulation; action not required unless specified activities occur.
6	Cascade will operate as an indirect wholly owned subsidiary of MDU Resources. Cascade agrees to hold its customers harmless from any business and financial risk exposures of MDU Resources or its other affiliates including Centennial Energy Holdings, Inc. (Centennial). The business and financial risk exposure to Cascade shall be that of a stand-alone regulated utility. Cascade will not issue debt for the acquisition of Cascade's stock by MDU Resources. No credit facilities at Cascade will contain cross-default provisions with respect to credit facilities at MDU Resources or Centennial or their respective subsidiaries. No credit facility signed by Cascade will allow any creditor of MDU Resources, Centennial or their subsidiaries (other than Cascade and its subsidiaries) to have recourse against Cascade or its subsidiaries, in the event of bankruptcy of MDU Resources or Centennial or their subsidiaries (other than Cascade and its subsidiaries). No credit facilities at MDU Resources or Centennial or their subsidiaries (other than Cascade and its subsidiaries) will contain cross-default provisions with respect to credit facilities at Cascade. No credit facility signed by MDU Resources or Centennial or their respective	Ongoing compliance	Agreed per signed stipulation. Cascade operates as an indirect wholly owned subsidiary of MDU Resources (please refer to the attached organizational chart). Cascade did not issue debt for the acquisition of Cascade's stock by MDU Resources. Form 8-K, filed by MDU Resources on July 3, 2007, gives more detail as to the financing of the merger transaction.

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

7	<p>subsidaries will allow any creditor of Cascade or its subsidiaries to have recourse against MDU Resources or Centennial or their subsidiaries (other than Cascade and its subsidiaries).</p> <p>At least one director of Equico will be an Independent Director who is not a member, stockholder, director (except as such Independent Director of Equico), officer, employee, partner, attorney, creditor, supplier, or customer other than an individual consumer, of MDU Resources or its affiliates. The organizational documents for Equico will not permit Equico, without the unanimous consent of all its directors including the Independent Director, to merge, liquidate or sell substantially all of Equico's assets or to consent to the institution of bankruptcy proceedings or the inclusion of Equico in bankruptcy proceedings.</p>	Ongoing compliance	Agreed per signed stipulation. Prairie Cascade Energy Holdings, LLC is the immediate holding company of Cascade, which owns 100% of the company's stock. The name of the independent director is William G. Popeo.
8	<p>Cascade or MDU Resources will notify the Commission subsequent to MDU Resources' board approval and as soon as practicable following any public announcement of: (1) any acquisition of a regulated or unregulated business representing 5 percent or more of the capitalization of MDU Resources; or (2) the change in effective control or acquisition of any material part or all of Cascade by any other firm, whether by merger, combination, transfer of stock or assets; or (3) any acquisition of a business with a substantial business presence in Cascade's service area that has a value in excess of \$100 million or requires notification of the United States Securities and Exchange Commission.</p>	Ongoing compliance	Agreed per signed stipulation.
9	<p>MDU Resources and Cascade shall comply with all Commission statutes, rules, and ordering conditions concerning affiliated interests filings. This shall include the inter-company Administrative Services Agreement (IASA). The IASA will include the corporate and affiliate cost allocation methodologies described in condition 12. The IASA will be filed with the Commission as soon as practicable after the closing of the transaction by which Cascade</p>	Ongoing compliance	Agreed per signed stipulation. IASA acknowledging this commitment was filed on August 9, 2007. An amendment to the IASA was filed with the Commission on March 18, 2009, to add Intermountain Gas Company to the IASA, which was acquired by MDU Resources on October 1, 2008.

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

<p>10</p>	<p>becomes an indirect subsidiary of MDU Resources (the "Transaction"). Amendments to the IASA will also be filed with the Commission. MDU Resources and Cascade agree not to contest, for ratemaking purposes, the Commission's application of an asymmetrical pricing standard (reflecting the Commission's choice in setting rates between the more advantageous (1) of cost, including a reasonable return, or (2) of market pricing) for affiliate charges or costs if a readily identifiable market for the goods, services or assets exists, and if the transaction involves a cost of more than \$100,000. Filings by Cascade with the Commission regarding transactions with MDU Resources affiliates that involve a cost of more than \$100,000 will include an explanation and a rationale for the purchase method used if other than a competitive bid process.</p>	<p>Ongoing compliance</p>	<p>Agreed per signed stipulation. For calendar year 2012, the A&G benchmark was \$24,649,036. Cascade's actual A&G costs for CY 2012 were \$18,428,406.</p>
<p>Cascade commits for Washington regulatory purposes, that commencing with closing of the Transaction and through December 31, 2012, the allocated shared corporate costs, as well as its allocated and assigned utility division costs, will not exceed the costs the Cascade customers would otherwise have paid absent the acquisition, as adjusted for changes in the Consumer Price Index. Application of the Consumer Price Index is limited to the instant commitment. Compliance with this condition shall be determined as follows:</p> <p>a. For purposes of this condition, Cascade's Washington-direct plus allocated A&G costs will be based on the A&G categories, assumptions, and values contained in Appendix 1 titled, "900 Accounts Stretch- Washington-allocated" using the pro forma adjusted 2005 Accounts 901 through 935 labor and non-labor costs, as reflected in Cascade's general rate case Docket UG-060256, but excluding Account 904 (uncollectible accounts) costs and</p>	<p>Cascade commits for Washington regulatory purposes, that commencing with closing of the Transaction and through December 31, 2012, the allocated shared corporate costs, as well as its allocated and assigned utility division costs, will not exceed the costs the Cascade customers would otherwise have paid absent the acquisition, as adjusted for changes in the Consumer Price Index. Application of the Consumer Price Index is limited to the instant commitment. Compliance with this condition shall be determined as follows:</p> <p>a. For purposes of this condition, Cascade's Washington-direct plus allocated A&G costs will be based on the A&G categories, assumptions, and values contained in Appendix 1 titled, "900 Accounts Stretch- Washington-allocated" using the pro forma adjusted 2005 Accounts 901 through 935 labor and non-labor costs, as reflected in Cascade's general rate case Docket UG-060256, but excluding Account 904 (uncollectible accounts) costs and</p>	<p>Ongoing compliance</p>	<p>Agreed per signed stipulation. For calendar year 2012, the A&G benchmark was \$24,649,036. Cascade's actual A&G costs for CY 2012 were \$18,428,406.</p>

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	<p>excluding the \$800,000 of low-income assistance that Cascade provides pursuant to the final order in Docket UG-060256 (the "2006 Benchmark"). The pro forma adjusted 2006 Benchmark will be set at \$21,642,845 as of December 31, 2006. The benchmark for each subsequent year shall equal the prior year's benchmark multiplied by the increase in the Consumer Price Index for All Urban Consumers: All Items: Index 1982-84=100 (Series CUUR0000SA) in the previous twelve months. Except as provided in Condition 11, Cascade commits that during the period of this condition, Cascade's A&G costs, excluding Account 904 costs and the low-income assistance that Cascade provides pursuant to the final order in Docket UG-060256, for rate making and regulatory reporting purposes shall be the lesser of its actual 900 Accounts costs, excluding Account 904 costs and the low-income assistance that Cascade provides pursuant to the final order in Docket UG-060256 and including Commission Basis adjustments as provided in WAC 480-90-257, or the benchmark for the applicable year. Cascade will not shift A&G costs to operational and maintenance accounts (FERC accounts 700-894), capital accounts, deferred debit accounts, deferred credit accounts, or other regulatory accounts that are a basis for ratemaking.</p> <p>b. Cascade may request that the Commission include in the benchmark A&G costs that are incurred or increased as a direct consequence of a change in a statute or rule, or as a result of an order or directive of the Commission, effective after the date of this condition. The intent of this condition is to protect Cascade from unforeseen mandated circumstances that could increase A&G costs.</p>		
--	---	--	--

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

11	<p>MDU Resources and Cascade further commit that beginning November 1, 2008 and continuing through December 31, 2012, Cascade will provide annual rate credits of \$672,000 to Washington customers distributed on an equal margin basis unless otherwise ordered by the Commission. The rate credits in this paragraph will not be off-settable for the first three years, and thereafter will be fully off-settable, on a prospective basis, by the amount that Cascade demonstrates to the Commission's satisfaction in any general rate case that the Washington-allocated A&G expenses included in Cascade's rates are lower than the benchmark set in condition 10 and have not been shifted to operational and maintenance accounts (FERC accounts 700-894), capital accounts, deferred debit accounts, deferred credit accounts, or other regulatory accounts that are a basis for ratemaking. The rate credits shall be provided as bill credits for each month that this condition is in effect, pro-rated based upon estimated volumes and subject to true-up on an annual basis in a manner to be approved by the Commission. Rate credits shall be excluded from Cascade's regulatory accounts and shall be paid for out of shareholder funds.</p>	Ongoing compliance	Agreed per signed stipulation. A prorated share of the \$672,000 in rate credits was included in the annual PGA filing in Docket UG-121592, which was filed with the Commission on October 1, 2012. Cascade is providing the prorated portion of the rate credit thus completing this requirement.
12	<p>Any corporate cost allocation used for rate setting, and subsequent changes thereto, will be submitted to the Commission for review. Any proposed cost allocation methodology for the allocation of corporate and affiliate investments, expenses, and overheads, required by law or rule to be submitted to the Commission for review or approval, will comply with the following principles:</p> <p>a. For services rendered to Cascade or each cost category subject to allocation to Cascade by MDU Resources or any of its affiliates, Cascade must be able to demonstrate that such service or cost category is necessary to Cascade for the performance of its regulated operations, is not duplicative of services already being performed</p>	Ongoing compliance	IASA filed in 9 above contains provisions required by 12a – e.

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	<p>within Cascade, and is reasonable and prudent.</p> <p>b. Cost allocations to Cascade and its subsidiaries will be based on generally accepted accounting standards; that is, in general, direct costs will be charged to Cascade and its subsidiaries whenever possible and shared or indirect costs will be allocated based upon the primary cost-driving factors.</p> <p>c. MDU Resources and its divisions will have in place an allocation or reporting system adequate to support the allocation and assignment of costs of executives and other relevant personnel to Cascade.</p> <p>d. An audit trail will be maintained such that all costs subject to allocation can be specifically identified, particularly with respect to their origin. In addition, the audit trail must be adequately supported. Failure to adequately support any allocated cost may result in denial of its recovery in rates.</p> <p>e. Costs which would have been denied recovery in rates had they been incurred by Cascade regulated operations will likewise be denied recovery whether they are allocated directly or indirectly through MDU Resources. Cascade shall include in any rate case filing a determination confirming this provision or a proposed implementing ratemaking adjustment, if necessary.</p>		
13	<p>Cascade's debt and preferred equity will be maintained separate from the financial securities of MDU Resources and its affiliates. Cascade will maintain its own corporate credit rating separate from that of MDU Resources and its affiliates.</p>	Ongoing compliance	<p>Cascade's financial securities excluding common equity are maintained separate from the financial securities of MDU Resources and its affiliates. Cascade maintains its own corporate credit rating with both S&P and Fitch. Cascade's current credit rating for S&P is BBB+.</p>
14	<p>Cascade will exclude all costs of the Transaction, including the acquisition premium (goodwill) and integration costs, from Cascade's utility accounts for ratemaking purposes (e.g., general rate cases, earnings reviews, PGA filings, etc.) Within 90 days</p>	COMPLETE	<p>The preliminary report was filed with the Commission on September 28, 2007. The final accounting of the merger-related transaction costs was filed on June 6, 2008 – within 60 days of the April 10, 2008 accounting close for the transaction.</p>

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	<p>following completion of the Transaction, Cascade will provide a preliminary accounting of transaction costs. Further, Cascade will provide the Commission with a final accounting of these costs within 60 days of the close of accounting for the Transaction. For purposes of this condition, "integration costs" include costs associated with determining how Cascade will operate effectively as an indirect subsidiary of MDU Resources after the Transaction closes. Integration costs include but are not limited to senior executive officers costs as a result of employment agreement change of control provisions. Integration costs will not include any costs that Cascade would have reasonably incurred absent the Transaction or costs incurred to combine Cascade's operating systems with those of MDU Resources for improved efficiencies or for other beneficial purposes. Transition costs are costs that are neither transaction nor integration costs and are incurred to improve efficiencies. For purposes of this condition, transition costs may include by example, but are not limited to, combined platform and joint software licensing for applications such as customer information and work management systems. If Cascade proposes any transition costs for rate case purposes, it must provide to the Commission's satisfaction a demonstration of the net benefit for customers. This condition is without effect as to any future determination of whether these costs have been prudently incurred. Cascade commits that it will not seek to defer any transition costs.</p>		
15	<p>MDU Resources and Cascade will provide the Commission and Commission Staff, upon request, with unrestricted access to all written information provided by and to credit rating agencies that pertains to Cascade. Upon request and subject to execution of a confidentiality agreement that incorporates the terms of the Commission's standard protective order, MDU Resources and</p>	Ongoing compliance	Access to rating agency materials is available upon request.

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

16	<p>Cascade will provide Public Counsel and other consumer parties to this docket with access to written information provided by and to credit rating agencies that pertains to Cascade.</p> <p>MDU Resources and Cascade commit that neither Cascade nor its subsidiaries will, without the approval of the Commission, make loans to MDU Resources or its respective subsidiaries, or assume any obligation or liability as guarantor, endorser, surety or otherwise for MDU Resources or its respective subsidiaries; provided that this condition will not prevent Cascade, to the extent allowed by law, from making loans or transferring funds to a subsidiary of Cascade or assuming any obligation or liability on behalf of a subsidiary of Cascade.</p> <p>MDU Resources and Cascade will not pledge any of the assets of the business of Cascade as backing for any securities which MDU Resources or its respective subsidiaries, but excluding Cascade and its subsidiaries, may issue.</p>	Ongoing compliance	Agreed per signed stipulation. Cascade has made no such loans or assumed such obligations.
17	<p>Cascade will not advocate for a higher cost of debt or equity capital as compared to what Cascade's cost of debt or equity capital would have been, absent MDU Resources' ownership.</p>	Ongoing compliance	Agreed per signed stipulation; action not required unless specified activities occur.
18	<p>Nothing in these acquisition conditions shall be interpreted as a waiver of Cascade's or MDU Resources' rights to request confidential treatment for information that is the subject of any conditions.</p>	Ongoing compliance	Agreed per signed stipulation; action not required unless specified activities occur.
19	<p>Nothing in these acquisition conditions shall be interpreted to limit the Commission's authority under its statutes and rules.</p>	Ongoing compliance	Agreed per signed stipulation.
20	<p>The parties urge the following process for administering and enforcing the commitments, unless another process is provided by statute, Commission regulations or an approved Cascade tariff. The Commission should give Cascade and MDU Resources written notification of any violation by either company of the commitments made in this application. If such failure is corrected within ten (10) business days for failure to file a report, or five</p>	Ongoing compliance	Agreed per signed stipulation; action not required unless specified activities occur.

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	<p>(5) business days for other violations, the Commission should take no action. The Commission shall have the authority to determine if the corrective action has satisfied or corrected the violation. Cascade or MDU Resources may request, for cause, an extension of these time periods. If Cascade or MDU Resources fails to correct such violations within the specified time frames, as modified by any Commission-approved extensions, the Commission may seek to compel compliance with the commitment and assess penalties for violation of a Commission order, against either Cascade or MDU Resources, as allowed under state laws and regulations. The Commission shall seek penalties only against MDU Resources for violations by only MDU Resources and only against Cascade for violations by only Cascade, but may seek penalties against both MDU Resources and Cascade when both have violated a commitment or condition.</p>		
21	<p>MDU Resources and Cascade commit to maintaining Cascade's provision of sales and distribution services to all classes of customers in a safe, reliable and prudent manner in conformity with its tariffs and obligations as a natural gas utility under state laws including but not limited to maintaining sufficient physical plant, gas supply and staffing levels to meet the needs of customers in its service territory and in each state in which it operates.</p>	Ongoing compliance	<p>Agreed per signed stipulation. Cascade continues to provide sales and distribution services in a safe and reliable manner to all classes of customers in conformity with its tariffs and obligations as a natural gas utility. Appropriate staffing levels for Cascade are being maintained and are reviewed as part of the business planning process cycle.</p>
22	<p>To ensure service quality, Cascade commits to measuring and reporting certain information regarding customer service quality for calendar years 2008 and 2009. The reports shall include the following information, which will be provided to the Commission within 90 days following the end of the calendar year, provided to the parties to this docket, and made available for public inspection on Cascade's website. The calculations for reporting will be based on calendar year.</p>	Ongoing compliance	<p>Agreed per signed stipulation. Customer Service Quality Measures are currently in place, and Cascade filed the requisite report for calendar year 2012 on March 29, 2013. Cascade met with Commission Staff on June 5, 2012, and decided to continue the report for the calendar year 2012. Cascade will file an application after the year-end to continue to report similar quality measures information.</p>

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	<p>a. Cascade will separately report the number of customer complaints (i) received by Cascade and (ii) filed with the Commission.</p> <p>b. Cascade will report the average time from a customer call to the arrival of field technicians in response to a gas emergency.</p> <p>c. Cascade will report the number of missed customer appointments. A customer appointment is defined as a mutually agreed appointment time between a customer and Cascade for service to be provided either when the customer needs to be present or when the customer need not be present. A missed customer appointment occurs when Cascade fails to keep a customer appointment.</p> <p>d. Cascade will separately report the percentage of customer disconnects due to non-payment for (i) residential customers (schedule 503) and (ii) commercial customers (schedule 504).</p> <p>e. For calendar year 2007, Cascade will report the percentage of calls answered live within sixty (60) seconds by its customer call center. For calendar year 2008, Cascade will report the percentage of calls answered live within fifty (50) seconds by its customer call center. For calendar year 2009, Cascade will report the percentage of calls answered live within forty (40) seconds by its customer call center.</p> <p>Following December 31, 2009, Cascade will meet with Commission Staff, Public Counsel and other interested parties in a collaborative process to recommend to the Commission whether Cascade should continue to report this information, whether Cascade should report other information, and whether any further action is required to ensure Cascade's customer service quality.</p>		
23	<p>Within twelve months of the closing of the Transaction and annually thereafter through December 31, 2012, Cascade will file a report with the Commission and Commission Staff regarding the implementation of the Conditions. The report</p>	Ongoing compliance	Cascade is currently meeting all commitments as addressed in this report.

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

	<p>will, at a minimum, provide a description of the performance of each of the Conditions that have quantifiable results. If any Condition is not being met, relative to the specific terms of the Condition, the report shall provide proposed corrective measures and target dates for completion of such measures. From the report filed with the Commission and Commission Staff, Cascade will make publicly available at the Commission, as well as provide to parties to this proceeding, non-confidential portions of the report. Upon request and subject to execution of a confidentiality agreement that incorporates the terms of the Commission's standard protective order, MDU and Cascade will provide confidential portions of the report to Public Counsel and other consumer parties to this docket.</p>		
24	<p>The premium paid by MDU Resources for Cascade (Goodwill or Acquisition Premium) will be excluded from the utility accounts of Cascade. Further, MDU Resources and Cascade commit that they will not propose rate recovery of the Acquisition Premium in Washington rates or include the Acquisition Premium in Cascade's Washington results of operations unless this condition is modified by the Commission to allow for the recovery of the Acquisition Premium for reasons based on proposals by parties other than Cascade or MDU Resources.</p>	COMPLETE/Ongoing Compliance	Agreed per signed stipulation. The premium paid by MDU Resources for Cascade is not held on Cascade's books, but on Prairie Cascade Energy Holdings. Action not required on premium recovery unless specified activities occur.
25	<p>Cascade and/or the MDU Resources Foundation will maintain at least Cascade's current level of charitable contributions in Oregon and Washington. Some of those contributions may be made directly by Cascade in support of local organizations. In addition, qualified tax-exempt 501(c)(3) entities will be eligible to apply for grants from MDU Resources Foundation.</p>	Ongoing compliance	Cascade has maintained its level of support for charitable contributions in Oregon and Washington and additional resources are available through the MDU Resources Foundation. All expenditures are tracked throughout the year to ensure that the Company is making equitable allocations.
26	<p>MDU Resources and Cascade will provide the Commission and Commission Staff access to those portions of corporate minutes including Board of</p>	Ongoing compliance	Access to meeting minutes and other relevant documentation is available to the Commission upon request.

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

	<p>Directors' minutes, all committee and subcommittee minutes, along with any related reports and source documents that may lead to relevant information regarding Cascade's business and associated risk analysis. Upon request and subject to execution of a confidentiality agreement that incorporates the terms of the Commission's standard protective order, MDU and Cascade will provide copies of relevant documents subject to this commitment that pertain to Cascade to Public Counsel and other consumer parties to this docket.</p>		
27	<p>Cascade will not declare or make any dividend to MDU Resources or any other entity that owns or holds an equity interest in Cascade, unless, on the date of such dividend, either:</p> <ul style="list-style-type: none"> a. at the time and as a result of such dividend, Cascade's Interest Coverage Ratio is equal to or greater than 3:1; or b. at such time, Cascade's unsecured debt rating is at least investment grade (BBB- or its then equivalent with Standard & Poor's Ratings Group and Baa3 or its then equivalent with Moody's Investors Service, Inc). <p>"Interest Coverage Ratio" means, with respect to Cascade on any Measurement Date, the ratio of (i) the aggregate amount of EBITDA of Cascade for the four fiscal quarters for which financial information in respect thereof is available immediately prior to such Measurement Date to (ii) the aggregate Interest Expense during such four fiscal quarters.</p>	Ongoing compliance	<p>Agreed per signed stipulation.</p> <ul style="list-style-type: none"> a. Cascade's Interest Coverage Ratio has been greater than 4:1 since the Company's merger with MDU Resources. b. Cascade's unsecured debt is currently rated BBB+ by S&P.
28	<p>a. Cascade will not make any dividends that will reduce Cascade's common equity capital below 38% of Cascade's Total Adjusted Capital without Commission approval, subject to the exception stated herein. For the purposes of calculating a common equity capital for this commitment, Cascade's Total Adjusted Capital is defined as common equity, preferred equity, long-term debt, short-term debt and capitalized lease obligations. If</p>	Ongoing compliance	<p>Cascade dividend policy has been implemented to ensure proper procedures are followed with each dividend including verification that the common equity capital requirements are met. Cascade's common equity capital to total invested capital is reviewed on a monthly basis by MDU.</p>

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

	<p>Cascade's common equity capital is below 38%, but above 35% of Cascade's Total Adjusted Capital. Cascade may make a dividend upon notice to the Commission. Cascade may use this exception only once each calendar year. If Cascade uses this exception, it shall make a presentation to the Commission regarding the financial health of Cascade including Cascade's plans to increase the percentage of common equity capital. Cascade shall also provide written reports to the Commission regarding the financial health of Cascade and progress on Cascade's plans to increase the percentage of common equity capital for four quarters following Cascade's use of this exception, unless this requirement is waived by the Commission.</p> <p>b. Cascade will not make any dividends that will reduce Cascade's common equity capital below 35% of Cascade's Total Adjusted Consolidated Capital (using a purchased accounting approach) without Commission approval. Cascade's Total Adjusted Consolidated Capital is defined as the common equity, preferred equity, long-term debt, short-term debt and capitalized lease obligations of both Cascade and Cascade's intermediate holding companies viewed on a consolidated basis. The use of a consolidated basis of both Cascade and Cascade's intermediate holding companies for the determination of Cascade's Total Adjusted Consolidated Capital is for the purposes of this commitment only.</p>		<p>Listed below is information regarding common equity percentages from the date of the merger transaction close (July 2, 2007) through March 31, 2013:</p> <ul style="list-style-type: none"> a. Cascade's common equity as part of its Total Adjusted Capital never went below 42%. b. Cascade's common equity as part of its Total Adjusted Consolidated Capital never went below 44%.
29	<p>Through December 31, 2016, Cascade will provide notice to the Commission, and to other parties to this Docket upon request, when the dividend payment increases by 10% or more than Cascade's paid dividends for the previous quarter.</p>	Ongoing compliance	Agreed per signed stipulation. No such notices needed to date.
30	<p>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</p>	COMPLETE	A non-consolidation opinion was filed with the Commission on August 30, 2007.

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

<p>31</p>	<p>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:</p> <ol style="list-style-type: none"> 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. 	<p>COMPLETE</p>	<p>Agreed per signed stipulation.</p>
	<p>The Applicants agree that the Commission shall have an opportunity and the authority to consider and adopt in Washington any commitments or conditions to which the Applicants agree or with which the Applicants are required to comply in other jurisdictions, even if such commitments and conditions are agreed to after the Commission enters its order in this docket provided, however, that any financial commitments, or commitments having a financial impact, shall be proportionate to Cascade's corresponding business function in Washington in relation to its corresponding total company business function. To facilitate the Commission's consideration and adoption of the commitments and conditions from other jurisdictions, the Parties urge the Commission to issue an order accepting this Stipulation as soon as practical, but to reserve in such order the explicit right to re-open to add commitments and conditions accepted or ordered in another state jurisdiction.</p>		

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

32	<p>Cascade commits that Cascade will continue its current gas procurement practices except to the extent Cascade notifies and justifies to the Commission in writing of any proposed change in gas procurement practices.</p>	Ongoing compliance	<p>Agreed per signed stipulation. The Company's gas procurement strategy was modified in conjunction with the settlement agreement which was approved by the Commission on March 6, 2008 (Docket UG-061256, Order 08; Docket UG-070332, Order 07; Docket UG-070639, Order 02 & Docket UG-072337, Order 01). In accordance with the agreement, Cascade filed revised tariff sheets on March 10, 2008, which were approved by the Commission with an effective date of April 1, 2008.</p>
33	<p>Cascade will continue to fund the Washington Energy Assistance Fund as per paragraph 14 of the Settlement Agreement approved by the Commission's Final Order 05 in Docket UG-060256 and will explore with the implementing agencies methods to improve the program effectiveness and funding level as is shown to be justified.</p>	Ongoing compliance	<p>Agreed per signed stipulation. Cascade continues to provide \$800,000 per year in funding for low-income assistance and works with the agencies to facilitate the delivery of this program on a regular basis.</p>
34	<p>Cascade will pay the low income agencies for the installation of the approved energy efficiency measures in their low-income conservation program up to the full avoided cost provided that Cascade is authorized to defer the program costs associated with its low-income weatherization program to a sub-account of Account 186 and to amortize the costs through a temporary technical adjustment at the time of the Company's applicable Purchase Gas Adjustment filings. Any such measures shall be consistent with any Conservation and Low-Income Weatherization Plan approved by the Commission.</p>	Ongoing compliance	<p>Agreed per signed stipulation. Cascade's Low-Income Weatherization Incentive Program, as outlined in Tariff Sheet No. 301, reflects the agreed upon commitment to provide the full avoided cost.</p>

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

<p>35</p>	<p>Cascade will meet annually with the community action agencies implementing the energy efficiency program to review program accomplishments, measure funding levels, and explore ways to improve program effectiveness. The meeting(s) will be held so that program adjustments can be filed with the utility's conservation program filing.</p>	<p>Ongoing compliance</p> <p>Communications with Washington Low-Income Agencies Regarding CNG LI-WAP program:</p> <ul style="list-style-type: none"> • August 27, 2012: Provide information to The Energy Project for inclusion in the US DOE Low-Income Weatherization Leveraged Report • August 31, 2013: Travel to Kennewick to pick up donated material for the 2012 Washington State Energy Assistance and Weatherization Technical Assistance Training conference • September 4, 2012: Travel to Lower Columbia Community Action Council to drop off donated material for the 2012 Washington State Energy Assistance and Weatherization Technical Assistance Training and to discuss the Cascade Natural Gas L-I weatherization program • October 8, 2012: Coordinated information exchange and documentation (W-9) form for an agency that changed addresses – Blue Mountain Action Council. • October 10 – 12, 2012: Attend 2012 Washington State Energy Assistance and Weatherization Technical Assistance Training conference. Took advantage of the opportunity to chat with a number of Washington agency representatives about
-----------	--	--

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

			<p>Cascade's Washington L-I weatherization program.</p> <ul style="list-style-type: none"> • December 3, 2012: Provided program reimbursement advice to the Lower Columbia Community Action Council • December 10, 2012 thru January 7, 2013: Assisted Blue Mountain Action Council to receive reimbursements on two low-income weatherization projects related to homeless shelters under the CNGC Commercial Conservation program. • February 27, 2013: Assistance with reimbursement request and documentation with Kitsap Community Resources • February 28, 2013: Broadcast email to all twelve Washington agencies regarding potential changes in reimbursements to the L-I weatherization program caused by the revision in avoided costs reflected in the company's most recent Integrated Resource Plan. • March 27, 2013: Assistance with reimbursement request and documentation with Blue Mountain Action Council
--	--	--	---

**Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to
The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013**

		<ul style="list-style-type: none">• May 9, 2013: Broadcast email to all twelve Washington agencies regarding impending changes in reimbursements to the L-I weatherization program caused by the revision in avoided costs reflected in the company's most recent Integrated Resource Plan.• May 10, 2013: – Broadcast email to all twelve Washington agencies regarding changes to the L-I weatherization program that were approved by the Washington commission. Provided updated reimbursement forms to all agencies.
--	--	--

Cascade Natural Gas Corporation and MDU Resources Group, Inc. Annual Report of Status of Commitments to The Washington State Utilities and Transportation Commission for the Period July 1, 2012 through June 30, 2013

36	<p>In the event that any regulatory body undertakes an audit or review of cost allocations and affiliated transactions involving Cascade and MDU Resources regulated operations, Cascade and MDU Resources will provide to the Commission and Commission Staff a copy of any report available to MDU Resources or Cascade resulting from such audit or review. Upon request and subject to execution of a confidentiality agreement that incorporates the terms of the Commission's standard protective order, MDU and Cascade will provide copies of relevant documents subject to this commitment to Public Counsel and other consumer parties to this docket.</p>	Ongoing compliance	Agreed per signed stipulation; action not required unless specified activities occur.
----	--	--------------------	---

Subsidiaries and Divisions of MDU Resources Group, Inc.
Effective Date: 6/10/2011
Created Date: 6/10/2011

