

CASCADE NATURAL GAS CORP

Form 424B2

August 31, 2005

As Filed Pursuant to Rule 424(b)(2) under
the Securities Act of 1933 Registration No. 333-69516

PROSPECTUS SUPPLEMENT
(To prospectus dated October 11, 2001)

\$15,000,000

5.21% Notes due September 1, 2020

We are offering \$15 million of our 5.21% Notes due September 1, 2020. Interest on the notes is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2006, and at maturity or earlier redemption.

The notes will mature on September 1, 2020. However, we may redeem the notes, in whole or in part, at our option at any time or from time to time at the make-whole redemption price described in this prospectus supplement under the heading Description of the Notes Optional Redemption.

The notes will be our unsecured obligations and will rank equally and ratably with all of our other unsecured and unsubordinated debt from time to time outstanding.

	Per Note	Total
Public Offering Price (1)	100.00 %	\$15,000,000
Underwriting Discount	0.70 %	\$105,000
Proceeds, before expenses, to us	99.30 %	\$14,895,000

(1) Plus accrued interest from September 1, 2005, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect that the notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company (DTC) on or about September 1, 2005. The notes will not be listed on any national securities exchange.

A.G. EDWARDS

The date of this prospectus supplement is August 29, 2005.

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We are offering the notes described in this prospectus supplement under a registration statement we filed with the U.S. Securities and Exchange Commission (the "SEC") on Form S-3, using a shelf registration process. The registration statement became effective on October 11, 2001. This prospectus supplement should be read together with the accompanying prospectus dated October 11, 2001, which was filed as part of that registration statement. You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. No one has been authorized to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell the notes in any jurisdiction where the offer to sell the notes is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the SEC that is incorporated in this prospectus supplement and the accompanying prospectus by reference, is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

SUMMARY

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere, or incorporated by reference, in this prospectus supplement and in the accompanying prospectus. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference into these documents.

Cascade Natural Gas Corporation

We were incorporated in the state of Washington in 1953. We distribute natural gas to customers in the states of Washington and Oregon. As of June 30, 2005, we served approximately 228,000 customers in those states. Customers in Washington account for approximately 76% of our gas distribution revenues.

As of June 30, 2005, we served approximately 197,000 residential customers, 30,300 commercial customers, and 700 industrial and other customers. Residential, commercial and most small industrial customers are generally core customers, who take traditional bundled natural gas service, including supply, peaking service and upstream interstate pipeline transportation. Non-core customers are generally large industrial and institutional customers who have chosen unbundled service, meaning that they select from among several supply and upstream pipeline transportation options, independent of our distribution service.

Our executive offices are located at 222 Fairview Avenue North, Seattle, Washington 98109. Our telephone number is (206) 624-3900.

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The Offering

Issuer	Cascade Natural Gas Corporation.
Notes Offered; Interest Rate	We are offering \$15,000,000 principal amount of notes, bearing interest at a rate of 5.21% per year.
Interest Payment Dates	We will pay interest on the notes semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2006.
Record Dates	We will make interest payments to the holders of notes who hold those notes as of the close of business on the fifteenth calendar day of the month immediately preceding the month in which each interest payment date falls (whether or not a Business Day, as defined below), as well as upon presentation and surrender at maturity or earlier redemption.
Date of Maturity	The notes will mature on September 1, 2020, unless redeemed or otherwise repaid prior to that date.
Use of Proceeds	We estimate that the net proceeds from the offering, after deducting the underwriting discount and expenses payable by us, will be approximately \$14.7 million. We intend to use these net proceeds to repay short-term debt.
Optional Redemption	We may redeem the notes, in whole or in part, at our option at any time or from time to time at the make-whole redemption price described in this prospectus supplement under the heading <u>Description of the Notes</u> <u>Optional Redemption</u> .
Ranking	The notes will be our unsecured obligations and will rank equally and ratably with all of our other unsecured and unsubordinated debt from time to time outstanding.
Trustee	The trustee under the indenture governing the notes is The Bank of New York Trust Company, N.A., as successor trustee to The Bank of New York.

Summary Financial Information
(Dollars in thousands)

The following summary financial information for the years ended September 30, 2004, 2003 and 2002 and as of September 30, 2004, has been derived from our audited financial statements, which are incorporated in this prospectus supplement and the accompanying prospectus by reference to our annual report on Form 10-K for the year ended September 30, 2004. The summary financial information for the nine months ended June 30, 2005 and 2004, and as of June 30, 2005, has been derived from our unaudited financial statements, which are incorporated in this prospectus supplement and the accompanying prospectus by reference to our quarterly report on Form 10-Q for the nine months ended June 30, 2005. The summary financial information should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements from which it has been derived and the accompanying notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus from our annual report on Form 10-K for the year ended September 30, 2004 and our quarterly report on Form 10-Q for the nine months ended June 30, 2005.

	Nine Months ended June 30,		Year ended September 30,		2002
	2005	2004	2004	2003	
Statement of Income Data:					
Operating revenues	\$278,638	\$276,416	\$318,078	\$302,755	\$320,978
Income from operations	29,197	34,187	33,247	26,291	29,163
Net income	12,857	15,907	13,302	9,104	10,762

	At June 30, 2005		
	Actual	As Adjusted(1)	Percentage As Adjusted(1)
Balance Sheet Data:			
Short-Term Debt	\$ 17,000	\$ 2,300	0.8 %
Long-Term Debt (including current maturities)	163,900	178,900	58.4 %
Common Shareholders' Equity	125,139	125,139	40.8 %
Total Capitalization	\$ 306,039	\$ 306,339	100 %

	Ratio of Earnings to Fixed Charges(2)			
	Nine Months ended June 30, 2005	Year ended September 30, 2004	2003	2002
Ratio of Earnings to Fixed Charges(2)	3.25	2.61	2.06	2.27

(1) Adjusted to reflect the issuance and sale of the notes and the application of the net proceeds of the notes as described under "Use of Proceeds."

(2) For purposes of computing the consolidated ratios, earnings represent our net income from continuing operations plus applicable income taxes and fixed charges, and fixed charges represent interest expense, amortization of debt discount, premium and expense, and a portion of lease payments considered to represent an interest factor.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes, after deducting the underwriting discount and expenses payable by us, will be approximately \$14.7 million. We intend to apply these proceeds toward the repayment of short-term debt. As of August 19, 2005, we had approximately \$19.2 million in short-term debt, bearing interest at an average annual interest rate of 4.26%. A portion of the short-term debt to be repaid was incurred to repay at maturity \$5 million of medium-term notes, which matured July 1, 2005 and had an interest rate of 8.35% per year.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, therefore, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Our filings are available at the SEC's website at <http://www.sec.gov>. You may read and copy these materials at prescribed rates at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for more information about the SEC's public reference room.

Our common stock is listed and traded on the New York Stock Exchange (symbol: CGC). Accordingly, our SEC filings and other information about us can be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference certain information that we file with them separately. This means that we can disclose important information to you by referring you to those other documents. The information incorporated by reference is an important part of this prospectus supplement. Any information that we file with the SEC after the date of this prospectus supplement as part of an incorporated document will automatically update and supersede the information contained in this prospectus supplement.

We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended September 30, 2004, our Quarterly Reports on Form 10-Q for the quarterly periods ended December 31, 2004, March 31, 2005 and June 30, 2005, and our Current Reports on Form 8-K filed on October 5, 2004, November 8, 2004, November 24, 2004, January 14, 2005, January 25, 2005 (excluding the Form 8-K filed on this date to furnish information pursuant to Items 2.02 and 9.01), January 26, 2005, February 16, 2005, March 9, 2005, April 28, 2005, May 12, 2005, June 20, 2005 and August 1, 2005, which reports were previously filed with the SEC and contain important information about us and our financial condition.

We also incorporate by reference any additional documents that we may file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus supplement but prior to the termination of this offering.

You may request a copy of any document incorporated by reference, excluding exhibits (unless the exhibit is specifically incorporated by reference into the document), at no cost, by writing or telephoning Richard A. Davis, Chief Financial Officer, Cascade Natural Gas Corporation, 222 Fairview Avenue North, Seattle, Washington 98109 (telephone 206-624-3900). We make available free of charge, on or through our website, <http://www.cngc.com>, our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing those reports with the SEC. The information on our website is not part of this prospectus supplement or the accompanying prospectus.

You should only rely on the information contained in this prospectus supplement or the accompanying prospectus or any document incorporated by reference. We have not authorized anyone to provide you with any different information.

DESCRIPTION OF THE NOTES

Set forth below is a description of the specific terms of the notes. This description supplements and amends, and should be read together with, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus under the caption Description of Debt Securities . The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying prospectus, the indenture dated as of August 1, 1992, between The Bank of New York Trust Company, N.A., as successor trustee to The Bank of New York, and us (as supplemented, the indenture), and the officers certificate under the indenture pursuant to which the notes will be issued. In the event of any inconsistency between the terms of the notes as set forth in this prospectus supplement and the terms of the debt securities set forth in the accompanying prospectus, the terms of the notes as set forth below shall control. We will file a copy of the officers certificate as an exhibit to a Current Report on Form 8-K at or around the date of issuance of the notes.

Principal Amount, Maturity and Denominations

The notes will be issued in the initial principal amount of \$15,000,000 and will be issued as a series of debt securities under the indenture. The entire principal amount of the notes, unless previously redeemed or otherwise repaid, will mature and become due and payable, together with any unpaid interest accrued to (but excluding) the maturity date, on September 1, 2020. In the event that the maturity date or any redemption date is not a Business Day, then payment of principal and any interest will be made on the next Business Day (and without any interest or other payment in respect of any such delay). The notes are available for purchase in denominations of \$1,000 and integral multiples of \$1,000.

Interest

Each note will bear interest at 5.21% per year from the date of original issuance, payable semi-annually in arrears on March 1 and September 1 of each year to the person in whose name the note is registered at the close of business on the fifteenth calendar day of the month immediately preceding the month in which the applicable interest payment date falls (whether or not a Business Day) and at maturity or earlier redemption, as the case may be. The initial interest payment date is March 1, 2006. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any interest payment date is not a Business Day, then payment of interest will be made on the next Business Day (and without any interest or other payment in respect of any such delay). In addition, if there has been a default in the payment of interest on any note, this defaulted interest may be payable to the holder of that note as of the close of business on a special record date selected by the trustee not more than 15 days and not less than 10 days prior to the date proposed by us for payment of this defaulted interest.

Ranking

The notes will be our unsecured obligations and will rank equally and ratably with all of our other unsecured and unsubordinated debt from time to time outstanding. As of June 30, 2005, we had approximately \$180.9 million of debt securities that would have ranked equally with the notes.

The notes will rank junior to any future secured debt we incur. The limitation on liens covenant described in the accompanying prospectus under Description of Debt Securities Limitation on Liens will restrict our ability to create liens on our property. However, this covenant is subject to a number of important exceptions.

Optional Redemption

We may redeem the notes at our option, in whole at any time or in part from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount being redeemed on that redemption date or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed on that redemption date (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the treasury yield, as defined below, plus 0.20%, as determined by a reference treasury dealer appointed by us for such purpose, plus, in each case, accrued and unpaid interest to the redemption date.

The notes will not be entitled to the benefit of any sinking fund, which means that we will not deposit money on a regular basis into any separate custodial account to repay your note.

We will mail notice of redemption at least 30 but not more than 60 days prior to the redemption date to each registered holder of the notes to be redeemed. However, we will not know the exact redemption price until three Business Days prior to the redemption date. Therefore, the notice of redemption will only describe how the redemption price will be calculated.

Business Day means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions or trust companies in The City of New York, or any place where the principal of or interest on the notes is payable, are generally authorized or obligated by law or executive order to close.

Comparable treasury issue means the United States Treasury security selected by an independent investment banker, as defined below, as having a maturity comparable to the remaining term of the notes that the independent investment banker would utilize, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

Comparable treasury price means, with respect to any redemption date, (1) the average of the bid and asked prices for the comparable treasury issue, expressed in each case as a percentage of its principal amount, on the third Business Day preceding the redemption date, as set forth in the daily statistical release, or any successor release, published by the Federal Reserve Bank of New York and designated Composite 3:30 p.m. Quotations for U.S. Government Securities or (2) if that release or any successor release is not published or does not contain those prices on that Business Day, (A) the average of the reference treasury dealer quotations, as defined below, for the redemption date, after excluding the highest and lowest reference treasury dealer quotations for the redemption date, or (B) if we obtain fewer than four reference treasury dealer quotations, the average of all the quotations which we obtain.

Independent investment banker means one of the reference treasury dealers as defined below, appointed by us.

Reference treasury dealer means any primary U.S. Government securities dealer in New York City selected by us.

Reference treasury dealer quotations means, with respect to each reference treasury dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the comparable treasury issue, expressed in each case as a percentage of its principal amount, quoted in writing to us by the reference treasury dealer at 5:00 p.m. on the third Business Day preceding the redemption date.

Treasury yield means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity of the comparable treasury issue, as defined above, assuming a price for the comparable treasury issue, expressed as a percentage of its principal amount, equal to the

comparable treasury price, as defined above, for such redemption date. The treasury yield will be calculated on the third Business Day preceding the redemption date.

If, at the time notice of redemption is given, the redemption moneys are not held by the trustee, the redemption may be made subject to their receipt on or before the date fixed for redemption and such notice shall be of no effect unless such moneys are so received. If the redemption notice is given and funds deposited as required by the indenture, then interest will cease to accrue on and after the redemption date on the notes or portions of notes called for redemption. If we do not deposit redemption moneys on or before the date fixed for redemption, the principal amount of the notes called for redemption will continue to bear interest at the rate indicated on the cover of this prospectus supplement until paid.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), we may, at any time and from time to time, purchase outstanding notes by tender, in the open market or by private agreement. However, we may not use any purchased notes as a credit against any redemption obligation.

Book-Entry Only Issuance DTC

The notes will be represented by a global security, without coupons, registered in the name of a nominee of DTC. As long as the notes are registered in the name of DTC or its nominee, we will pay principal and interest due on the notes to DTC. DTC will then make payments to its participants for disbursement to beneficial owners of the notes.

Ownership of beneficial interests in a global security will be limited to DTC participants or persons who hold interests through DTC participants. We will send all required reports and notices solely to DTC as long as DTC is the registered holder of the global securities.

Payments, transfers, exchanges and other matters relating to beneficial interests in a global security may be subject to various policies and procedures adopted by DTC from time to time, and DTC may discontinue its operations entirely at any time.

For more information, please refer to the information under the caption **Description of Debt Securities-Global Securities-The Depository Trust Company** in the accompanying prospectus.

Notices

Any notice or demand required or permitted to be given or served by the trustee or by the holders of the notes to or on us may be given or served by postage prepaid first class mail addressed to Richard A. Davis, Chief Financial Officer, Cascade Natural Gas Corporation, 222 Fairview Avenue North, Seattle, Washington 98109.

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UNDERWRITING

We intend to offer the notes through the underwriter, A.G. Edwards & Sons, Inc. Subject to the terms and conditions of the underwriting agreement dated the date of this prospectus supplement, we have agreed to sell the notes to the underwriter, and the underwriter has agreed to purchase the notes from us, at the price set forth on the cover of this prospectus supplement.

The underwriter has agreed, subject to the terms and conditions set forth in the underwriting agreement, to purchase all of the notes sold pursuant to the underwriting agreement if any of the notes are purchased.

The underwriting agreement provides that the obligations of the underwriter to pay for and accept delivery of the notes are subject to, among other things, the approval of certain legal matters by its counsel and certain other conditions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriter may be required to make in respect of any of those liabilities.

The underwriter has advised us that it proposes to offer the notes to the public initially at the public offering price set forth on the cover of this prospectus supplement and to certain dealers at that price, less a concession not in excess of 0.30% of the principal amount of the notes. After the initial public offering of the notes, the public offering price and concession may be changed.

Prior to this offering, there has been no public market for the notes. The underwriter has advised us that it intends to make a market in the notes. The underwriter will have no obligation to make a market in the notes, however, and may cease market-making activities, if commenced, at any time. The notes will not be listed on any securities exchange. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price or liquidity of the notes may be adversely affected.