



IDAHO PUBLIC UTILITIES COMMISSION

Case No. INT-G-02-3, Order No. 29277

For Immediate Release / June 30, 2003

Contact: Gene Fadness (208) 334-0339

**Intermountain Gas rates to increase 33 percent**

BOISE – Gas rates for customers of Intermountain Gas will increase an average 33 percent effective Tuesday, according to an order issued today by the Idaho Public Utilities Commission.

The company had requested an average 38 percent increase in response to rapidly escalating costs of wholesale natural gas. Intermountain, which does not drill its own wells, is dependent on wholesale gas to supply its 200,000 customers across southern Idaho.

Customers have been paying \$3.20 per million BTUs since a 28 percent decrease was granted one year ago. Since then, wholesale gas costs have increased to \$5 or higher. “Based on the record we find that gas prices have dramatically increased and the gas rates previously authorized ... are not adequate to compensate Intermountain Gas for the prices it pays its gas suppliers,” the commission said.

The increase effective today will raise nearly \$53.7 million, all of which must go to pay for gas to serve Intermountain’s customers and not to increase company earnings. Commission staff, conducting a comprehensive audit of the company, verified that Intermountain’s profits would not increase if its application were granted.

The commission encouraged the company to not only continue but improve its current programs of mass media and website activities to promote the efficient use of natural gas, especially following this large rate increase. “Conservation and demand-side management programs are powerful tools Idahoans can use to mitigate the impact of this rate increase as well as ones that may occur in the future,” the commission said.

“We expect Intermountain Gas to operate efficiently most especially during times like these where drastic increases in wholesale gas costs are a real possibility,” the commission said. “Thus, Intermountain must look at all possible avenues to reduce costs to minimize the rate shock to customers as much as possible.”

For residential customers who use natural gas for both space and water heating, the increase is 33.3 percent, or an average monthly increase of \$15.20. The company requested 37.9 percent. For residential customers who use natural gas for space heating only the increase is 29.5 percent, or an average monthly increase of \$10.71. The company requested 33.4 percent. Commercial customers will experience an increase of 37.5 percent. The company requested 42.5 percent.

The wholesale price for gas makes up for more than half of a customer's gas bill. The company is currently receiving 32 cents per therm for wholesale gas and asked the commission for an increase to 50.3 cents. The commission granted 47.5 cents.

The residential customer who uses gas for space heating and water will pay about 81.3 cents per therm beginning Tuesday, about a 20-cent hike. The average customer in this category, Intermountain's largest customer class, uses about 76 therms a month. Customers who use natural gas for heating only will pay 92.2 cents per therm, an increase of about 21 cents.

The commission did note the company believes that the wellhead price for natural gas could ultimately decline as a result of recent increases in drilling and production. The commission instructed the company to come before the commission again this year before the winter heating season if forward prices materially deviate up or down from the 47.5 cents per therm granted today.

The commission held hearings in Boise, Twin Falls and Idaho Falls regarding Intermountain's request and received nearly 200 written comments from customers. "Based on the public comments, it is clear that a significant rate increase will be a hardship to many Intermountain Gas customers, particularly to those on fixed and/or low incomes," the commission said. However, the commission must also consider even greater potential increases to customers if the company is not allowed to recover gas costs now and accumulates deferral balances with interest that would have to be paid off eventually.

The commission did question why the company did not lock in some prices to hedge against market volatility. The commission said it will "investigate and determine what actually constitutes Intermountain's risk management policy" and directed the company to file a written policy within 90 days. "In addition to this requirement, the commission also strongly encourages the company to continue to increase its documentation regarding its purchases and other decisions," the commission said.

A commission staff audit found that the company did take several positive actions to reduce the price of gas for customers. For example, it sold a large portion of gas it purchased from the trading hub at Sumas, Wash., and then purchased a similar quantity of Wyoming gas at a lower price. During 2002, the company also executed financial transactions to fix the price for a portion of gas purchased for customers to protect them from upward swings. The company continues to actively search for opportunities to market its extra pipeline capacity.

The commission also directed the company to perform an additional "level pay" promotion in September to allow customers to sign up before the winter heating season. Level pay allows customers to have their projected higher-use winter bills spread over a longer period of time and equalizes the amount customers pay each month.

Copies of the commission's final order as well as documents filed in this case can be accessed on the Commission's Web site at [www.puc.state.id.us](http://www.puc.state.id.us). Click on "File Room," and then on "Recent Orders and Notices," and scroll down to Order No. 29277, Case No. INT-G-03-1.

Interested parties may petition the commission for reconsideration by no later than July 21.

END

A **BTU** (British Thermal Unit) is the heat needed to increase the temperature of a pound of water by one degree Fahrenheit. A **MMBTU** (million BTUs) is equal to 10 therms.

A **THERM** is a unit of heat equal to 100,000 British thermal units (BTUs).

In some parts of the country, gas prices were up to \$9.40 per million BTUs in late February 2003, 273 percent higher than a year ago.

Customers of Questar, Utah's primary provider of natural gas, last week received an average 25 percent increase. NorthWest Energy, Montana's primary supplier, is seeking a 45 percent increase.