

Idaho Natural Gas Utilities

Idaho's gas companies are allowed to only 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. The commission normally passes 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 that Idaho typically depends upon – Rockies and Western Canada. Consequently, the Northwest will face increased competition for existing natural gas supplies.

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. The projected path of total natural gas consumption depends almost entirely on the amount consumed in the electric power sector. 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. Wholesale natural gas prices typically have some fluctuation, however according to a recent article published by the Northwest Gas Association, which says gas prices "have become among the most volatile of traded commodities." When explaining the factors influencing the significant increase in this summer prices, NWGA mentioned the new pipelines that have been built, "resulting in greater integration of these supply resources to other North American market regions", and the linkages between fuels where "...large industrial consumers, including some electrical generation facilities, can burn either fuel and make the most economic choice based on the price of the fuel and such factors as emissions, maintenance costs, etc."

Other concurrent factors mentioned by Idaho gas utilities in explaining the summer's significant price fluctuations included: 1) last winter's use due to colder than normal

temperatures dropped storage levels; 2) a forecasted worse than average hurricane season caused supply speculation; 3) higher than normal international LNG (Liquid Natural Gas) demand; 4) Independence Hub, which typically produces about 1 BCF per day went offline for repair; 5) demand speculation caused by the completion of a Midwest flowing pipeline; and 6) industry wide industrial demand increased by 3.7 percent in parallel with exports as the dollar devalued relative to other currencies.

Recently spot natural gas prices at trading locations across the country have tumbled amid concerns over the economic condition. This may limit industrial demand in the near term, and provide the perception of a healthy supply picture given the strong underground storage levels for heating demand this winter.

Individual Utility Statistics

(As of the most recent FERC filing)

Intermountain Gas Company

	Residential	Commercial	Industrial	Transportation	Total
Customers	264,201	28,099	6	106	292,412
% of Total	90.35	9.60	0.002	0.036	100
Therms (millions)	192.3	96.9	2.7	213.9	505.8
% of Total	38.02	19.16	0.53	42.29	100
Revenue (millions)	\$216.2	\$101.7	\$2.3	\$9.4	\$329.6
% of Total	65.59	30.86	0.70	2.85	100

Avista Utilities

	Residential	Commercial	Industrial	Transportation	Total
Customers	62,345	7,858	100	9	70,312
% of Total	88.67	11.18	0.14	0.01	100
Therms (millions)	44.6	25.1	2.1	45.7	117.5
% of Total	37.96	21.36	1.79	38.89	100
Revenue (millions)	\$54.5	\$28.2	\$2.2	\$0.8	\$85.7
% of Total	63.59	32.91	2.57	0.93	100

Questar Gas

	Residential	Commercial	Industrial	Transportation	Total
Customers	1,653	217	1	0	1,871
% of Total	88.35	11.60	0.05	0	100
Therms (millions)	114.5	59.3	5.5	0	179.3
% of Total	63.87	33.08	3.07	0	100
Revenue (millions)	\$984.1	\$480.5	\$36.8	\$0	\$1501.4
% of Total	65.55	32.00	2.45	0	100

October 1, 2008

Case No. INT-G-08-03

Wholesale market prices force increase in gas supply surcharge

After two years of receiving credits, customers of Intermountain Gas will this year pay a surcharge on their gas bills as a result of increasing worldwide demand for energy and production constraints that contributed to energy prices hitting record highs over the past year.

The surcharge, effective Oct. 1, increases the gas supply portion of Intermountain Gas rates from 63.6 cents per therm to about 78.5 cents per therm. For an average residential customer who uses natural gas for space heating only, the proposed one-year increase is about \$7.90 per month, or about 15 percent. For residential customers who use natural gas for space and water heating, the increase is about \$12.30 per month or about 18 percent. Commercial customers' bills will increase by about \$55.30 per month, or 18 percent.

The surcharge increases the company's annual revenue by \$54.3 million. None of that revenue can go to increase company profits. Revenues from the surcharge are kept in a deferred account, audited by the commission, and are used only to meet gas supply and related expenses, including transportation and storage.

Every year on Oct. 1, gas rates are adjusted either downward or upward through the Purchased Gas Cost Adjustment (PGA) process to account for the always-fluctuating wholesale prices for natural gas. When wholesale gas prices are lower than anticipated, customers get a credit. When they are higher, customers get a surcharge. In 2007, Intermountain Gas customers got an 8 percent PGA decrease. In 2006, customers got a 4 percent decrease. However, during the last year wholesale gas market prices have soared to levels not seen since Hurricanes Rita and Katrina in 2005.

Although natural gas prices have declined in recent months, prices remain above levels at this time a year ago. If prices materially deviate from the 78.5 cents per therm approved by the commission, Intermountain Gas will file an application to adjust rates accordingly.

"Wholesale natural gas prices fluctuate, and recently have become quite volatile," the commission said. It directed Intermountain Gas to work with commission staff to explore the creation of a low-income weatherization program for residences heated using natural gas. Intermountain Gas, with other utilities, will also be participating in commission-sponsored energy affordability workshops planned this fall.

November 13, 2008

Case No. INT-G-08-04

Declining wholesale gas prices lead to reduced PGA increase

About half the increase passed on to customers of Intermountain Gas on Oct. 1, will be eliminated effective Nov. 15. Declining prices in the natural gas wholesale market led Intermountain Gas to file an application with the commission seeking a reduction in its annual Purchased Gas Cost Adjustment (PGA).

The commission approved the reduction in the gas cost portion of customers' bills – from 78.5 cents per therm to 67.5 cents per therm – and made the reduced rate effective for Nov. 15, rather than the company's requested Dec. 1 date.

The PGA surcharge, adjusted every Oct. 1, increased the average bill of a residential customer who uses natural gas for both space and water heating by about \$12.30 per month, or 18 percent. The Nov. 15 reduction reduces that increase to about \$7.41 per month, or 9.22 percent. For a residential customer who uses natural gas for space heating only, the Oct. 1 increase raised an average monthly bill by \$7.90 or 15 percent. The Nov. 15 adjustment lowers that increase to \$5.18 per month, or 8.5 percent.

Commercial rates also increased by 18 percent on Oct. 1, or about \$55.30 per month. But the Nov. 15 adjustment reduces that increase to 9.7 percent, or about \$34.63 per month.

“Wholesale natural gas prices have continued to fluctuate dramatically,” the commission said. “Intermountain Gas pursues a gas supply and risk management program designed to mitigate the adverse impact that significant price movements in the natural gas commodity can have on the company's supplies, customers and other operations. We commend Intermountain Gas for taking advantage of lower prices when the opportunity arises within its established risk management policy.”

The commission staff investigating the case compared the gas supply cost requested by Intermountain to the NYMEX Futures Index, Global Insights Forecast and the Energy Information Administration's outlook. Commission staff said that while the company's forecast is “somewhat optimistic,” the estimates are reasonable.

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