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INTERMOUNTAIN GAS COMPANY AND PUBLIC
UTILITIES COMMISSION

CASE NO. INT-G-04-02

**APPLICATION,
EXHIBITS,
AND
WORKPAPERS**

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY
for Authority to Increase Its Prices on July 1, 2004**

(July 1, 2004 Purchased Gas Cost Adjustment Filing)

Morgan W. Richards, Jr.
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PO Box 829, Boise, Idaho 83701
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MTBR&F 11-500.324

Attorneys for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authority to Increase Its Prices

Case No. INT-G-04-02
APPLICATION

Intermountain Gas Company ("Intermountain"), an Idaho corporation with general offices located at 555 South Cole Road, Boise, Idaho, hereby requests authority, pursuant to Idaho Code Sections 61-307 and 61-622, to place in effect July 1, 2004 new rate schedules which will increase its annualized revenues by \$22.1 million, pursuant to the Rules of Procedure of the Idaho Public Utilities Commission ("Commission"). Because of changes in Intermountain's gas related costs, as described more fully in this Application, Intermountain's earnings will not be increased as a result of the proposed changes in prices and revenues. Intermountain's current rate schedules showing proposed changes are attached hereto as Exhibit No. 1 and are incorporated herein by reference. Intermountain's proposed rate schedules are attached hereto as Exhibit No. 2 and are incorporated herein by reference.

Communications in reference to this Application should be addressed to:

Michael E. Huntington
Vice President – Marketing & External Affairs
Intermountain Gas Company, Post Office Box 7608, Boise, ID 83707
and
Morgan W. Richards, Jr.
Moffatt, Thomas, Barrett, Rock & Fields, Chartered
Post Office Box 829, Boise, ID 83701

In support of this Application, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County - Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelly;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Conda, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glenns Ferry, Hammett, and Mountain Home;
Fremont County - Parker, and St. Anthony;
Gem County - Emmett;
Gooding County - Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg, and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;
Owyhee County - Bruneau, Homedale;
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a compressor station, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Intermountain seeks with this Application to pass through to each of its customer classes a change in gas related costs resulting from: 1) changes in Intermountain's firm transportation and storage costs resulting from Intermountain'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's 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 Intermountain's deferred gas cost account. Exhibit No. 3 contains pertinent excerpts from pipeline and related facilities tariffs. Intermountain also seeks with this Application to eliminate the temporary surcharges and credits included in its current prices during the past 12 months, pursuant to Case No. INT-G-03-01. The aforementioned changes would result in an overall price increase to Intermountain's RS-1, RS-2, GS-1, LV-1, T-1 and T-2 customers.

These price changes are applicable to service rendered under rate schedules affected by and subject to Intermountain's Purchased Gas Cost Adjustment ("PGA"), initially approved by this Commission in Order No. 26109, Case No. INT-G-95-1, and additionally approved through subsequent proceedings.

Exhibit No. 4 summarizes the price changes in: 1) Intermountain's base rate gas costs and its rate class allocation, and 2) adjusting temporary surcharges or credits flowing through to Intermountain's direct sales and transportation customers. Exhibit No.'s 3 and 4 are attached hereto and incorporated herein by reference.

III.

The current prices of Intermountain are those approved by this Commission in Order No. 29277, Case No. INT-G-03-01.

IV.

Intermountain's proposed prices incorporate all price changes impacting Intermountain's Interstate Capacity including, but not limited to, prices charged by Northwest which have transpired since Intermountain's last PGA filing in Case No. INT-G-03-01. Exhibit No. 4, Lines 1 through 19, details the proposed changes in Intermountain's prices resulting from Intermountain's natural gas interstate and upstream transportation and storage costs.

Intermountain's review of the adequacy of its interstate transportation and storage services is performed on an annual basis under design weather and certain load growth assumptions. A summary of the methodology incorporated within this annual review was included in the Company's Integrated Resource Plan, which is currently on file with this

Commission. Intermountain's interstate pipeline capacity was forecast to be in a deficit position thereby jeopardizing the Company's ability to deliver an uninterrupted supply of natural gas to its firm sales customers during the coming winter heating seasons. Intermountain continues to take the necessary steps to manage its interstate and upstream pipeline capacity and storage in order to insure an uninterrupted flow of natural gas to its firm sales customers and has procured an incremental amount of economically priced interstate and upstream transportation to ensure such. Exhibit No. 4, Rows 3-5, include the costs for this incremental interstate and upstream transportation.

V.

The WACOG reflected in Intermountain's proposed prices is \$0.55492 per therm, as shown on Exhibit No. 4, Lines 25 through 28, Column (f). This compares to \$0.47500 per therm currently included in the Company's tariffs. 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 supply of natural gas seeks equilibrium with demand without ever actually achieving it. Natural gas prices become volatile, within a range of volatility, as available supplies seek symmetry with demand or visa versa. As was again played out in the marketplace over the last several months, high natural gas prices indicative of weakening supplies have spurred on additional exploration and production and, as natural gas supplies become more plentiful, market prices should decline. Exhibit No. 5 demonstrates the relationship between natural gas prices and drilling activity in North America. Exhibit No. 5 is attached hereto and incorporated herein by reference.

Intermountain believes that current futures prices, subject to the laws of supply and demand, are poised for further softening. However, liquidity in the market is sustained by contrary opinions and natural gas prices could indeed realize the levels included in this Application, which are the forward prices currently available through the use of financial derivatives as of April 30, 2004. Although current commodity futures prices dictate the use of this \$0.55492 per therm WACOG, Intermountain continues to remain vigilant in monitoring natural gas prices and is committed to come before this Commission prior to this winters heating season with an Application to further amend these proposed prices, should these forward prices materially deviate from the \$0.55492 per therm. Timely natural gas price signals and the accounting for any cost differences brought about by these volatile markets, facilitated through the use of the PGA mechanism, enhances our customers

ability to make timely and informed energy use decisions and ensures they only pay the actual cost of such supplies. It is important to continue to alert our customers in a timely manner to these impending increases before their higher natural gas usage is before them.

VI.

Pursuant to Case No. INT-G-03-01, Intermountain has included temporary surcharges and credits in its July 1, 2003 prices for the principal reason of collecting or passing back to its customers deferred gas cost charges and benefits, as outlined in Case No. INT-G-03-01. Line 33 of Exhibit No. 4 reflects the elimination of these temporary surcharges and credits.

VII.

Intermountain's PGA tariff includes provisions whereby Intermountain's proposed prices will be adjusted for updated customer class sales volumes and purchased gas cost allocations, pursuant to the Company's approved cost of service methodology. Intermountain's proposed prices include a fixed cost collection adjustment pursuant to these PGA provisions, as outlined on Exhibit No. 6, Line 24. The price impact of this adjustment is included on Exhibit No. 4, Line No. 34. Exhibit No. 6 is attached hereto and incorporated herein by reference.

VIII.

Intermountain is party to certain agreements whereby Intermountain has released segmented portions of its firm capacity rights when not needed to meet its customer needs. Intermountain proposes to pass back to its customers the benefits generated from the capacity release agreements, totaling \$2.4 million. Exhibit No. 7, Line 1, reflects the inclusion of the \$2.4 million credit. Intermountain proposes to pass back this amount via the per therm credit as detailed on Exhibit No. 8. Exhibit No.'s 7 and 8 are attached hereto and incorporated herein by reference.

IX.

Intermountain proposes to allocate deferred gas costs from its Account No. 186 balance to its customers through temporary price adjustments to be effective during the 12-month period ending June 30, 2005, as follows:

- 1) Intermountain has been deferring in its Account No. 186 fixed gas costs. The debit amount shown on Exhibit No. 9, Line 9, Col. (b) of \$2.7 million is predominantly attributable to the collection of interstate pipeline capacity costs and the true-up of expense issues previously ruled on by this Commission. Intermountain proposes to collect or pass back these balances via the

per therm surcharges and credits, as detailed on Exhibit No. 9 and included on Exhibit No. 7, Line 2. Exhibit No. 9 is attached hereto and incorporated herein by reference.

2) Intermountain has been deferring in its Account No. 186 deferred gas cost credits of \$1.1 million, as shown on Exhibit No. 10, Line 2, Col. (b), attributable to Intermountain's management of variable gas costs since July 1, 2003. Intermountain proposes to pass back this credit balance via a per therm credit, as shown on Exhibit No. 10, Line 4, Col. (b) and included on Exhibit No. 7, Line 3. Exhibit No. 10 is attached hereto and incorporated herein by reference.

X.

Intermountain has allocated the proposed price changes to each of its customer classes based upon Intermountain's PGA provision. A straight cents per therm price decrease was not utilized for the T-1 tariff. No fixed costs are currently recovered in the tail block of Intermountain's T-1 tariff. Absent Williams' firm transportation TF-1 Commodity Charge, the proposed decrease in the T-1 tariff is fixed cost related, and therefore, a cents per therm decrease was made only to the first two blocks of the tariff for these fixed costs.

XI.

The proposed decrease in the T-2 tariff is fixed cost related, and therefore, a cents per therm decrease was made only to the T-2 demand charge for these fixed costs.

XII.

Exhibit No. 11 is an analysis of the overall price changes by class of customer. Exhibit No. 11 is attached hereto and incorporated herein by reference.

XIII.

The proposed overall price change herein requested among the classes of service of Intermountain will not affect Intermountain's earnings, and is just, fair, and equitable.

XIV.

This Application is filed pursuant to the applicable statutes and the Rules and Regulations of the Commission. This Application has been brought to the attention of Intermountain's customers through a Customer Notice and by a Press Release sent to daily and weekly newspapers, and major radio and television stations in Intermountain's service area. The Press Release and Customer Notice are attached hereto and incorporated herein by reference. Copies of this Application, its Exhibits, and Workpapers have been provided to those parties regularly intervening

in Intermountain's rate proceedings.

XV.

Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

WHEREFORE, Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

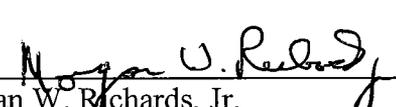
- a. That the proposed rate schedules herewith submitted as Exhibit No. 2 be approved without suspension and made effective as of July 1, 2004 in the manner shown on Exhibit No. 2.
- b. That this Application be heard and acted upon without hearing under modified procedure, and
- c. For such other relief as this Commission may determine proper herein.

DATED at Boise, Idaho, this 5th day of May, 2004.

INTERMOUNTAIN GAS COMPANY

MOFFATT, THOMAS, BARRETT, ROCK
& FIELDS, CHARTERED

By 
Michael E. Huntington
Vice President
Marketing & External Affairs

By 
Morgan W. Richards, Jr.
Of the Firm
Attorneys for Intermountain Gas Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 5th day of May, 2004, I served a copy of the foregoing Case No. INT-G-04- upon:

Lisa Nordstrom
Deputy Attorney General
Idaho Public Utilities Commission
472 W. Washington St., PO Box 83720
Boise, ID 83720-0074

Edward A. Finklea
Paula E. Pyron
Energy Advocates LLP
526 NW 18th Avenue
Portland, OR 97209

R. Scott Pasley
J. R. Simplot Company
PO Box 27
Boise, ID 83707

David Hawk
J. R. Simplot Company
PO Box 27
Boise, ID 83707

Conley E. Ward, Jr.
Givens, Pursley, Webb & Huntley
277 N. 6th St., Suite 200
PO Box 2720
Boise, ID 83701

Paula Pyron
Northwest Industrial Gas Users
4113 Wolf Berry Court
Lake Oswego, OR 97035

Wendell M. Phillips
615 South Phillippi Street
Boise, ID 83705

by depositing true copies thereof in the United States Mail, postage prepaid, in envelopes addressed to said persons at the above addresses.


Michael P. McGrath
Director
Market Services and Regulatory Affairs

EXHIBIT NO. 1

CASE NO. INT-G-04-

INTERMOUNTAIN GAS COMPANY

CURRENT TARIFFS

Showing Proposed Price Changes

(8 pages)

**COMPARISON OF PROPOSED JULY 1, 2004 PRICES
TO JULY 1, 2003 PRICES**

<u>Line No.</u>	<u>Rate Class</u>	<u>July 1, 2003 Prices per INT-G-03-1</u>	<u>Proposed Adjustment</u>	<u>Proposed July 1, 2004 Prices</u>
	(a)	(b)	(c)	(d)
1	RS-1			
2	April - November	\$ 0.91883	\$ 0.08046	\$ 0.99929
3	December - March	0.80627	0.08046	0.88673
4	RS-2			
5	April - November	0.78022	0.08083	0.86105
6	December - March	0.74659	0.08083	0.82742
7	GS-1			
8	April - November			
9	Block 1	0.81164	0.08128	0.89292
10	Block 2	0.78991	0.08128	0.87119
11	Block 3	0.76889	0.08128	0.85017
12	December - March			
13	Block 1	0.76079	0.08128	0.84207
14	Block 2	0.73959	0.08128	0.82087
15	Block 3	0.71913	0.08128	0.80041
16	CNG Fuel	0.71913	0.08128	0.80041
17	LV-1 ⁽¹⁾			
18	Block 1	0.60189	0.07422 ⁽²⁾	0.67611
19	Block 2	0.56340	0.07422 ⁽³⁾	0.63762
20	Block 3	0.49862	0.05882 ⁽⁴⁾	0.55744
21	T-1			
22	Block 1	0.11398	0.01540 ⁽²⁾	0.12938
23	Block 2	0.07549	0.01540 ⁽³⁾	0.09089
24	Block 3	0.01071	0.00000 ⁽⁴⁾	0.01071
25	T-2			
26	Demand Block 1	1.53018	0.16628	1.69646
27	Demand Block 2	0.72860	0.16628	0.89488
28	Commodity Charge	0.00656	0.00000	0.00656
29	Over-Run Service	0.04915	0.00000	0.04915

⁽¹⁾ The LV-1 Adjustment is calculated by taking Line 22 - 24, Col (c), plus the change in the WACOG, plus removal of the temporary variable surcharge from INT-G-03-1 of \$0.01701, plus the temporary variable debit on Exhibit 10, Line 4, Col (b)

⁽²⁾ See Workpaper No. 7, Line 13, Col (e)

⁽³⁾ See Workpaper No. 7, Line 20, Col (e)

⁽⁴⁾ See Workpaper No. 7, Line 21, Col (e)

Name
of Utility **Intermountain Gas Company**

IDAHO PUBLIC UTILITIES COMMISSION
APPROVED EFFECTIVE

~~JUN 30 03~~ ~~JUL 1 03~~
~~PERIOD 09277~~
Jan. R. Ford SECRETARY

Rate Schedule RS-1 RESIDENTIAL SERVICE

AVAILABILITY:

Available to individually metered consumers not otherwise specifically provided for, using natural gas for residential purposes.

RATE:

Monthly minimum charge is the customer charge.

For billing periods ending April through November

Customer Charge - \$2.50 per bill
\$0.99929

Commodity Charge - \$0.91883 per therm*

For billing periods ending December through March

Customer Charge - \$6.50 per bill
\$0.88673

Commodity Charge - \$0.80627 per therm*

*Includes:

Temporary purchased gas cost adjustment of \$0.04590 \$(0.00099)
Weighted average cost of gas of \$0.47500 \$0.55492

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company**
By: Michael E. Huntington Title: Vice President – Marketing and External Affairs
Effective: July 1, 2003 2004

I.P.U.C. Gas Tariff
Second Revised Volume No. 1
(Supersedes First Revised Volume No. 1)
Thirty-Fourth Fifth Revised Sheet No. 02 (Page 1 of 1)

Name
of Utility **Intermountain Gas Company**

Exhibit No. 1
Case No. INT-G-04-
Intermountain Gas Company
Page 3 of 8

~~IDAHO PUBLIC UTILITIES COMMISSION~~
~~APPROVED~~ ~~EFFECTIVE~~

~~JUN 30 03~~ ~~JUL 1 03~~
~~Per. O. O. 29271~~
~~Janell J. Smith~~ SECRETARY

Rate Schedule RS-2 MULTIPLE USE RESIDENTIAL SERVICE

AVAILABILITY:

Available to individually metered consumers using gas for several residential purposes including both water heating and space heating.

RATE:

Monthly minimum charge is the customer charge.

For billing periods ending April through November

Customer Charge - \$2.50 per bill
\$0.86105
Commodity Charge - \$0.78022 per therm*

For billing periods ending December through March

Customer Charge - \$6.50 per bill
\$0.82742
Commodity Charge \$0.74659 per therm*

*Includes:

Temporary purchased gas cost adjustment of \$0.01217 - \$(0.00417)
Weighted average cost of gas of \$0.47500 \$0.55492

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company**
By: Michael E. Huntington Title: Vice President – Marketing and External Affairs
Effective: July 1, 2003 2004

Name of Utility **Intermountain Gas Company**

~~IDAHO PUBLIC UTILITIES COMMISSION~~
~~APPROVED~~ ~~EFFECTIVE~~

~~JUN 30 03~~ ~~JUL 1 03~~
~~Per O.U. 29277~~
~~Jan A. Farrell~~ SECRETARY

Rate Schedule GS-1 GENERAL SERVICE

AVAILABILITY:

Available to individually metered customers whose requirements for natural gas do not exceed 2,000 therms per day, at any point on Company's distribution system. Requirements in excess of 2,000 therms per day may be served under this rate schedule upon execution of a one-year written service contract.

RATE:

Monthly minimum charge is the customer charge.

For billing periods ending April through November

Customer Charge - \$2.00 per bill

Commodity Charge - First 200 therms per bill @ \$0.84464* \$0.89292*
Next 1,800 therms per bill @ \$0.78991* \$0.87119*
Over 2,000 therms per bill @ \$0.76889* \$0.85017*

For billing periods ending December through March

Customer Charge - \$9.50 per bill

Commodity Charge - First 200 therms per bill @ \$0.76079* \$0.84207*
Next 1,800 therms per bill @ \$0.73959* \$0.82087*
Over 2,000 therms per bill @ \$0.71943* \$0.80041*

*Includes:

Temporary purchased gas cost adjustment of \$0.01700 \$(0.00179)
Weighted average cost of gas of \$0.47500 \$0.55492

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington
Effective: July 1, 2003 2004

Title: Vice President – Marketing and External Affairs

Name
of Utility **Intermountain Gas Company**

~~IDAHO PUBLIC UTILITIES COMMISSION~~
~~APPROVED~~ ~~EFFECTIVE~~

~~JUN 30 03~~ ~~JUL 1 03~~

~~Per o 29277~~

~~SECRETARY~~

Rate Schedule GS-1 GENERAL SERVICE (Continued)

For separately metered deliveries of gas utilized solely as Compressed Natural Gas Fuel in vehicular internal combustion engines.

Customer Charge - \$9.50 per bill
\$0.80041
Commodity Charge - \$0.74943 per therm*

***Includes:**

Temporary purchased gas cost adjustment of ~~\$0.01700~~ \$(0.00179)
Weighted average cost of gas of ~~\$0.47500~~ \$0.55492

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

1. Any GS-1 customer who leaves the GS-1 service will pay to Intermountain Gas Company, upon exiting the GS-1 service, all gas and transportation related costs incurred to serve the customer during the GS-1 service period not borne by the customer during the time the customer was using GS-1 service. Any GS-1 customer who leaves the GS-1 service will have refunded to them, upon exiting the GS-1 service, any excess gas commodity or transportation payments made by the customer during the time they were a GS-1 customer.
2. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington
Effective: July 1, 2003 2004

Title: Vice President – Marketing and External Affairs

Name
of Utility **Intermountain Gas Company**

~~IDAHO PUBLIC UTILITIES COMMISSION~~
~~APPROVED~~ ~~EFFECTIVE~~

~~JUN 30 03~~ ~~JUL 1 03~~
~~Per. 0.0. 29271~~
~~Juan R. J. J. SECRETARY~~

Rate Schedule LV-1 LARGE VOLUME FIRM SALES SERVICE

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any existing customer receiving service under the Company's rate schedules LV-1, T-1, or T-2, or any new customer whose usage does not exceed 500,000 therms annually, upon execution of a one-year minimum written service contract for firm sales service in excess of 200,000 therms per year.

MONTHLY RATE:

Commodity Charge:

First 250,000 therms per bill @ \$0.60489* \$0.67611*
Next 500,000 therms per bill @ \$0.56340* \$0.63762*
Amount Over 750,000 therms per bill @ \$0.49862** \$0.55744**

The above prices include weighted average cost of gas of \$0.47500 \$0.55492

* Includes temporary purchased gas cost adjustment of \$0.01475 \$(0.00372)

** Includes temporary purchased gas cost adjustment of \$0.01704 \$(0.00409)

PURCHASED GAS COST ADJUSTMENT (PGA):

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

1. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
2. Any LV-1 customer who exits the LV-1 service at any time (including, but not limited to, the expiration of the contract term) will pay to Intermountain Gas Company, upon exiting the LV-1 service, all gas and/or interstate transportation related costs to serve the customer during the LV-1 contract period not borne by the customer during the LV-1 contract period. Any LV-1 customer will have refunded to them, upon exiting the LV-1 service, any excess gas and/or interstate transportation related payments made by the customer during the LV-1 contract period.
3. In the event that total deliveries to any customer within the last three contract periods met or exceeded the 200,000 therm threshold, but the customer during the current contract period used less than the contract minimum of 200,000 therms, an additional amount shall be billed. The additional amount shall be calculated by billing the deficit usage below 200,000 therms at the T-1 Block 1 rate. The customer's future eligibility for the LV-1 Rate Schedule will be renegotiated with the Company.

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington
Effective: July 1, 2003 2004

Title: Vice President – Marketing and External Affairs

IDAHO PUBLIC UTILITIES COMMISSION
~~APPROVED~~ EFFECTIVE
~~JUN 30 03~~ JUL 1 03
~~Per OMS 29277~~
[Signature] SECRETARY

**Rate Schedule T-1
FIRM TRANSPORTATION SERVICE**

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any existing customer receiving service under the Company's rate schedules LV-1, T-1, or T-2, upon execution of a one year minimum written service contract for firm transportation service in excess of 200,000 therms per year.

MONTHLY RATE:

Commodity Charge:

Block One:	First 250,000 therms transported @ \$0.11398* \$0.12938*
Block Two:	Next 500,000 therms transported @ \$0.07549* \$0.09089*
Block Three:	Amount over 750,000 therms transported @ \$0.01071

*Includes temporary purchased gas cost adjustment of ~~\$(0.00226)~~ \$0.00037

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

1. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
2. The customer shall negotiate a Maximum Daily Firm Quantity (MDFQ) amount, which will be stated in and will be in effect throughout the term of the service contract. The MDFQ shall not exceed the customer's historical maximum daily usage, as agreed to by the Company.

In the event the Customer requires daily usage in excess of the MDFQ, and subject to the availability of firm interstate transportation to service Intermountain's system, all such usage may be transported and billed under either secondary rate schedule T-3 or T-4. The secondary rate schedule to be used shall be predetermined by negotiation between the Customer and Company, and shall be included in the service contract. All volumes transported under the secondary rate schedule are subject to the provisions of the applicable rate schedule T-3 or T-4.

EXHIBIT NO. 2

CASE NO. INT-G-04-

INTERMOUNTAIN GAS COMPANY

PROPOSED TARIFFS

(7 pages)

Name
of Utility

Intermountain Gas Company

**Rate Schedule RS-1
RESIDENTIAL SERVICE**

AVAILABILITY:

Available to individually metered consumers not otherwise specifically provided for, using natural gas for residential purposes.

RATE:

Monthly minimum charge is the customer charge.

For billing periods ending April through November

Customer Charge - \$2.50 per bill

Commodity Charge - \$0.99929 per therm*

For billing periods ending December through March

Customer Charge - \$6.50 per bill

Commodity Charge - \$0.88673 per therm*

***Includes:**

Temporary purchased gas cost adjustment of \$(0.00099)
Weighted average cost of gas of \$0.55492

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington

Title: Vice President – Marketing and External Affairs

Effective: July 1, 2004

Name
of Utility **Intermountain Gas Company**

**Rate Schedule RS-2
MULTIPLE USE RESIDENTIAL SERVICE**

AVAILABILITY:

Available to individually metered consumers using gas for several residential purposes including both water heating and space heating.

RATE:

Monthly minimum charge is the customer charge.

For billing periods ending April through November

Customer Charge - \$2.50 per bill

Commodity Charge - \$0.86105 per therm*

For billing periods ending December through March

Customer Charge - \$6.50 per bill

Commodity Charge \$0.82742 per therm*

***Includes:**

Temporary purchased gas cost adjustment of \$(0.00417)
Weighted average cost of gas of \$0.55492

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company**
By: Michael E. Huntington Title: Vice President – Marketing and External Affairs
Effective: July 1, 2004

Name
of Utility

Intermountain Gas Company

**Rate Schedule GS-1
GENERAL SERVICE**

AVAILABILITY:

Available to individually metered customers whose requirements for natural gas do not exceed 2,000 therms per day, at any point on Company's distribution system. Requirements in excess of 2,000 therms per day may be served under this rate schedule upon execution of a one-year written service contract.

RATE:

Monthly minimum charge is the customer charge.

For billing periods ending April through November

Customer Charge - \$2.00 per bill

Commodity Charge - First 200 therms per bill @ \$0.89292*
Next 1,800 therms per bill @ \$0.87119*
Over 2,000 therms per bill @ \$0.85017*

For billing periods ending December through March

Customer Charge - \$9.50 per bill

Commodity Charge - First 200 therms per bill @ \$0.84207*
Next 1,800 therms per bill @ \$0.82087*
Over 2,000 therms per bill @ \$0.80041*

***Includes:**

Temporary purchased gas cost adjustment of \$(0.00179)
Weighted average cost of gas of \$0.55492

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington
Effective: July 1, 2004

Title: Vice President – Marketing and External Affairs

Name
of Utility

Intermountain Gas Company

**Rate Schedule GS-1
GENERAL SERVICE (Continued)**

For separately metered deliveries of gas utilized solely as Compressed Natural Gas Fuel in vehicular internal combustion engines.

Customer Charge - \$9.50 per bill

Commodity Charge - \$0.80041 per therm*

***Includes:**

Temporary purchased gas cost adjustment of \$(0.00179)
Weighted average cost of gas of \$0.55492

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

1. Any GS-1 customer who leaves the GS-1 service will pay to Intermountain Gas Company, upon exiting the GS-1 service, all gas and transportation related costs incurred to serve the customer during the GS-1 service period not borne by the customer during the time the customer was using GS-1 service. Any GS-1 customer who leaves the GS-1 service will have refunded to them, upon exiting the GS-1 service, any excess gas commodity or transportation payments made by the customer during the time they were a GS-1 customer.
2. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington

Title: Vice President – Marketing and External Affairs

Effective: July 1, 2004

Name of Utility **Intermountain Gas Company**

Rate Schedule LV-1 LARGE VOLUME FIRM SALES SERVICE

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any existing customer receiving service under the Company's rate schedules LV-1, T-1, or T-2, or any new customer whose usage does not exceed 500,000 therms annually, upon execution of a one-year minimum written service contract for firm sales service in excess of 200,000 therms per year.

MONTHLY RATE:

Commodity Charge:

First 250,000 therms per bill @ \$0.67611*
Next 500,000 therms per bill @ \$0.63762*
Amount Over 750,000 therms per bill @ \$0.55744**

The above prices include weighted average cost of gas of \$0.55492

* Includes temporary purchased gas cost adjustment of \$(0.00372)

** Includes temporary purchased gas cost adjustment of \$(0.00409)

PURCHASED GAS COST ADJUSTMENT (PGA):

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision.

SERVICE CONDITIONS:

1. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
2. Any LV-1 customer who exits the LV-1 service at any time (including, but not limited to, the expiration of the contract term) will pay to Intermountain Gas Company, upon exiting the LV-1 service, all gas and/or interstate transportation related costs to serve the customer during the LV-1 contract period not borne by the customer during the LV-1 contract period. Any LV-1 customer will have refunded to them, upon exiting the LV-1 service, any excess gas and/or interstate transportation related payments made by the customer during the LV-1 contract period.
3. In the event that total deliveries to any customer within the last three contract periods met or exceeded the 200,000 therm threshold, but the customer during the current contract period used less than the contract minimum of 200,000 therms, an additional amount shall be billed. The additional amount shall be calculated by billing the deficit usage below 200,000 therms at the T-1 Block 1 rate. The customer's future eligibility for the LV-1 Rate Schedule will be renegotiated with the Company.

Issued by: **Intermountain Gas Company**

By: Michael E. Huntington

Title: Vice President – Marketing and External Affairs

Effective: July 1, 2004

