Idaho Natural Gas Utilities

Idaho's gas companies are only allowed to earn a profit for delivering natural gas to consumers and not on the commodity of natural gas itself. Therefore, the customer is only paying what the gas company paid for the commodity. Idaho regulators normally pass on increases or decreases to customers in the form of a Purchased Gas Adjustment (PGA).

Idaho is part of the larger, integrated North American natural gas market. With new infrastructure, other regions now have improved access to the production areas (Rockies, Western Canada) that Idaho depends on. Consequently, the Northwest will face increased competition for existing natural gas supplies.

In a recent survey (July 2007) conducted by the Northwest Gas Association, 62 percent of respondents believe that supplies of natural gas are adequate to support the region over the next decade, but almost seven out of ten believe natural gas prices will increase over the next five years.

The role of natural gas in addressing climate change was addressed in an article by the Northwest Gas Association: "The region (Northwest) must retain and secure additional access to abundant and diverse sources of supply as climate change policies increase regional demand for natural gas. It must also ensure that the associated transmission, storage and distribution infrastructure can grow as necessary."

Over the last 15 years, more than 90 percent of new electrical generating capacity built in the United States uses natural gas. And, according to the Energy Information Administration, the increased use of natural gas has helped reduce the level of greenhouse gas emissions.

U.S. natural gas resources are estimated at 1,258 trillion cubic feet, which, at current usage levels, should last about 60 years.

Crude oil prices and electricity affect both the demand for and price of natural gas. In the Northwest, a good portion of electricity is produced using natural gas. Even though natural gas prices have increased over the past few years, demand continues to increase as well due to the increased price of oil. Natural gas, as a fuel, should remain competitive over the long run with both electricity generation and oil.

Individual Utility Statistics

Intermountain Gas Company

	Residential	Commercial	Industrial	Transportation	Total
Customers	264,204	28,099	9	103	292,415
% of Total	90.35	9.6	0.003	0.035	100
Therms (millions)	192,322	96,973	2,665	213,988	505,948
% of Total	38	19.16	0.527	42.3	100
Revenue (millions)	$216,184	$101,710	$2,268	$9,409	$329,571
% of Total	65.6	30.86	0.69	2.85	100

Avista Utilities

	Residential	Commercial	Industrial	Transportation	Total
Customers	61,812	7,803	99	8	69,722
% of Total	88.65	11.19	0.142	0.011	100
Therms (millions)	43.99	24.88	2.16	44.65	115.68
% of Total	38	21.5	1.87	38.6	100
Revenue (millions)	$54.585	$28.461	$2.271	$0.843	$86.16
% of Total	63.35	33.03	2.636	0.978	100

Questar Gas

	Residential	Commercial	Industrial	Transportation	Total
Customers	1,618	218	1	0	1,837
% of Total	88.1	11.867	0.054	0	100
Therms (millions)	1.172	0.615	0.054	0	1.841
% of Total	63.66	33.406	2.933	0	100.00
Revenue (millions)	$1.062	$0.518	$0.039	$0	$1.619
% of Total	62.6	32	2.4	0	100

Intermountain Gas rates decline 8 percent

Case No. INT-G-07-03, Order No. 30443
September 28, 2007

Rates for customers of Intermountain Gas Company were decreased by 8 percent effective Oct. 1. Downward pressure on natural gas prices and the company's effective hedging practices led to a second consecutive reduction in the company's annual Purchased Gas Cost Adjustment (PGA).

Residential customers using natural gas for both space and water heating should notice about a $6 reduction in monthly bills and customers using natural gas for just space heating will have an average $4 monthly reduction. Commercial customers will experience an average $29 per month reduction. Industrial customers who use Intermountain's delivery service, but do not buy natural gas from the company, will see about a 9.4 percent increase in delivery costs.

Each year, Intermountain Gas rates are adjusted through a Purchased Gas Cost Adjustment (PGA) mechanism. The adjustment does not change the base rates paid by customers, but does impact the size of a surcharge that is adjusted annually to adapt to the always changing costs of buying gas from suppliers and related transportation and storage expenses. The PGA adjustment takes place yearly, while a rate case, to adjust base rates, occurs less frequently.

The commission praised the company for taking advantage of its storage options and making favorable advance gas purchases to protect customers against the volatility of wholesale gas markets. Commission staff said the company's ability to lock in prices with forward market purchases saved customers nearly $1.5 million in the coming year. Further, "Intermountain's substantial storage capacity has allowed it to take advantage of lower prices when they have occurred, and makes it less dependent on spot market purchases during the volatile winter months," commission staff said.

Customers also benefited from a settlement of a rate case between the Federal Energy Regulatory Commission and the Northwest Pipeline Corporation, which transports much of Intermountain's gas supply to Idaho. The benefit received by customers in that settlement is about $970,000. Another case between FERC and the Gas Northwest Transmission Corporation is pending before FERC. If FERC approves an increase that is less than that proposed by the transmission corporation, the PUC reserves the right to reopen this case and re-evaluate the PGA for possible further reductions.

But on another transmission front, costs increased for Intermountain Gas. Capacity costs have increased on several Canadian pipelines and there is a tightening of the exchange rates between U.S. and Canadian currencies. In this PGA, Intermountain also included costs to secure additional liquid storage from Northwest Pipeline's Plymouth, Wash. liquid natural gas facility.

Whether the yearly PGA is an increase or a decrease, it does not impact company earnings. Similar to the electric utilities' annual Power Cost Adjustment (PCA) process, an increase or decrease in the yearly PGA goes directly to wholesale suppliers in the event of an increase or to customers in the event of a decrease. Money collected through the PGA cannot go to salaries, equipment or other needs, but must go directly to paying for gas supply, transportation and storage. When the cost of purchasing gas is higher than the amount customers pay in the current surcharge, the surcharge is increased. When gas supply purchases are less than that covered in the surcharge, the reduction goes directly to customers.

The company has said it will come before the commission again before the winter heating season if the company's forecasted forward prices are significantly less than projected.

Intermountain Gas, which serves about 280,000 customers in its southern Idaho territory, has not had a change to its base rate since 1985.

Commission adopts Avista decrease in natural gas rates

Case No. AVU-G-07-02, Order No. 30458
November 6, 2007

The Idaho Public Utilities Commission has approved Avista Utilities' request to decrease customers' annual Purchased Gas Cost Adjustment (PGA) by an average 4.6 percent effective Nov. 1. Avista serves about 70,000 households in its northern Idaho territory.

An average resident using about 65 therms per month will get about a $3.65 monthly decrease due to more stability in wholesale gas prices, increased storage capacity and no supply interruptions caused by hurricanes.

The commission said Avista's risk management and hedging policies "have served well to help curb the negative effects of the dramatic volatility in the natural gas market … and significantly reduced the risk of paying higher prices. We are confident that the company will continue to take advantage of lower prices when the opportunity arises."

Avista's fixed costs of supplying gas and some variable costs of gas supply are covered in base rates. But variable costs, such as wholesale market prices for gas, transportation and storage are adjusted yearly through the PGA. The PGA does not change the base rates paid by customers nor does it impact company earnings, but it does impact the size of a yearly surcharge or credit to adapt to the always changing costs of buying gas from suppliers and related transportation and storage expenses. Because those costs have stabilized, customers get a credit for the second straight year. During those years when there are PGA surcharges, the money collected from the surcharge does not enhance company earnings but goes directly to pay wholesale suppliers of natural gas or to providers of storage and pipeline capacity.