

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF INTERMOUNTAIN GAS COMPANY) **CASE NO. INT-G-06-04**
FOR AUTHORITY TO CHANGE ITS)
PRICES (2006 PURCHASED GAS COST) **NOTICE OF APPLICATION**
ADJUSTMENT))
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **ORDER NO. 30121**

On August 16, 2006, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application with the Commission requesting authority to place new rate schedules in effect as of October 1, 2006 that will decrease its annualized revenues by \$1.6 million (.5%). Application at 2. The PGA mechanism is used to adjust rates to reflect changes in costs for the purchase of natural gas from suppliers, including transportation, storage, and other related costs of acquiring natural gas. See Order No. 26019. Intermountain's earnings will not be decreased as a result of the proposed changes in prices and revenues. Application at 2. With this Order the Commission authorizes the use of Modified Procedure to process the Company's Application and establishes a written comment/protest deadline.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Intermountain Gas seeks to pass through to each of its customer classes a change in gas-related costs resulting from: (1) an increase in costs billed to Intermountain pursuant to the general rate cases filed by Northwest Pipeline Corporation (NPC) and Gas Transmission Northwest Corporation (GTN); (2) benefits included in Intermountain's firm transportation and storage costs resulting from the Company's management of its storage and firm capacity rights on pipeline systems including NPC and GTN; (3) a decrease in Intermountain's weighted average cost of gas (WACOG); (4) an updated customer allocation of gas-related costs pursuant to the Company's PGA provisions; and (5) the inclusion of temporary surcharges and credits for one year relating to gas and interstate transportation costs from the Company's deferred gas cost account. Application at 3-4.

YOU ARE FURTHER NOTIFIED that according to its customer notice, if its Application is approved as filed, all residential and commercial customers' unit prices will be

essentially unchanged for natural gas used during this next year and the Company's total net revenue will decrease by approximately \$1.6 million (.5%). The Company states that despite increases in other energy prices, such as crude oil's 30% increase during the past year, that it expects to be able to manage its natural gas purchases such that it will not need to raise customer prices for this next winter season.

YOU ARE FURTHER NOTIFIED that Intermountain Gas proposes to decrease the WACOG from the currently approved \$0.73219 per therm to \$0.72400 per therm. Application at 5. The Company states that the proposed WACOG includes the benefits to Intermountain's customers generated by the Company's management of significant natural gas storage assets whereby gas is procured during the traditionally lower priced summer season for withdrawal and use during the winter when prices would otherwise be substantially higher. Application at 6. The Company also reports that natural gas prices have been moderated by: historically high levels of natural gas stored in the nation's inventory; natural gas production which has come back on-line in the Gulf of Mexico following Hurricane Katrina; the moderate outlook for the upcoming hurricane season; and price induced increases in domestic natural gas rig counts and production. Application at 5-6. The Company states that although current commodity futures prices dictate the use of a \$0.72400 WACOG, it continues to remain vigilant in monitoring natural gas prices and is committed to come before the Commission prior to this winter's heating season to amend these proposed prices, if the forward prices materially deviate from the \$0.72400 per therm. Application at 6.

YOU ARE FURTHER NOTIFIED that the Company proposes to include various surcharges, credits, and adjustments in its proposed prices. Application at 7-8. Intermountain has included the elimination of temporary surcharges and credits pursuant to last year's PGA, Case No. INT-G-05-2. Application at 7, Exhibit 4, L. 29. The Company includes a fixed cost collection adjustment pursuant to the provisions of its PGA tariff which provides that proposed prices will be adjusted for updated customer class sales volumes and purchased gas cost allocations. Application at 7, Exhibit 5, L. 24. The Company proposes to pass back to customers the benefits generated from its capacity release agreements through the inclusion of a \$3.5 million credit. Application at 7, Exhibit 7. Further, the Company proposes to allocate deferred gas costs from its Account No. 186 balance to customers through temporary price adjustments effective during the 12-month period ending September 30, 2007 as follows: (1)

fixed gas costs credit of \$3.1 million attributable to collection of interstate pipeline capacity costs and the true-up of expense issues previously ruled on by the Commission; and (2) deferred gas cost debits of \$14.1 million attributable to variable gas costs since September 1, 2005. Application at 7-8. Intermountain proposes to collect the balances via the per therm surcharges and credits. *Id.*

YOU ARE FURTHER NOTIFIED that the Company states that a straight cents-per-therm price decrease was not utilized for the T-1 tariff. Absent Williams' firm transportation TF-1 commodity charge, the proposed decrease in the T-1 tariff is fixed cost related, and since there are no fixed costs recovered in the tail block of the T-1 tariff, a cents-per-therm decrease was made only to the first two blocks of the tariff. Application at 8. Likewise, since the proposed increase to the T-2 tariff demand charge is fixed cost related, a cents-per-therm increase was made to the T-2 demand charge. *Id.* Additionally, the proposed decrease to the T-2 commodity charge incorporates the decrease in the Williams' firm transportation TF-1 commodity charge. *Id.*

YOU ARE FURTHER NOTIFIED that the Company states that customers have been notified about the Application through a customer notice and a press release. *Id.* Intermountain Gas requests that this matter be handled under Modified Procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. *Id.* at 9. The Company has requested an effective date of October 1, 2006.

YOU ARE FURTHER NOTIFIED that the Company's Application to decrease its rates is merely a proposal subject to public review and Commission approval.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction over this matter and Intermountain Gas Company, a gas public utility, pursuant to the authority and power granted under Title 61 of Idaho Code and the Commission Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's Website at www.puc.idaho.gov under the "File Room" icon.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. INT-G-06-04. The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation.

YOU ARE FURTHER NOTIFIED that the Commission may not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that if no protests or written comments are received within the deadline, the Commission will consider the matter and enter its Order without a hearing. If protests or comments are filed within the deadline, the Commission will consider them and may, in its discretion, set the matter for hearing or decide the matter and issue its Order on the basis of the written positions before it. IDAPA 01.01.01.204.

NOTICE OF COMMENT/PROTEST DEADLINE

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the Application and the Commission's use of Modified Procedure in Case No. INT-G-06-04 is **September 20, 2006**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that written comments concerning this case should be mailed to the Commission and to the Company at the addresses reflected below.

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address For Express Mail:
472 W. Washington Street
Boise, ID 83702-5983

Paul R. Powell
Exec. Vice Pres. & Chief Financial Officer
Intermountain Gas Company
PO Box 7608
Boise, ID 83707

E-mail: customerinput@intgas.com

Morgan W. Richards, Jr., Attorney
804 E. Pennsylvania Lane
Boise, ID 83706

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's homepage located at www.puc.idaho.gov. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the address listed above.

FINDINGS/CONCLUSIONS

The Idaho Public Utilities Commission has jurisdiction over Intermountain Gas Company, its Application for authority to change rates and prices, and the issues involved in this case by virtue of Title 61, Idaho Code, specifically *Idaho Code* §§ 61-129, 61-117 and 61-307, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented in this case, and that issues raised by the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. IDAPA 31.01.01.201-204. In so doing, the Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation, especially when combined with public workshops.

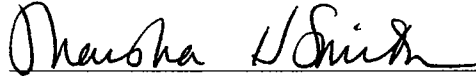
ORDER

IT IS HERBY ORDERED that this case be processed under Modified Procedure. Persons interested in submitting written comments regarding this case or protesting the use of Modified Procedure must do so no later than September 20, 2006.

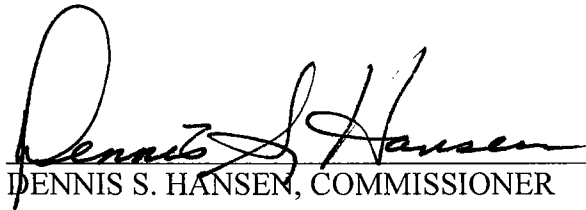
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th
day of August 2006.



PAUL KJELLANDER, PRESIDENT

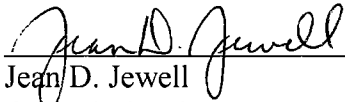


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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