

**INTERMOUNTAIN GAS COMPANY**

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IDAHO PUBLIC  
UTILITIES COMMISSION

June 17, 2004

Jean Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington St.  
P.O. Box 83720  
Boise, Idaho 83720-0074

Re: INT-G-04-02  
Reply Comments of Intermountain Gas Company

Dear Ms. Jewell:

Intermountain Gas Company ("Intermountain" or "Company") hereby respectfully submits for consideration by this Commission, a response to the Comments of the Commission Staff filed as part of the above referenced Case.

The Commission Staff outlined five (5) recommended courses of action for Commission consideration. Each recommendation is repeated below and includes a response by the Company.

**Staff Recommendation Number 1:**

"Implement the WACOG recommended by Intermountain until fall of 2005 unless the forward prices decline materially before that time."

**Company Response:**

Intermountain concurs with the Staff's recommendation to implement the WACOG filed with the above referenced Case on July 1, 2004. As was stated in the Company's Application, Intermountain "...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." Although not delineated in the final Staff recommendations, Intermountain is also committed to sending a timely price signal to our customers reminding them by mailer prior to the winter heating as to the change in their natural gas prices. Included with this reminder will be 1) conservation tips that customers can adopt to save money on their winter heating season bill, 2) contact information for those customers needing assistance for payment of their natural gas bill, and 3) payment options available to our customers to include "Level Pay."

**Staff Recommendation Number 2:**

"Direct the Company to file its next PGA case during the late summer of 2005 for an effective rate change on or about the end of October 2005."

**Company Response:**

Postponing the Company's next PGA price adjustment until the late fall of 2005 can have negative implications to our customers. Additional months of deferred gas costs, both debits and credits, beyond a twelve (12) month period cause upward price pressure to the PGA. This is caused primarily by the fixed costs paid to the various pipelines in relation to the Company's collection of these costs during the warm, low sales volume periods of summer and fall. By way of example, postponing the PGA until October 1, 2004 would add an incremental 3% - 4% increase to the proposed residential prices. Intermountain requests a continuation of the Company's ability to request a July 1<sup>st</sup> PGA implementation date. Intermountain strongly believes that a July 1<sup>st</sup> implementation date, coupled with the above mentioned informational mailers to our customers, better enables our customers to prepare for the upcoming winter heating season. A July 1<sup>st</sup> implementation date provides our customers additional months to better prepare their equipment efficiencies, conservation decisions and budgets before the winter heating season commences.

**Staff Recommendation Number 3:**

"Reserve \$696,276 for future determination and possible adjustment to the deferral if reasonable documentation and rationale for inaction is not presented with an enhanced policy and procedure by December 20, 2004."

**Company Response:**

The Staff Comments reference "financial accountability." Intermountain Gas Company believes a review of our total performance would show that it has exercised very good judgment that is the fundamental basis for "financial accountability." As a for instance, Intermountain has exercised judgment in managing its business affairs such that it has not had to request an increase to the service component of its prices for over 20 years – a record unmatched by any other retail gas utility. Intermountain continually searches for and adopts measures that benefit our retail prices. The renegotiation during the past twelve (12) months of the Company's Asset Management and Administrative Service Agreement contracts highlighted by the Staff will alone save our customers in excess of \$10,000,000 over the lives of the contracts.

In addition to cost savings, Intermountain Gas Company has sought, whenever practical, to mitigate the impacts of price volatility to its customers by employing various gas management tools and by offering unit prices to its customers that remain constant for a prescribed period of time. We believe Intermountain's history of cost containment for the benefit of its customers speaks loudly and favorably with regards to its record of exercising good judgment and financial accountability, including matters of sourcing, transporting and price mitigation of its customer's gas supply.

Notwithstanding this record, the Company respects the Staff's perceived need for a more "formal, methodological or systematic strategy" with respect to the Company's Weighted Average Cost of Gas or "WACOG" so as to aid them in their consideration and review of the Company's Application. However, Intermountain does not believe that the incorporation of automatic "trigger points" is in our customer's best interest. There is no substitute for good judgment employed using a backdrop of natural gas price fundamentals and other market indicators. Having said that, however, the Company believes we can bridge the needs of the Staff with the Company's approach to decision making and are committed to work towards that end.

As was mentioned in the Staff Comments, a proposal to the Staff is underway at the Company and will be presented to the Staff for their review and discussion prior to the month of December.

Intermountain Gas Company strongly opposes the Staff's proposal to "reserve \$696,276 for future determination" pursuant to future discussions with the Staff. The Company remains committed to work with the Staff to bridge those areas of concern between Staff and Company.

**Staff Recommendation Number 4:**

"Direct the Company to continue to file its WACOG projections and deferred costs reports with the Commission and Staff."

**Company Response:**

The Company would commit to continue this long established practice.

**Staff Recommendation Number 5:**

"Require Intermountain to calculate level pay amounts using 12 months as a divisor."

**Company Response:**

Intermountain is currently in the process of updating its customer billing system which includes the process behind level payment amounts. As part of that update, Intermountain is including a revision to the level pay calculation whereby future level payment amounts will be calculated by dividing by twelve (12) months rather than an eleven (11) month period.

Intermountain Gas Company appreciates the opportunity to respond to the comments made by the Staff and again requests that the above remarks and opinions are considered in the final ruling given by this Commission.

Very truly yours,



Michael P. McGrath  
Director  
Market Services and Regulatory Affairs