DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: JOSEPH TERRY
MICHAEL DUVAL, DEPUTY ATTORNEY GENERAL

DATE: APRIL 2, 2024

RE: IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR AUTHORIZATION TO AMEND, EXTEND, AND INCREASE ITS REVOLVING CREDIT AGREEMENT; CASE NO. INT-G-24-01.

BACKGROUND

On March 22, 2024, Intermountain Gas Company ("Company"), a subsidiary of MDU Resources Group, Inc. ("MDU"), filed an Application requesting authorization to renew and increase a Revolving Credit Agreement to $175 million, not to exceed a five (5) year period, with the option to borrow an additional $50 million for a total requested line of credit authority of $225 million ("Line of Credit"). The Company represents that the proceeds from the Line of Credit will be used for capital expenditures, deferred gas costs, and general corporate purpose needs, consistent with the public interest and necessary, appropriate, and consistent with its performance as a public utility. The Company submitted the correct filing fee on March 25, 2024.

For the Line of Credit, the Company has the option to select between predetermined interest rate methods—the Secured Overnight Financing Rate ("SOFR") plus an applicable margin from the SOFR Advances column, or the Base Rate (which is the higher of (a) U.S. Bank prime rate, (b) the federal funds rate plus .50%, or (c) a daily rate equal to the one-month SOFR plus 1.00%). The Line of Credit includes additional charges for administrative fees of $15,000 annually and commitment fees based on a performance grid. The performance grid has four levels with the rate determined by the ratio of consolidated funded indebtedness to total capitalization as shown in the table below:

Pricing Level	Indebtedness to Capitalization Ratio	Facility Fee	SOFR Advances/Letter of Credit Fee	Base Rate Advances
I	≥ 0.60:1.0	0.250%	1.625%	0.450%
II	≥0.55:1.0 but <0.60:1.0	0.200%	1.375%	0.275%
III	≥0.45:1.0 but <0.55:1.0	0.150%	1.125%	0.075%
IV	< 0.45:1.0	0.100%	1.000%	0.000%

The higher the debt incurred, the greater the borrowing cost for borrowed funds. The debt ratio for the Company was 47.1% as of December 31, 2023, which places it in Level III pricing.

The Company is not independently rated by any of the rating agencies and instead is rated as part of the MDU's family of companies. MDU was rated at BBB+ by Fitch and BBB by S&P Global. Because the Company is approximately 5% of MDU's net income, this authority has a low probability of impacting MDU's credit rating.

STAFF RECOMMENDATION

Staff recommends the Commission approve the Application for authority to enter into the five-year, $175 million revolving line of credit with the option to borrow another $50 million.

Staff recommends the Commission order the Company to continue filing quarterly reports identifying the date of issuance, principal amount, interest rate, date of maturity and identity of payee for all promissory notes issued in that quarter. In addition, the Company should continue filing its capitalization ratios with the quarterly report.

COMMISSION DECISION

Does the Commission approve the five-year revolving line of credit for $175 million with the option to utilize an additional $50 million?

Does the Commission wish to establish the filing requirements as described above?

Joseph Terry

I:\Utility\UDMEMOS\INTG2401 Memo.docx