

DISCUSSION:

On December 28, 2004, Cascade filed an application pursuant to Oregon Revised Statutes (ORS) 757.410 & 757.415, and Oregon Administrative Rule (OAR) 860-027-0030 for authority to issue and sell not more than \$30,000,000 of Medium Term Notes (MTNs or Debt).

The MTNs will be issued as long-term unsecured debt of Cascade. The Debt is not tied to any asset, and will not be secured by any lien. The Debt securities issued will be regulated by laws of the Securities & Exchange Commission (SEC) and issued through underwriters that would be investment banks or national banking institutions.

The Debt will have a maturity life of 30-years, and the \$30,000,000 Debt will be issued at one time. The Company will issue the Unsecured Notes under the Indenture with one of the following investment banking firms: A.G. Edwards, Edward Jones, or Bank of America. The Company's outstanding unsecured debt is currently rated Baa1 by Moody's Investors Service, BBB+ by Standard & Poor's Ratings Services.

Cascade represents that it will use the proceeds from this long-term unsecured debt issue to retire shorter-term unsecured debt and meet its construction financing needs. Cascade retired \$22,000,000 medium term notes in August 2004, and will be retiring another \$14,000,000 within a year. The request for new Debt issuance is because customer growth rate is more than double the national average, and investment in new pipe infrastructure and services has exceeded internally generated cash flow.

Interest Rate

The interest rate on the Debt will be fixed. Cascade will pay interest on a periodic basis based on a fixed coupon rate established as part of the note obligation with principal payable at some future date. Cascade's outstanding notes are currently rated Baa1 by Moody's and BBB+ by Standard & Poor's. The interest rate is expected to be approximately 6.2% to 6.7% for Debt based on current market conditions. Cascade proposed maximum spread over the respective Treasury security for Debt is provided in Table 1 at the end of this memorandum.

Expense

The underwriters' commission is \$300,000, which is 1.0% of the total amount. The total expense from the sale is \$450,000, which is 1.5% of the total amount of \$30,000,000. Cascade proposed Debt issuance cost is provided in Table 2.

The interest rates, fees, and expenses appear reasonable.

Use of Proceeds

Cascade represents that it will use the proceeds from this long-term debt issue to retire short-term debt and meet its construction financing needs. Cascade will use proceeds from the proposed securities issuance(s) for the following purposes and no others: the acquisition of utility property or the construction, extension or improvement of utility facilities; the improvement or maintenance of service; the discharge or lawful refunding of its obligations (such as relatively higher-coupon debt and maturing debt previously authorized by the Commission); and refunding the Company's treasury expended on utility purposes and the retirement of long-term debt. To the extent the Company's treasury is refunded, the original expenditures, or their precedents, were made for purposes described by ORS 757.415 (1). To the extent that obligations are discharged or refunded, those obligations or their precedents were used for purposes described by ORS 757.415 (1).

PROPOSED COMMISSION MOTION:

Cascade's application for the authority to issue securities up to \$30,000,000 is approved with Staff's Conditions.

Attachment

Interest rate on the Debt:

The interest rate on the Debt will be determined at the time it is issued based on then current market conditions. The proposed maximum spread over applicable Treasury security for various maturities is listed below.

Table 1. Cascade Summary for MTN All-in Fixed-Rate Spreads over US Treasury

Maturity	Currently 30-Year at 4.93% Maximum Spread Over Benchmark Treasury	Worst Case In Potential Major Market Move Maximum Spread Over Benchmark Treasury ¹ (basis points ²)
9 month - 2 years	50	75
2 years - 3 years	55	85
3 years - 4 years	60	95
4 years - 6 years	70	110
6 years - 9 years	85	130
9 years - 10 years	100	150
10 years - 11 years	105	155
11 years - 15 years	115	165
15 years - 20 years	120	170
20 years - 30 years	125	175

¹ The Benchmark Treasury Yield, with respect to any MTN maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such MTN maturity range, is generally considered by dealers in such obligations to be the standard for such obligations whether Federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any MTN, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such MTN is received by the Company and the Agents.

² Basis point is defined as one-hundredth of a percentage point; i.e., 100 basis points equals 1 percent.

Expenses:

Total amount of the Debt expenses and net proceeds to the Company resulting from the sale are estimated to be as follows:

Table 2. Cascade Estimated Fees and Expenses

Item	Debt	
	Amount	Per \$1,000
1. Face value or principal amount	\$30,000,000	\$1,000.00
2. Plus premium or less discount		
3. Gross proceeds	\$30,000,000	\$1,000.00
4. Underwriters' spread or commission (1.00%)	300,000	
5. Printing and engraving expenses	10,000	
6. Trustee's charges	10,000	
7. Fees and expenses of independent public accountants	25,000	
9. Rating agency fees	45,000	
10. Miscellaneous expenses	60,000	
11. Total deductions	\$450,000	15.00
12. Estimated net amount to be realized	\$29,550,000	\$985.00