

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Montana-Dakota Utilities Co. and Great Plains Natural Gas Co., divisions of MDU Resources Group, Inc. Acquisition of Cascade Natural Gas Corporation Application

Case No. PU-06-491

ORDER

March 21, 2007

On November 17, 2006, MDU Resources Group, Inc. (MDU), and its Divisions, Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. filed an application for authorization to acquire the stock of Cascade Natural Gas Corporation. Both Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. provide utilities service in North Dakota. In its application, MDU asserts that the acquisition:

- Is in the public interest and should be approved;
- Will not adversely affect its North Dakota utilities operations;
- Provides an opportunity for growth in a new and expanding market;
- Will have no immediate impact on the rates and tariffs of North Dakota customers;
- Provides for sharing expertise and spreading administrative and operating costs over a larger organization;
- Will not affect MDU's credit rating.

Cascade is an investor-owned gas utility with its headquarters in Seattle, Washington. It is engaged in business as a local natural gas distribution company in 93 communities in Washington and Oregon. Cascade currently provides natural gas utility service to approximately 235,000 customers with a service territory covering more than 32,000 square miles. On July 8, 2006, MDU and Cascade entered into the Agreement to merge. The shareholders of Cascade approved the Agreement on October 27, 2006.

On February 7, 2007, the Commission issued a Notice of Opportunity for Hearing and Notice of Informal Hearing to consider whether the merger is in the public interest. No requests for a hearing were received.

On February 14, 2007, the staff filed a memo recommending the application to merge be approved.

On February 16, 2007, an informal hearing was held to discuss the application. At the conclusion of the informal hearing, commission staff was instructed to review what other states were doing with regard to this merger.

On March 14, 2007, the staff filed a memo describing what the other states were doing and recommended approval.

The Commission finds that the acquisition is in the public interest as it will allow one of North Dakota's corporations to expand its business, provide additional opportunities for its employees and will likely lead to lower rates for its North Dakota ratepayers through wider allocation of its corporate overhead.

Order

The Commission orders:

1. The application of MDU Resources Group, Inc., and its Divisions, Montana-Dakota Utilities Co. and Great Plains Natural Gas Co., to acquire the stock of Cascade Natural Gas Corporation is approved.

2. The applicant to file acquisition orders from its other regulatory jurisdictions so that the commission staff can review the orders for potential issues to be explored in future rate cases.

PUBLIC SERVICE COMMISSION

Tony Clark
Commissioner

Susan E. Wefald
President

Kevin Cramer
Commissioner