

DECISION MEMORANDUM

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

FROM: LISA NORDSTROM

DATE: MAY 7, 2004

**RE: IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS
COMPANY FOR AUTHORITY TO INCREASE ITS PURCHASED GAS
COST ADJUSTMENT (PGA) RATE. CASE NO. INT-G-04-2.**

On May 5, 2004, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Commission for authority to place into effect on July 1, 2004 new rate schedules that will increase its annualized revenues by \$22.1 million. If its Application is approved, Intermountain states that customer rates will increase on average by approximately 10%. Because of changes in Intermountain's gas-related costs, Intermountain states that its earnings will not be affected as a result of the proposed decrease in prices and revenues.

THE APPLICATION

With its Application, Intermountain Gas seeks 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, 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. Application at 3-4.

According to its customer notice, Intermountain states that residential customers using natural gas for both space and water heating could experience an average monthly increase of \$6.02 (9.9%). Those residential customers using natural gas for space heating only could

experience an average monthly increase of \$4.08 (8.7%). Moreover, commercial customers could experience an average monthly increase of \$26.19 (10.5%).

Intermountain proposes increasing the WACOG from the \$0.47500 per therm currently included in the Company's tariffs to \$0.55492 per therm. The Company states it believes that current future prices, subject to the laws of supply and demand, are poised to soften. Although current commodity future prices dictate the use of this \$0.55492 per therm WACOG, Intermountain states that it is committed to come before the Commission prior to this winter's heating season to amend these proposed prices if forward prices materially deviate from the \$0.55492 per therm. *Id.* at 5.

The Company's Application requests approval of other changes to its tariffs, including:

- Elimination of temporary surcharges and credits in its July 1, 2003 prices that collected or passed back to customers deferred gas cost charges and benefits;
- A fixed cost collection adjustment for updated customer class sales volumes and purchased gas cost allocation pursuant to the Company's approved cost of service methodology;
- A per therm credit for \$2.4 million in firm capacity release benefits;
- A per therm surcharge for \$2.7 million in interstate pipeline capacity costs and true-up of expense issues previously ruled on by the Commission; and
- A per therm credit for \$1.1 million in Account No. 186 deferred gas cost credits attributable to Intermountain's management of variable gas costs since July 1, 2003.

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. Likewise, the proposed decrease for the T-2 tariff is fixed cost related so a cents per therm decrease was only applied to the T-2 demand charge. *Id.* at 7.

Intermountain Gas informed Staff that all of its customers will have received individual notice (i.e., bill stuffers) of the proposed rate increase by June 6, 2004. The Company requests that this matter be handled under Modified Procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. *Id.* at 9.

STAFF RECOMMENDATION

Staff recommends that this case be processed under Modified Procedure. Although Staff is certainly willing to conduct workshops, Staff believes they are not essential in this case because: 1) it is a tracker case where Staff has little discretion to recommend disallowance of prudently incurred purchased gas costs or modify expected future costs, 2) the increase, while large, is smaller than in years past, and 3) ratepayers may not attend because they are unlikely to see a noticeable increase until late fall.

COMMISSION DECISION

1. Does the Commission wish to process this case under Modified Procedure?
2. Pursuant to Commission Procedural Rule 125, does the Commission wish to have Staff conduct public workshops to dispense information concerning the Company's Application and receive public comment prior to Staff filing comments in this case?


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