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IDAHO PUBLIC
UTILITIES COMMISSION

Commission Secretary
Idaho Public Utilities Commission
472 W Washington Sheet
Boise, ID 83702-5983

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. INT-G-05-2
OF INTERMOUNTAIN GAS COMPANY)
FOR AUTHORITY TO CHANGE ITS)
PRICES (2005 PURCHASED GAS COST)
ADJUSTMENT))

**COMMENTS OF
AARP IDAHO**

AARP Idaho submits these comments in response to the Notice of Application issued by the Idaho Public Utilities Commission in response to Intermountain Gas Company's application seeking reimbursement for higher natural gas prices charged by wholesale suppliers. According to the Notice of Application issued on August 26, 2005, the Company requests to increase its annualized revenues by \$67.6 million (27.2%). According to an article printed in the August 9, 2005 edition of *The Idaho Statesman*, which quotes a company employee, this increase will cause the average monthly bill for a resident who uses natural gas for space and water heating to increase \$17, from \$63 to about \$80 per month.

INTRODUCTION

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and older. AARP Idaho has 162,000 members, with members representing all segments of the socio-economic scale. AARP's membership has a vested interest in ensuring that energy services are readily available for consumption and at prices that are just, reasonable and affordable. For this reason, public participation in this proceeding is extremely important. We appreciate this opportunity to present our views regarding this matter.

DISCUSSION

As the Commission deliberates on the Company's filing, we ask that you keep the interests of residential customers in mind, especially those customers living on fixed and low incomes. Older Americans are particularly susceptible to extremes in temperature. Research shows that seniors are more susceptible to health problems in extremes of heat and cold. Adequate heating and cooling are essential, since older Americans rely on the ability to heat and cool their homes for both comfort and well-being. Any degradation in utility services can pose serious health concerns. Likewise, increases in energy rates can be especially devastating for those living on fixed and low-incomes.

By all accounts, the rising cost of energy will be exacerbated this winter. According to the U.S. Department of Energy's Short Term Energy Outlook¹ issued in September 2005, residential natural gas and electricity prices may increase dramatically as a result of the supply disruptions associated with Hurricane Katrina:

¹ Available at: <http://www.eia.doe.gov/emeu/steo/pub/contents.html>

Dramatic increases in domestic energy costs, assisted by everything from tight world oil markets, to blistering summer heat, to the ravages of Hurricane Katrina, have made for an exasperating summer for many consumers and have set the stage for a potentially expensive winter heating season beginning a month or two from now. Taking into account current data and projections from this Outlook, aggregate domestic expenditures for key energy sources for the summer (April through September) are expected to show the following changes from 2004: petroleum: +35 percent; natural gas: +20 percent; coal: +21 percent. Summer expenditures by all consumers on electricity are expected to be up 5 percent for that period. The current outlook for the upcoming winter (October 2005 through March 2006) yields expectations for energy expenditures as follows: petroleum: +34 percent; natural gas: +52 percent; coal: +16 percent. Electricity expenditures for the winter are expected to be up 11 percent. For all of 2005, energy expenditures in the United States are expected to be \$1.08 trillion, approximately 24 percent above the 2004 level. This level of expenditures represents approximately 8.7 percent of annual gross domestic product, compared to 6.2 percent as recently as 2002, and is the highest percentage since 1985 (10.4 percent).

With the full impact on near-term domestic oil and natural gas supply of Hurricane Katrina still being assessed, the fuel price outlook for the upcoming winter remains particularly uncertain for now. Assuming that the Medium Recovery case holds, the general expectation for increases in residential per-household expenditures for fuels this winter generally shapes up as follows: +71 percent for natural gas in the Midwest; +17 percent for electricity in the South; +31 percent for heating oil in the Northeast; and +40 percent for propane in the Midwest relative to last winter. Expenditure increases for natural gas are expected to be particularly strong in the East North Central region (Ohio, Indiana, Illinois, Michigan, and Wisconsin) because of expected higher heating-related demand in comparison to the relatively mild conditions seen last year.

These estimates are somewhat sensitive to the speed of recovery from Katrina due to different expectations about consumer prices between the Fast Recovery case and the Slow Recovery case. The ranges for expected heating fuel expenditure increases this winter are 69 percent to 77 percent for natural gas in the Midwest; 17 percent to 18 percent for electricity in the South; 29 percent to 33 percent for heating oil in the Northeast; and 39 percent to 43 percent for propane in the Midwest. Weather conditions that differ from current expectations would have a further significant impact on projected expenditures.

With respect to residential natural gas prices in the Mountain region of the Western U.S., the DOE projected an increase from prices that are already over \$9 per ccf to \$12 or more

later in 2005 and even higher to \$14-15 per 100 ccf in 2006. Residential electricity prices in this same region are projected to increase over 9 cents per kWh by late 2006.

For these reasons, AARP strongly urges the Commission to thoroughly investigate Intermountain Gas's rate increase proposal. While a number of factors may contribute to natural gas prices, only prudent costs associated with the company's procurement practices should be borne by consumers.

Accordingly, AARP urges the Commission to take a close look at Intermountain Gas Company's natural gas procurement process to ensure that consumers are receiving service at the lowest possible cost consistent with maintaining adequate profits and reliable supply inventories. The Commission must use its statutory discretion to render a decision in the best interest of residential consumers. A thorough review and evaluation of all information and data offered to justify the company's proposals must be conducted, and the Commission must act to avoid significant increases in rates that have the potential of causing rate shock. Only prudent costs should be allowed recovery, and alternative methods of recovery must be explored. Moreover, residential customers should only be required to pay their fair share of any increase approved by this Commission.

In addition, AARP urges the Commission to ensure that adequate low-income assistance is available to help reduce energy burdens so low income consumers can afford reasonable levels of energy usage. The adoption of automatic program enrollment is highly recommended to effectively increase participation rates in available energy assistance programs. If adopted, automatic enrollment would allow customers who

participate in applicable means-tested financial assistance programs, like LIHEAP, Food Stamps, Medicaid, Temporary Assistance for Needy Families (TANF, welfare assistance), Special Supplemental Assistance for Women, Infants and Children (WIC), Social Security Disability (SSI), etc., to be automatically enrolled in Idaho's low income energy assistance program(s). Moreover, funding for energy assistance programs should be expanded to meet growing customer needs. AARP welcomes the opportunity to work with the Commission to implement automatic enrollment and to educate our members on the existence of available energy assistance programs.

CONCLUSION

AARP appreciates this opportunity to comment on this critical matter. For the reasons stated above, AARP urges the Idaho Public Utilities Commission thoroughly review Intermountain Gas Company's proposal to increase natural gas rates. Given the dramatic increases in natural gas rates anticipated this winter, it is incumbent upon this agency to ensure that rates are just, reasonable and affordable. AARP also urges the Commission to seek effective means to low-income energy assistance enrollment and benefits. We ask that you take into consideration the concerns expressed in these comments as you enter into deliberations on the merits of the Company's request.

Respectfully submitted,



State Director



State President