

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL  
WORKING FILE**

**FROM: TERRI CARLOCK**

**DATE: DECEMBER 29, 2003**

**RE: IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION  
FOR AUTHORIZATION TO ISSUE AND SELL DEBT SECURITIES.  
CASE NO. INT-G-03-2.**

On December 15, 2003, Intermountain Gas Company (IGC, Company) applied to the Idaho Public Utilities Commission for authority to enter into a renegotiated senior revolving line of credit agreement with Wells Fargo Bank, N.A for amounts up to \$35,000,000. The proceeds will continue to be used to refinance existing indebtedness, provide for working capital, deferred gas costs and general corporate purposes including interim construction financing and medium term needs prior to the issuance of long-term debt. This dollar amount is an increase of \$10,000,000 from the \$25,000,000 currently authorized by Order No. 28672 through December 15, 2005. The new authority will allow IGC to enter into agreements that extend beyond December 15, 2005. The term of the new agreement is three years from the date the agreement is executed. IGC will continue to make quarterly reports to the Commission showing balances outstanding and the interest rate.

The interest rate will be based on London Interbank Offered Rates (LIBOR) or a Base Rate defined as the higher of Wells Fargo Bank's (WFB) Prime Rate or the Federal Funds Rate plus 0.5% depending on the capitalization ratio of Intermountain Gas Company at that time. There also continues to be an unused fee to help IGC minimize the total cost of the credit line. IGC's common equity ratio as of September 30, 2003 is 49.6% (50.4% capitalization ratio) with \$11,500,000 of the revolving note outstanding. The rates would be LIBOR plus 160.0 basis

points or the Base Rate with zero basis points, currently approximately 3% - 4 %. Draws using LIBOR require a 30 day commitment so actual amounts outstanding may consist of both LIBOR and Base Rate tranches. If the full \$35,000,000 line of credit amount were outstanding, the equity ratio would be at a lower TIER level and the interest rate margins would increase 20 & 25 basis points.

All fees have been paid in accordance with *Idaho Code* § 61-905.

Staff recommends approval of the Application for the three years.

### COMMISSION DECISION

Should an order authorizing Intermountain Gas Company to enter into an agreement with Wells Fargo Bank for a revolving line of credit of \$35,000,000 for the three-year term be approved?

  
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Terri Carlock

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