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Benjamin C. Ritchie
Rebecca A. Rainey

Robert E. Bakes, *of counsel*
Morgan W. Richards, *of counsel*

Willis C. Moffatt, 1907-1980
Kirk R. Helvie, 1956-2003

US Bank Plaza Building
101 S Capitol Blvd 10th Fl
PO Box 829
Boise, Idaho 83701 0829

208 345 2000
800 422 2889
208 385 5384 Fax
www.moffatt.com

May 28, 2010
Via Hand Delivery

RECEIVED
2010 MAY 28 PM 2:36
IDAHO PUBLIC
UTILITIES COMMISSION

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

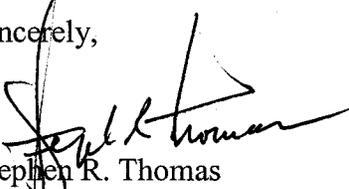
**Re: Intermountain Gas Company
Case No. INT-G-10-02
MTBR&F File No. 11-500.0340**

Dear Ms. Jewell:

Enclosed for filing please find an Application for Authorization to Issue and Sell Securities.
Also enclosed is a check for the amount of \$1000.00.

Thank you.

Sincerely,


Stephen R. Thomas
Attorney for Intermountain Gas Company

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IDAHO PUBLIC
UTILITIES COMMISSION

INT-6-10-02

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

**Re: Intermountain Gas Company
MTBR&F File No. 11-500.0340**

Dear Ms. Jewell:

Today, contemporaneous with this letter, Intermountain Gas Company filed with the Commission an Application for Authorization to Issue and Sell Securities, of which the Commission is aware generally. We now enclose copies of the two lender's commitment letters referenced in that Application, which documents outline the terms of the proposed credit agreement. They are submitted on yellow paper because they are protected pursuant to Idaho law in general and, in particular, the sections of Idaho law cited below.

Pursuant to PUC IDAPA Rules 31.01.01.067, 31.01.01.233, and 31.02.01.005.07, Idaho Code Sections 9-340D, and Idaho Code Section 48-801 *et seq.*, Intermountain Gas Company hereby states that the enclosed credit documents are and contain confidential, proprietary and trade secret information, and/or are otherwise exempt from disclosure under Idaho law, including that law cited above. We ask that it be protected from inspection, examination or copying by any person other than the Commissioners and PUC Staff.

Thank you for your cooperation. If you should have comments or questions regarding this request, please contact Kathie Barnard (377-6168) or me.

Sincerely,



Stephen R. Thomas
Attorney for Intermountain Gas Company

RECEIVED

2010 MAY 28 PM 2: 36

INTERMOUNTAIN GAS COMPANY IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. INT-G-10-02

APPLICATION

And

EXHIBITS

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

Stephen R. Thomas, ISB 2326
MOFFATT THOMAS BARRETT ROCK & FIELDS, CHTD.
101 S. Capitol Boulevard, Suite 1000
Boise, Idaho 83702
Telephone: (208) 345-2000
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-10-02
APPLICATION

Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, does hereby request authorization of a revolving credit facility of Sixty-Five Million Dollars (\$65,000,000) for a period of three (3) years with an option to borrow an additional Fifteen Million Dollars (\$15,000,000) for the same three (3) years period, or Eighty Million Dollars (\$80,000,000) in total. The new credit facility replaces Intermountain's current revolving line of credit of Seventy Million Dollars (\$70,000,000) which expires at the end August 2010.

Communications in reference to this Application should be addressed to:

Katherine Barnard, Manager – Gas Supply and Regulatory Affairs
Intermountain Gas Company and Cascade Natural Gas Corporation
222 Fairview Avenue North
Seattle, WA 98109-5312

and

Stephen R. Thomas, ISB 2326
MOFFATT THOMAS BARRETT ROCK & FIELDS, CHTD.
101 S. Capitol Boulevard, Suite 1000
Boise, Idaho 83702

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 of 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 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 Shelley;
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 - Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
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 liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Commission Order No. 29855, dated August 24, 2005, granted Intermountain authority to enter into a renegotiated revolving credit line not to exceed Seventy Million Dollars (\$70,000,000) at any one time. Such authority was granted from the date of the Order and expires on August 31, 2010.

This Application seeks authority to replace the existing revolving line of credit with a revolving line of credit of Sixty-Five Million (\$65,000,000) for a period of three (3) years with an option to borrow an additional Fifteen Million (\$15,000,000) for the same three (3) year period (\$80 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 Eighty Million Dollars (\$80,000,000) will continue to be used in the traditional way by Intermountain in financing principally its construction needs and other working capital requirements.

The Board of Directors of Intermountain has duly authorized the requested line of credit. A copy of the Resolution language authorizing the line of credit is attached hereto as Exhibit No. 1 and is incorporated herein by reference.

III.

The terms and conditions of the revolving line of credit of Sixty-Five Million Dollars (\$65,000,000) with the option to borrow an additional Fifteen Million Dollars (\$15,000,000), or \$80 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 agreement will be submitted under separate cover and is to be treated as confidential pursuant to PUC IDAPA Rules 31.01.01.067, 31.01.01.233, and 31.02.01.005.07, together with Idaho Code Sections 9-340D and Idaho Code Sections 48-801 *et seq.*

Summary of Terms and Conditions

Borrower:

Intermountain Gas Company

Lender: A syndicate of financial institutions arranged by Banc of America Securities LLC and Bank of America, N.A.

Principal Amount: Revolving Line of Credit - \$65,000,000, which will include a \$10 Million sublimit for standby letters of credit and a \$5 Million sublimit for swingline loans. The Borrower has the right to borrow an additional \$15,000,000 subsequent to the Closing Date up to an aggregate amount not to exceed \$80 million.

Interest Rates: At the Borrower's option, any loan under the credit facility will bear interest at a rate equal to (i) LIBOR plus the Applicable Margin, as determined in accordance with the Performance Pricing grid set forth below or (ii) the Base Rate (to be defined as the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus .50% and (c) a daily rate equal to one-month LIBOR plus 1.00%).

Security: None

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

Maturity: Three (3) years from the execution and delivery of definitive documentation for the Senior Credit Facility, or approximately June 30, 2013

Administrative Fees: Annually, beginning at the time of closing and each year on the anniversary date of the credit facility, the Borrower will pay an Administrative Fee of \$15,000 to Bank of America.

Commitment Fee: The Borrower will pay a fee determined in accordance with the Performance Pricing grid set forth below, on the actual daily unused amount of each Lender's commitment. The Commitment Fee is payable quarterly in arrears, commencing on the first quarterly payment date to occur after the Closing Date, or September, 2010.

Pricing Level	Consolidated Funded Indebtedness to Total Capitalization Ratio	Commitment Fee	Applicable Margin for LIBOR loans	Letter of Credit Fee
I	≥ 0.60:1.0	0.50%	2.50%	2.50%
II	≥0.55:1.0 but < 0.60: 1.0	0.40%	2.25%	2.25%
III	≥0.45:1.0 but < 0.55: 1.0	0.30%	2.00%	2.00%
IV	< 0.45:1.0	0.25%	1.75%	1.75%

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

IV.

The proceeds from the proposed revolving line of credit of Sixty-Five Million Dollars (\$65,000,000) with an option to borrow an additional Fifteen Million Dollars (\$15,000,000) (\$80 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 March 31, 2010, showing all authorized and outstanding classes of securities, is as follows:

	<u>March 31, 2010</u>	
	Amount Outstanding (\$000's)	Ratio
Common Stock & Surplus	\$85,917	60.9%
Long-Term Debt	<u>42,182</u>	<u>39.1%</u>
Total Capitalization	<u>\$128,099</u>	<u>100.0%</u>

VI.

The estimated fees and expenses of the issuance of such revolving credit facility are expected to total \$333,500 consisting of the following:

Arrangement Fees	\$307,500.00
Legal and Syndication Fees	25,000.00
IPUC Issuance Fees	<u>1,000.00</u>

Total \$333,500.00

VII.

The fee 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>64,000,000</u> at \$0.10 per \$1,000	= <u>6,400.00</u>
	<u>\$ 65,000,000</u>	= <u>\$ 6,725.00</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, and the Rules and Regulations of this Commission.

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 2 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:

- a. That this Application be processed without hearing pursuant to the Rules and Regulations of this Commission and acted upon at the earliest possible date;
- b. That this Commission approve and authorize the issuance of a line of credit for the purposes described up to and including Eighty Million Dollars (\$80,000,000) for a period of three (3) years.
- c. 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;
- d. For such other relief as this Commission may determine proper relative to this Application.

DATED at Boise, Idaho, this 28th day of May, 2010.

INTERMOUNTAIN GAS COMPANY

MOFFATT THOMAS BARRETT ROCK & FIELDS, CHTD.

By Katherine J. Barnard
Katherine Barnard
Manager – Gas Supply and Regulatory Affairs

By Stephen R. Thomas
Stephen R. Thomas.
Attorney for Intermountain Gas Company

Exhibit 1

CASE NO. INT-G-10-02

INTERMOUNTAIN GAS COMPANY

Board Resolution

(1 page)

RESOLVED, that Intermountain Gas Company (the "Company") is authorized and directed to enter into a revolving credit facility of Sixty-Five Million Dollars (\$65,000,000) for a period of three (3) years, with an option to borrow an additional Fifteen Million Dollars (\$15,000,000) for the same three year period, or an aggregate loan commitment of Eighty Million Dollars (\$80,000,000) (the "Agreement"), by and between the Company and Bank of America, N.A. ("Bank of America"), as agent for a syndication of lenders (including Bank of America) (collectively the "Lenders"), the terms of the Agreement which 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 the Agreement refinances the Company's current revolving credit facility with an aggregate loan commitment of \$70 million with Bank of America and other lenders;

FURTHER RESOLVED, that the Chairman of the Board, Chief Executive Officer, President, any Vice President, Chief Financial Officer, Treasurer, and General Counsel be, and each of them hereby is, authorized and empowered, in the name and on behalf of the Company, to execute and deliver the Agreement, promissory notes, and other related loan documents necessary or advisable to borrow and repay funds under the Agreement, with such changes therein as the officer executing the same may approve, such execution thereof to be conclusive evidence of the officer's authority granted herein and the approval thereof by the Board of Directors; and

FURTHER RESOLVED, that the authorized officers be, and each of them hereby is, authorized and empowered to take or cause to be taken any and all further actions and to execute and deliver or cause to be executed and delivered all further agreements, documents, certificates, and undertakings, in the name and on behalf of the Company, and to make such filings or applications with governmental or regulatory agencies and authorities as the authorized officers may determine to be necessary, proper, or desirable to carry into effect the intent and purpose of any and all of the foregoing resolutions; and the delivery of any such agreement, document, certificate, and/or undertaking shall be conclusive evidence of the officer's authority granted herein and the approval thereof by the Board of Directors; and all actions previously taken by any officer or agent of the Company in connection with the transactions contemplated by the Agreement (including, but not limited to, the negotiation of the Agreement and all related agreements) and the transactions contemplated by the foregoing resolutions are hereby ratified, approved, and confirmed in all respects.

Exhibit 2

CASE NO. INT-G-10-02

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-10-02

ORDER NO.

On May 28, 2010, Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. 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, Intermountain requests authorization of a revolving line of credit, not to exceed \$80,000,000, for a period of 3 years, replacing Intermountain's current revolving line of credit of \$70,000,000. Intermountain 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

Intermountain is an Idaho corporation with its office and principal place of business in Boise, Idaho. Intermountain is a natural gas public utility, owning and operating transmission pipelines, 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 \$80,000,000 at any one time outstanding for a period of three 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 in this issuance will be used principally to finance construction and other working capital requirements of Intermountain.

CONCLUSIONS OF LAW

Intermountain 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 Intermountain 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 Intermountain 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 \$80,000,000 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 Commission Rules 141-150.

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
_____ 2010.

PRESIDENT

COMMISSIONER

COMMISSIONER

ATTEST:

SECRETARY