

Cascade Natural Gas Corporation

Corporate Governance Guidelines

The following corporate governance guidelines have been adopted by the Board of Directors of Cascade Natural Gas Corporation upon the recommendation of its Governance, Nominating and Compensation Committee and management to promote the effectiveness of the Board, the enhancement of shareholder value, and the conduct of the Company's business in accordance with the highest legal and ethical standards. These guidelines are subject to future refinement or alteration to meet changing circumstances.

Board Composition and Qualifications

1. A substantial majority of directors shall be independent directors. A director is independent when he or she has no material relationship with the Company other than as a director, and otherwise meets the criteria for independence required by the New York Stock Exchange. Material relationships include indirect relationships as a partner, shareholder or officer of an organization, or familial ties with a person that has a material relationship with the Company.
2. The Company's bylaws provide that the Board shall consist of no fewer than three and no more than nine members.
3. The Board will annually appoint a non-management director to serve as Chairman of the Board.
4. The Governance, Nominating and Compensation Committee of the Board of Directors is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of diversity, age, skills, and experience in the context of the make-up of the Board.
5. Candidates for vacancies on the Board will be selected by the Governance, Nominating and Compensation Committee in accordance with its established policies and principles and such candidates will be recommended to the full Board for approval.
6. In connection with their renomination to the Board, the Governance, Nominating and Compensation Committee will review each existing director's qualifications to remain on the Board.
7. A director may be considered for election to the Board at any Annual Meeting of Shareholders up to and including the first meeting after such person attains the age of 72, and shall not stand for re-election thereafter. The Board has not established term limits.

Director Responsibilities

8. The basic responsibility of a director is to discharge the director's duties in good faith, with the care an ordinary prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the best interests of Cascade Natural Gas Corporation.
9. A director is expected to attend Board meetings and meetings of committees on which the director serves, and to spend the time needed and meet as frequently as necessary to properly discharge the director's responsibilities. A director should review all materials provided before any board or committee meeting of which the director is a member.
10. In discharging their duties, the directors are entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, so long as such reliance is not unwarranted. The directors shall also be entitled to (i) have the Company purchase reasonable directors' and officers' liability insurance on their behalf, and (ii) the benefits of indemnification to the fullest extent permitted by law and the Company's Articles of Incorporation and bylaws.
11. Any director may suggest the inclusion of items on the meeting agenda. Any director may raise meeting subjects not on the agenda for a regularly scheduled meeting.
12. Non-management directors will meet without management in executive session at least quarterly. The Chairman of the Board shall preside at these meetings and that director's identity will be disclosed in the annual proxy statement.
13. Management is responsible for speaking on the Company's behalf, and the Chairman of the Board is responsible for speaking on behalf of the Board. Individual directors may on occasion meet or communicate with outside constituents regarding the Company. In the absence of unusual circumstances, such communications will be coordinated with the Chief Executive Officer and directors will advise the Chief Executive Officer of unsolicited, substantive contacts with outside constituents.
14. Shareholder communication mechanisms will be established so that shareholders may communicate with non-management directors as a whole or the Chairman of the Board individually. The Chairman of the Board shall monitor these shareholder communication mechanisms, forward communications to the appropriate committee(s) or non-management director(s) and facilitate an appropriate response. All shareholder communication mechanisms established will be disclosed in the annual proxy statement.

Board Committees

15. The Board shall establish and maintain these standing committees: an Executive Committee; an Audit Committee; a Pension Committee; and a Governance, Nominating and Compensation Committee.
16. All of the members of the Audit and of the Governance, Nominating and Compensation Committees shall be independent directors. Furthermore, the Audit Committee members shall have the expertise requirements established by the Securities and Exchange Commission and the New York Stock Exchange.

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17. Committee members will be appointed by the Board upon recommendation of the Governance, Nominating and Compensation Committee, taking into consideration the skills, experience and desires of individual directors. The Board may decide it is appropriate to rotate committee members periodically, but it is not mandatory. The Board may establish or disband additional committees as necessary or appropriate.
18. Each standing committee will have its own charter, which will be posted on Cascade Natural Gas Corporation's Web site.
19. The chair of each committee, in consultation with committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. The notice, agenda and materials for each committee meeting will be furnished to each director and each director is invited to observe all committee meetings.
20. Each committee has the sole power to hire and determine the engagement terms and pay the fees of independent legal, financial or other advisors as they deem necessary to fulfill such committee's responsibilities.
21. The Executive Committee may meet on an emergency basis when the Board is not in session, and shall have power to act on behalf of the Board pursuant to authority delegated by the Board.

Director Access to Officers, Employees and Advisors

22. Directors have full access to officers and employees and outside advisors of Cascade Natural Gas Corporation.

Director Compensation

23. The Governance, Nominating and Compensation Committee shall conduct an annual review of director compensation and shall recommend to the Board the form and amount of director compensation, taking into consideration, among other factors, compensation paid to directors on boards of reasonably comparable corporations, the time demands placed on board members, and the results of the self evaluations performed by the Board and its committees.

Director Orientation and Continuing Education

24. All directors are expected to have a working knowledge of the Company and its industry. This knowledge is gained through meetings of the Board and its committees, meetings with management, periodic training sessions, reading of appropriate industry, corporate governance and directorship literature, and seminar attendance. New directors will attend orientation sessions conducted by management. All directors are invited to attend all or part of such orientation sessions.

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Chief Executive Officer Evaluation and Management Succession

25. The Governance, Nominating and Compensation Committee will conduct an annual review of the Chief Executive Officer's performance, as set forth in its charter.

26. The Governance, Nominating and Compensation Committee will make an annual report to the Board regarding succession planning. The entire Board shall work with the Governance, Nominating and Compensation Committee and with the Chief Executive Officer to evaluate potential successors to the Chief Executive Officer and, to the degree that the Board determines it necessary or appropriate, other members of senior management in order to ensure stability and the continued successful operation of the Company both in the ordinary course of events and in the event of an emergency.

Annual Performance Evaluation

27. The Board of Directors will conduct an annual self-assessment to determine whether it and its committees are functioning effectively.