

EXECUTIVE OFFICES

**INTERMOUNTAIN GAS COMPANY**

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

RECEIVED  
FILED



2003 JUN 17 PM 4:18

IDAHO PUBLIC  
UTILITIES COMMISSION

June 17, 2003

Ms. Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, Id 83702-5983

Re: Comments of the Commission Staff  
Case No. INT-G-03-01

Dear Ms. Jewell:

In response to the Comments of the Commission Staff filed as part of the above referenced Case, Intermountain Gas Company submits the following remarks.

At the conclusion of the Staff's Comments, the Staff makes a list of several recommendations that would require some amount of action or follow through by the Company. In response to each of those types of recommendations, Intermountain submits the following:

**Staff Recommendation:**

The Company seek formal or informal proposals for long-term gas supplies as well as short-term supplies.

**Company Response:**

Intermountain will continue to seek both formal and informal proposals for gas supplies and will continue to document its efforts regarding the same.

By way of repetition to the Staff's Comments, today no long-term producer or supplier, in contrast to short-term producers or suppliers, who sells to Intermountain is willing to directly negotiate a fixed price. While price has always been, and will continue to be, an important component of any of our contracts with suppliers, the price discovery component of LDC/long-term supplier negotiations has now been supplanted by the collective outlook on future prices with the advent of natural gas being traded on the Nymex and the over the counter derivative markets. Not by coincidence, the Company has found, of recent, that many of our preferred portfolio of long-term producers simply will no longer respond to formal RFP's as they view the exercise as price discovery only and much prefer direct negotiation with the Company. While there are producers and marketers who do offer to fix prices, it is offered as a service and the producer or marketer will use the same method available to the buyer (i.e. a third party derivative product) to effectuate the fixed price. In addition to the price component of our supply contracts, Intermountain continues to ensure that our supplies are aligned with secure, reliable, and reputable credit worthy producers and suppliers who the Company is comfortable will always provide firm, uninterrupted gas supply for our core market needs. All of Intermountain's suppliers meet the above criteria. The ability of long-term suppliers to meet the benchmarks of credit worthiness and ability to deliver firm, uninterrupted supplies, have all been established by their performance in the market and, therefore, their ability to meet these benchmarks need not be reestablished through a formal RFP process.

**Staff Recommendation:**

The Company continue to increase its documentation regarding its purchase and other decisions.

**Company Response:**

Intermountain will continue with its documentation efforts.

**Staff Recommendation:**

Intermountain continue to file its quarterly WACOG reports for the current gas year and also begin filing WACOG projections for the subsequent gas year as well.

**Company Response:**

The Company can continue filing its quarterly WACOG reports for the current gas year and can also begin filing WACOG projections for the subsequent gas year as well.

**Staff Recommendation:**

The Commission direct the Company to formalize its risk management policy with special emphasis on managing reliability, price, service quality, credit risk, and customer rate volatility and file this formalized written policy within 90 days.

**Company Response:**

Intermountain Gas has a formal Gas Management Risk Management Policy. Intermountain's Gas Management Committee has, and will continue to, review and discuss various gas management strategies that incorporate all the components contained within the above recommendation by the Staff, with particular reference to the Staff's suggestion as to the value of price stability. However because it is a Policy and not a Procedure Manual it needs to provide flexibility enough, while still providing intent and general direction, so that the exercise of day-to-day judgement based upon changing circumstances is not superceded by some rigid procedure or practice. Within 90 days, the Company will make available to the Staff documentation regarding these strategy reviews and the outcome of these reviews as it pertains to any action taken by the Committee.

**Staff Recommendation:**

The Company allow customers to ask questions and seek service through facsimiles as well as over the phone and through the internet.

**Company Response:**

The Company has begun a study to determine the requisite steps to implement the use of a facsimile machine in responding to customer inquiries and anticipates providing such a service to our customers within the next several weeks.

**Staff Recommendation:**

Intermountain perform an additional Level Pay promotion in September to allow customers the opportunity to sign up before the winter heating season. Customers would be encouraged to sign-up for Level Pay in the fall and average their projected higher usage winter bills over a longer period.

**Company Response:**

Intermountain will perform a September Level Pay promotion.

June 17, 2003

Intermountain Gas Company appreciates the opportunity to reply to the Comments of the Commission Staff and requests that the above responses by the Company be considered in any final ruling given by this Commission.

If you have any questions regarding the above comments, please contact me at 377-6168.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael P. McGrath", with a long horizontal line extending to the right.

Michael P. McGrath  
Director  
Market Services and Regulatory Affairs

MPM/slk

I, Michael McGrath, have served upon Jeffrey C. Brooks a copy of Intermountain Gas Company's Reply Comments in Case No. INT-G-03-01.



Michael McGrath