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INTERMOUNTAIN GAS COMPANY

IDAHO PUBLIC
UTILITIES COMMISSION

CASE NO. INT-G-05-01

**APPLICATION
and
EXHIBITS**

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY
for Authorization to Issue and Sell Securities**

Morgan W. Richards, Jr.
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Boise, Idaho 83706
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Attorney for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authorization to Issue and Sell Securities

Case No. INT-G-05-01/
APPLICATION

Intermountain Gas Company ("Intermountain"), an Idaho corporation with general offices located at 555 South Cole Road, Boise, Idaho, does hereby request authorization of a revolving credit facility of Forty-five Million Dollars (\$45,000,000) for a period of five (5) years with an option to borrow an additional Twenty-five Million Dollars (\$25,000,000) for the same five (5) year period (\$70 million in total), replacing Intermountain's current revolving line of credit of Thirty-five Million Dollars (\$35,000,000).

Communications in reference to this Application should be addressed to:

Michael E. Rich
Vice President & Treasurer
Intermountain Gas Company
Post Office Box 7608
Boise, ID 83707

and

Morgan W. Richards, Jr.
Attorney
804 East Pennsylvania Lane
Boise, Idaho 83706

In support of this Application, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564 dated October 3, 1962. Intermountain's Articles of Incorporation and Amendments thereto are on file with this Commission in Case No. U-1034-120, to which reference is hereby made.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County - Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelly;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Conda, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glenns Ferry, Hammett, and Mountain Home;
Fremont County - Parker, and St. Anthony;
Gem County - Emmett;
Gooding County - Bliss, Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Ririe, and Rigby;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg, and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;
Owyhee County - Bruneau, Homedale
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a compressor station, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Commission Order No. 29413, dated January 7, 2003, granted Intermountain authority to enter into a renegotiated senior revolving credit line not to exceed Thirty-five Million Dollars (\$35,000,000) at any one time. Such authority was granted from the date of the Order and expires on January 20, 2007.

This Application seeks authority to replace the existing revolving line of credit with a revolving line of credit of Forty-five Million Dollars (\$45,000,000) for a period of five (5) years with an option to borrow an additional Twenty-five Million Dollars (\$25,000,000) for the same five (5) year period (\$70 million in total) from execution and delivery of the credit agreement.

Based on this Commission's authorization, the revolving line of credit not to exceed Seventy Million Dollars (\$70,000,000) will continue to be used in the traditional way by Intermountain in financing principally its construction needs and other working capital requirements.

A copy of Intermountain's Articles of Incorporation, as amended and as of record in the office of the Secretary of State of Idaho is filed as Exhibit No. 1 in the Application in Case No. INT-G-89-5, and is incorporated herein by reference. No change has been made to the Articles on file with this Commission. The Board of Directors of Intermountain has duly authorized the requested line of credit at Intermountain's Board Meeting held July 13, 2005. A copy of the Resolution authorizing the line of credit is attached hereto as Exhibit No. 2 and is incorporated herein by reference.

III.

The terms and conditions of the revolving line of credit of Forty-five Million Dollars (\$45,000,000) with the option to borrow an additional Twenty-five Million Dollars (\$25,000,000) (\$70 million in total) are incorporated herein by reference as though fully set out.

A copy of the terms for the above referenced line of credit is attached hereto as Exhibit No. 3.

Summary of Terms and Conditions

Borrower: Intermountain Gas Company

Lender: A syndicate of financial institutions arranged by Banc of

America Securities LLC

Principal Amount: Revolving Line of Credit - \$45,000,000 with an option to borrow an additional \$25,000,000 (\$70 million in total)

Security: None

Use of Proceeds: To refinance certain existing indebtedness, and to provide for the working capital, deferred gas costs, and general corporate purpose needs of Intermountain.

Maturity: Five (5) years from execution and delivery of the credit agreement, or approximately August 30, 2010.

Commitment Fee: The Borrower will pay a fee determined in accordance with the Performance Pricing grid set forth below, on each Lender's commitment amount. The Commitment Fee will be charged on the difference between the maximum amount of Intermountain Revolving Credit Facility and the sum of (a) the average principal amount outstanding under the Revolver, and (b) the amount of Letters of Credit issued, each for the preceding quarterly period. The Commitment Fee is accrued quarterly in arrears commencing upon the Closing Date and payable quarterly in arrears commencing September 30, 2005.

Level	Consolidated Indebtedness to Capitalization	Commitment Fee	LIBOR Applicable Margin and Letter of Credit Fee
I	≥60%	30 bps	125.0 bps
II	≥55% < 60%	20 bps	112.5 bps
III	≥45% < 55%	15 bps	87.5 bps
IV	<45%	12.5 bps	62.5 bps

Other Requirements: Costs associated with this transaction are to be paid by Intermountain.

IV.

The proceeds from the proposed revolving line of credit of Forty-five Million Dollars (\$45,000,000) with an option to borrow an additional Twenty-five Million Dollars (\$25,000,000) (\$70 million in total) will continue to be used in the traditional way by Intermountain in financing principally its construction needs and other working capital requirements.

These uses are consistent with the public interest and necessary, appropriate, and consistent with the proper and legally mandated performance to the public by Intermountain as a public utility.

V.

Intermountain's statement of capitalization as of September 30, 2004, showing all authorized and outstanding classes of securities, is as follows:

	<u>September 30, 2004</u>	
	Amount Outstanding (\$000's)	<u>Ratio</u>
Long-Term Debt:		
TIAA Senior Debentures	\$58,000	
Wells Fargo Bank Revolving Line of Credit	<u>17,000</u>	(1)
Total Long-Term Debt	75,000	52.5%
Common Shareholder's Interest	<u>67,792</u>	<u>47.5%</u>
Total Capitalization	<u>\$142,792</u>	<u>100.0%</u>

(1) Amount Outstanding on \$35 Million Line of Credit.

VI.

The estimated fees and expenses of the issuance of such promissory notes are expected to total \$163,500 consisting of the following:

Facility Fees	\$112,500.00
Legal and Syndication Fees	50,000.00
IPUC Issuance Fees	<u>1,000.00</u>
Total	<u>\$163,500.00</u>

VII.

The fee of \$1,000.00, required by Section 61-905 of the Idaho Code, was determined as follows:

First	\$ 100,000 at \$1.00 per \$1,000 =	\$ 100.00
Next	900,000 at \$0.25 per \$1,000 =	225.00
Remaining	<u>69,000,000 at \$0.10 per \$1,000 =</u>	<u>6,900.00</u>
	<u>\$ 70,000,000</u> =	<u>\$7,225.00</u>

As this amount is larger than the \$1,000 maximum fee set forth in Section 61-905 of the Idaho Code, a check for \$1,000 is enclosed with this Application.

VIII.

This Application is filed pursuant to the applicable statutes, including Idaho Code Sections 61-901, 61-902, 61-903 and 61-905, the Rules and Regulations of this Commission and resolution of the Board of Directors of Intermountain.

Intermountain stands ready for an immediate hearing of this Application if such is determined necessary by this Commission.

A Proposed Order granting this Application is attached hereto as Exhibit 4 and is incorporated herein by reference.

IX.

Notice of this Application will be published prior to Commission authorization in *The Idaho State Journal*, *The Idaho Statesman*, *The Post Register*, and *The Times News* pursuant to Rule 141.8 of the Commission's Rules of Practice and Procedure.

WHEREFORE, Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

1. That this Application be processed without hearing pursuant to the Rules and Regulations of this Commission and acted upon at the earliest possible date;
2. Additionally, that this Commission approve and authorize the issuance of a line of credit for the purposes described up to and including Seventy Million Dollars (\$70,000,000) for a period of five (5) years.
3. That this Commission allow Intermountain to manage its short-term financing pursuant to the order issued in this matter until such time as Intermountain's Board of Directors changes the authorized level of such short-term borrowing, with Intermountain making quarterly reports to this Commission setting forth the date of issuance, principal amount, interest rate, date of maturity and identity of payee for all promissory notes issued during such quarter;
4. For such other and further relief as to this Commission seems proper.

DATED at Boise, Idaho, this 25th day of July 2005.

INTERMOUNTAIN GAS COMPANY

By 
Michael E. Rich
Vice President & Treasurer

Attorney for Intermountain Gas Company

By 
Morgan W. Richards, Jr.

EXHIBIT NO. 1

CASE NO. INT-G-05-01

INTERMOUNTAIN GAS COMPANY

ARTICLES OF INCORPORATION

(On File)

EXHIBIT NO. 2

CASE NO. INT-G-05-01

INTERMOUNTAIN GAS COMPANY

BOARD RESOLUTION

(1 page)

Intermountain Gas Company Borrowing Resolution
for 2005 Revolving Credit Facility with Bank of America
and other Lenders

Resolved that Intermountain Gas Company (the "Company") is authorized and directed to enter into a \$45 million Revolving Credit Facility (loan agreement) with Bank of America, N.A., as agent for a syndication of lenders (including Bank of America): (i) to refinance and retire the \$35 million revolving loan agreement with Wells Fargo Bank N.A., dated January 30, 2004, (ii) to add \$10 million of additional revolving borrowing capacity, and (iii) to give the Company the option to borrow an additional \$25 million, (\$70 million in total) all on terms substantially similar to those in Exhibit A attached hereto and incorporated by this reference, which terms shall also be *pari passu* with the terms of the TIAA-CREF (formerly known as Teachers Insurance and Annuity Association) loan to the Company dated September 18, 1998; and it was

Further resolved that the President, the Chief Financial officer, the Treasurer, and such other officers of the Company as the President may designate are hereby authorized to execute all documents and certificates necessary or advisable to borrow and repay funds thereunder.

EXHIBIT NO. 3

CASE NO. INT-G-05-01

INTERMOUNTAIN GAS COMPANY

**TERMS AND CONDITIONS OF
REVOLVING LINE OF CREDIT AGREEMENT**

(On File)

EXHIBIT NO. 4

CASE NO. INT-G-05-01

INTERMOUNTAIN GAS COMPANY

IDAHO PUBLIC UTILITIES COMMISSION

PROPOSED ORDER

(4 pages)

PROPOSED ORDER OF APPLICANT

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authorization to Issue and Sell Securities

Case No. INT-G-05-01

ORDER NO.

On July 25, 2005, Intermountain Gas Company (hereinafter "Intermountain" or "IGC") filed an Application pursuant to Chapter 9 of Title 61, Idaho Code and Rules 141 through 150 of the Commission's Rules of Procedure. IDAPA 31.01.01.141-150. Through this Application, IGC requests authorization of a revolving line of credit, not to exceed \$70,000,000, for a period of five years, replacing Intermountain's current revolving line of credit of \$35,000,000. IGC contends that this line of credit will continue to be used in the traditional manner, which is principally to finance construction needs and other working capital requirements.

The Idaho Public Utilities Commission, having fully considered the Application and exhibits attached thereto, and all of the Commission's files and records pertaining to this Application, now makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

IGC is an Idaho corporation with its office and principal place of business in Boise, Idaho. IGC is a natural gas public utility, owning and operating transmission pipelines, a compressor station, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

Intermountain seeks the Commission's authorization and permission to issue a revolving line of credit not to exceed \$70,000,000 at any one time outstanding for a period of five years from the execution and delivery of the credit agreement. The revolving line of credit will be administered through Bank of America, N.A.. The proceeds from the borrowing of this issuance will be used principally to finance construction and other working capital requirements of IGC.

CONCLUSIONS OF LAW

IGC is a gas corporation within the definition of *Idaho Code* § 61-117 and is a public utility within the definition of *Idaho Code* § 61-129.

The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provisions of *Idaho Code* § 61-901, *et seq.*, and the Application reasonably conforms to Rules 141-150 of the Commission's Rules of Procedure (IDAPA 31.01.01-141-150).

The method of issuance is proper.

The general purposes to which the proceeds will be put are lawful under the Public Utility Law of the state of Idaho and are compatible with the public interest. However, this general approval of the general purposes to which the proceeds will be put is neither a finding of fact nor a conclusion of law that any particular construction program of IGC which may be benefited by the approval of this Application has been considered or approved by this Order, and this Order shall not be construed to that effect.

The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Idaho Public Utilities Commission does not have before it for determination, and therefore does not determine, any effect of the proposed transactions on rates to be charged by IGC for natural gas to consumers in the state of Idaho.

All lawful fees have been paid by Intermountain as provided by *Idaho Code* § 61-905.

The Application should be approved.

ORDER

IT IS THEREFORE ORDERED that the Application of Intermountain Gas Company for authority to issue a revolving line of credit not to exceed \$70,000,000 at any one time outstanding as described in its Application should be, and the same hereby is, GRANTED.

IT IS FURTHER ORDERED that this authority will be from the date of this Order and expire on _____.

IT IS FURTHER ORDERED that Intermountain will continue to make quarterly reports to this Commission setting forth the date of issuance, principal amount, interest rate, date of maturity and identity of payee for all promissory notes issued during such quarter,

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter which may come before this Commission pursuant to this jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, Idaho Code, or Rules 141-150 of the Commission's Rules of Procedure, or any act or deed done or performed in connection with this Order shall be construed to obligate the state of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed or guaranteed under the provisions of said Chapter 9, Title 61, Idaho Code and Rules 141-150 of the Commission's Rules of Procedure.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Intermountain's exhibits or other material accompanying this Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.

DONE by Order of the Idaho Public Commission at Boise, Idaho this _____ day of August 2005.

PRESIDENT

COMMISSIONER

COMMISSIONER

ATTEST:

SECRETARY

Boise
Idaho Falls
Pocatello
Twin Falls

Moffatt Thomas

MOFFATT THOMAS BARRETT ROCK & FIELDS, CHTD.

Eugene C. Thomas
John W. Barrett
R. B. Rock
Richard C. Fields
Robert E. Bakes
John S. Simko
John C. Ward
D. James Manning
Gary T. Dance
Larry C. Hunter
Randall A. Peterman
Mark S. Prusynski
Stephen R. Thomas
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C. Clayton Gill
David P. Gardner
John O. Fitzgerald, II
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Jason G. Murray
Mark C. Peterson
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Willis C. Moffatt, 1907-1980
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July 25, 2005
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IDAHO PUBLIC
UTILITIES COMMISSION

Ms. Jean Jewell
Idaho Public Utilities Commission
472 West Washington
Post Office Box 83720
Boise, Idaho 83720-0074

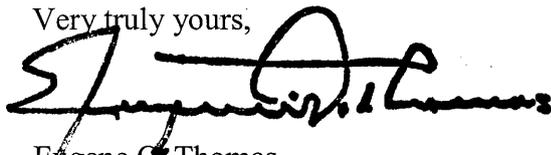
Re: Case No. INT-G-05-01
MTBR&F File No. 11-500.335

Dear Ms. Jewell:

Pursuant to PUC IDAPA Rules 31.01.01.067, 31.01.01.233 and 31.02.01.005.07 and pursuant to Idaho Code Section 9-340D and Section 48-801 et seq., Intermountain Gas Company hereby files Exhibit No. 3 – Terms and Conditions of Revolving Line of Credit Agreement. As General Counsel of Intermountain Gas Company, I have been asked to inform you that this information is confidential and contains trade secrets. We ask that it be protected from inspection, examination or copying by any person other than the Commission and PUC staff.

Thank you for your cooperation. If you should have questions or comments, please contact Michael McGrath (377-6168) or me (345-2000), and if unavailable at this number, then Cheryl Bruehl (385-5493).

Very truly yours,



Eugene C. Thomas
General Counsel,
Intermountain Gas Company

ECT/clb
Enclosures