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April 29, 2010

Mr. Dave Danner
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-9022

RE: Agreement with Affiliated Interests – Cascade Natural Gas Corporation and Williston Basin Interstate Pipeline Company – both subsidiaries of MDU Resources Group, Inc.

Dear Mr. Danner:

Pursuant to RCW 80.16.020 and WAC 480-90-245, Cascade Natural Gas Corporation (“Cascade”), hereby submits for filing the following summary of a Software Licensing Agreement with Williston Basin Interstate Pipeline Company (“WBI”):

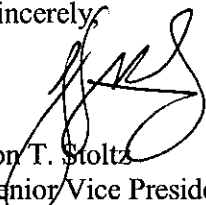
- Cascade & WBI Summary of Software Licensing Agreement (hereafter referred to as “Agreement”)

The Agreement is scheduled to become effective on June 1, 2010. The attached summary provides background as to why Cascade feels the Agreement is necessary. Additionally, it specifies the terms under which Cascade would have access to WBI’s FLOWCAL measurement accounting software, the costs, and why the Agreement is consistent with the public interest.

Cascade respectfully requests that the Commission approve the Agreement prior to or on May 31, 2010, pursuant to RCW 80.16.020 and WAC 480-90-245.

Please direct any questions regarding this filing to Katherine Barnard at 206-381-6824.

Sincerely,



Jon T. Stoltz
Senior Vice President
Regulatory & Gas Supply

Attachments

“In The Community To Serve”

Cascade & WBI Summary of Software Licensing Agreement

Background

Cascade is in the process of transitioning from its legacy mainframe billing system and moving to a new system, called Customer Care & Billing (CC&B) which is on a client/server platform. With the completion of the transition to the new billing system, Cascade is planning to discontinue the use of its mainframe and, therefore, other functions that are performed through legacy mainframe programs are being evaluated and moved to another platform. One of the functions of the existing legacy system is the validation and recalculation of volumes and energy used to calculate the actual gas quantities provided by the various suppliers which is used for billing the Company's non-core, large volume customers. The Company determined that FLOWCAL, being a comprehensive software package designed to manage electronic flow measurement data in the natural gas industry, would best meet its needs. Another advantage of utilizing FLOWCAL is that Cascade's parent company currently uses the system for validating its volumes and energy for its pipeline operations. Cascade originally believed that the FLOWCAL software was licensed at the corporate level and therefore would fall under the sharing of goods and services provision of the Company's IASA with MDU Resources Group, Inc. ("MDUR"). Cascade has recently learned that the software is actually owned by WBI, a subsidiary of MDUR, and hence an affiliated interest of Cascade. In order to utilize the FLOWCAL software owned by WBI, Cascade is seeking Commission approval of the following Agreement as summarized below.

Summary of Agreement

Williston Basin will allow Cascade Natural Gas access to its FLOWCAL measurement accounting software program provided that Williston Basin is able to renegotiate the licensing agreement with Flow-Cal such that:

- Williston Basin has the ability to provide access, through additional concurrent users, to direct and indirect subsidiaries of, and divisions of, MDU Resources Group, Inc., but to no other entities outside the ownership, today or in the future, of MDU Resources Group, Inc.
- Williston Basin maintains the ability to provide measurement accounting services to affiliated and non-affiliated entities as it does today, which was negotiated as part of the original agreement with Flow-Cal, and Cascade Natural Gas agrees to not provide measurement accounting services to any party outside of Cascade Natural Gas.
- Cascade Natural Gas is responsible for any and all incremental licensing, user, maintenance and other fees resulting from Cascade's access to FLOWCAL and will be subject to the applicable terms of the licensing agreement.
- That the software can be successfully and securely partitioned to allow Cascade and Williston Basin access to only their respective information
- Williston Basin maintains ownership of the FLOWCAL measurement accounting software.
- Williston Basin maintains responsibility for management of the hardware and FLOWCAL software.
- Cascade Natural Gas is responsible for all time, materials and expenses to develop and maintain its information within the system.
- Cascade Natural Gas is responsible for all training, time, materials and expenses related to Cascade's transition to, and utilization of, FLOWCAL.

- Cascade Natural Gas is responsible for the collection of its meter data, transforming that data into a format acceptable by FLOWCAL and placing it in an area where FLOWCAL can import it. In the event that invalid data or files disrupt the FLOWCAL services, all auto importing will be stopped until such time that valid data or files can be produced.
- Cascade Natural Gas is responsible for conducting a review in June of each year to determine the need for additional licensing (concurrent users and meter blocks) and providing the results of that review to Williston Basin by the end of June.

Under the Agreement, WBI will provide to Cascade use of its FLOWCAL software for two concurrent users and four view-only users. The initial cost of the additional FLOWCAL software licenses will be \$82,500 plus annual software maintenance fees of approximately \$13,000 (\$82,500 initial software license times 15.75%). Consistent with other shared system costs, the charges will be allocated between Washington and Oregon based on the factors Cascade has traditionally applied which result in an allocation of approximately 75% of the costs to Washington. In 2008, Cascade did investigate acquiring its own version of the FLOWCAL software. The estimated initial costs for the software and licenses would be \$260,000 plus additional costs for hardware. The ongoing annual licensing fees, had Cascade purchased its own version of the FLOWCAL software, would be 20% of the initial software costs or approximately \$52,000/year.

Cascade believes that the Agreement with WBI will benefit ratepayers, as it will save Cascade the costs associated with procuring its own software. Because of the relatively low dollar amount involved in the transaction, and because it is in accord with the public interest, Cascade respectfully requests that the Commission approve the Agreement on or before June 1, 2010, pursuant to RCW 80.16.020 and WAC 480-90-245.