

---

**IDAHO PUBLIC UTILITIES COMMISSION**

**Case No. INT-G-04-2, Order No. 29540**

**June 30, 2004**

**Contact: Gene Fadness (208) 334-0339**

**Website: [www.puc.state.id.us](http://www.puc.state.id.us)**

**Intermountain Gas rates increase by 10 percent**

Boise – Rates for residential customers of Intermountain Gas will increase by nearly 10 percent effective Thursday.

The Idaho Public Utilities Commission approved the new rate to reflect the rapidly fluctuating cost of wholesale natural gas. However, the company states that current gas futures, subject to the laws of supply and demand, may soften in coming months. The commission directed the company to seek a rate adjustment before the winter heating season if the price deviates more than 5 percent of the current weighted average cost of gas (WACOG), which, as of Thursday, will be 55.49 cents per therm. The WACOG before this increase was 47.5 cents per therm. Forward monthly NYMEX natural gas futures for the Northwest are in the range of 49 cents to 61.5 cents for the next year.

The increase approved today does not reflect a permanent rate change, but is part of the company's purchased gas cost adjustment, typically a yearly process that adjusts the gas purchase portion of customer bills up or down depending on the cost of natural gas in the wholesale market. "The PGA mechanism is designed to pass through prudently incurred commodity costs in a timely fashion," the commission said. "Wholesale natural gas prices have fluctuated dramatically over the past few years, resulting in higher natural gas costs for gas utilities nationally and in Idaho."

PGA adjustments do not increase or decrease the company's earnings. The revenue raised from an increased PGA goes directly to pay Intermountain's gas suppliers. The company does not drill its own wells and is dependent on wholesale natural gas to serve its approximate 230,000 southern Idaho customers. During years when wholesale prices are higher than the company forecasts, customers experience an increase in the gas purchase portion of their bills, which usually represents about half the total bill. When wholesale prices drop lower than projected, customers get a decrease. In 2003, customers got a 33 percent increase while in 2002 they got a 28 percent decrease in the PGA portion of their bills. "In contrast to a general rate case, the annual PGA tracker considers only those changes in gas costs that are generally recognized as outside the company's control," the commission said.

The increase will raise \$22.1 million to cover the company's gas purchases. Commission staff reviewed the company's filing and related documentation to verify that the company's earnings will not increase as a result of the PGA.

The rate for customers using an average 69 therms per month for natural gas space and water heating will increase from 81 cents to 89 cents per therm, or about \$5.58 per month. The rate for customers who use natural gas for space heating only and average about 48 therms per month will increase from 92 cents to \$1 per therm, or about \$3.86 a month. The rate for commercial customers using an average of 299 therms per month will increase from 77 cents to 85 cents per therm, or about \$26.19 per month. A therm is a unit of heat equal to 100,000 British thermal units (BTUs).

The commission placed nearly \$700,000 of Intermountain's request in a reserve account until the company complies with previous commission orders to create a hedging and risk management strategy that makes it easier for the commission to assess the company's gas purchasing decisions. The company's current practice of relying on sound judgment using natural gas price fundamentals and other market indicators "has largely been successful," the commission said, but "appears to leave Intermountain Gas and its customers more vulnerable than necessary." The commission is asking the company to implement a flexible systematic method for gas purchasing decisions that can be audited.

"To conduct prudence reviews, the commission needs to know what information the company used when it decided whether or not to purchase natural gas," the commission said. "Criteria that trigger action or company explanations of why action was not taken are essential so that the commission may assess the company's decisions and avoid hindsight reviews."

Commissioners said they have previously asked the company to change how it manages market risk. "Although considerable time has passed, these concerns have not been adequately addressed."

The commission also ordered that future PGA filings be made closer to the winter heating season to more accurately forecast prices and more closely align rate changes with the winter heating season. "Due to the market volatility experienced the last several years, we have struggled to set rates using futures pricing information that predicts what winter commodity prices will be six months in the future," the commission said. "Although we used the best information available in May, better information is available in August." The commission directed the company to submit its 2005 PGA filing by Aug. 15 for a rate that would be effective Oct. 1.

Because Thursday's increase may not be noticed on bills until the winter heating season, the company will send customers a reminder just before winter. Included with the reminder should be conservation tips, payment options and contact information for those customers needing assistance to pay their bills.

A full text of the commission's order, along with other documents related to this case, are available 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 "Gas Cases" and scroll down to Case No. INT-G-04-2.

Interested parties may petition the commission for reconsideration by no later than July 21. Petitions for reconsideration must set forth specifically why the petitioner contends that the order

is unreasonable, unlawful or erroneous. Petitions should include a statement of the nature and quantity of evidence the petitioner will offer if reconsideration is granted.

Petitions can be delivered to the commission at 472 W. Washington St. in Boise, mailed to P.O. Box 83720, Boise, ID, 83720-0074, or faxed to 208-334-3762.

END