

**CASCADE NATURAL GAS CORPORATION
AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS**

CHARTER

Organization

Cascade Natural Gas Corporation's Audit Committee of the Board of Directors is composed of directors appointed by the Board. All Audit Committee members shall be independent of Company management and free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as committee members. Members of the Audit Committee may not receive from the Company any compensation other than Board-approved fees for service on the Board and its Committees. They shall have a working familiarity with basic finance and accounting practices, and at least one member shall have accounting or related financial management experience which the Board shall consider in designating a "financial expert" in accordance with SEC regulations. The Audit Committee shall have a minimum of three members.

Statement of Policy

The Audit Committee assists Cascade's Board of Directors in fulfilling its responsibility to shareholders, potential shareholders, and the investment community relating to corporate accounting, reporting practices, the quality and integrity of the financial reports of the Company, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the internal and independent auditors. In so doing, it is the Committee's responsibility to maintain free and open communication with the Board of Directors, independent auditors, internal auditors, and the financial, accounting and executive management of the Company. The Committee may delegate specific responsibilities to appropriate subcommittees.

In fulfilling its responsibilities, the Audit Committee relies on the accuracy of the financial and other information provided to it by the management of the Company.

Responsibilities

The function of the Audit Committee is oversight with the following principal responsibilities and authority:

1. Sole authority to engage, set compensation for, oversee and dismiss independent auditors of the Company and its divisions and subsidiaries, and to pre-approve all services provided by the independent auditors. The independent auditors shall report directly to the Audit Committee.
2. The Audit Committee will have the authority to retain independent legal, accounting or other advisors. The Company shall provide appropriate funding, as determined by the Audit Committee, for the engagement of the independent auditors and such other advisors as the Audit Committee deems necessary and for the ordinary expenses necessary for the Audit

Committee to carry out its duties.

3. Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized. Review audit conclusions, comments and recommendations of the independent auditors, and management's responses thereto. Oversee resolution of disagreements between management and the independent auditors regarding financial reporting.
4. Annually obtain and review a report by the independent auditor describing (a) the independent auditor's internal quality-control procedures; and (b) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues.
5. Annually (a) review all relationships between the independent auditor and the Company in order to assess the auditor's independence; and (b) evaluate and engage in discussions concerning any disclosed issues, relationships or services that may impact the independent auditor's qualifications, performance and independence, as well as any attempts by management or other representatives of the Company to restrict the audit or influence its results.
6. Establish hiring policies for employees or former employees of the independent auditors.
7. Review with the independent auditors, the internal auditor, and the Company's financial, accounting and executive management, the adequacy and effectiveness of the internal controls of the Company in accordance with Section 404 of the Sarbanes-Oxley Act ("SOX 404").
8. Review with the independent auditors any problems or difficulties encountered while providing services to the Company, and management's responses.
9. Advise the Board of Directors with respect to the Company's policies and procedures regarding internal controls, disclosure controls, and compliance with laws and regulations applicable to such controls and compliance.
10. Meet separately at least four times each year with management, with the internal auditor, and with independent auditors. Among items to be discussed in meetings with the independent auditors are the independent auditors' evaluation of the Company's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of the audit.
11. Oversee the internal audit function of the Company including its independence, authority, and obligations; the proposed audit plans for the coming year and the coordination of such plans with the independent

auditors. The internal auditor shall report functionally to the Chair of the Audit Committee but shall have an administrative relationship to the President and Chief Executive Officer, who, in consultation with the Chair of the Audit Committee, shall be responsible for hiring, compensation, performance review, and termination of the employment of the internal auditor.

12. Review with the independent auditors and management the annual audited financial statements and the quarterly financial statements, including disclosures under “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”, and determine that the independent auditors are satisfied with the financial statements’ disclosure and content. Discussions will include quality of earnings, review of reserves and accruals, consideration of the suitability of accounting principles, critical accounting policies, review of highly judgmental areas, audit adjustments whether or not recorded, and other inquiries.
13. Review and discuss the Company’s internal audit reports and management’s responses thereto.
14. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K. The Company’s Board of Directors shall be responsible for approving for filing the audited financial statements included in the SEC annual report on Form 10-K.
15. Submit the report of the Audit Committee as required by the rules of the SEC to be included in the Company’s annual proxy statement.
16. Review the Company’s earnings press releases, as well as financial information and earnings guidance to be provided to analysts and rating agencies.
17. Discuss policies and provide oversight with respect to financial risk management.
18. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal audit controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
19. Report matters discussed at each committee meeting to the Board of Directors and submit Audit Committee minutes for their review.
20. Annually review this charter and recommend changes to the Board of Directors.
21. Annually perform a self-assessment of the Audit Committee.