

YOU ARE FURTHER NOTIFIED that the Company proposes to implement the following permanent change and temporary surcharge to its tariff rates for natural gas service and sales:

Permanent Adjustment:

▪ INT-G-01-3 Elimination of Temporary Surcharges/Credits	(\$40,994,177)
▪ Base Rate Change	(\$1,007,635)
▪ Fixed Cost Collection	(\$478,316)

Temporary Surcharges or Credits: Deferred Gas Costs (Intermountain Gas PGA Account 186)

▪ Market Segmentation	(\$2,369,508)
▪ Northwest Pipeline FERC settlements	(\$1,490,349)
▪ Fixed Gas Cost Misc.	\$116,073
▪ Variable Cost Collection Adjustment	(\$6,295,055)

YOU ARE FURTHER NOTIFIED that Intermountain Gas proposes to allocate deferred gas costs from its PGA Account No. 186 balance to its customers through a temporary price adjustment effective during the 12-month period beginning July 1, 2002 and ending June 30, 2003. Since July 2001, Intermountain Gas has a variable gas cost balance in the amount of \$10,038,839. The Company proposes to refund this amount via a per therm credit.

YOU ARE FURTHER NOTIFIED that Intermountain proposes leaving the weighted average cost of gas (WACOG) at \$0.35295 per therm, which is the same WACOG approved by the Commission last year in Case No. INT-G-01-3. Order No. 28783. The Company states that current market-based commodity prices support the continuance of the \$0.35295 per therm WACOG to Intermountain's customers. However, due to the Company's management and participation in hedging transactions, Intermountain states that under normal conditions customers will receive "savings" of \$0.033 per therm "over the next 12-month period as compared to the \$0.35295 per therm WAGOG." Application at 4-5. In other words, the Intermountain WACOG would over-collect the predicted amount that will be required to pay gas related costs incurred from July 2002 to July 2003 by \$0.033 per therm. This would result in an over-collection totaling \$8.2 million. When added to the requested \$52.5 million decrease, this over-collection would otherwise result in an average decrease of 28.7% (an additional 4.7%).

That said, the Application states that natural gas future prices predict an upward trend for future PGA periods even though Intermountain does not believe that market fundamentals will support the high future prices now predicted. *Id.* at 5. Therefore, Intermountain believes that “by allowing the WACOG to remain at the \$0.35295 per therm level, a future price increase can be avoided or mitigated during the July 2003 PGA period (one year from now) by offsetting future increases with the savings generated by Intermountain’s currently hedged supplies.” *Id.* If approved, this purposeful over-collection of the PGA account would represent a deviation from the current PGA methodology. If circumstances so warrant, Intermountain would file an “out of period” PGA if natural gas prices decline substantially to a level that facilitates price stability for the future with the pass through of any deferred gas cost credits that may exist at the time. *Id.*

YOU ARE FURTHER NOTIFIED that Intermountain’s requested decrease in annual revenue is \$52.5 million or approximately 24%. If approved, the Company estimates that residential customers (RS-1) using natural gas for space heating only could experience an average annual billing decrease of approximately \$128 (21.8%). Residential customers (RS-2) using natural gas for both space and water heating could experience an average annual decrease of \$188 (24.2%). Commercial customers (GS-1) could experience an average annual decrease of \$795 (25.6%). Intermountain Gas recommends the following annualized change in rates per customer class:

Customer Class	Revenue	Proposed Average Decrease \$ /Therm	Proposed Average Decrease % Change	Proposed Average Price \$/Therm
RS-1 Residential	(\$7,414,546)	(\$0.20818)	(21.8%)	\$0.74544
RS-2 Residential	(\$25,310,212)	(\$0.20524)	(24.2%)	\$0.64330
GS-1 General Service	(\$18,892,039)	(\$0.20419)	(25.6%)	\$0.59509
LV-1 Large Volume *	(\$631,513)	(\$0.20203)	(31.4%)	\$0.44213

* T-1 tariff price plus the Weighted Average Cost of Gas (WACOG) \$0.35295
WACOG = total commodity cost of gas ÷ total purchase therms

Transportation	Revenue	Proposed Average Increase (Decrease) \$ /Therm	Proposed Average Increase (Decrease) %Change	Proposed Average Price \$/Therm
T-1 Transportation	(\$221,884)	(\$0.00600)	(5.7%)	\$0.09975
T-2 Transportation	(\$49,044)	(\$0.00202)	(7.1%)	\$0.02656

With the exception of the industrial class, IGC proposes to allocate the change in rates to each of its customer classes in accordance with its Purchased Gas Cost Adjustment tariff and approved cost-of-service methodology. (Ref. Case Nos. INT-G-95-1, INT-G-88-2, U-1034-137). Because there are no fixed costs currently recovered in the tail block of Intermountain's T-1 tariff and because the proposed increase in the T-1 tariff is related to fixed costs (except for TF-1 commodity charge), a cents per therm decrease is made only to the first two blocks of the T-1 tariff. The proposed decrease in the T-2 tariff (except for TF-1 commodity charge) is related to fixed cost and, therefore, a cents per therm increase was made only to the T-2 demand charge. The commodity charge component of the T-2 tariff was adjusted to include Williams Gas Pipelines-West firm transportation TF-1 commodity charge.

YOU ARE FURTHER NOTIFIED that because of changes in Intermountain's gas-related costs, Intermountain states that its earnings will not be affected as a result of the proposed decrease in prices and revenues.

YOU ARE FURTHER NOTIFIED that the Company's Application to increase its rates is merely a proposal subject to public review and Commission approval.

YOU ARE FURTHER NOTIFIED that the Company requests that this matter be handled under Modified Procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. *Id.* at 9.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Intermountain Gas Company, a gas utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

NOTICE OF MODIFIED PROCEDURE

Intermountain Gas requests that its Application be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company has requested an effective date of July 1, 2002.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. INT-G-02-3. The Commission notes that the annual PGA tracker reflects only those changes in gas costs that are generally recognized as outside the Company's control. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case, and that the issues raised by the Company's filing may be processed under Modified Procedure. In so doing, the Commission notes that Modified Procedure and written comment has proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or comments are received within the deadline, the Commission may consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

NOTICE OF COMMENT DEADLINE

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to the Application and the use of Modified Procedure in Case No. INT-G-01-3 is **Wednesday, June 26, 2002**. Reference IDAPA 31.01.01.202.02. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning this Application must be mailed to the Idaho Public Utilities Commission and Intermountain Gas Company at the following addresses:

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
NOTICE OF COMMENT DEADLINE
ORDER NO. 29042

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:
472 W WASHINGTON ST
BOISE, ID 83702-5983

MICHAEL E. HUNTINGTON
VICE PRESIDENT
MARKETING & EXTERNAL AFFAIRS
INTERMOUNTAIN GAS COMPANY
PO BOX 7608
BOISE, ID 83707
Email: mhunting@intgas.com

MORGAN W. RICHARDS, JR., ESQ.
Moffatt, Thomas, Barrett, Rock & Fields, Chartered
PO BOX 829
BOISE, ID 83701
Email: mwr@moffatt.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us under the "File Room" icon. Once at the "File Room" page, select "File a Comment," fill in the case number as it appears on the front of this document, and enter your comments. These comments must also be sent to the Applicant at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that the Commission specifically requests comment on the whether Intermountain Gas should be allowed to over-collect \$8.2 million this year to mitigate a potential rate increase next year. Overall rates would decrease this year by an additional 4.7% without such over-collection, for a total overall decrease of 28.7%.

YOU ARE FURTHER NOTIFIED that the Application in Case No. INT-G-02-3 together with accompanying exhibits and workpapers can be reviewed at the Commission's office and at the principal office of Intermountain Gas Company during regular business hours. Intermountain Gas Company is located at 555 South Cole Road in Boise, Idaho (377-6000). In addition, the Application and testimonies (excluding exhibits) are available on the Commission's Website at www.puc.state.id.us under the "File Room" icon.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the foregoing scheduling be adopted.

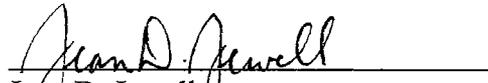
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 3rd day of June 2002.

See attached Dissent Opinion
PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
NOTICE OF COMMENT DEADLINE
ORDER NO. 29042

**DISSENT OPINION OF
COMMISSIONER PAUL KJELLANDER
CASE NO. INT-G-02-3
ORDER NO. 29042**

Although the comment period adopted by the Commission in this Notice is in excess of the 21 days required by Procedural Rule 202, I am concerned that it does not allow sufficient opportunity for all customers to comment on the Application after receiving individual notice. According to Intermountain Gas, the last individual customer notices will accompany bills issued on June 25, 2002. While it is true that the Company has provided other customer notice through various media, those customers who receive individual notice in their bills in the mail on June 25 or 26 and choose to reply will have less than 36 hours to comment before the June 26 comment deadline.

Even though only a small percentage of customers will be placed in this position, I also am concerned about the content of the notice provided by the individual customer notice and press release. While the Company has technically met the notice requirement of IDAPA 31.21.01.102 to “give the proposed overall percentage change from current rates,” the customer notice and press release do not explain that the Application proposes to over-collect \$8.2 million to promote rate stability next year. Without this over-collection, overall customer rates would decrease by 28.7%, not the 24% included in the customer notice. Although allowing a longer comment period will not change the content of the notice provided to customers, it will guarantee that every customer who wishes to comment will have adequate time to do so.

As a point of clarification, this dissent only addresses the procedural timeframe for public comments. It does not attempt to place any value on the relative merits of the Company’s proposal to over-collect from customers for the purpose of providing rate stabilization.



PAUL KJELLANDER, PRESIDENT