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February 1, 2018

Mr. Steven King
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, WA 98504-7250

Re: Notice of Parent Company Reorganization

Dear Mr. King:

Cascade Natural Gas Corporation (“Cascade”) hereby provides notice to the Washington Utilities and Transportation Commission (the “Commission”) of a planned reorganization of ultimate its parent company MDU Resources Group, Inc. (“MDU Resources”). At this time, MDU Resources has two distribution company indirect-subsiidiaries, Cascade and Intermountain Gas Company (“Intermountain”), both are held by MDU Energy Capital, LLC (“MDU Energy”), an MDU Resources first-tier subsidiary. MDU Resources also provides electric and natural gas utility services through two operating divisions, Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. (the “Legacy Utilities”). MDU Resources also has three other indirect-subsiidiaries, WBI Energy Transmission, Inc., an interstate natural gas transporter; Knife River Corporation, a construction materials company; and MDU Construction Services Group, Inc., a contracting and constructions services company; all are held by Centennial Energy Holdings, Inc. (“Centennial Energy”).

MDU Resources seeks to implement a plan of corporate reorganization (the “Plan”) that will result in a holding company structure. The new holding company (“Holding Company”) will assume the name “MDU Resources Group, Inc.” and will engage in business activities through separate subsidiaries. There will be no change in the manner in which Cascade provides utility services to its customers in Washington. After the reorganization, the MDU Resources public utility businesses operated by the Legacy Utilities will be provided through a stand-alone indirect-subsiidiary, which will be named Montana-Dakota Utilities Co. (“Montana-Dakota”) and the operations of Great Plains will be conducted as a division of Montana-Dakota. Because the MDU Resources Plan is essentially a “paper” transaction, it will not impact Cascade’s organization or operations, nor will it have any effect on how Cascade is regulated by the Commission.

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The Plan is consistent with the corporate structure utilized by other utilities in Washington and throughout the United States. For example, in 2017, Northwest Natural Gas Company (“NW Natural”) received approval from the Commission of its application for an order approving a corporate reorganization to create a holding company.¹ In addition, in 2007, Avista Utilities (“Avista”) received approval, with conditions, from the Commission of its application for an order approving a corporate reorganization to create a holding company.²

The effect on Cascade of the Plan is different than the effect on NW Natural and Avista of their respective reorganizations. Unlike NW Natural and Avista, the Cascade position in the MDU Resources organization will not change. Cascade will continue to be held by MDU Energy, which will continue to be held by MDU Resources which will be a holding company after the reorganization. Attached hereto as Exhibit A are two corporate structure diagrams, the first depicts the MDU Resources current corporate structure, and the second depicts the anticipated corporate structure once the Plan is fully implemented.

A. The Transaction

The Plan involves the creation of two new corporations, a publicly-traded holding company (“Newco”), and a merger subsidiary (“Newco Sub”), which will be used for the sole purpose of effectuating the Plan.³ Neither of these entities currently exists; however, MDU Resources intends to incorporate them after receiving all necessary regulatory approvals.

In the reorganization, the newly formed Holding Company will become the public company and ultimate parent, with two principal first-tier subsidiaries: (1) MDU Energy, which currently holds and will continue to hold Cascade and Intermountain as subsidiaries, and to which Montana-Dakota will be added as a subsidiary; and (2) Centennial Energy, which will continue to hold the business subsidiaries of WBI Holdings, Inc. (“WBI Holdings”), Knife River Corporation (“Knife River”), and MDU Construction Services Group, Inc. (“MDU CSG”). *See*, Exhibit A.

All of the MDU Resources outstanding debt securities at the time the Plan is implemented, which have been incurred solely for the operations of the Montana-Dakota/Great Plains divisions, will remain at the Montana-Dakota/Great Plains level. Cascade and Intermountain, the current subsidiaries of MDU Energy, as well as the subsidiaries of Centennial Energy will not be affected by the merger transactions.

The merger transaction contemplated by the Plan will not result in MDU Resources transferring any of its utility assets or property to Newco, Newco Sub, or any other affiliate. Instead, holding company assets, if any, as well as holding company contracts, plans and other

¹ *In the Matter of the Application of Northwest Natural Gas Company’s Application for Approval of Corporate Reorganization to Create a Holding Company*, Docket UG-170094, Order 01, Dec. 28, 2017 (“NW Natural”).

² *In the Matter of the Application of Avista Corporation d/b/a Avista Utilities for an Order Approving a Corporate Reorganization to Create a Holding Company, AVA Formation Corp.*, Docket U-060273, Order 03, Feb. 28, 2007; Avista was unable to resolve a related regulatory proceeding in Oregon, decided against formation of a holding company and requested rescission of Order 03 which was granted in Order 04, U-060273(04) (Sept. 22, 2009); see also,

³ The names for these entities have not yet been selected. The names Newco and Newco Sub are used herein for purposes of this Notice.

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obligations will be transferred from MDU Resources to Newco. The Plan can be accomplished without affecting the rights and preferences of current MDU Resources shareholders. MDU Resources shareholders immediately prior to consummation of the Plan will own the same relative percentages of Newco following consummation of the Plan.

All costs associated with securing the necessary approvals for the Plan and implementing the Plan, including any and all costs associated with the formation of Newco and Newco Sub, will be borne by MDU Resources. MDU Resources will not seek to recover any portion of those costs in utility rates.

No incremental financing will be required to implement the Plan. The resultant consolidated holding company capital structure will be the same as MDU Resources' existing consolidated capital structure. Cascade will continue to have its own capital structure and the ring-fencing that was implemented when MDU Resources acquired Cascade will remain unchanged.

B. The Reorganization

MDU Resources and Cascade believe the Plan is in the best interest of MDU Resources' customers, employees, shareholders, and other stakeholders, including those of Cascade. The Plan will result in a holding company structure that furthers the separation between MDU Resources' Legacy Utilities and its regulated affiliates (including Cascade) and its non-regulated affiliates. Although MDU Resources already maintains substantial separation between its various lines of business, the proposed holding company structure will increase the degree of financial separation between the Legacy Utilities and MDU Resources' other regulated and non-regulated business lines. The Plan also creates a more transparent business structure for MDU Resources which is consistent with its business model and the utility industry.

The Plan and holding company structure are consistent with the Commission's earlier approval of the proposed acquisition of Cascade by MDU Resources.⁴ Nothing in the proposed Transaction nor in the Plan would negatively affect the commitments approved by the Commission in Order No. 6, including Cascade's obligation to protect ratepayers from the effects of affiliated transactions and Cascade's and MDU Resources' obligations to maintain separate books, records and assets and to provide the Commission access to information necessary to regulate Cascade effectively. In addition, the extensive ring-fencing provisions required by Order No. 6 will continue to protect ratepayers from future financial risk, including the risk of bankruptcy of MDU Resources.

Cascade and MDU Resources also believe the Plan benefits Cascade by increasing the degree of financial separation between the Legacy Utilities and MDU Resources' other affiliates, including Cascade. The structure proposed in the Plan will work to better insulate the Cascade assets and reduce the risk that such assets could be reached by the creditors of the Legacy

⁴ *In the Matter of the Joint Application of MDU Resources Group, Inc. and Cascade Natural Gas Corporation for an Order Authorizing Proposed Transaction*, Docket UG-021721, Order 08, June 27, 2007. ("Order No. 6")

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Utilities and vice versa. Although this benefit may be relatively small in light of the existing ring-fencing provisions, it is a benefit nonetheless.

Conclusion

MDU Resources requires authority from the Federal Energy Regulatory Commission and certain state regulatory commissions to implement the Plan. Applications are being filed with those agencies simultaneous with this Notice. MDU Resources anticipates implementing the Plan soon after receipt of the required regulatory approvals, and subject to those approvals, the Reorganization is expected to become effective on January 1, 2019.

If you have any questions, please contact me at 509-734-4593.

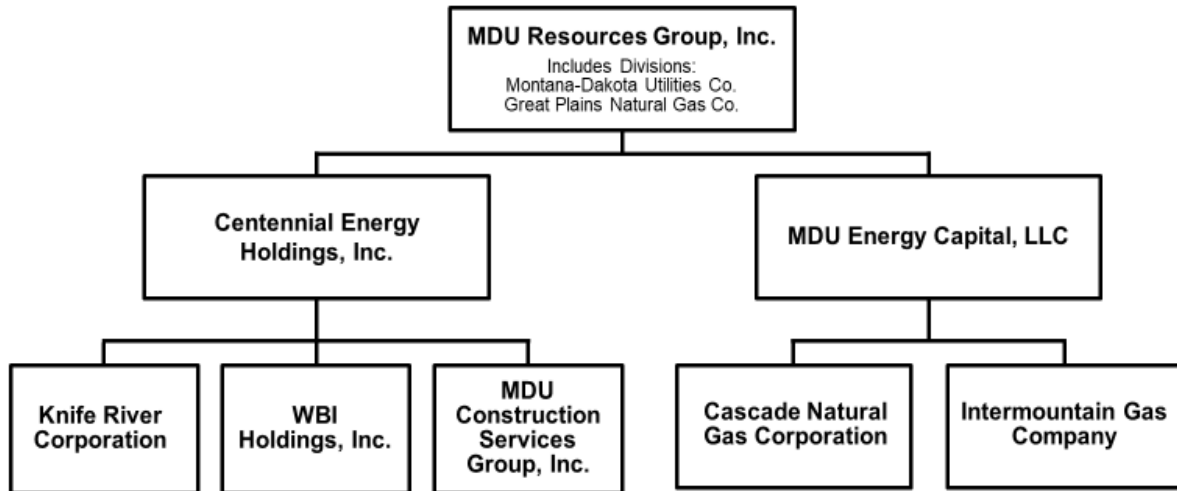
Sincerely,

/s/ Michael Parvinen

Michael Parvinen
Director of Regulatory Affairs
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Attachment: Exhibit A, Existing and Proposed Corporate Structure

Existing Structure



Proposed Structure

