(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORIZATION TO ISSUE AND SELL SECURITIES. | ))))) | CASE NO. INT-G-98-5ORDER NO.  27689 |

On July 23, 1998, the Idaho Public Utilities Commission received an application from Intermountain Gas Company, an Idaho corporation with its office and principal place of business in Boise, Idaho.  Pursuant to Chapter 9 of Title 61 Idaho Code, Intermountain Gas applied for an Order granting it authority to issue and sell not more than $58,000,000 of Senior Debentures due 2018.

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, grants the Application.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission finds that Intermountain Gas Company is an Idaho corporation with its office and principal place of business in Boise, Idaho.  Intermountain Gas 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.

The Commission further finds that Intermountain Gas proposes (subject to the necessary consents) to issue and sell $58,000,000 of Senior Debentures, 7.26% due 2018.  Intermountain Gas proposes to privately place this new Series of Senior Debentures with Teachers Insurance & Annuity Association of America (TIAA) or one or more of its affiliates, at par, and in the principal amount of $58,000,000, not earlier than September 1, 1998, or after September 30, 1998.

Intermountain Gas will make annual sinking fund payments of $5,272,727 beginning in the tenth year, designed to fully amortize the loan in level payments of $5,272,727 over ten (10) years.

The Debentures will be callable, at Intermountain Gas’ option, immediately, in whole or in part, at a price determined by discounting the stream of remaining interest and principal payments at a rate equal to the yield to maturity of the Treasury Note equivalent in term to the remaining average life of the Debentures plus 50 basis points.  In no event shall this amount be less than par plus accrued interest.  There will be no voting privileges associated with the Senior Debentures.

The Commission finds that Intermountain Gas stated that proceeds from the proposed issuance of the Debentures will be used to: (1) redeem the $38,000,000 of Senior Debentures, 8.27%—$14,250,000 due 2003 and $23,750,000 due 2013; and (2) pay down the outstanding amount on Intermountain Gas’ revolving loan balance.  No person has received or will be entitled to receive from Applicant any fee for services (other than attorneys, accountants, and persons providing similar technical (services)) in connection with the consummation of the issuance of the Senior Debentures.

The Commission finds that Intermountain Gas Company and its Application are subject to the jurisdiction of the Idaho Public Utilities Commission by virtue of Chapter 9, Title 61, Idaho Code.

The Commission further finds that the proposed issuance of securities by Intermountain Gas, as authorized in this Order, will be for a lawful purpose in accordance with and permitted by the provisions of the governing statutes under which the Application is made.  However, this is only a general approval and is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order.  The issuance of an order authorizing the proposed issuance does not constitute agency determination/approval of the type of financing or the related costs for rate making purposes.  The Commission does not have before it for determination and, therefore, does not determine the effect of the proposed transactions on rates to be charged by Intermountain Gas for natural gas to consumers in the state of Idaho.  The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter would serve no public purpose.

The Commission finds that all lawful fees have been paid by Intermountain Gas, as provided by Idaho Code Section 61-905.

O R D E R

IT IS THEREFORE ORDERED that the Application by Intermountain Gas Company for authority to issue not more than $58,000,000 of Senior Debentures under the terms and conditions as proposed and exhibited, is hereby approved, for the purposes specified in said Application.

IT IS FURTHER ORDERED that Intermountain Gas will, as promptly as possible after completion of the transaction, file with the Commission a statement showing the terms of sale, the names of the purchasers or underwriters, and a copy of the agreement.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, services, accounts, evaluation, estimates or determination of costs, or any other matter that 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 and 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.

IT IS FURTHER ORDERED that the issuance of this Order does not constitute acceptance of Intermountain Gas Company’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 (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. INT-G-98-5 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. INT-G-98-5.  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 August 1998.

DENNIS S. HANSEN, PRESIDENT

RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

O:intg985.cc

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

August 25, 1998