CASCADE NATURAL GAS CORP
Form PREM14A
August 07, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Cascade Natural Gas Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common stock, par value $1.00 per share of Cascade Natural Gas Corporation.

(2) Aggregate number of securities to which transaction applies:
11,498,996 shares of common stock
26,000 shares of common stock underlying options
10,703 shares of common stock underlying stock units
8,000 shares of common stock issuable as director stock awards
11,543,699 total shares of common stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The per unit price is $26.50 (the per share consideration).

(4) Proposed maximum aggregate value of transaction:
The proposed maximum aggregate value of the transaction is $305,366,183.50. The proposed maximum aggregate value of the transaction was determined based upon the sum of (A) 11,517,699 shares of common stock multiplied by $26.50 per share (the per share consideration) and (B) 26,000 options to purchase shares of common stock with exercise prices below $26.50 per share multiplied by $5.66 (which is the difference between $26.50 and the weighted average exercise price of all such options).

(5) Total fee paid:
The total fee paid is $32,675. Pursuant to Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.000107 by the proposed maximum aggregate value of the transaction.

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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222 FAIRVIEW AVENUE NORTH

SEATTLE, WA 98109

(206) 624-3900

[•], 2006

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders of Cascade Natural Gas Corporation, which will be held on [•], 2006, beginning at 3:00 p.m., Seattle time, at Cascade s offices, located at 230 Fairview Avenue North, Seattle, Washington 98109.

At the meeting, you will be asked to consider and vote on a proposal to adopt a merger agreement that Cascade has entered into with MDU Resources Group, Inc. and a wholly-owned subsidiary of MDUR. If the merger is completed, you will be entitled to receive $26.50 in cash, without interest and less any applicable withholding taxes, for each share of Cascade common stock that you own and you will have no ongoing ownership interest in the continuing business of Cascade.

Cascade s board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and determined that the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Cascade s shareholders and Cascade. **Cascade s board of directors unanimously recommends that you vote FOR the adoption of the merger agreement.**

The proxy statement attached to this letter provides you with information about the proposed merger and the meeting. We encourage you to read the entire proxy statement carefully, including the merger agreement attached as Annex A.

Your vote is very important. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of the holders of more than two-thirds of all shares of Cascade common stock entitled to vote. If you fail to vote, the effect will be the same as a vote against the adoption of the merger agreement. Voting by proxy will not prevent you from voting your shares in person if you choose to attend the special meeting and vote in person.

Whether or not you plan to attend the meeting, please complete, sign and return the enclosed proxy card promptly, using the accompanying postage prepaid and addressed envelope. If you prefer, you may vote via the Internet or telephone as described on the proxy card. To vote via the Internet, go to [ ] and follow the instructions provided. To vote by telephone, call [ ] and follow the instructions provided. When using the Internet or phone, be sure to have your proxy card with your control number in hand.

This proxy statement is dated [•], 2006 and is first being mailed to Cascade shareholders on or about [•], 2006.

Thank you for your cooperation and continued support of Cascade.

Larry L. Pinnt
Chairman of the Board

David W. Stevens
President and Chief Executive Officer

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
to be held [•], 2006

To the Shareholders of Cascade Natural Gas Corporation:

A special meeting of the shareholders of Cascade Natural Gas Corporation will take place at Cascade s offices, located at 230 Fairview Avenue North, Seattle, Washington 98109, on [•], 2006, at 3:00 p.m. Seattle time for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of July 8, 2006, among Cascade, MDU Resources Group, Inc. and Firemoon Acquisition, Inc., a wholly-owned subsidiary of MDUR, pursuant to which Firemoon will merge with and into Cascade, with Cascade continuing as the surviving corporation and becoming a wholly-owned subsidiary of MDUR, and each issued and outstanding share of Cascade common stock (other than shares owned by MDUR or its subsidiaries, or held by shareholders who validly perfect dissenters rights under Washington law) will be converted into the right to receive $26.50 in cash, without interest and less any applicable withholding taxes.

2. To act upon such other business as may properly come before the special meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as adjournment of the special meeting.

Only shareholders of record at the close of business on [•], 2006 are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof.

Your vote is important. The adoption of the merger agreement requires the approval of the holders of more than two-thirds of all shares of Cascade common stock entitled to vote. Even if you plan to attend the meeting in person, we request that you vote your shares as described above in the event that you are unable to attend the meeting. If you fail to vote, the effect will be the same as a vote against the adoption of the merger agreement.

To vote your shares, please complete, sign and return the enclosed proxy card promptly, using the accompanying postage prepaid and addressed envelope. If you prefer, you may vote via the Internet or telephone as described on the proxy card. To vote via the Internet, go to [•] and follow the instructions provided. To vote by telephone, dial on a touch-tone phone [•] and follow the instructions provided. When using the Internet or phone, be sure to have your proxy card with your control number in hand.

You should not send your stock certificates with your proxy card.

By Order of the Board of Directors,
Larry C. Rosok
Corporate Secretary

Seattle, Washington

[•], 2006

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed merger. These questions and answers may not address all questions that may be important to you as a shareholder of Cascade. We encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. In this proxy statement, the terms Cascade, company, we, our, ours, and us refer to Cascade Natural Gas Corporation and its subsidiaries unless the context otherwise requires.

Q: Why am I receiving this proxy statement?

A: We have entered into a merger agreement with MDU Resources Group, Inc., which we refer to as MDUR, and a wholly-owned subsidiary of MDUR. As provided in the merger agreement, MDUR will acquire all of Cascade s outstanding common stock by merging its subsidiary with and into Cascade. Cascade will be the surviving corporation, but will become a wholly-owned subsidiary of MDUR. To complete the merger, we must obtain shareholder approval of the merger agreement as provided by Washington law. We are holding a special meeting of our shareholders to obtain this approval. You are receiving this proxy statement because, as of [•], 2006, you owned shares of Cascade common stock and are therefore entitled to vote in connection with the special meeting.

Q: What will I receive in the merger?

A: If the merger is completed, you will be entitled to receive $26.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own. After the merger, you will have no ongoing ownership interest in Cascade s continuing business.

Q: How does the board of directors recommend that the Cascade shareholders vote?

A: Cascade s board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement.

Q: What vote of shareholders is required to adopt the merger agreement?

A: To complete the merger, shareholders holding more than two-thirds of the shares of our common stock entitled to vote at the close of business on the record date must vote FOR the adoption of the merger agreement. As of [ ], 2006, the record date for the special meeting, there were [ ] shares of our common stock outstanding and entitled to vote.

Q: What if I want to hold shares of MDUR common stock after the merger?

A: You will not receive any shares of MDUR common stock in the merger. If you want to hold MDUR common stock after the merger, you may purchase shares on the open market subject to any applicable laws. MDUR s common stock is listed on The New York Stock Exchange under the symbol MDU.

Q: Besides Cascade shareholder approval, are there any other significant conditions to the closing of the acquisition?

A. Yes. The merger agreement includes other significant conditions to the closing of the acquisition, including the following:

- the receipt of final orders approving the merger from the Washington Utilities and Transportation Commission, or WUTC, the Oregon Public Utility Commission, or OPUC, the North Dakota Public Service Commission and the Minnesota Public Utilities Commission, and the receipt of a final order from the WUTC relating to the rate case we

filed in February 2006, in such a manner that the approvals do not, in the aggregate, result in a material adverse effect (as defined in the merger agreement) on Cascade;

1

- the expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and related rules, or HSR Act;

- the absence of any material adverse effect on Cascade or MDUR; and

- the absence of any law, judgment, injunction or other order that restrains, enjoins or otherwise prohibits consummation of the merger or the other transactions contemplated by the merger agreement, and the absence of any pending action, suit or proceeding seeking any such order.

Q: Has MDUR s board of directors approved the merger? Does the merger require the approval of MDU s shareholders?

A: MDUR s board of directors has approved the merger agreement and the transactions contemplated by the merger agreement. MDUR s shareholders are not required to approve the merger agreement or the transactions contemplated thereby.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in mid-2007. To consummate the merger, we must obtain Cascade shareholder approval and regulatory approvals and the other closing conditions under the merger agreement must be satisfied or waived (as permitted by law).

Q: Where and when is the special meeting?

A: The special meeting will be held at Cascade s offices, located at 230 Fairview Avenue North, Seattle, Washington 98109, on the [ ] day of [ ], 2006 at 3:00 p.m., Seattle time.

Q: How do I vote?

A: You may vote your shares as follows:

- by Internet, 24 hours a day, seven days a week, at [ ];

- by telephone, 24 hours a day, seven days a week, by calling [ ];

- by mail by marking, signing and dating the proxy card and returning it in the postage-paid envelope provided; or

- by attending the special meeting and voting in person.

Internet and telephone voting provide the same authority to vote your shares as if you returned your proxy card by mail. In addition, Internet and telephone voting will reduce our proxy-related postage expenses.

Q: Can I change my vote?

A: After you vote your shares, whether by Internet, telephone or mail, you may change your vote at any time before voting is closed at the special meeting. If you hold shares in your name as the shareholder of record, you may change your vote as follows:

- write to our Corporate Secretary at our principal offices, 222 Fairview Avenue North, Seattle, Washington 98109, stating that you want to revoke your proxy;

- submit a new proxy with a later date; or

- attend the special meeting and vote in person.

If you hold your shares in street name through a broker, bank or other nominee, you should contact the nominee. Alternatively, you may vote again by Internet or telephone. If you attend the special meeting, you may vote by ballot as described above, which will cancel your previous vote.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you do not instruct your broker how to vote, it will have the same effect as voting against the proposal to approve the merger agreement.

Q: What happens if I do not vote?

A: We cannot consummate the merger unless shareholders representing more than two-thirds of all shares of Cascade common stock entitled to vote approve the merger agreement. If you do not vote, it will have the same effect as voting against the proposal to approve the merger agreement. We therefore urge you to vote.

Q: What will happen to my future dividends?

A. The merger agreement allows us to continue to pay regular quarterly cash dividends until the closing of the merger. Our board of directors currently expects to continue to pay regular quarterly cash dividends on our common stock until the closing of the merger, subject, however, to our board of directors evaluation of our financial condition, earnings, cash flows and dividend policy. Thus, while our board of directors anticipates that regular quarterly cash dividends will be declared and paid until the closing of the merger, no assurance can be made that such dividends will be declared and paid.

Q. What are the tax consequences of the merger to shareholders?

A. In general, the merger will be a taxable transaction and our shareholders will recognize gain or loss for federal income tax purposes to the extent of the difference between the cash received and their tax basis in the shares of our common stock converted into the right to receive cash.

Q: Will I have dissenters rights in connection with the merger?

A: Under Washington law, holders of shares of our common stock will be entitled to dissenters rights in connection with the merger. The process is explained in detail in the proxy statement, and a copy of the applicable Washington law is attached to this proxy statement in Annex C.

Q: What does it mean if I get more than one proxy card?

A: If you have shares of our common stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

Q: What happens if I sell my shares before the special meeting?

A: The record date for the special meeting, [ ], 2006, is earlier than the date of the special meeting. If you held your shares on the record date but transfer them before the special meeting without granting a proxy, you will retain your right to vote at the special meeting, but not the right to receive the merger consideration for your shares. The right to receive the merger consideration will pass to the person who owns your shares when the merger is completed.

Q: Who will bear the cost of this solicitation?

A: Cascade will pay the cost of this solicitation, which will be made primarily by mail. Proxies also may be solicited in person, or by telephone, facsimile or similar means, by our directors, officers or employees without additional compensation. We may also retain a proxy solicitor to assist in the solicitation of

proxies. We estimate that the fees and expenses of a proxy solicitor, if any is retained, will be less than $15,000, plus customary expenses. We will, on request, reimburse shareholders who are brokers, banks or other nominees for their reasonable expenses in sending proxy materials to the beneficial owners of the shares they hold of record.

Q: Should I send in my stock certificates now?

A: No. If the merger agreement is approved and the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the paying agent to receive the merger consideration. You should use the letter of transmittal to exchange Cascade stock certificates for the merger consideration to which you are entitled as a result of the merger. If your shares are held in street name by your broker, you will receive instructions from your broker as to how to effect the surrender of your street name shares and receive cash for those shares. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

Q: Who can help answer my other questions?

A: If you have more questions about the special meeting or the merger, you should contact Larry Rosok at Cascade at 222 Fairview Avenue North, Seattle, WA 98109, or (206) 381-6711. If your broker holds your shares, you may also need to contact your broker for additional information.

SUMMARY

The following summary highlights selected information about the merger and the special meeting and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. The items in this summary include page references directing you to a more complete description elsewhere in this proxy statement.

The Parties to the Merger

Cascade Natural Gas Corporation
222 Fairview Avenue North
Seattle, WA 98109
(206) 624-3900

Cascade Natural Gas Corporation is a natural gas distribution company serving parts of Washington outside the Seattle-Tacoma and Spokane areas as well as central and eastern Oregon. The area served has a population of approximately 1 million who reside in various communities and work in a wide diversity of industries. The company has a mix of residential, commercial and large industrial customers totaling approximately 235,000.

MDU Resources Group, Inc.
1200 West Century Avenue
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(701) 530-1000

MDU Resources Group, Inc., which we refer to as MDUR, provides value-added natural resource products and related services that are essential to energy and transportation infrastructure. MDUR includes natural gas and oil production, construction materials and mining, domestic and international independent power production, natural gas pipelines and energy services, electric and natural gas utilities, and construction services. MDUR is headquartered in Bismarck, North Dakota.

Firemoon Acquisition, Inc.
1200 West Century Avenue
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(701) 530-1000

Firemoon Acquisition, Inc., which we refer to as Merger Sub, is a Washington corporation and wholly-owned subsidiary of MDUR formed for the sole purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement. It has not conducted any activities to date and will not conduct any activities other than activities relating to its formation and in connection with the transactions contemplated by the merger agreement.

The Special Meeting

Time, Place and Purpose of the Special Meeting (Page 12)

The special meeting of shareholders will be held on [-], 2006, beginning at 3:00 p.m., Seattle time, at Cascade s offices, located at 230 Fairview Avenue North, Seattle, Washington 98109. At the special meeting, you will be asked to consider and vote upon the adoption of the merger agreement. The Washington Business Corporation Act provides that only business within the purpose described in the notice may be conducted at the meeting. Accordingly, it is anticipated that the only other business that

would properly come before the special meeting would be to consider any procedural matters incident to the conduct of the special meeting, such as adjournment of the special meeting.

Record Date and Voting Power (Page 12)

You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on [-], 2006, the record date for the special meeting. Each outstanding share of our common stock on the record date entitles the holder to one vote on each matter submitted to shareholders for approval at the special meeting. As of the record date, there were [-] shares of our common stock entitled to be voted.

Quorum and Required Vote (Page 12)

The holders of a majority of the outstanding shares of our common stock on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting.

Although a quorum may be present, the adoption of the merger agreement requires the approval of the holders of more than two-thirds of all shares of Cascade common stock entitled to vote. A failure to vote your shares will have the same effect as a vote against the merger agreement.

Proxies; Revocation (Page 13)

You may vote your shares by Internet, telephone or mail without attending the special meeting. To vote by Internet or telephone 24 hours a day, seven days a week, follow the instructions on the proxy card. To vote by mail, mark, sign and date the proxy card and return it in the postage-paid envelope provided. Internet and telephone voting provide the same authority to vote your shares as if you returned your proxy card by mail, but will reduce our proxy-related postage expenses.

After you vote your shares, whether by Internet, telephone or mail, you may change your vote at any time before voting is closed at the special meeting. If you hold shares in your name as the shareholder of record, you may revoke your proxy as follows:

- write to our Corporate Secretary at our principal offices, 222 Fairview Avenue North, Seattle, Washington 98109, stating that you want to revoke your proxy;
- submit a new proxy with a later date; or
- attend the special meeting and vote in person.

If you hold your shares in street name through a broker, bank or other nominee, you should contact the nominee. Your last vote before voting is closed at the special meeting is the vote that will be counted.

Share Ownership and Voting by Directors and Executive Officers (Page 13)

As of the record date, on [-], 2006, our directors and executive officers beneficially owned [-]% of our common stock. We have been informed by our directors and executive officers that they intend to vote all of their shares of Cascade common stock FOR the adoption of the merger agreement. However, to our knowledge, none of our directors or officers has entered into voting agreements with respect to the merger.

The Merger

Structure of the Merger (Page 31)

Pursuant to the merger agreement, Merger Sub, a wholly-owned subsidiary of MDUR, will merge with and into Cascade. Cascade will be the surviving corporation in the merger, but will become a wholly-owned subsidiary of MDUR.

Merger Consideration (Page 31)

If the merger is completed, you will be entitled to receive $26.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own.

Treatment of Stock Options and Restricted Stock (Pages 31-32)

In connection with the merger, all outstanding unvested options, if any, to purchase shares of our common stock will vest, and upon delivery to Cascade of a proper notice of exercise, the shares of our common stock underlying these options will be treated as shares of our common stock in the merger. Such option exercise will entitle the holder thereof to receive a cash payment in an amount equal to the excess, if any, of the merger consideration received with respect to our common stock over the exercise price of the options. In addition, at the effective time of the merger all remaining restrictions with respect to shares of our restricted stock will expire and such shares will be fully vested and will be treated as shares of our common stock in the merger.

Board Recommendation (Page 20)

After careful consideration and by unanimous vote of all members of our board of directors, our board of directors:

- has approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement;

- has declared that the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Cascade s shareholders and Cascade; and

- recommends that Cascade s shareholders vote FOR the adoption of the merger agreement.

Fairness Opinion of J.P. Morgan Securities Inc. (Pages 20-24)

In connection with the merger, J.P. Morgan Securities Inc., which we refer to as JPMorgan, delivered a written opinion to our board of directors as to the fairness, from a financial point of view, of the per share consideration to be received by our shareholders in the merger. The full text of JPMorgan s written opinion, dated July 8, 2006, is attached to this proxy statement as Annex B. We encourage you to read this opinion carefully and in its entirety for a description of the assumptions made, the matters considered and qualifications and limitations of the review undertaken by JPMorgan. JPMorgan s opinion was provided to our board of directors in connection with its evaluation of the merger consideration. The opinion did not address any other aspect of the proposed merger and did not constitute a recommendation to our board of directors or to any shareholder as to how to vote or act in connection with the merger.

Regulatory Approvals (Page 25)

The completion of the merger is subject to several regulatory approvals. One of the conditions to closing the merger is the receipt of final orders approving the merger from the WUTC, the OPUC, the North Dakota Public Service Commission and the Minnesota Public Utilities Commission, and the receipt of a final order from the WUTC relating to the rate case we filed in February 2006, in such a manner that such approvals do not, in the aggregate, result in a material adverse effect (as defined in the merger agreement) on Cascade.

In addition, the expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the merger under the HSR Act must have occurred.

We are currently in the process of preparing applications and other filings for these approvals. Except as noted above, we are unaware of any other material regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Interests of Our Directors and Executive Officers in the Merger (Pages 25-28)

Some of our directors and executive officers have interests regarding the merger that are different from, or in addition to, your interests, including those listed below:

- our President and Chief Executive Officer holds 5,000 shares of restricted stock, scheduled to vest in March 2007. Pursuant to the merger agreement, at the effective time of the merger all remaining restrictions with respect to these shares of restricted stock will expire and these shares will be fully vested and will be treated as shares of our common stock in the merger;

- certain executive officers are parties to employment and change-in-control agreements with Cascade that may entitle them to cash payments and other benefits following the consummation of the merger;

- certain executive officers are participants in non-qualified retirement plans that may entitle them to vesting of benefits or enhanced benefits following the completion of the merger;

- certain executive officers receive long-term incentive awards containing change of control provisions that will result in them receiving the cash value of their awards upon the consummation of the merger; and

- MDUR has agreed to indemnify our directors and executive officers with respect to any claims or liabilities arising out of their positions with Cascade prior to the merger consistent with the present Cascade indemnification provisions and to maintain directors and officers liability insurance covering our directors and executive officers for a period of six years following the merger.

Financing (Page 28)

The merger agreement does not contain a financing condition, and MDUR s obligation under the merger agreement to complete the merger and to pay the aggregate merger consideration is not conditioned on MDUR obtaining third-party financing.

MDUR Board of Directors and Shareholder Approvals (Page 28)

MDUR s board of directors has approved the merger agreement and the transactions contemplated by the merger agreement. MDUR s shareholders are not required to approve the merger agreement or the transactions contemplated thereby.

No Solicitation of Transactions; Superior Proposal (Pages 37-38)

The merger agreement restricts our ability to, among other things, solicit or engage in discussions or negotiations with a third party regarding specified transactions involving Cascade. Notwithstanding these restrictions, under certain circumstances, our board of directors may respond to an unsolicited, bona fide, written superior proposal or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal, so long as Cascade complies with certain terms of the merger agreement, including paying a termination fee of $9 million to MDUR.

Cascade s General Conduct of Business Pending Closing (Pages 35-36)

In general, we must carry on business in the ordinary course consistent with past practice and use reasonable efforts to preserve intact our business organization and our permits and existing regulatory,

business and employee relationships. In addition, the acquisition agreement contains certain specific restrictions or limitations on our activities, subject to the receipt of MDUR s prior written consent, which consent cannot be unreasonably withheld or delayed, including the issuance or repurchase of capital stock, the amendment of our charter or bylaws, acquisitions and dispositions of assets, capital expenditures above certain levels, incurrence of new indebtedness, modification of employee compensation and benefits above certain levels, changes in accounting methods, discharging certain liabilities and entry into certain types of gas supply and hedging contracts.

Conditions to the Merger (Pages 38-39)

Before we can complete the merger, a number of conditions must be satisfied or waived (to the extent permitted by law). These conditions include:

- the receipt of approval of the merger agreement from the Cascade shareholders;

- the receipt of final orders approving the merger from the WUTC, the OPUC, the North Dakota Public Service Commission and the Minnesota Public Utilities Commission, and the receipt of a final order from the WUTC relating to the rate case we filed in February 2006, in such a manner that such approvals do not, in the aggregate, result in a material adverse effect (as defined in the merger agreement) on Cascade;

- the expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the merger under the HSR Act;

- the absence of any material adverse effect on Cascade or MDUR;

- the absence of any law, judgment, injunction or other order that restrains, enjoins or otherwise prohibits consummation of the merger or the other transactions contemplated by the merger agreement, and the absence of any pending action, suit or proceeding seeking any such order;

- the performance by each of Cascade and MDUR of its covenants under the merger agreement in all material respects; and

- the truth and accuracy of representations and warranties made in the merger agreement by each of Cascade and MDUR (a) in all respects with respect to those matters qualified by materiality and (b) in all material respects with respect to those matters not qualified by materiality.

Regulatory Approval Process (Pages 36-37)

Cascade and MDUR have established a regulatory approval team to formulate the approach to be taken to obtaining the required statutory approvals from the WUTC and the OPUC and coordinating filings for such approvals. Each of Cascade and MDUR have agreed that they will, through the regulatory approval team, keep the other apprised of the status of matters relating to completion of the transactions contemplated by the merger agreement.

Under the merger agreement, MDUR is responsible for formulating the approach to be taken on all required approvals from governmental entities other than the WUTC and OPUC; provided, however, that MDUR must regularly consult with Cascade regarding such approvals and may not agree to any terms contained in such approvals without our prior written consent, which may not be unreasonably withheld.

The merger agreement provides that we will be solely responsible with respect to all matters related to our rate case currently pending with the WUTC. However, we have agreed to consult with MDUR, furnish MDUR with copies of materials related to the rate case and not settle or compromise the rate case without MDUR s prior written consent, which may not be unreasonably withheld.

Termination of the Merger Agreement (Pages 39-41)

Cascade and MDUR may agree in writing to terminate the merger agreement at any time without completing the merger, even after the shareholders of Cascade have approved the merger agreement. Under certain circumstances, either Cascade or MDUR may terminate the merger agreement prior to the closing of the merger without the consent of the other party, including if the other party has breached the agreement (subject to a 60-day cure period) or the merger has not been completed by April 8, 2007 (subject to a six-month extension by either party if WUTC or OPUC approval has not yet been obtained). We have agreed to pay to MDUR a termination fee of $9 million if the merger agreement is terminated following the occurrence of certain events involving our receipt of a proposal for a business combination from another third party.

Tax Consequences (Pages 28-30)

The receipt of $26.50 in cash for each share of our common stock pursuant to the merger will be a taxable transaction to you if you are a U.S. person. For U.S. federal income tax purposes, your receipt of cash (whether as merger consideration or pursuant to the proper exercise of dissenters rights) in exchange for your shares of Cascade common stock generally will cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares of Cascade common stock. We urge you to consult your own tax advisor for a full understanding of how the merger will affect your federal, state and local and/or non-U.S. taxes.

Procedure for Receiving Merger Consideration (Pages 32-33)

As soon as practicable after the effective time of the merger, a paying agent appointed by MDUR will mail a letter of transmittal and instructions to all of our shareholders. The letter of transmittal and instructions will tell you how to surrender your Cascade common stock certificates in exchange for the merger consideration. You should not return any stock certificates you hold with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

Dissenters Rights (Pages 43-45)

Under Washington law, shareholders have the right to dissent from the merger and to receive payment in cash for the fair value of their shares of our common stock, but only if they comply with all requirements of Washington law, which are summarized in this proxy statement. Failure to follow exactly the procedures specified under Washington law will result in the loss of dissenters rights. A copy of the applicable Washington law is attached to this proxy statement as Annex C.

FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements about our plans, objectives, expectations and intentions. You can identify these statements by words such as expect, anticipate, intend, plan, believe, seek, estimate, may, will and continue or similar words. statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control, including, without limitation:

- the requirement that our shareholders adopt the merger agreement with MDUR;
- receipt of necessary regulatory approvals under applicable law;
- failure by us to satisfy other conditions to the merger;
- the effect of the announcement of the merger on our customer relationships, operating results and business generally, including our ability to retain key employees; and
- other risks detailed in our current filings with the Securities and Exchange Commission, which we refer to as the SEC, including our most recent filings on Forms 10-Q and 10-K. See Where You Can Find Additional Information.

You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements.

You should rely only on the information contained in this proxy statement to vote on the acquisition agreement. We have not authorized anyone to provide you with information that is different from the information contained in this proxy statement. This proxy statement is dated [ ], 2006. You should not assume that the information contained in this proxy statement is accurate as of any date other than such date. We assume no obligation to update forward-looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by our board of directors for use at a special meeting to be held on [-], 2006, beginning at 3:00 p.m., Seattle time, at Cascade s offices, located at 230 Fairview Avenue North, Seattle, Washington 98109. The purpose of the special meeting is for our shareholders to consider and vote upon a proposal to adopt the merger agreement and to act on such other business as may properly come before the special meeting or any adjournment or postponement thereof. The Washington Business Corporation Act provides that only business within the purpose described in the notice may be conducted at the meeting. Accordingly, it is anticipated that the only other business that would properly come before the special meeting would be to consider any procedural matters incident to the conduct of the special meeting, such as adjournment of the special meeting.

A copy of the merger agreement is attached to this proxy statement as Annex A. This proxy statement, the notice of the special meeting and the enclosed form of proxy are first being mailed to our shareholders on or about [-], 2006.

Record Date, Voting Power and Quorum

The holders of record of our common stock at the close of business on [-], 2006, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. As of the record date, there were [-] shares of our common stock issued and outstanding, all of which are entitled to be voted at the special meeting.

Each outstanding share of our common stock on the record date entitles the holder to one vote on each matter submitted to shareholders for a vote at the special meeting.

The holders of a majority of the outstanding shares of our common stock on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment or postponement of the special meeting. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established.

Required Vote

Notwithstanding the presence of a quorum, under Washington law to complete the merger shareholders holding more than two-thirds of all shares of Cascade common stock entitled to vote at the close of business on the record date must vote FOR the adoption of the merger agreement.

For your shares of our common stock to be included in the vote, if you are a shareholder of record, you must vote your shares by returning the enclosed proxy, by voting over the Internet or by telephone or by voting in person at the special meeting.

If your shares are held in street name by your broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker and it can give you directions on how to vote your shares. A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not received your voting instructions and lacks discretionary power to vote the shares. Broker non-votes and abstentions will not count as votes cast on a proposal, but will count for the purpose of determining whether a quorum is present. Because Washington law requires that the merger be approved by holders of

more than two-thirds of all of our outstanding shares of common stock, broker non-votes and abstentions will have the same effect as a vote against the adoption of the merger agreement.

Directors and Executive Officers

As of [-], 2006, the record date, our directors and executive officers beneficially owned, in the aggregate, [-] shares of our common stock, representing approximately [-]% of the outstanding shares of our common stock. Our directors and executive officers have informed us that they intend to vote all of their shares of our common stock FOR the adoption of the merger agreement. However, to our knowledge, none of our directors or officers has entered into voting agreements with respect to the merger.

Proxies; Revocation

If you vote your shares of our common stock by signing a proxy, or by voting over the Internet or by telephone as indicated on the proxy card, your shares will be voted at the special meeting in accordance with the instructions given. If no instructions are indicated on your signed proxy card, your shares will be voted FOR the adoption of the merger agreement. The proxies will also be voted FOR or AGAINST such other matters as may properly come before the meeting at the discretion of the proxy holders, including to consider any procedural matters incident to the conduct of the special meeting, such as adjournment of the special meeting. The persons appointed in the proxies as proxy holder are officers or directors of Cascade. Our management is not aware of any other matters to be presented for action at the meeting.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either:

- write to our Corporate Secretary at our principal offices, 222 Fairview Avenue North, Seattle, Washington 98109, stating that you want to revoke your proxy;
- submit a new proxy with a later date; or
- attend the special meeting and vote in person.

If you have instructed your broker or other nominee to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker or other nominee to change these instructions.

Expenses of Proxy Solicitation

Cascade will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, our directors, officers and employees may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. We may also retain a proxy solicitor to assist in the solicitation of proxies. We estimate that the fees and expenses of a proxy solicitor, if any is retained, will be less than $15,000, plus customary expenses. We will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to, and obtaining voting instructions from, their customers who are beneficial owners of our common stock.

MARKET PRICES OF OUR COMMON STOCK

Our common stock is traded on the New York Stock Exchange under the symbol CGC. The following table sets forth the high and low sales prices per share of our common stock on the New York Stock Exchange for the periods indicated, as well as the per share cash dividend paid in each quarter with respect to our common stock.

	High	Low	Dividend
2004 Fiscal Year			
Quarter Ended September 30	$ 22.20	$ 19.35	$ 0.24
2005 Fiscal Year			
Quarter Ended December 31	21.80	20.00	$ 0.24
Quarter Ended March 31	21.48	19.68	$ 0.24
Quarter Ended June 30	20.59	18.05	$ 0.24
Quarter Ended September 30	22.80	20.01	$ 0.24
2006 Fiscal Year			
Quarter Ended December 31	22.00	19.50	$ 0.24
Quarter Ended March 31	20.30	18.95	$ 0.24
Quarter Ended June 30	21.30	19.26	$ 0.24
Quarter Ended September 30 (through August 2)	26.30	20.84	

On July 7, 2006, the last trading day before the announcement of the execution of the merger agreement, the closing price for our common stock was $21.46 per share. On [-], 2006, the last trading day before this proxy statement was printed, the closing price for our common stock on the New York Stock Exchange was $[-] per share. We encourage you to obtain current market quotations for our common stock in connection with voting your shares.

THE MERGER

Background

Our board of directors and management periodically evaluate our long-term strategic objectives and alternatives, as well as prospects for continued operations as an independent company as part of our ongoing strategic planning process. We have continued to revise and refine these plans in light of industry developments, the current regulatory environment and other market factors affecting long-term shareholder value. In pursuing strategies for enhancing shareholder value, we have from time to time considered opportunities for acquisitions, business combinations and other strategic alternatives.

On November 18, 2005, we retained JPMorgan to assist us with reviewing and analyzing our historic operating and financial performance, to assist in modeling future expectations as an independent company and to assist in preparation of a rate adjustment case with the WUTC. We also retained JPMorgan to assist our board of directors with identifying and evaluating the relative merits and feasibility of one or more potential business combinations as well as other potential financial strategic alternatives. We had also previously engaged Preston Gates & Ellis LLP to assist in the strategic alternatives review process, and Preston Gates had made a presentation and led a discussion of the board s fiduciary duties in the context of consideration of different strategic alternatives, including a potential business combination, at a November 13, 2005 meeting of the board. On December 8, 2005, representatives from JPMorgan attended a meeting of our board of directors and presented various materials to the board with respect to JPMorgan s analysis of our historic operating and financial performance and potential strategic alternatives available to our company.

At a meeting on December 20, 2005, our board of directors authorized and directed our management to file a rate adjustment case with the WUTC. On a separate but simultaneous track, our board authorized management to work with JPMorgan and Preston Gates to undertake the necessary steps to prepare for and evaluate the merits of a possible business combination transaction.

From January March 2006, JPMorgan developed an extensive list of potential companies that might have an interest in entering into a transaction with Cascade, including MDUR. JPMorgan contacted twenty-one parties, including MDUR, regarding their interest in engaging in discussions regarding a potential business combination with us. During this period, our management worked with JPMorgan and Preston Gates to prepare confidential evaluation material concerning our company to share with interested parties.

In March 2006, we finalized the confidential evaluation material and, upon entering into confidentiality agreements, distributed the confidential evaluation material to eight interested parties, including MDUR.

On March 21, 2006, JPMorgan, on our behalf, distributed letters to the parties that had entered into confidentiality agreements and expressed a continuing interest in a potential business combination with us, inviting these parties to submit an indication of interest for the purchase of our company.

On April 14, 2006, we received indications of interest from four parties, including MDUR. The indications of interest contemplated transactions consisting of cash consideration, stock consideration, or a combination of cash and stock consideration. On April 17, 2006, our board of directors met and discussed each of these indications of interest and the summaries and analysis thereof provided by JPMorgan and Preston Gates. Our board of directors also considered the indications of interest in the context of various independent operating scenarios. Our board of directors authorized our management to continue to work with JPMorgan, Preston Gates and other relevant advisors to undertake necessary steps to prepare for and further evaluate a potential business combination and comparisons with continued operations as an independent company.

As part of the agenda of its regular quarterly meeting on April 26, 2006, our board received update reports on the strategic alternative review process including status of the rate case and possible combination analyses and status of discussions from Preston Gates, JPMorgan and our officers. Our board reviewed possible conflicts of interest and determined that none of the directors had a financial interest in any of the parties who submitted an indication of interest in a combination transaction. Our board discussed the review process, reviewed the potential expenses and risks of completion of a transaction and authorized our officers and advisors to continue the process.

During April and May 2006, the four parties who submitted indications of interest engaged in additional conversations with JPMorgan regarding a potential business combination transaction and conducted due diligence reviews of materials regarding our company that we had compiled and prepared and engaged in dialogue with our advisors regarding questions and issues raised during its diligence review. This process continued throughout the remaining merger discussions.

On May 12, 2006, our board of directors signed a unanimous written consent resolution forming an ad hoc special committee comprised of independent directors to, among other things, review strategic alternative evaluations, to work with our management and advisors to prepare analyses of such alternatives for our board and decide procedural issues in connection with a potential business combination transaction.

In mid-May, our management team gave presentations to each of the four parties who had submitted indications of interest, providing the parties with the opportunity to hear more about our company and meet and ask questions of the members of our management team. A team from MDUR, together with its outside advisors, attended one of these presentations. Our management team was assisted by representatives of JPMorgan and Preston Gates in these meetings and in handling the further due diligence requests and responses from the other interested parties.

On May 31, 2006, the special board committee met and discussed with representatives from JPMorgan and Preston Gates the recent communications with the interested parties and the process going forward, including bid instructions and proposed forms of merger agreement.

On June 2, 2006, JPMorgan, on our behalf, distributed final bid instructions to the interested parties, including MDUR, together with a proposed form of merger agreement.

On June 15, 2006, the special board committee held a meeting at which it discussed various materials prepared by its advisors and our management regarding the strategic and financial alternatives available to our company, covering a variety of scenarios focusing on independent operations of the Company. The special board committee provided feedback to our advisors as to the presentation materials for the full board.

On June 22, 2006, we received merger proposals from the interested parties, including MDUR. The proposals included a proposed price per share, the form of such consideration and a markup of our proposed merger agreement.

On June 26, 2006, the special board committee held a meeting at which it discussed the proposals. Representatives from JPMorgan and Preston Gates presented summaries and analyses of the bid proposals to the committee and updated the committee on recent discussions with the interested parties.

On June 27, 2006, our board of directors held a meeting at which it discussed the bid proposals. Representatives from JPMorgan and Preston Gates presented summaries and analyses of the proposals to the board of directors and described recent discussions with the interested parties. The board also discussed the potential opportunities and challenges facing the company going forward on an independent operating basis, including our current regulatory environment, personnel and staffing challenges and other potential operational constraints. Preston Gates led a discussion of the board s fiduciary duties in the

context of consideration of different strategic alternatives, including a potential business combination. Preston Gates also summarized the material terms of the various competing combination proposals including amount and form of consideration, regulatory approval provisions, closing conditions, and non-solicitation provisions, as well as termination provisions and termination fees. Each director confirmed that he or she had no conflict of interest with respect to a potential business combination with any of the parties who had submitted bids in the strategic alternative process or otherwise with respect to the process. After discussion of the bid proposals and stand alone independent operations, the board of directors authorized our management, our advisors and the special board committee to work with two of the interested parties, including MDUR, to further clarify and resolve various issues raised in their proposals. After receiving this direction from the board, from June 28 June 30, 2006 our management and advisors participated in numerous calls and email correspondence with these parties in an effort to reach clarification and resolution on open items.

On June 30, 2006, the special board committee had a meeting at which representatives from JPMorgan and Preston Gates updated the committee with respect to the efforts to clarify and resolve open items with the two relevant interested parties. Our management and advisors participated in a number of conference calls with these parties on June 30 and July 1, 2006 regarding terms of the respective proposed bids.

On July 2, 2006, we sent revised drafts of our proposed merger agreement to the two interested parties identified by the board of directors, including MDUR. We invited the parties to submit revised proposals for our board s consideration. Our advisors participated in conference calls with the parties and their advisors on July 3 and July 5, 2006 regarding terms of the form of proposed merger agreement.

At the end of the day on July 5, 2006, we received revised proposals from the two relevant parties, including MDUR.

On July 6, 2006, our board of directors met. At this meeting, the representatives from JPMorgan and Preston Gates updated our board on the process, including communications with the two parties identified by the board at its previous meeting. JPMorgan and Preston Gates presented analyses for our board s consideration with respect to the revised proposals received on July 5, 2006. The presentations included financial analysis of the proposals, as well as analysis of our company on a stand-alone operating basis. The presentations also included discussion of the various unresolved issues in the proposed merger agreements based on the markups submitted by the parties and subsequent conversations with the parties together with an analysis of the regulatory approvals required to consummate the proposed transactions and risks related thereto. The board engaged in discussion regarding the respective bids and the possible courses of action with respect to each of the parties. The board authorized our management to work with our advisors to negotiate with MDUR to bring back a final bid from MDUR to the board for its consideration, and to continue to clarify the unresolved issues with the other party as appropriate.

From July 6 8, 2006, our management and advisors engaged in numerous conference calls with MDUR and its advisors to review and negotiate the terms of the merger agreement, subject to the approval of our board of directors, and continued discussions with the other party.

On July 8, 2006, our board of directors met to receive the reports from JPMorgan and Preston Gates. Counsel reviewed the proposed resolution of the open items and the final form the merger agreement that had been negotiated with MDUR. JPMorgan provided its opinion to the effect that, as of that date and based upon and subject to the factors and assumptions set forth in its opinion, from a financial point of view, the consideration to be received by holders of shares of our common stock pursuant to the merger agreement was fair to such holders. Following discussion and consideration of the proposed merger with MDUR, the board of directors, by unanimous vote, approved the merger agreement and the merger. The board of directors also resolved to recommend that our shareholders approve the merger agreement and the merger and authorized our management to execute and deliver the merger agreement and any other

agreement contemplated thereby. On July 8, 2006, the signature pages to the merger agreement were executed and delivered.

On July 9, 2006, we issued a joint press release with MDUR announcing the execution of the merger agreement pursuant to which MDUR would acquire all of Cascade s outstanding common stock for $26.50 per share in cash.

Reasons for the Merger

After careful consideration, our board of directors has unanimously approved and declared advisable the merger agreement and the transactions contemplated by the merger agreement and has unanimously declared the merger agreement and the transactions contemplated by the merger agreement to be in the best interests of our shareholders and our company. In the course of reaching its decision to approve the merger agreement, our board of directors consulted with our financial and legal advisors and considered a number of factors, including the following:

- the familiarity of our board of directors with, and information provided by management and JPMorgan as to, our business, financial condition, results of operations, current earnings and earnings prospects and competitive position, the size of the company in relation to the industry and its impact on recruiting highly qualified personnel, the nature of our business and the industry in which we compete, the regulatory environment, economic and financial market conditions on both a historical and a prospective basis, as well as our strategic objectives, and the risks involved in achieving those objectives on an independent basis;

- the $26.50 per share to be paid as consideration in the merger was the highest bid received and the relationship of such merger consideration to the historical trading levels of our common stock, including the fact that the merger consideration of $26.50 per share represented a premium of approximately 23% over the per share closing price on July 7, 2006, the last trading day prior to the execution of the merger agreement, and a premium of approximately 25% over the average for the previous five trading days;

- the judgment of our board of directors that $26.50 per share represented the highest consideration that MDUR was willing to pay, and the highest per share value obtainable on the date of signing;

- the financial presentation and analysis, including the written opinion, dated July 8, 2006, of JPMorgan to our board of directors, to the effect that as of that date and based upon and subject to the matters stated in such opinion, the $26.50 per share merger consideration was fair, from a financial point of view to the holders of our common stock, as described under Fairness Opinion (the full text of this opinion is attached to this proxy statement as Annex B);

- the discussions with other interested parties conducted on our behalf by JPMorgan and a review of the possible alternatives to the merger at this time, including the timing and likelihood of achieving additional value from such alternatives;

- the terms of the merger agreement, including the right of our board of directors to change its recommendation to our shareholders regarding the merger in the exercise of its fiduciary duties and to terminate the merger agreement to accept a proposal superior to that made by MDUR;

- the fact that the merger allows our shareholders to realize a fair value at closing, in cash, for their investment;

- the fact that the merger consideration is all cash provides shareholders certainty of value for their shares if the merger is completed;

- the merger presents a means for holders of large blocks of shares of our common stock to receive a premium price in cash for their holdings without adversely affecting the market price for our common stock;

- the closing conditions included in the merger agreement, including the likelihood that the merger would be approved by our shareholders and the likelihood that the merger would be approved by the requisite regulatory authorities including the risks associated with such approval;

- the other terms of the merger agreement, as reviewed by our board of directors with Preston Gates and JPMorgan, including the absence of a financing condition and the respective representations, warranties and covenants of the parties;

- the cost to a company of our size of maintaining public-company status and complying with the federal securities laws, including the Sarbanes-Oxley Act of 2002;

- MDUR s experience in acquiring and operating regulated utilities and completing acquisitions;

- our board of directors belief that MDUR is committed to operating our company and its businesses successfully, meeting the needs of our customers, employees and other constituencies; and

- our board of directors belief that MDUR will continue our history and commitment to providing safe and reliable service to our utility customers and that MDUR s size and financial strength will enable Cascade to have adequate capital for utility operations and to meet expansion requirements as well as the potential for expanded career paths for our employees and the ability to compete for highly qualified management as a part of a larger company.

Our board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

- the risks and costs to Cascade if the merger does not close, including the diversion of management and employee attention, potential employee attrition, the potential termination fee we may be required to pay to MDUR, and the potential effect on business and customer relationships;

- the fact that following the merger we will no longer exist as an independent, stand-alone company and our shareholders will not participate in any of our future earnings or growth and will not benefit from any appreciation in value of our company;

- the fact that our directors and executive officers may have interests in the transaction that are different from, or in addition to, those of our other shareholders;

- the restrictions on the conduct of our business prior to the completion of the merger, requiring us to conduct our business only in the ordinary course, subject to specific limitations, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the merger;

- the fact that any gains in an all cash transaction would be taxable to our shareholders for U.S. federal and potentially state income tax purposes;

- the possible effect of the public announcement of the transaction and continuing regulatory approval process on the continuing commitment of our employees and management pending the Cascade shareholder vote and the consummation of the merger; and

- that, while the merger is expected to be completed, there can be no assurance that all conditions to the parties obligations to complete the merger will be satisfied, and as a result, it is possible that the merger may not be completed even if approved by our shareholders.

The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive, but does set forth a summary of the material factors considered by our board of directors in its consideration of the merger. After considering these factors, the board of directors concluded that the positive factors relating to the merger agreement and the merger outweighed the negative factors. In view of the wide variety of factors considered by our board of directors, our board of directors did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of our board of directors may have assigned different weights to various factors. Our board of directors approved and recommends the merger agreement and the merger based upon the totality of the information presented to and considered by it.

Recommendation of the Board of Directors

After careful consideration and by unanimous vote of all members of our board of directors, our board of directors:

- has unanimously approved the merger agreement and the transactions contemplated by the merger agreement;

- has unanimously declared that the merger agreement and the transactions contemplated by the merger agreement are in the best interests of Cascade s shareholders and Cascade; and

- **unanimously recommends that Cascade s shareholders vote FOR the adoption of the merger agreement.**

Fairness Opinion

The opinion and financial analysis of JPMorgan, which is described below, were among the factors considered by our board of directors in its evaluation of the merger and should not be viewed as determinative of the views of our board of directors or management with respect to the merger or the merger consideration. JPMorgan was selected by our board of directors to serve as financial advisor based on its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions in general, and transactions in the utility sector in particular.

Cascade retained JPMorgan as its financial advisor and to render an opinion to our board of directors as to the fairness, from a financial point of view, to the holders of our common stock of the consideration to be received by such holders in the merger. JPMorgan rendered its oral opinion at the meeting of our board of directors on July 8, 2006 (which was confirmed by delivery of a written opinion dated July 8, 2006) that, as of that date, the consideration to be received by the holders of our common stock in the merger was fair, from a financial point of view, to such holders.

The full text of JPMorgan s written opinion dated July 8, 2006, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by JPMorgan, is attached as Annex B and is incorporated by reference in this proxy statement. JPMorgan s opinion is addressed only to our board of directors and is limited to the fairness, from a financial point of view, of the consideration to be received by the holders of our common stock in the merger. JPMorgan expressed no opinion as to the fairness of the merger to, or any consideration of, the holders of any other class of securities, creditors or other constituencies of Cascade or as to the underlying decision by Cascade to engage in the merger. The amount of the merger consideration was determined through arm s length negotiations between Cascade and MDUR. JPMorgan provided advice to our board of directors during these negotiations. JPMorgan did not, however, recommend any specific consideration amount to our board of directors or that any specific consideration amount constituted the only appropriate amount. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to Cascade or our underlying business decision to engage in the merger.

JPMorgan s opinion does not constitute a recommendation to any shareholder as to how to vote or act with respect to any matter relating to the merger or any other matter. We did not provide specific instructions to, or place any limitations on, JPMorgan with respect to the procedures to be followed or factors to be considered by it in performing its analyses or providing its opinion. You are urged to read the written opinion carefully in its entirety. The summary of JPMorgan s opinion set forth in this proxy statement is qualified in its entirety by reference to the full text of JPMorgan s written opinion.

In connection with its review of the merger, and in arriving at its opinion, JPMorgan, among other things:

- reviewed a draft of the merger agreement dated July 7, 2006;

- reviewed certain publicly available business and financial information concerning Cascade and the industries in which we operate;

- compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

- compared our financial and operating performance with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of our common stock and certain publicly traded securities of such other companies;

- reviewed certain internal financial analyses and forecasts prepared by our management relating to our business; and

- performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinion.

In addition, JPMorgan held discussions with certain members of our management with respect to certain aspects of the merger, our past and current business operations, our financial condition and future prospects and operations, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to it or discussed with it by Cascade or otherwise reviewed by it or for it. JPMorgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, and JPMorgan did not evaluate the solvency of Cascade under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to JPMorgan, JPMorgan assumed that they had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Cascade to which such analyses or forecasts relate. JPMorgan expressed no view as to such analyses and forecasts, or to the assumptions on which they were based. JPMorgan also assumed that the definitive merger agreement would not differ in any material respects from the draft furnished to it. As to legal, regulatory or tax matters, JPMorgan relied on the assessments made by advisors to Cascade who are experts in such issues. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on Cascade.

JPMorgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. It should be understood that JPMorgan does not have any obligation to update, revise, or reaffirm its opinion to reflect subsequent developments.

Summary of Financial Analyses of JPMorgan. In connection with rendering its opinion to our board of directors, JPMorgan performed a variety of financial and comparative analyses, including those described below. The preparation of a fairness opinion is a complex process and involves various judgments and determinations as to the most appropriate and relevant assumptions and financial analyses and the application of these methods to the particular circumstances involved. Fairness opinions are therefore not necessarily susceptible to partial analysis or summary description.

Accordingly, JPMorgan believes that the analyses it performed and the summary set forth below must be considered as a whole and that selecting portions of its analyses and factors, or focusing on information in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the analyses performed by JPMorgan in connection with its opinion. In arriving at its opinion, JPMorgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, JPMorgan arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and believes that the totality of the factors considered and analyses it performed in connection with its opinion operated collectively to support its determination as to the fairness of the merger consideration from a financial point of view.

In performing its analysis, JPMorgan considered industry performance, general business and economic conditions and other matters, many of which are beyond our control. The analyses performed by JPMorgan are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by the analyses. The analyses were prepared solely as part of JPMorgan s analysis of the fairness, from a financial point of view, of the consideration to be received by the holders of our common stock in the merger. Additionally, the analyses performed by JPMorgan relating to the value of the business do not purport to be an appraisal or to reflect the price at which the business actually may be acquired or sold.

The following is a summary of the material financial analyses performed by JPMorgan in connection with providing its opinion. Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

Historical Share Price Analysis. JPMorgan reviewed the closing prices of our common stock for the last 12 month and 24 month period ending July 5, 2006. JPMorgan observed that the range of prices for our common stock was $18.49 - $22.75 over the last 24 month period and it was $19.00 - $22.75 over the last 12 month period, while the value of the merger consideration was $26.50 per share.

Public Market Comparables Analysis. JPMorgan compared our financial, operating and stock market data to corresponding data of the following publicly traded companies, which JPMorgan considered to be comparable industry peers: Avista Corporation, Chesapeake Utilities Corporation, Laclede Group, Inc., New Jersey Resources Corporation, Northwest Natural Gas Company, Piedmont Natural Gas Company, South Jersey Industries, Inc., Southwest Gas Corporation, and WGL Holdings, Inc. JPMorgan noted that none of the selected companies is either identical or directly comparable to Cascade and that any analysis of selected companies necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading of the selected companies.

JPMorgan reviewed multiples of equity value (based on the closing price per share on July 5, 2006) to estimated 2007 earnings, and firm value (equity value adjusted for debt and cash as of the latest quarterly filing) to estimated 2007 EBITDA (defined as earnings before interest, taxes, depreciation and amortization) obtained for the group of companies that it compared with Cascade and applied its

judgment to estimate valuation multiple reference ranges for Cascade. Net income and EBITDA estimates used by JPMorgan for the respective peer group reflected I/B/E/S consensus estimates as of July 5, 2006. I/B/E/S is a database owned and operated by Thompson Financial, which contains estimated and actual earnings, cash flows, dividends and other data for U.S. and foreign markets. All multiple ranges were applied to our I/B/E/S as well as management s estimates.

The table below includes reference multiple ranges selected by JPMorgan based on a review of the public market comparables multiples.

	Multiple range				Implied value per Cascade share			
	Low		High		Low		High	
I/B/E/S estimates								
Price/2007E EPS	14.5	x	16.0	x	$	17.00	$	18.75
Firm value/2007E EBITDA	7.0	x	8.5	x	18.50		25.50	
Management estimates								
Price/2007E EPS	14.5	x	16.0	x	$	21.25	$	23.50
Firm value/2007E EBITDA	7.0	x	8.5	x	19.25		26.75	

E = estimated.

By applying the above multiples to the indicated financial and operational metrics, JPMorgan calculated implied equity values per share of our stock for each. Based on the public market comparables analysis for Cascade using I/B/E/S estimates for Cascade, the implied equity value per share ranged from a low of $17.00 to a high of $25.50, rounded to the nearest quarter. Similarly, our implied equity value per share range based on management estimates ranged from $19.25 to $26.75, rounded to the nearest quarter. JPMorgan noted that the merger consideration of $26.50 per share is at the high end of this range of calculated values.

Precedent Transaction Analysis. Using publicly available information, JPMorgan examined selected precedent corporate transactions. JPMorgan calculated multiples for transaction value (equity purchase price adjusted for debt and cash) to EBITDA for the target for the latest twelve-month period, or LTM, at the transaction announcement in each selected transaction. Among other factors, JPMorgan noted that the merger and acquisition transaction environment varies over time because of macroeconomic conditions such as fluctuations in interest rates, natural gas prices, equity markets and macroeconomic conditions such as industry results and growth expectations.

The precedent transactions examined with respect to our valuation were as follows (acquirer/ target):

- Equitable Resources, Inc./Hope Gas, Inc. and Peoples Natural Gas Company (parent: Dominion Resources, Inc.)
- National Grid USA (parent: National Grid plc)/New England Gas Company Rhode Island gas distribution business (parent: Southern Union Company)
- UGI Corporation/ PG Energy, Inc. (parent: Southern Union Company)
- Empire District Electric Company/ Missouri natural gas operations (parent: Aquila, Inc.)
- WPS Resources Corporation/Michigan and Minnesota natural gas operations (parent: Aquila, Inc.)
- IGS Utilites LLC, IGS Holdings LLC and affiliates of ArcLight Capital Partners LLC/ West Virginia natural gas operations of Monongahela Power Company (parent: Allegheny Energy, Inc.)
- AGL Resources, Inc./NUI Corporation

- Atmos Energy Corporation/TXU Gas Company (parent: TXU Corporation)
- Piedmont Natural Gas Company, Inc./North Carolina Natural Gas Corporation (parent: Progress Energy, Inc.)
- ONEOK, Inc./ Texas gas distribution assets (parent: Southern Union Company)

JPMorgan reviewed the firm value to LTM EBITDA multiples obtained from these transactions and applied its judgment to estimate valuation multiple reference ranges for Cascade. JPMorgan noted that none of the selected precedent transactions is either identical or directly comparable to the proposed transaction and that any analysis of selected precedent transactions necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition values of the companies concerned. All multiple ranges were applied to our EBITDA for the latest twelve-month period to March 31, 2006.

The table below includes reference multiple ranges selected by JPMorgan based on a review of the precedent transaction multiples.

	Multiple range				Implied value per Cascade share			
	Low		High		Low		High	
Firm value/LTM EBITDA	8.5	x	10.0	x	$	23.00	$	29.75

Based on the precedent transaction analysis, the implied per-share value of our common stock varied from a low of $23.00 to a high of $29.75, rounded to the nearest quarter. JPMorgan noted that the merger consideration of $26.50 per share falls within this range of calculated values.

Discounted Cash Flow Analysis. JPMorgan conducted a discounted cash flow analysis for the purpose of determining an estimated range of implied equity value per share of our common stock. The discounted cash flow analysis was based upon Cascade management s business plan for the fiscal years 2006 through 2015, and additional assumptions from our management for the fiscal year 2015 and in perpetuity. The discounted cash flow analysis assumed a valuation date of March 31, 2006. JPMorgan calculated the unlevered free cash flows that we are expected to generate during fiscal years 2006 through 2015, based on our management s business plan. JPMorgan calculated an implied range of terminal values for Cascade using a range of perpetuity growth rates from 1.0% to 2.0% and a discount rate of 6.5%. The unlevered free cash flows and the range of terminal values were then discounted to present value using the discount rate of 6.5%. JPMorgan derived an approximate implied per share equity value reference range for Cascade of $18.25 to $23.25, rounded to the nearest quarter. JPMorgan noted that the merger consideration of $26.50 per share is higher than this range of calculated values.

Miscellaneous. JPMorgan has received a fee from us for the delivery of its fairness opinion. We also paid JPMorgan one-third of its transaction fee upon our entry of the merger agreement, and will pay to JPMorgan one-third upon Cascade shareholder approval and one-third upon the consummation of the merger. In addition, we have agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify JPMorgan and its affiliates, their respective directors, officers, agents and employees for certain liabilities. JPMorgan and its affiliates have provided in the past, and may in the future provide, investment banking, commercial banking and other financial services to Cascade and MDUR and have received customary fees for such services. JPMorgan s commercial bank affiliates are currently lenders to each of Cascade and MDUR, as well as certain affiliates of MDUR. In addition, in the ordinary course of JPMorgan s businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of Cascade and MDUR for its own account or for the accounts of its customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

Regulatory Approvals

We are subject to regulation by the WUTC and OPUC. In addition, MDUR is subject to regulation by the various state regulatory authorities in which it operates. It is a condition to the closing of the merger that we and MDUR obtain final orders approving the merger from the WUTC, the OPUC, the North Dakota Public Service Commission and the Minnesota Public Utilities Commission, and the receipt of a final order from the WUTC relating to the rate case we filed in February 2006, in such a manner that such approvals do not, in the aggregate, result in a material adverse effect (as defined in the merger agreement) on Cascade. Cascade and MDUR intend to make the necessary filings with these regulatory authorities for approval of the merger. In certain cases, private parties may seek to intervene in administrative proceedings and challenge requested consents and approvals. In addition, the responsible state regulatory authorities could deny these regulatory approvals, or impose conditions or restrictions on any consents or approvals that they deem necessary or desirable under their regulations. There can be no assurance that we will obtain all requested regulatory approvals, or that these approvals will satisfy the conditions set forth in the merger agreement.

The HSR Act provides that transactions such as the merger may not be completed until certain information has been submitted to the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and specified waiting period requirements have been satisfied. At any time before or after consummation of the merger, the Antitrust Division of the Department of Justice or the Federal Trade Commission may challenge the merger on antitrust grounds. Private parties could take antitrust action under the antitrust laws, including seeking an injunction prohibiting or delaying the merger, divestiture or damages under certain circumstances. Additionally, at any time before or after consummation of the merger, notwithstanding the expiration or termination of the applicable waiting period, any state could take action under its antitrust laws as it deems necessary or desirable in the public interest. There can be no assurance that a challenge to the merger will not be made or that, if a challenge is made, we will prevail.

We are currently in the process of preparing applications and other filings for these approvals. Except as noted above, we are unaware of any other material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors, you should be aware that our executive officers and directors may have interests in the transaction that are different from, and/or may be in addition to, the interests of our shareholders generally. These interests may present the directors and executive officers with actual or potential conflicts of interests, and these interests, to the extent material, are described below:

- our President and Chief Executive Officer holds 5,000 shares of restricted stock, scheduled to vest in March 2007. Pursuant to the merger agreement, at the effective time of the merger all remaining restrictions with respect to these shares of restricted stock will expire and these shares will be fully vested and will be treated as shares of our common stock in the merger;

- certain executive officers are parties to employment and change-in-control agreements with Cascade that may entitle them to cash payments and other benefits following the consummation of the merger;

- certain executive officers are participants in non-qualified retirement plans that may entitle them to vesting of benefits or enhanced benefits following the completion of the merger;

- certain executive officers receive long-term incentive awards containing change of control provisions that will result in them receiving the cash value of their awards upon the consummation of the merger; and

- the merger agreement provides for indemnification for our directors and executive officers with respect to any claims or liabilities arising out of their positions with Cascade prior to the merger and for the maintenance of directors and officers liability insurance covering our directors and executive officers for a period of six years following the merger.

Our board of directors was aware of these different and/or additional interests and considered them, among other matters, in the board s evaluation and negotiation of the merger agreement and concluded that, in light of the terms of the merger, the interests of our shareholders and the fact that the arrangements giving rise to these interests were reasonable, the merger agreement is in the best interest of our shareholders. In addition, we note that the members of our board of directors are independent of and have no economic interest or expectancy of an economic interest in MDUR or its affiliates, and will not retain an economic interest in the surviving corporation or MDUR following the merger.

Restricted Stock

Our President and Chief Executive Officer currently holds 5,000 shares of our restricted stock, scheduled to vest in March 2007. We currently anticipate completing the merger in mid-2007, after the vesting date for such shares. However, if the merger is completed prior to the vesting date, then at the effective time of the merger all remaining restrictions with respect to these shares of restricted stock will expire and these shares will be fully vested and will be treated as shares of our common stock in the merger.

Employment and Change in Control Agreements

The merger will constitute a change of control for purposes of employment agreements and severance agreements that we have executed with our executive officers, which are described below. All agreements are limited such that no payments will be made if they would constitute excess parachute payments within the meaning of Section 280G of the Internal Revenue Code.

David Stevens. Our employment agreement with Mr. Stevens provides that if Mr. Stevens terminates his employment within one year following a change of control (as defined in the agreement), he will receive a payment equal to: (a) his accrued but unpaid base salary and accrued vacation pay through the termination date; (b) any unpaid annual incentive compensation earned but not paid in the previous year; (c) any amounts otherwise payable to him under the terms of our benefit plans and programs in which he is a participant, at the time such payments are due, including the Executive Deferred Compensation Plan described below; (d) 0.75 times his covered compensation; and (e) subject to his compliance with release, confidentiality and non-competition provisions of the employment agreement, 1.25 times his covered compensation as a non-compete payment. Covered compensation is defined as the sum of: (1) Mr. Stevens s annualized base salary and (2) the average of the annual incentive compensation he was paid in the first two fiscal years prior to the fiscal year in which his termination occurs (if two fiscal years have not been completed, the annual incentive compensation equals the entire potential cash incentive compensation payment payable to Mr. Stevens for the year the termination occurs, if between two and five fiscal years have passed, the annual incentive compensation in the prior two years is used to calculate the payment, but in no case will this amount ever be less than 50% of the potential annual incentive compensation). We also agreed to pay for life insurance and welfare benefits for Mr. Stevens and his immediate family for a period of 18 months after termination.

Rick Davis. Our employment agreement with Mr. Davis provides that if Mr. Davis terminates his employment within one year following a change of control, he will receive a payment equal to: (a) his

accrued but unpaid base salary and accrued vacation pay through the date of termination; (b) any unpaid annual incentive compensation earned but not paid in the previous year; (c) any amounts otherwise payable to him under the terms of our benefit plans and programs in which he is a participant, at the time such payments are due, including the Executive Deferred Compensation Plan described below; (d) 0.50 times his covered compensation; and (e) subject to compliance with release, confidentiality and non-competition provisions of the employment agreement, 0.50 times his covered compensation as a non-compete payment. Covered compensation is defined as the sum of: (1) Mr. Davis s annualized base salary and (2) the average of the annual incentive compensation paid in the first two fiscal years prior to the fiscal year in which his termination occurs (if two fiscal years have not been completed, the annual incentive compensation shall be equivalent to 50% of the potential cash incentive compensation payment payable for the year the termination occurs). We also agreed to pay for life insurance and welfare benefits for Mr. Davis and his immediate family for a period of 12 months after termination.

Other Executive Officers. Our agreements with our other executive officers provide that if the officer s employment terminates either (a) by Cascade for any reason other than the officer s death, disability, retirement or for cause (as defined in the applicable agreement), or (b) by the officer for good reason (as defined in the agreement) within 36 months after a change in control, then we must pay the following amounts: (1) the officer s full base salary through the termination date at the higher of (i) the rate in effect on the date the change in control occurs, or (ii) the rate in effect as of the time of such termination; (2) in lieu of any other severance benefits to which such officer may be entitled for periods subsequent to the termination date, an amount payable in a single lump sum equal to the product of (X) the sum of his or her annual base salary, at the rate in effect on the date the change in control occurs, plus any average annual incentive compensation paid in respect of the two fiscal years prior to the fiscal year in which the change in control occurs, multiplied by (Y) either 2 or 3 for each officer as specified in their individual agreements (subject to adjustment); and (3) all legal fees and expenses incurred by the officer as a result of such termination (including any fees and expenses incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by the agreement). Unless the officer dies or his or her employment is terminated by Cascade for cause, or by the officer other than for good reason, we will maintain in full force and effect for one year after the termination date all health, medical, disability, and life insurance benefit plans or arrangements in which the officer was entitled to participate immediately prior to the termination date unless he or she becomes eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon the officer. If the officer s employment is terminated on account of death, or by Cascade for cause, or by him or her other than for good reason, we must pay such officer his or her full base salary through the termination date at the rate in effect as of the time of such termination.

Benefit Plans

The merger will constitute a change of control for purposes of benefit plans described below, as a result of which certain of our executive officers will receive additional benefits. Each plan is limited such that no payments shall be made if they would constitute excess parachute payments within the meaning of Section 280G of the Internal Revenue Code.

Executive Supplemental Retirement Income Plan. Messrs. Stoltz and Haug are fully vested participants in our Executive Supplemental Retirement Income Plan, or SERP. Mr. Rosok is also a participant in the SERP, but is not fully vested. The SERP provides that Mr. Rosok s benefits will become vested upon a change of control. Messrs. Stoltz, Haug and Rosok are also parties to employment agreements with Cascade as described under Employment and Change in Control Agreements Other Executive Officers above. However, their employment agreements terminate (other than provisions related to the payment of legal fees and expenses incurred by the officer as a result of such termination and the maintenance for one year after the termination date all health, medical, disability, and life insurance

benefit plans or arrangements for the officer) when their benefits under the SERP become fully vested. The SERP provides that that if we terminate the officer s employment for any reason other than disability or death, or the officer terminates his or her employment for good reason (as defined in the plan), in each case within 36 months after a change in control, the officer is generally entitled to receive (a) an amount equal to 70% of the officer s final monthly compensation (as defined in the SERP) commencing on the first day of the month following the later of the officer s 55th birthday or the date on which the officer s employment terminates and ending with the earlier of the officer s death or the payment for the month in which the officer s 65th birthday occurs; plus (b) an amount for the officer s lifetime commencing upon the first day of the month following the later of the officer s 65th birthday or the date on which the officer s employment terminates and equal to 70% of the officer s final monthly compensation, less certain specified amounts.

Executive Deferred Compensation Plan. Messrs. Stevens and Davis are participants in our Executive Deferred Compensation Plan. The plan provides that all participants accounts will vest upon a change of control, with payment on the first day of the calendar months starting 45 days after a change in control. No contributions have been credited under this plan to Messrs. Stevens or Davis as of the date of this proxy statement; however, contributions are scheduled to be made in September 2006. The scheduled contribution amounts for Messrs. Stevens and Davis for September 2006 are $21,000 and $33,600, respectively.

Long-Term Incentive Awards

Pursuant to our Long Term Incentive Plan, Mr. Stevens and Mr. Davis have been granted long term incentive awards pursuant to which they may receive up to 9,100 and 5,650 shares of our common stock, respectively, after the three year period ending June 30, 2008, depending on our performance in terms of return on equity compared to a peer group during the period. Future awards grants will be determined as set forth in the plan, consistent with their employment agreements. The consummation of the merger will constitute a change in control under the long term incentive award agreements. As a result, Mr. Stevens and Mr. Davis will be entitled to receive the cash value of the total number of shares that may be awarded and any applicable dividends.

Indemnification and Insurance

MDUR has agreed to indemnify, to the same extent as provided in our articles of incorporation and bylaws and other indemnification agreements, each of our present and former directors and officers against all expenses, losses and liabilities incurred in connection with any claim, proceeding or investigation arising out of any act or omission in their capacity as an officer or director occurring on or before the effective time of the merger.

In addition, the merger agreement requires that MDUR maintain in effect, for a period of six years after the effective time of the merger, directors and officers liability insurance with an insurer substantially comparable to the insurer under Cascade s current policy of at least the same coverage and amounts, containing terms and conditions no less favorable to the insured.

Financing; Source of Funds

The merger is not conditioned upon MDUR obtaining financing. In the merger agreement, MDUR has represented to Cascade that it has all funds necessary to deliver the merger consideration and satisfy all of its obligations hereunder.

MDUR Board of Directors and Shareholder Approvals

MDUR s board of director approved the merger agreement and the transactions contemplated by the merger agreement prior to the execution of the merger agreement. No vote or other consent of MDUR s shareholders is required to approve the merger agreement or the transactions contemplated thereby.

Material U.S. Federal Income Tax Consequences

The following discusses, subject to the limitations stated below, the material U.S. federal income tax consequences of the merger to U.S. holders of our common stock whose shares of our common stock are converted into the right to receive cash in the merger (whether upon the receipt of the merger consideration or pursuant to the proper exercise of dissenters rights). Non-U.S. holders of our common stock may have different tax consequences than those described below and are urged to consult their tax advisors regarding the tax treatment to them under U.S. and non-U.S. tax laws. We base this summary on the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable current and proposed U.S. Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis.

For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of our common stock that is:

- a citizen or individual resident of the U.S. for U.S. federal income tax purposes;
- corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any State or the District of Columbia;
- a trust if it (a) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income tax regardless of its source.

The U.S. federal income taxes of a partner in a partnership holding our common stock will depend on the status of the partner and the activities of the partnership. We urge partners in a partnership holding shares of our common stock to consult their own tax advisors.

This discussion assumes that you hold the shares of our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income tax that may be relevant to you in light of your particular circumstances, or that may apply to you if you are subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, dealers in securities or foreign currencies, tax-exempt organizations, financial institutions, mutual funds, partnerships or other pass through entities for U.S. federal income tax purposes, non-U.S. persons, shareholders who hold shares of our common stock as part of a hedge, straddle, constructive sale or conversion transaction, shareholders who acquired their shares of our common stock through the exercise of employee stock options or other compensation arrangements or shareholders who hold (actually or constructively) an equity interest in the surviving corporation after the merger). In addition, except as specifically provided below, the discussion does not address any tax considerations under state, local or non-U.S. laws or U.S. federal laws other than those pertaining to the U.S. federal income tax that may apply to you.

We urge you to consult your own tax advisor to determine the particular tax consequences to you, including the application and effect of any state, local or non U.S. income and other tax laws, of the receipt of cash in exchange for our common stock pursuant to the merger.

The receipt of cash in the merger (whether as merger consideration or pursuant to the proper exercise of dissenters rights) by U.S. holders of our common stock will be a taxable transaction for U.S. federal

income tax purposes (and may also be a taxable transaction under applicable state, local and foreign tax laws). For U.S. federal income tax purposes, a U.S. holder of our common stock will recognize gain or loss equal to the difference between:

- the amount of cash received in exchange for such common stock; and
- the U.S. holder s adjusted tax basis in such common stock.

Such gain or loss will be capital gain or loss. If the holding period in our common stock surrendered in the merger is greater than one year as of the date of the merger, the gain or loss will be long-term capital gain or loss. The deductibility of a capital loss recognized on the exchange is subject to limitations under the Code. Certain U.S. holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Short term capital gains rates are taxed at ordinary income rates. If you acquired different blocks of our common stock at different times and different prices, you must calculate your gain or loss and determine your adjusted tax basis and holding period separately with respect to each block of our common stock.

Under the Code, as a U.S. holder of our common stock, you may be subject to information reporting on the cash received in the merger unless an exemption applies. Backup withholding may also apply (currently at a rate of 28%) with respect to the amount of cash received in the merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the Internal Revenue Service in a timely manner. We urge each U.S. holder to consult its own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining such exemption.

THE MERGER AGREEMENT

The summary of the material terms of the merger agreement below and elsewhere in this proxy statement is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Annex A and which we incorporate by reference into this document. This summary may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety.

Effective Time

The effective time of the merger will be the later of (a) the date of filing of properly executed Articles of Merger relating to the Merger with the Secretary of State of Washington in accordance with the Washington Business Corporation Act, or WBCA, and (b) such other time as we agree with MDUR and set forth in the Articles of Merger. The closing date will occur on a date following the satisfaction or waiver of all of the conditions set forth in the merger agreement other than conditions which, by their terms, must be satisfied at the closing.

Structure of the Merger

At the effective time of the merger, Merger Sub will be merged with and into Cascade. Following the effective time of the Merger, the separate corporate existence of Merger Sub will cease and Cascade will continue as the surviving corporation as a wholly-owned subsidiary of MDUR. All of Cascade s and Merger Sub s properties, assets, rights, privileges, immunities, powers and purposes, and all of their liabilities, obligations and penalties, will become those of the surviving corporation. Following the completion of the merger, the common stock of Cascade will be delisted from the New York Stock Exchange, deregistered under the Securities Exchange Act of 1934, as amended, and no longer publicly traded.

Merger Consideration; Treatment Stock, Options and Stock Units

Common Stock

At the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger will automatically be cancelled and converted into the right to receive $26.50 in cash, without interest and less any applicable withholding taxes, except for common stock that:

- has been reacquired by Cascade and is held as authorized but unissued common stock;
- is owned by any of our subsidiaries; or
- is owned by MDUR or any subsidiary of MDUR.

Restricted Stock

At the effective time of the merger, all remaining restrictions with respect to shares of our restricted stock issued pursuant to our 1998 Stock Incentive Plan will expire and all of the restricted shares will be fully vested and will be treated as common shares in the merger, provided that the amount payable in respect of such shares will be reduced by all applicable federal, state and local taxes required to be withheld.

Stock Options

In connection with the merger, all outstanding unvested options will vest, and upon delivery to Cascade of a proper notice of exercise the shares of our common stock underlying these options will be

treated as shares of our common stock in the merger, entitling the holder thereof to receive a cash payment in an amount equal to the excess, if any, of the merger consideration received with respect to our common stock over the exercise price of the options

Stock Units

Pursuant to the merger agreement, prior to the record date for this special meeting we took steps to cause all outstanding stock units (as defined in our Director Stock Plan) held by our directors to be cancelled and to be issued to each former holder of stock units a number of shares of our common stock equal to number of stock units such director held, which will be treated as shares of our common stock in the merger, in each case to be effective immediately prior to the Effective Time.

No Further Ownership Rights

After the effective time of the merger, each of our outstanding stock certificates for Cascade common stock will represent only the right to receive the merger consideration. The merger consideration paid upon surrender of each certificate will be paid in full satisfaction of all rights pertaining to the shares of our common stock represented by that certificate.

Procedure for Receiving Merger Consideration

At or prior to the effective time of the merger, MDUR will deposit an amount of cash sufficient to pay the aggregate merger consideration with a banking or other financial institution selected by MDUR and reasonably satisfactory to Cascade, which we refer to as the payment agent. Promptly after the effective time of the merger, the payment agent will mail a letter of transmittal and instructions to Cascade s shareholders. The letter of transmittal and instructions will tell you how to surrender your Cascade common stock certificates in exchange for the merger consideration.

You should NOT return your stock certificates with the enclosed proxy card, and you should NOT forward your stock certificates to the payment agent without a letter of transmittal.

You will not be entitled to receive the merger consideration until you surrender your Cascade common stock certificate or certificates to the payment agent, together with a duly completed and executed letter of transmittal and any other documents as the payment agent may require. The merger consideration may be paid to a person other than the person in whose name the corresponding certificate is registered if the certificate is properly endorsed or is otherwise in the proper form for transfer. In addition, the person requesting payment must either pay any applicable stock transfer taxes or establish to the reasonable satisfaction of the surviving corporation that such stock transfer taxes have been paid or are not applicable.

No interest will be paid or will accrue on the cash payable upon surrender of the certificates. Each of the payment agent, Cascade and MDUR will be entitled to deduct and withhold any applicable taxes from the merger consideration and pay such withholding amount over to the appropriate taxing authority.

At the effective time of the merger, our share transfer books will be closed, and there will be no further registration of transfers of outstanding shares of our common stock. If, after the effective time of the merger, certificates are presented to the surviving corporation or the payment agent for transfer or any other reason, they will be cancelled and exchanged for the merger consideration.

None of the payment agent, Cascade or MDUR will be liable to any person in respect of any amount properly delivered or deliverable to a public official pursuant to any applicable abandoned property, escheat or other similar law. Any portion of the merger consideration deposited with the payment agent that remains undistributed to the holders of certificates evidencing shares of our common stock for 12 months after the effective time of the merger, will be delivered, upon demand, to MDUR. Holders of

certificates who have not surrendered their certificates within one year after the effective time of the merger may only look to MDUR or its agent for the payment of the merger consideration.

If you have lost a certificate, or if it has been stolen or destroyed, then you will be required to make an affidavit of that fact before you will be entitled to receive the merger consideration. In addition, if required by the surviving corporation, you will have to post a bond in a reasonable amount determined by the surviving corporation or payment agent indemnifying the surviving corporation or payment agent against any claims made against it with respect to the lost, stolen or destroyed certificate.

Representations and Warranties

The merger agreement contains representations and warranties that Cascade and MDUR made to each other as of specific dates that are subject, in some cases, to specified exceptions and qualifications. Cascade s representations and warranties relate to, among other things:

- our and our subsidiaries proper organization, good standing and corporate power to operate our businesses and enter into the merger agreement and to consummate the transactions contemplated thereby;
- our capitalization, including in particular the number of shares of our common stock, preferred stock, restricted stock and stock options outstanding;
- required consents and approvals of governmental entities as a result of the merger;
- the absence of any (a) conflict with or breach of, our organizational documents, applicable law or certain agreements, or (b) creation of any lien as a result of entering into the merger agreement and consummating the merger;
- our SEC filings since December 31, 2001 and the financial statements contained therein;
- the absence of certain changes and events since September 30, 2005, including the absence of a material adverse effect;
- compliance with laws and possession of all licenses and permits necessary to carry on our business;
- tax matters;
- the absence of litigation or outstanding court orders against Cascade that would have a material adverse effect;
- employment and labor matters affecting us, including matters relating to our employee benefit plans;
- environmental costs and liabilities;
- real property owned and leased by Cascade and title to assets;
- hedging transactions;
- intellectual property; and
- certain material contracts.

For the purposes of the merger agreement, a material adverse effect with respect to Cascade means any event, effect, change or development that, individually or in the aggregate with other events, effects, changes or developments, is, or would reasonably be expected to be, material and adverse to the financial condition, business, assets, liabilities, operations or results of operations of Cascade, or would reasonably

33

be expected to have, a material and adverse effect on our ability to perform our obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement.

Notwithstanding the foregoing, none of the following, alone or in combination, are taken into account in determining whether there has been or will be, a material adverse effect on Cascade:

- general economic, legal or regulatory conditions affecting the gas utility industry as a whole, except to the extent that we are materially and adversely affected in a disproportionate manner as compared to comparable gas utilities;

- the announcement of the execution of the merger agreement;

- our failure by to meet revenue or earnings predictions prepared by Cascade or equity analysts or our receipt of any credit ratings downgrade (but not the facts or occurrences giving rise or contributing to any such failure by to meet revenue or earnings predictions or credit ratings downgrade);

- changes in laws, rules or regulations of any governmental entity affecting the energy market as a whole except to the extent we are materially and adversely affected in a disproportionate manner as compared to comparable participants in the energy market;

- any orders or decisions by the WUTC or the OPUC regarding Cascade or the transactions contemplated by the merger agreement;

- any change in generally accepted accounting principles;

- any change in the price of our common stock (but not the facts or occurrences giving rise or contributing to any such change in the price of our common stock);

- any outbreak or escalation of hostilities, terrorism or war, or the declaration by the United States of a national emergency or war or the occurrence of any other calamity or crisis or natural disaster, in each case that does not directly affect our assets or properties or the communities we serve;

- the effects of weather or other meteorological events; and

- the compliance with the terms of the merger agreement.

The merger agreement also contains customary representations and warranties made by MDUR and Merger Sub that are subject, in some cases, to specified exceptions and qualifications. The representations and warranties relate to, among other things:

- proper organization, good standing and corporate power to operate their businesses and enter into the merger agreement and to consummate the transactions contemplated thereby;

- the absence of any (a) conflict with or breach of, their organizational documents, applicable law or certain agreements, or (b) creation of any lien as a result of entering into the merger agreement and consummating the merger;

- required consents and approvals of governmental entities as a result of the merger;

- the sufficiency of funds necessary to deliver the merger consideration and satisfy all of MDUR s obligations in the merger agreement;

- MDUR s SEC filings since December 31, 2001 and the financial statements contained therein; and

- the absence of litigation or outstanding court orders against MDUR or its subsidiaries that would have a material adverse effect on MDUR.

For the purposes of the merger agreement, a material adverse effect with respect to MDUR means any event, effect, change or development that, individually or in the aggregate with other events, changes or developments, has, or would reasonably expected to have, a material and adverse effect on the ability of MDUR or Merger Sub to perform their obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement.

Organizational Documents

The articles of incorporation and bylaws of Cascade as in effect immediately prior to the effective time of the merger will be the articles of incorporation and bylaws of surviving corporation.

Directors and Officers of Surviving Corporation

The directors and officers of Merger Sub immediately prior to the effective time of the merger will be the directors and officers of the surviving corporation, until their respective successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the surviving corporation s articles of incorporation and bylaws and by applicable law.

Conduct of Business of Cascade Pending the Merger

Prior to the merger we have agreed, subject to certain specified exceptions, that we will conduct our businesses in the ordinary course consistent with past practice and will use our reasonable best efforts to protect and preserve our business organization intact, maintain in full force and effect our permits and maintain our existing relations and goodwill with third parties. In addition, the merger agreement places specific restrictions on our ability to, among other things:

- declare, set aside or pay any dividends except for regular quarterly cash dividends and distributions on our common stock in accordance with our dividend policy, not to exceed $0.24 per share per quarter;

- split, combine or reclassify any of our capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for our capital stock;

- purchase, redeem or otherwise acquire any of our securities, other than purchases of shares of company common stock for issuance to participants in our DRIP and Employee Savings Plan;

- issue, sell or grant any of our securities, other than the issuance of common stock upon the exercise or conversion of outstanding options, awards, or other compensation commitments, the reissuance of shares of our common stock that have been purchased in accordance pursuant to our DRIP and Employee Savings Plan and the annual issuance of an aggregate of 8,000 shares of our common stock in accordance with our 2000 Director Stock Award Plan;

- amend our articles of incorporation or bylaws;

- acquire or agree to acquire any business, entity or assets other than in the ordinary course of business consistent with past practice or pursuant to planned capital expenditures;

- except as required by law or by our current benefit plans, compensation commitments or collective bargaining agreements, (a) grant any increase in compensation or benefits or new incentive compensation grants except in the ordinary course of business consistent with past practice, provided that such increases, in the aggregate, do not result in an increase of more than 5% when compared to the prior year, (b) grant any increase in severance, pay to stay or termination pay except to the extent consistent with past practice and that, in the aggregate, does not result in a material increase in benefits or compensation expenses, (c) enter into or amend any compensation commitment or (d) establish, adopt, enter into or amend in any material respect any collective

bargaining agreement or benefit plan; except that we may make available to newly hired officers, or employees hired to fill existing positions or up to ten newly created positions, or in the context of promotions in the ordinary course of business consistent with past practice, any benefits and compensation arrangements (excluding equity grants) that have, consistent with past practice, been made available to newly hired or promoted officers or employees;

- make any material change in accounting methods, principles or practices except as required by GAAP, by regulatory authorities of competent jurisdiction or by law;

- sell, lease (as lessor), license or otherwise dispose of or subject to liens any material properties or assets other than sales of excess or obsolete assets in the ordinary course of business consistent with past practice;

- except with respect to certain specified indebtedness, incur any indebtedness for borrowed money or guarantee any such indebtedness of another person, other than in connection with any refinancing on commercially reasonable terms any of our existing borrowings;

- make any capital expenditures, other than planned expenditures and expenditures to the extent made or agreed to be made to ensure compliance with the rules or an order of any governmental entity or to ensure compliance with the terms of any permit;

- enter into any gas supply agreement other than in the ordinary course of business consistent with past practice;

- pay, discharge, settle, compromise or satisfy any material claims, liabilities, litigation or other obligations, or waive, release or assign any material rights or claims, other than in the ordinary and usual course of business consistent with past practice or, with respect to obligations reserved against in our financial statements included in our SEC documents, in accordance with their terms;

- enter into any hedging transactions other than in the ordinary course of business consistent with past practice; or

- adopt a plan of complete or partial liquidation or a dissolution or resolutions providing for or authorizing such a liquidation or a dissolution, restructuring, recapitalization or reorganization.

See also Regulatory Approval Process and No Solicitation below.

Conduct of Business by MDUR Pending the Merger

Prior to the merger MDUR has agreed to not acquire or agree to acquire any asset or to make any investment in any person to the extent such agreement, acquisition or investment would reasonably be expected to have a material adverse effect on the ability of MDUR or on Cascade to obtain, or to materially delay, any required statutory approvals.

Regulatory Approval Process

WUTC and OPUC Regulatory Approvals

Cascade and MDUR have established a regulatory approval team, the chairperson of which was designated by MDUR . The regulatory approval team is formulating the approach to be taken to obtaining the required statutory approvals from the WUTC and the OPUC and coordinating filings for such approvals. Each of Cascade and MDUR have agreed that they will, through the regulatory approval team, keep the other apprised of the status of matters relating to completion of the transactions contemplated by the merger agreement.

Other Regulatory Approvals

Under the merger agreement MDUR is responsible for formulating the approach to be taken on all required approvals from governmental entities other than the WUTC and OPUC; provided, however, that MDUR must (a) regularly consult with us regarding such approvals and (b) not agree to any terms or conditions contained in such approvals without our prior written consent, which may not be unreasonably withheld. Cascade and MDUR have agreed to cooperate and use reasonable best efforts to obtain the approvals listed above and all other required regulatory approvals, including under the HSR Act.

Cascade s Pending Rate Case

The merger agreement provides that we will be solely responsible with respect to all matters related to our rate case currently pending with the WUTC. However, we have agreed to (a) regularly consult with MDUR, (b) promptly furnish MDUR with copies of notice or other material communications we receive from any third party with respect to the rate case, (c) provide MDUR with copies of any materials to be provided to the WUTC with respect to the rate case and (d) not settle or compromise all or any portion of the rate case without MDUR s prior written consent, which may not be unreasonably withheld.

No Solicitation

We have agreed that we will not, directly or indirectly, (a) solicit, initiate or knowingly encourage or facilitate any inquiries regarding, or the making of any proposal which constitutes or that may reasonably be expected to lead to, any Takeover Proposal (defined below), (b) enter into any letter of intent or agreement related to any Takeover Proposal or (c) participate in any discussions or negotiations regarding, or that may reasonably be expected to lead to, any Takeover Proposal.

However, if prior to the receipt of the Cascade shareholder approval we receive an unsolicited, bona fide written Takeover Proposal that in the good faith judgment of our board of directors constitutes, or is reasonably likely to constitute, a Superior Proposal (defined below) and our board of directors determines in good faith, after consultation with outside counsel, that the failure to take any of the actions in described in the bullets below with respect to such Takeover Proposal would be reasonably likely to result in a breach of its fiduciary duties, we may:

- furnish information with respect to ourselves to any such person pursuant to a confidentiality agreement;
- participate in discussions with such person regarding such Superior Proposal; and
- enter into, approve or recommend any agreement relating to any Takeover Proposal or Superior Proposal;

if, prior to furnishing such information to such third person, we provide at least two business days notice to MDUR and we otherwise continue to comply with our obligations described herein.

A Takeover Proposal means any proposal or offer that contemplates, or could reasonably be expected to lead to, a proposal or offer relating to any direct or indirect a