

## Idaho Natural Gas Utilities

Throughout 2009, there were significant **decreases** in all the utilities commodity costs. Intermountain Gas, Avista Utilities, and Questar Gas all decreased the Purchase Gas Cost Adjustment (PGA) portion of their rates by 26.5 percent, 33 percent and 32.7 percent, respectively. *(See more detailed information below.)*

The primary cause for the decrease in commodity costs was the downturn in the regional and national economy. Nationally, the Energy Information Administration (EIA) estimated that natural gas consumption fell by 1.5 percent in 2009 despite a significant increase in natural gas-fired electric power generation.

In addition to the impact of weather-adjusted drops in demand, other concurrent factors mentioned by Idaho gas utilities in explaining the drop in prices included: 1) the cooler summer reduced the need for natural gas fired electric generation; 2) the discovery of an abundance of North American shale reserves; 3) the spread of global recession led to higher than normal supplies of Liquid Natural Gas (LNG); 4) the volume of natural gas in storage exceeded historical averages and continued to increase through the injection season; and 5) the surge in drilling rigs brought on by last summer's high prices.

More recently spot natural gas prices at trading locations across the country have leveled out following last year's declines associated with concerns over economic conditions. According to the EIA, consumption is forecast to remain relatively unchanged in 2010 and is anticipated to increase by 0.4 percent in 2011. Locally, the Northwest Gas Associations' 2010 Gas Outlook predicts demand for natural gas across the region (Idaho, Oregon, Washington and British Columbia) growing by an average 1 percent through 2019. Climate change policies enacted by state and provincial legislatures across the region are expected to drive some of that growth. The EIA estimates that continued high storage levels combined with enhanced domestic production capabilities and slow consumption growth are expected to keep prices from rising.

# IPUC Annual Report 2009

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## Individual Utility Statistics

(As of the most recent FERC filing)

### Intermountain Gas Company

	Residential	Commercial	Industrial	Transportation	Total
<b>Customers</b>	270,790	28,983	9	107	299,889
<b>% of Total</b>	90.30%	9.66%	0.00%	0.04%	100.00%
<b>Therms (millions)</b>	217.17	83.19	29.63	229.07	559.06
<b>% of Total</b>	38.85%	14.88%	5.30%	40.97%	100.00%
<b>Revenue (millions)</b>	\$223.84	\$105.36	\$2.15	\$10.40	\$341.75
<b>% of Total</b>	65.50%	30.83%	0.63%	3.04%	100.00%

### Avista Utilities

	Residential	Commercial	Industrial	Transportation	Total
<b>Customers</b>	64,014	8,145	99	7	72,265
<b>% of Total</b>	88.58%	11.27%	0.14%	0.01%	100.00%
<b>Therms (millions)</b>	49.09	27.34	2.27	45.93	124.63
<b>% of Total</b>	39.39%	21.94%	1.82%	36.85%	100.00%
<b>Revenue (millions)</b>	\$59.55	\$30.20	\$2.30	\$0.46	\$92.51
<b>% of Total</b>	64.37%	32.65%	2.49%	0.49%	100.00%

### Questar Gas

	Residential	Commercial	Industrial	Transportation	Total
<b>Customers</b>	1,697	225	1	0	1,923
<b>% of Total</b>	88.25%	11.70%	0.05%	0.00%	100.00%
<b>Therms (millions)</b>	1.25	0.73	0.03	0.00	2.01
<b>% of Total</b>	62.34%	36.27%	1.39%	0.00%	100.00%
<b>Revenue (millions)</b>	\$1.10	\$0.56	\$0.02	\$0.00	\$1.67
<b>% of Total</b>	65.56%	33.54%	0.90%	0.00%	100.00%

## **Declining wholesale market rates results in Avista lowering gas rates**

**Case No. AVU-G-09-02, Order No. 30714**

**January 6, 2009**

Declining wholesale natural gas prices mean that Idaho natural gas customers of Avista Utilities will pay lower rates. Rates for an average residential customer will decline about 4.7 percent as a result of the Commission order.

Avista, which serves about 72,000 natural gas customers in north-central and north Idaho, has opted to begin returning a larger portion of a growing balance in an account funded by customers to pay for the company's wholesale gas purchases. Because wholesale prices are lower than anticipated, customers are paying more than market rates. Typically, the Purchased Gas Cost Adjustment (PGA) deferral account is adjusted only once a year on Oct. 1. At that time, customers get either a surcharge when market prices are higher than anticipated or a credit when market prices are lower than anticipated. This year, because of the continued decline in prices, Avista applied to the commission to refund about \$4 million of a \$5.6 million PGA deferred account to customers now rather than waiting until Oct. 1.

“In order to allow customers to receive the greatest benefit from a decrease in rates during the winter heating season, the commission finds it in the public interest to immediately implement Avista's rate decrease without further procedural delay,” the commission said.

Avista elected not to refund the entire \$5.6 million because it may increase the possibility of a rate increase when the company files its annual PGA this fall. PGA filings do not increase or decrease company earnings. The amount accrued in the PGA account is adjusted every year to reflect the varying price of natural gas. When wholesale prices are higher than anticipated, a surcharge is collected from customers and all that money must be used to pay Avista's natural gas and transportation expenses. When Avista over-collects, the amount is refunded to customers through a credit.

For an average Avista residential customer who uses 65 therms per month, the decrease will be about \$3.89 per month, or 4.7 percent, according to Avista's calculations.

## **Avista natural gas rates decline again**

**Case No. AVU-G-09-03, Interlocutory Order No. 30826**

**June 1, 2009**

For the second time in less than six months, the rates paid by natural gas customers of Avista Utilities are going down.

The Commission approved Avista's application to decrease rates to Idaho customers by about 6.7 percent due to the continued decline in the wholesale cost of natural gas. For an average residential customer who uses 65 therms per month, the decrease is about \$5.26 per month.

Customers received a 4.7 percent decrease on Jan. 6 and company officials say they expect another decrease to come in October after the company files its annual Purchase Gas Cost Adjustment (PGA).

Because the commission wanted customers to immediately realize the benefit of lower wholesale prices, it approved the reduction with an “Interlocutory Order,” which means the commission will still take time to more thoroughly review the application as well as take comments from the public or interested parties through June 19. If the commission does receive comments or protests, it has the discretion to set the matter for hearing. If there are no comments or protests, the Commission may consider the matter on its merits and issue the final order without a formal hearing.

## **Intermountain Gas customers will start paying less Oct. 1**

**Case No. INT-G-09-02, Order No. 30913**

**September 29, 2009**

The Commission approved a request by Intermountain Gas Company to reduce the variable portion of its gas rates by about 22.2 percent for residential customers and 21.6 percent for commercial customers.

Residential rates for customers who use natural gas for both space and water heating, will decline from \$1.05 to 80.9 cents per therm from April to November and from \$1.02 to 77.5 cents from December through March. For a customer who uses natural gas for both space and water heating, the average monthly reduction is about \$16.23 per month. For residential customers who use natural gas for space heating only, the reduction will be about \$11.27 a month. For commercial customers, the average monthly reduction is \$69.21.

This is the third reduction in four years of Intermountain's annual Purchased Gas Cost Adjustment, or PGA. Every year on Oct. 1, the PGA portion of Intermountain Gas rates are adjusted either up or down depending largely on the price of natural gas on the wholesale gas market. Increases or decreases in the PGA do not affect the company's earnings.

"A current imbalance exists between supply and demand for natural gas, which has driven down gas prices," the commission said. "In addition, Intermountain Gas utilizes dynamic hedging and effectively manages its natural gas storage."

In addition to customers benefitting from lower wholesale market prices, Intermountain stores significant amounts of natural gas procured during the summer season for use during the winter when market prices are normally higher. Also, in an effort to further stabilize prices paid by customers during the winter, Intermountain has entered into various hedging agreements to lock in the price for significant portions of its underground storage.

Currently, residential customers who use natural gas for both space and water heating pay \$1.05 per therm (\$1.02 during winter months). About 67.5 cents of that is based on the always variable weighted average cost of gas (WACOG). The rest of the rate is based on fixed costs such as capital investment and operations and maintenance. The fixed portion of the rate changes only after a rate case, while the variable WACOG is adjusted at least once annually through the PGA process. With the Oct. 1 decrease, the WACOG decreases from 67.5 cents per therm to 49.6 cents per therm.

Intermountain's total PGA includes a combination of both increases and decreases to the cost of its gas supply and transportation including: 1) an increase in costs billed to Intermountain due to higher prices charged by Northwest Pipeline, which was offset by a small decline in the amount of gas transported on the pipeline; 2) an increase in costs from Intermountain's Canadian pipeline suppliers, 3) a decrease in the company's projected storage contract costs and 4) a reduction in firm transportation and storage costs due to Intermountain's management of its storage and firm capacity rights on pipeline systems.

Intermountain Gas serves about 305,000 customers across southern Idaho.

## **Avista gas rates drop by 22 percent**

**Case No. AVU-G-09-05, Order No. 30937**

**November 3, 2009**

Residential and small-business customers of Avista Utilities started paying about 22 percent less in natural gas rates Nov. 1. Avista serves about 70,000 natural gas customers in northern Idaho.

“A reduction in demand for natural gas coupled with an abundance of natural gas supplies have driven down natural gas prices,” the Commission said in an order approving Avista’s third request this year to decrease its Purchased Gas Cost Adjustment (PGA) surcharge. “In addition, Avista follows a flexible, diversified natural gas purchasing plan and effectively manages its underground natural gas storage facility,” the commission said. “These actions allow Avista to provide stable and low prices to its customers.”

The reduction is larger than that requested by Avista. Avista wanted to refund customers the balance in its PGA deferral account over two years to mitigate a possible future increase in the adjustment next year. But the commission said customers should get all the benefit this year.

Residential customers who use the average 66 therms per month will get a monthly reduction of about \$16.44 or 21.93 percent. The company requested a reduction of about \$12.74 per month or 17.8 percent. Large commercial customers will get about a 25.9 percent decrease.

An adjustment to the PGA, to reflect the always changing prices of natural gas, is made at least once yearly. However, the commission directed Avista “to promptly file an application to amend” the PGA should gas prices continue to deviate significantly either up or down from current prices.

The PGA results in either a surcharge or a credit depending on the always fluctuating prices of wholesale gas and related transportation costs. While the decrease reduces Avista’s annual revenue by \$18.8 million, it does not impact company earnings; nor does an increase in the surcharge.

## **PUC approves gas hook-up fee for some new Sun Valley customers**

**Case No. INT-G-09-01, Order No. 30908**

**September 29, 2009**

State regulators are allowing Intermountain Gas Company to assess a new hook-up fee for new seasonal natural gas customers building large homes in the Sun Valley and Ketchum areas. The hook-up fee becomes effective Oct. 1.

The hook-up fee, approved by the Commission, will pay for a \$640,000 upgrade of the northern end of the Sun Valley Lateral, which is now operating at capacity. The upgrade increases the allowable operating pressure on that segment of the pipeline.

The seasonal occupancy of the homes being built in the area does not allow the company to generate enough year-round revenue to make the upgrade project cost-effective without a hookup fee. The fee will be assessed only to new customers in the impact area who benefit from the upgrade. If the actual costs of the project result in a lower hookup fee calculation than that initially charged to customers, Intermountain Gas will refund customers the difference.

The defined impact area includes those customers north of Gimlet Road, excluding the Gimlet Subdivision. Ninety-seven percent of the demand is contained within the last 15 miles (northern end) of the 68-mile lateral, according to the company.

## **Intermountain Gas wants ability to interrupt snow-melt customers**

**Case No. INT-G-09-03, Order No. 30957**

**December 11, 2009**

Intermountain Gas Company is asking the Commission for authority to temporarily interrupt service to customers who use natural gas-fired snow-melting equipment during times when use of natural gas supply is peaking.

Natural-gas fired snow-melting equipment, installed under driveways and on rooftops, uses an inordinate amount of natural gas compared to more conventional uses. During days when natural gas is at peak use, the snow-melt equipment has the potential to impact service to other customers, said Intermountain Gas in its application to the commission. The company claims that because snowmelt customers use large amounts of natural gas for only a few days or weeks during the winter, it creates an inefficient use of the company's distribution system and does not allow for cost recovery of the added capacity.

Intermountain Gas is proposing that new residential and small-commercial customers installing snow-melt equipment or existing customers remodeling to install the equipment receive the interruptible service. For customers who already have snow-melt equipment, Intermountain is negotiating voluntary agreements that allow for interruption after advance notice by the company.

Under the proposal, all new snow-melt applications would require individual meters installed at customer expense. These meters would be distinct from the meters provided for other natural gas service. At its discretion, Intermountain Gas would manually or remotely turn off all snow-melt meters in affected regions of its system when the ability of the system to make all natural gas deliveries is at stake. The company believes the interruptions will not be lengthy, but will depend on weather and snowfall conditions.

The case was still pending at the time this report was published.