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

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| IN THE MATTER OF THE PETITION OF MOUNTAIN FUEL SUPPLY COMPANY FOR AUTHOR­ITY TO ISSUE SECURITIES | ))))) | CASE NO. MOU-G-97-1ORDER NO.  26965 |

On May 20, 1997, Mountain Fuel Supply Company (Company) filed an applica­tion with the Idaho Public Utilities Commission (Commission) pursuant to Idaho Code §§ 61-901, et seq., requesting an order authorizing the Company to issue Medium Term Notes (the Notes) in the aggregate principal amount of up to $75,000,000 and at varying maturities from nine months to 30 years.

FINDINGS OF FACT

The Company is a Utah corporation that dis­tributes natural gas as a public utility in Idaho, Wyoming and Utah.  The Public Service Commission of Utah regulates the Com­pany's public utility activities in Idaho, as to the charges and conditions for natural gas service in Idaho pursuant to a “Contract for Regulatory Services” dated August 1990, by and between this Commission and the Public Service Commission of Utah.  This contract was entered into in accordance with Idaho Code § 61-505 and Order No. 23282 of this Commission.  Neither the contract nor the statutory provision, however, addresses the jurisdiction of this Commission with respect to securities applications.

On or about May 28, 1997, the Company will file a Registration Statement on Form S-3 with the Securities and Exchange Commission (the SEC), under the Securi­ties Act of 1933, as amended.  The Registration Statement on Form S-3 will be filed pursuant to Rule 415 promulgated by the SEC to allow the Company's Notes to be offered on a delayed or continuous basis.  A copy of the Company's Proposed Registration Statement on Form S-3 will be filed when submitted to the SEC.

The Notes to be issued by the Company may be sold at varying maturities and at varying interest rates through designated agents or underwriters or directly by the Company itself.  The Company is choosing to use this type of securities program, rather than a con­ventional underwritten public debt offering of debentures, to give it additional flexibility in the current market.  The Company can save Commission expense by using agents, rather than underwriters, but retains the flexibility to issue the Notes through underwriters.

The Notes to be issued by the Company will be covered by an Indenture between the Company and First Security Bank, N.A., as Trustee.  The principal terms of the Indenture as to covenants and events of default will be common regardless of the maturity or interest rate of any Notes issued by the Company.  Other terms such as interest rate and maturity will be specified in the applicable Pricing Supplement.

The Company proposes to use the proceeds from the sale of the Notes primarily for the construction, completion, extension or improvement of its facilities, and for general corporate purposes consistent with applica­ble Idaho Code provisions.

The Company estimates that its expenses in connection with the proposed sale of Notes will not exceed $230,000.

None of the securities covered by the Company's Appli­cation will be secured by a mortgage, lien, pledge, or other encumbrance upon the Company's prop­erty.  The Com­pany has no other securities outstanding that are secured by any mortgage, pledge, lien, or other encumbrance upon its property.

The Company has paid the fees required by Idaho Code § 61-905.

CONCLUSIONS OF LAW

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

The Commission has jurisdiction over this matter pursuant to the provisions of Idaho Code § 61-901 et seq., and the Application, as supplemented, reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01.141-150.

The general purposes to which the proceeds from the sale of the Notes will be put are lawful under the public utility law of the state of Idaho and are compatible with the public interest.  However, this is only a general approval of the purposes to which the proceeds will be put, and is not a finding of fact nor a conclusion of law that any particular construction program is approved by this Order.  The issuance of an Order authorizing proposed financing does not constitute agency determination or approval of the type of financing or the related cost for ratemaking purposes. The issuance of an Order authorizing the proposed issuance of Notes does not constitute agency determination of approval of the type of financing or the related costs for ratemaking purposes, which determination shall be left to the Public Service Commis­sion of Utah.

The Application should be approved.

O R D E R

IT IS THEREFORE ORDERED that the Applica­tion of Mountain Fuel Supply Company for authority to issue Notes in an aggregate princi­pal amount up to $75,000,000 and at varying maturities from nine months to 30 years is hereby approved over a two-year period from the date of SEC approval.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Chap­ter 9, Title 61, Idaho Code, 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 provision of Chapter 9, Title 61, Idaho Code.

IT IS FURTHER ORDERED and the Company is hereby directed to file copies of each Pricing Supplement relating to the issuance of the Notes as they become available.

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 (or in issues finally decided by 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 May 1997.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

June 2, 1997