

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

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IDAHO PUBLIC
UTILITIES COMMISSION

September 15, 2016

Ms. Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
P.O. Box 83720
Boise, ID 83720-0074

RE: Case No. INT-G-16-04

Dear Ms. Jewell:

Enclosed for filing with this Commission are the original and seven (7) copies of Intermountain Gas Company's Application to Issue and Sell Securities. Also enclosed is a check in the amount of \$1,000 for the IPUC Issuance Fee.

If you should have any questions regarding this Application please contact me at 377-6168.

Sincerely,



Michael P. McGrath
Director-Regulatory Affairs
Intermountain Gas Company

Enclosure

cc: Scott Madison
Mark Chiles
Ronald L. Williams

INTERMOUNTAIN GAS COMPANY

CASE NO. INT-G-16-04

APPLICATION

AND

EXHIBITS

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

Ronald L. Williams, ISB 3034
Williams Bradbury PC
1015 W. Hays St.
Boise, Idaho 83702
Telephone: (208) 344-6633

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-16-04
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 to issue and sell up to Fifty Million Dollars (\$50,000,000) of Unsecured Notes with one or more maturity dates ranging from ten (10) to thirty (30) years from issuance.

Communications in reference to this Application should be addressed to:

Michael P. McGrath
Director – Regulatory Affairs
Intermountain Gas Company
Post Office Box 7608
Boise, ID 83707
and
Ronald L. Williams
Williams Bradbury PC
1015 W. Hays St.
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 – Arimo, 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, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glens 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, and 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.

Applicant desires to issue, and therefore seeks authority from this Commission, to issue and sell up to Fifty Million Dollars (\$50,000,000) of Unsecured Notes.

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

III.

The estimated terms and conditions of the Unsecured Notes are incorporated herein by reference as though fully set out.

A copy of the terms for the above referenced Unsecured Notes will be submitted under separate cover and is to be treated as confidential pursuant to PUC IDAPA Rules 31.01.01.067 and 31.01.01.233, together with *Idaho Code* §§ 74-104, 106, 107, and 48-801 *et seq.*

Summary of Terms and Conditions

| | |
|-------------------|---|
| Borrower: | Intermountain Gas Company |
| Lender: | One or more private placement investors (the "Investors") |
| Principal Amount: | Unsecured Note – up to \$50,000,000 |
| Interest Rates: | Final rates dependent on tenor of notes. Current estimates based on (10) year Treasury rates: plus 130-140 basis points for ten (10) year tranche; and plus 155-165 basis points for fifteen (15) year tranche. Current estimates based on thirty (30) year Treasury rates: plus 165-175 basis points for thirty (30) year tranche. |
| Security: | None |
| Use of Proceeds: | If approved, the Unsecured Notes will be used to provide for capital expenditures and working capital, reduce the Company's Revolving Credit Agreement and for general corporate purpose needs of Intermountain. |
| Maturity: | Long-term maturity dates in one or more tranches ranging from ten (10) to thirty (30) years from the issuance date. |

Fees: Private placement agent fees of up to forty (40) basis points (up to \$200,000) will be paid in conjunction with the issuance of the securities. Legal fees and reasonable out-of-pocket costs will be paid or reimbursed to lenders counsel and Cohen Tauber Spievack & Wagner P.C. (Intermountain's legal counsel), and are estimated at up to \$125,000.

Other Requirements: Costs associated with this transaction are to be paid by Intermountain as noted in the above delineation of "Fees."

IV.

Based on this Commission's authorization, the Unsecured Notes will be used to provide for capital expenditures and working capital, reduce the Company's Revolving Credit Agreement and for general corporate purpose needs of Intermountain. 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.

The net proceeds (up to Fifty Million Dollars (\$50,000,000) minus the estimated Fees of Three Hundred and Twenty Five Thousand Dollars (\$325,000)) are estimated at up to Forty Nine Million Six Hundred and Seventy Five Thousand Dollars (\$49,675,000).

VI.

Intermountain's Statement of Capitalization as of July 31, 2016, showing all authorized and outstanding classes of securities as adjusted to reflect the proposed issuance of up to \$50,000,000 of Unsecured Notes, is as follows:

| | July 31, 2016 | | |
|---------------------------|------------------------------------|----------------------------|---------------|
| | | <u>As Adjusted</u> | |
| | Amount Outstanding (\$000's) | <u>Amount</u> (\$000's) | <u>Ratio</u> |
| Common Stock & Surplus | \$ 102,891 | \$ 102,891 | 47.1% |
| Long Term Debt | <u>105,455</u> | <u>115,755</u> | <u>52.9%</u> |
| Total Capitalization | <u>\$ 208,346</u> | <u>\$ 218,646</u> | <u>100.0%</u> |

VII.

The estimated fees and expenses of the issuance of such Unsecured Notes are expected to total up to Three Hundred and Twenty-Five Thousand Dollars (\$325,000) consisting of the following:

| | |
|------------|---------------------|
| Agent Fees | \$200,000.00 |
| Legal Fees | 120,000.00 |
| Misc. Fees | <u>5,000.00</u> |
| Total | <u>\$325,000.00</u> |

VIII.

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>49,000,000</u> at \$0.10 per \$1,000 | = <u>4,900.00</u> |
| | <u>\$ 50,000,000</u> | = <u>\$ 5,225.00</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.

IX.

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 No. 2 and is incorporated herein by reference.

X.

Notice of this Application will be published prior to Commission authorization in *The Idaho State Journal*, *The Idaho Statesman*, *The Idaho Business Review*, *The Post Register*, and *The Times News* pursuant to Rule 141.08 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. Additionally, that this Commission approve and authorize the issuance of Unsecured Notes for the purposes described up to and including Fifty Million Dollars (\$50,000,000) for a period of up to thirty (30) years.

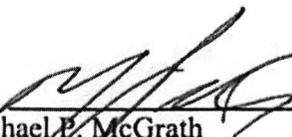
c. That this Commission allow Intermountain to manage its Unsecured Note financing pursuant to the order issued in this matter until such time as Intermountain's Board of Directors changes the authorized level of such Notes.

d. For such other relief as this Commission may determine proper relative to this Application.

DATED at Boise, Idaho, this 15th day of September, 2016.

INTERMOUNTAIN GAS COMPANY

Williams Bradbury PC

By 
Michael P. McGrath
Director - Regulatory Affairs

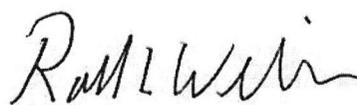
By 
Ronald L. Williams
Attorney for Intermountain Gas Company

EXHIBIT NO. 1

CASE NO. INT-G-16-04

INTERMOUNTAIN GAS COMPANY

BOARD RESOLUTION

(2 pages)

CERTIFICATE

I, JULIE A. KRENZ, hereby certify that I am the duly elected and qualified Assistant Secretary of Intermountain Gas Company, an Idaho corporation; that the following is a true and correct copy of resolutions adopted by Written Consent of the Board of Directors dated September 8, 2016; and that said resolutions have not been modified or amended and are presently in full force and effect:

WHEREAS, there has been presented to the Board of Directors of Intermountain Gas Company (the "Company") a Summary of Terms and Conditions outlining a Note Purchase Agreement (the "Agreement") between the Company and one or more private placement investors (the "Investors") under which the Company proposes to issue and sell unsecured notes in an aggregate principal amount of up to Fifty Million Dollars (\$50,000,000), in one or more series, with maturities ranging from ten (10) to thirty (30) years as set forth in the Agreement;

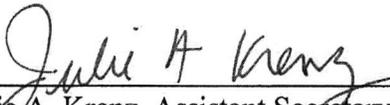
NOW, THEREFORE, BE IT RESOLVED, that the Summary of Terms and Conditions substantially in the form presented to the Board of Directors, is hereby approved and accepted;

FURTHER RESOLVED, that the Chairman of the Board, the Chief Executive Officer, the President, any Vice President or Assistant Vice President, the General Counsel, and any other officer who performs a policy-making function (such as administration, operations, accounting, or finance) of the Company be, and each of them hereby is, authorized to negotiate, execute and deliver the Agreement substantially in conformity with the Summary of Terms and Conditions presented to the Board of Directors, with such changes, additions and deletions as to any or all of the terms and provisions thereof as the authorized officer executing the Agreement on behalf of the Company shall deem proper, such execution to be conclusive evidence of the authorized 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 Summary of Terms and Conditions (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.

IN WITNESS WHEREOF, I have hereunto set my hand on September 9, 2016.



Julie A. Krenz, Assistant Secretary

EXHIBIT NO. 2

CASE NO. INT-G-16-04

INTERMOUNTAIN GAS COMPANY

IDAHO PUBLIC UTILITIES COMMISSION

PROPOSED ORDER

(3 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-16-04

ORDER NO.

On September 15th, 2016, Intermountain Gas Company (the “Company”), a subsidiary of MDU Resources Group, Inc., applied to the Commission under *Idaho Code* §§ 61-901, *et seq.* for authority to issue Unsecured Notes, not to exceed \$50,000,000, for a period of up to thirty (30) years. Having fully considered the Application, the Commission enters this Order granting it as follows.

THE APPLICATION

The Company asks for authority to issue and sell up to \$50,000,000 of unsecured debt securities. The proposed issuance will be directly placed in one or more tranches with one or more private placement investors. The Company anticipates that one or more tranches with maturity dates between 10 years and 30 years from the date of issuance. The interest rate will be set at the time of issuance based on 10-year Treasury rates plus a basis point adder of approximately 130-165 for any 10-year issuance or 15-year issuance, and based on 30 year Treasury rates plus a basis point adder of approximately 165-175 for any 30-year issuance. The Company says it will use net proceeds from the sale of the unsecured notes to provide for capital expenditures on its facilities; provide working capital; reduce amounts outstanding on the Company’s Revolving Credit Agreement and for general corporate purposes.

**FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

The Company is an Idaho corporation with its office and principal place of business in Boise, Idaho. It is a natural gas public utility that owns and operates transmission pipelines, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment. It is a gas corporation and public utility as defined in *Idaho Code* §§ 61-117 and 61-129.

The Commission has jurisdiction over the Application under *Idaho Code* § 61-901, *et seq.* We find that the proposed transaction is in the public interest and a formal hearing on this matter is not required. We further find that the proposed issuance is for a lawful purpose and is within the Company's corporate powers, that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01-141-150, and that the Company has paid all fees due under *Idaho Code* § 61-905. Accordingly, we find that the Application should be approved and the proposed financing should be allowed.

The Commission's Order approving the proposed financing and the general purposes to which the proceeds may be put is not a determination that the Commission approves of the particular use to which these funds will be put. This Order also is not a Commission determination/approval of the type of financing or the related costs for ratemaking purposes. The effect of the proposed transaction on rates the Company charges for natural gas service will be determined in connection with the Company's Application filed under Case No. INT-G-16-02.

ORDER

IT IS HEREBY ORDERED that the Company's Application for authority to issue and sell up to \$50,000,000 of unsecured debt securities is granted.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of this Commission with respect to rates, utility capital structure, service, accounts, valuation, estimates or determination of cost or any other matter which may come before this Commission pursuant to its 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 any act or deed done or performed in connection therewith 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 Chapter 9, Title 61, Idaho Code.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of the Company's exhibits or other material accompanying the 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. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this _____
day of _____ 2016.

PRESIDENT

COMMISSIONER

COMMISSIONER

ATTEST:

SECRETARY