

Current Assets 66.4 142.1 80.3 Accts Payable Debt Due 12.9 47.5 15.2 8.0 17.8 12.5 111.9 Other 38.6 43.8 Current Liab. 99.0 142.2 67.0 Fix. Chg. Cov. 269% 225% 235%

ANNUAL RATES Past Est'd '03-'05 Past 10 Yrs. to '09-'11 of change (per sh) 5 Yrs. 15.0% 9.0% 9.0% Revenues "Cash Flow" 3.0% 2.0% -3.5% Earnings 1.5% Dividends .5% 10.0% 5% Book Value

| Fiscal | QUARTERLY REVENUES (\$ mill.) A | | | | | ull |
|---|---------------------------------|--------|--------|--------|-------|---------------|
| Year Ends | Dec.31 | Mar.31 | Jun.30 | Sep.30 | 7 | iscal /ear |
| 2003 | 100.5 | 109.3 | 53.8 | 39.2 | 302.8 | |
| 2004 | 104.9 | 119.4 | 52.1 | 41.7 | 3 | 18.1 |
| 2005 | 104.6 | 117.7 | 56.3 | 47.9 | | 26.5 |
| 2006 | 158.6 | 162.8 | 76.4 | 67.2 | 4 | 65 |
| 2007 | 161 | 166 | 100 | 88.0 | 5 | 15 |
| Fiscal | al EARNINGS PER SHARE A B | | | | | ull |
| Year Ends | Dec.31 | Mar.31 | Jun.30 | Sep.30 | 7 | iscal /ear |
| 2003 | .60 | .67 | d.18 | d.22 | | .87 |
| 2004 | .72 | .79 | d.05 | d.26 | | 1.19 |
| 2005 | .59 | .65 | d.10 | d.32 | | .82 |
| 2006 | .70 | .78 | d.09 | d.29 | | 1.10 |
| 2007 | .73 | .75 | d.08 | d.20 | | 1.20 |
| Cal- | QUARTERLY DIVIDENDS PAID C= | | | | | Full |
| endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | 1 | /ear |
| 2002 | .24 | .24 | .24 | .24 | | .96 |
| 2003 | .24 | .24 | .24 | .24 | | .96 |
| 2004 | .24 | .24 | .24 | .24 | | .96 |
| 2005 | .24 | .24 | .24 | .24 | | .96 |
| 2006 | .24 | .24 | .24 | | Ц, | |
| (A) Cal. yr. thru. 12/95. Changed to 9/30 fiscal '02, | | | | | | |

yr. in '96. (B) Primary egs. thru. '97, then diluted. Excl. nonrec. gains (losses): '91, 19¢;

deal is slated for completion by mid-2007. Note that our presentation for the company will be on a stand-alone basis until that time. The utility ought to fit nicely with MDU's two regulated units, Montana-Dakota Utilities and Great Plains Natural Gas, which serve roughly 250,000

residential, commercial, firm industrial, interruptible (71% of oper.

margin, 24% of gas deliveries); non-core: industrial, transportation

service (29%, 76%). Serves pulp & paper, plywood, chem. fertiliz-

Cascade Natural Gas Corporation has

agreed to be acquired by MDU Re-

sources Group, a diversified energy firm

with 2005 revenues of approximately \$3.5

billion. Under the terms of the \$475 mil-

lion transaction, which represented a 23%

premium over the company's stock price

before the announcement, Cascade stockholders would receive \$26.50 in cash for

each CGC share. Pending Cascade share-

holder approval and other conditions, the

customers in five upper Midwest states, combined. Moreover, it appears that MDÚ has the resources to enable Cascade to reach even greater heights. We estimate that the purchase would be neutral to MDU's earnings in 2007 and 2008, due to integration costs. But accretion to the bottom line looks plausible in 2009 and thereafter, based partly on our assumption that

middle of Feb., May, Aug., Nov. Div'd rein-

'02, (16¢); '03, (5¢); Q3 '06, 4¢. '04 egs. don't add to total due to rounding. Next egs. rpt. due late Oct. (C) Dividends historically paid in the \$5.96/sh. (E) In mill., adj. for stk. split.

yrs. Has around 375 employees. Officers and directors own 1.8% of com. (12/05 proxy). President and Chief Executive Officer: David W. Stevens, Inc.: WA. Address: 222 Fairview Ave. North, Seattle, WA 98109. Tel.: 206-624-3900. Internet: www.cngc.com.

cost savings come to the fore.

Meanwhile, the company's share earnings have bounced back considerably in fiscal 2006 (ends September 30th). The residential and commercial segment is enjoying an expanded customer base, as well as increased consumption (reflecting colder weather). What's more, management continues to succeed at keeping expenses under control. As such, it now appears that share net will jump about 34%, to \$1.10, in fiscal 2006. Further expansion in operating margins ought to enable the bottom line to advance around 9%, to \$1.20 a share, next year. (Cascade is awaiting the outcome of a rate-hike request, intended to generate additional annual revenues of \$11.7 million, from the Washington Utilities and Transportation Commission.)

The Timeliness rank is suspended, since developments related to the pending merger, rather than earnings, are driving the shares' performance. The price tag seems reasonable, but the deal would have been sweeter if it had contained an option to convert CGC shares into MDU stock. Frederick L. Harris, III September 15, 2006

> Company's Financial Strength B+ 80 Stock's Price Stability Price Growth Persistence 50 Earnings Predictability 70