

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** JOHN HAMMOND

**DATE:** MAY 9, 2003

**SUBJECT:** IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO INCREASE ITS RATES FOR SERVICE, CASE NO. INT-G-03-1.

On May 7, 2003, Intermountain Gas Company filed an Application with the Commission for authority to place into effect new rate schedules that will result in an overall increase of approximately \$61 million or 37.76% in revenues. The Company's Customer Notice and Press Release contend that should this proposed increase be approved the following increases in rate classes would occur: residential customers using natural gas for heating and water heating could experience an averaged monthly increase of \$18 or 38%; residential customers using natural gas for space heating only could experience an average monthly increase of \$12 or 33%; and, commercial customers could experience an average monthly increase of \$78 or 43%.

The Company has requested an effective date of July 1, 2003 for its proposed rate schedules. Intermountain Gas states that despite this request for an increase in revenues the Company's earnings will not be increased as a result of the proposed changes in prices.

### THE APPLICATION

Intermountain Gas seeks with its Application to pass through to each of its customer classes the change in gas related costs resulting from: (1) changes in Intermountain Gas' firm transportation and storage costs resulting from the Company's management of its storage and firm capacity rights on pipeline systems including the Williams Northwest Pipeline ("Williams" or "Northwest"); (2) an increase in Intermountain Gas' weighted average cost of gas

("WACOG"); (3) an updated customer allocation of gas related costs pursuant to the Company's purchased gas cost adjustment provision; and (4) the inclusion of temporary surcharges and credits for one year relating to gas and interstate transportation costs from the Company's deferred gas account. Application at 3-4. Intermountain Gas also seeks with its Application to eliminate the temporary surcharges and credits included in its current prices during the past 12 months. *See* Case No. INT-G-02-3. The aforementioned changes will result in an overall price increase to Intermountain Gas' RS-1, RS-2, GS-1 and LV-1 customers and a decrease to Intermountain Gas' T-1 and T-2 customers.

The Company states that natural gas is a commodity traded in the open market and, as with all other commodities, is subject to the same laws of supply and demand. The Company believes that the current forecast for market prices for natural gas dictate that the WACOG be established at the \$0.50305 level as compared to the \$0.32000 per therm currently included in the Company's tariffs. However, Intermountain Gas states that forward market prices for this commodity could be subject to fluctuations. Accordingly, the Company has represented that it will continue to remain vigilant in monitoring natural gas prices and is committed to file an application with the Commission prior to this winter's heating season should those forward prices materially deviate from this WACOG.

The Company contends that its Application has been brought to the attention of its customers through a customer notice and by a press release sent to daily and weekly newspapers, and major radio and television stations in the Company's service area. The Company has attached its press release and customer notice to its Application. In addition, copies of this Application, exhibits and workpapers have been provided to those parties regularly intervening Intermountain Gas' rate proceedings.

Intermountain Gas requests that this matter be handled under Modified Procedure pursuant to Rules 201 through 204 of the Commission's Rules of Procedure. The Company states that it stands ready for immediate consideration of this matter.

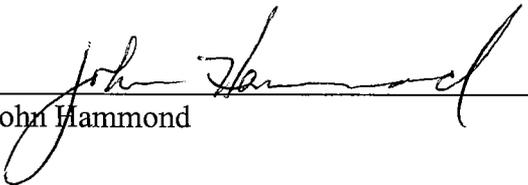
#### **STAFF RECOMMENDATION**

After reviewing the Company's filing the Commission Staff recommends that the Commission process this case using Modified Procedure (i.e., by written submission) under the Commission's Rules of Procedure. IDAPA 31.01.01.201-.204. In processing this case by Modified Procedure Staff recommends that the Commission schedule public workshops in which

the Staff will make a presentation on and answer questions about the Company's Application. The Commission may also wish to schedule public hearings at the conclusion of each public workshop to take testimony from interested persons. Finally, Staff recommends that the Commission establish comment deadlines subsequent to the public workshops and hearings.

**COMMISSION DECISION**

Does the Commission wish to process this case under Modified Procedure using the recommendations made above?

  
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John Hammond

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