EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

RECEIVED

08 MAY -7 PM 4:45

IDAHO PUBLIC
UTILITIES COMMISSION

May 7, 2008

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

RE: Intermountain Gas Company
Case No. INT-G-08-01

Dear Ms. Jewell:

Enclosed for filing with this Commission is a signed original and seven copies of Intermountain Gas Company's Application for Authority to Cancel its Existing T-1 and T-2 Transportation Tariffs on June 30, 2008 and place into effect an Industrial Transportation Tariff (T-5 Tariff) on July 1, 2008.

Please acknowledge receipt of this filing by stamping and returning a photocopy of this Application cover letter to us.

If you have any questions or require additional information regarding the attached, please contact me at 377-6168.

Very truly yours,

Michael P. McGrath
Director
Gas Supply and Regulatory Affairs

MPM/sc

Enclosures

cc W. C. Glynn
E. N. Book
P. R. Powell
M. E. Rich
S. R. Thomas

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UTILITIES COMMISSION

INTERMOUNTAIN GAS COMPANY

CASE NO. INT-G-08-01

APPLICATION,

EXHIBITS

AND

WORKPAPER

In the Matter of the Application of INTERMOUNTAIN GAS COMPANY for Authority to Cancel its Existing T-1 and T-2 Transportation Tariffs and place into effect an industrial transportation tariff (T-5 Tariff)

Stephen R. Thomas, ISB No. 2326
MOFFATT, THOMAS, BARRETT, ROCK &
FIELDS, CHARTERED
Post Office Box 829
Boise, Idaho 83701
Telephone: (208) 345-2000
Facsimile: (208) 385-5384
MTBR&F 11-500.0340

Attorney for Intermountain Gas Company

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of INTERMOUNTAIN GAS COMPANY for Authority to Cancel its Existing T-1 and T-2 Transportation Tariffs and place into effect an industrial transportation tariff (T-5 Tariff)	Case No. INT-G-08-01 **APPLICATION**

Intermountain Gas Company ("Intermountain"), an Idaho corporation with general offices located at 555 South Cole Road, Boise, Idaho, hereby requests authority, pursuant to Idaho Code Section 61-307, to discontinue and cancel effective June 30, 2008, its existing T-1 and T-2 transportation tariffs. Intermountain also requests authority, pursuant to Idaho Code Section 61-307, to place into effect July 1, 2008 an industrial transportation tariff (T-5 Tariff). Both requests are made pursuant to the Rules of Procedure of the Idaho Public Utilities Commission ("Commission"). In order to ensure its continued compliance with the applicable rules and regulations pertaining to Northwest Pipeline's ("Northwest") interstate pipeline system, Intermountain finds it necessary to cancel the T-1 and T-2 tariffs. In the absence of the T-2 Tariff and in order to facilitate Intermountain's ability to provide its existing T-2 customers with the same benefits as were made available under the T-2 Tariff, Intermountain proposes herewith to provide to those same T-2 customers an unbundled version of the T-2 Tariff, the proposed T-5 Tariff. Intermountain's earnings will not be impacted as a result of the proposed tariff cancellations and proposed T-5 Tariff. Intermountain's current T-1 and T-2 rate schedules showing the proposed changes (strikethrough) of these rate schedules are attached hereto as Exhibit No. 1 and are incorporated herein by reference. Intermountain's T-1 and T-2 rate schedules as proposed to be canceled are attached hereto as Exhibit No. 2 and are incorporated herein by reference.

Intermountain's proposed Rate Schedule T-5 Tariff is attached hereto as Exhibit No. 3 and is incorporated herein by reference.

Communications in reference to this Application should be addressed to:

Paul R. Powell
Executive Vice President & Chief Financial Officer
Intermountain Gas Company
Post Office Box 7608, Boise, ID 83707
and
Stephen R. Thomas
Moffatt, Thomas, Barrett, Rock & Fields, Chartered
Post Office Box 829
Boise, ID 83701

In support of this Application, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County - Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelly;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Conda, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glenns Ferry, Hammett, and Mountain Home;
Fremont County - Parker, and St. Anthony;
Gem County - Emmett;
Gooding County - Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg, and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;

Owyhee County – Bruneau, Homedale;
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Intermountain seeks with this Application to discontinue and cancel effective, June 30, 2008, its T-1 and T-2 transportation tariffs. Intermountain finds it necessary to cancel the T-1 and T-2 tariffs in order to ensure its continued compliance with the applicable rules and regulations pertaining to Northwest Pipeline's interstate pipeline system. As more fully delineated later in this Application, Northwest's FERC Gas Tariff requires that a "Shipper" have sole title to the natural gas transported on Northwest's system. Intermountain's T-1 and T-2 tariffs are "bundled" transportation services to include the use, and compensation for, Intermountain's firm capacity on Northwest's system. These same tariffs include a requirement whereby the customer is responsible for procuring their own supply of natural gas from a third party marketer. These two fundamental attributes of the T-1 and T-2 tariffs are at odds with Northwest's regulated requirement that the Shipper must have concurrent title to both the gas molecule as well as the interstate transportation transporting that same gas molecule. Intermountain has here-to-fore effectuated certain interstate transportation capacity releases to pre-arranged parties as suppliers to these existing T-1 and T-2 customers and, pursuant to the electronic bulletin board rules and procedures applicable to such capacity releases, has accommodated and thereby complied with Northwest's requirement that a Shipper also hold title to the end-use customer's natural gas. Given the evolving dynamics of the interstate natural gas market, as additional marketers compete for business on Intermountain's distribution system, the likelihood that these concurrent commodity and transportation titles will become severed is greatly intensified thereby subjecting Intermountain to be out of compliance with the aforementioned shipper regulation; an unacceptable outcome to Intermountain and its customers.

III.

The T-1 Firm Transportation Service tariff was first approved by this Commission for an approximate one-year period commencing December 24, 1981 in Case No. U-1034-98, Order No. 16976. This effective term of the T-1 tariff was subsequently extended in Cases U-1034-104 and U-1034-111 by Order No.'s 17795 and 18497.

These early T-1 tariffs provided a mechanism for a large volume contract customer using more than 100,000 therms per day for use as a feedstock to purchased gas supplies from third parties and transport them using Intermountain's firm capacity rights on Northwest Pipeline ("Northwest"). The critical factors in the creation of the rate included a glut of off-system natural gas coupled with depressed conditions in the fertilizer industry.

The T-1 tariff's original design included separate rates for feedstock and other-use volumes and provided that any volumes used in excess of those privately acquired by the customer would be billed at the then current LV-1 rate. The rates were single-block, did not include a contract demand charge and were not margin neutral when compared to the LV-1 tariff.

In May of 1986, the T-1 tariff was modified to reflect its current form by Order No. 20515 per Case No. U-1034-131. The Company filed Case U-1034-131 to eliminate a margin short-fall that occurred as a large number of customers migrated from the LV-1 tariff to the lower margin T-1 tariff. The rates approved per Order 20515 resulted in T-1 rates there were margin neutral with the LV-1 rates and for the first time included the declining three-block rate design in order to minimize the risk of the Company not fully collecting customer and capacity fixed costs.

Intermountain's current Rate Schedule T-1 was included as part of the Company's annual PGA Application and was amended accordingly on October 1, 2007 per Case No. INT-G-07-03, Order No. 30443.

IV.

Intermountain's T-2 Firm Transportation Service tariff was first approved by the Commission as a two year pilot program expiring November 1, 1997. Reference Order No. 26203, Case INT-G-95-4.

As with the T-1 tariff, the T-2 tariff provided the customer the option to purchase gas supplies from third parties and transport them using Intermountain's firm capacity rights on Northwest. In contrast to the T-1 tariff's volumetric rate structure, the T-2 tariff includes a demand charge whereby each T-2 industrial customer elects, and pays for, a maximum daily firm quantity ("MDFQ").

Commission Order No. 27656, Case INT-G-98-2, restricted the eligibility of the T-2 tariff to only the then existing T-2 customers.

Intermountain's current Rate Schedule T-2 was included as part of the Company's annual PGA Application and was amended accordingly on October 1, 2007 per Case No. INT-G-07-03, Order No. 30443.

V.

Section 8 of Northwest's FERC Gas Tariff, GENERAL TERMS AND CONDISTIONS, Fourth Revised Sheet No. 215, ("TITLE TO GAS") sub-paragraph 8.1 ("Warranty of Title"), stipulates:

"Transporter accepts Shipper's gas at the Receipt Point(s) subject to the understanding that Shipper warrants that it will at the time of delivery of gas to Transporter for transportation, have good title to all gas so delivered to Transporter, free and clear of all liens, encumbrances and claims whatsoever, and that it will at such time of delivery have the right to deliver such gas. Transporter may also request Shipper's proof of right to purchase or transport such gas."

Exhibit No. 4 contains pertinent excerpts from Northwest's GENERAL TERMS AND CONDISTIONS. Exhibit No. 4 is attached hereto and incorporated herein by reference.

VI.

Concurrent with the elimination of Intermountain's T-1 and T-2 tariffs, Intermountain will offer each T-1 and T-2 customer the opportunity to choose from the menu of remaining unbundled industrial transportation services; specifically those services as offered under Intermountain's T-3 and T-4 tariffs and, if Approved by this Commission, the proposed T-5 Tariff. In order to help facilitate a customer's option to elect the T-4 tariff, Intermountain proposes to waive the T-4 tariff's Exit Fee provision.

VII.

The bundled nature of Intermountain's T-1 and T-2 tariffs hamper Intermountain's ability to accommodate multiple third party marketers on its distribution system, thereby limiting the choices that might otherwise inure to end-use customers. While T-1 customers have had the option of selecting an unbundled version of the T-1 Tariff, which is the T-4 Tariff, T-2 customers have had no such unbundled tariff option. Therefore, the proposed Rate Schedule T-5 is an unbundled version of the Company's T-2 Tariff. As demonstrated on Workpaper No. 1, all of the transportation related costs upstream of Intermountain's distribution system as approved for inclusion in the Company's T-2 Tariff as part of the Company's most recent PGA Application (reference Case INT-G-07-03, Order No. 30443), have been removed from the existing T-2 Tariff to arrive at the proposed Rate Schedule T-5. In combination with the capacity releases offered to the T-1 and T-2 customers as outlined below, the T-5 customer's burner-tip price should be economically equivalent to that provided under the bundled T-2 service. Workpaper No. 1 is attached hereto and is incorporated herein by reference.

VIII.

In order to accommodate the customer's ability to procure gas at the same Northwest Pipeline receipt points and in the same allocated proportion as was permissible under the T-1 and T-2 tariffs, Intermountain will offer to release to the existing T-1 and T-2 customers or their agent, subject to recall, the applicable Northwest capacity to meet their current contracted contract demand, or CD.

IX.

The proposed overall changes herein requested are just, fair, and equitable.

X.

This Application is filed pursuant to the applicable statutes and the Rules and Regulations of the Commission. This Application has been brought to the attention of Intermountain's affected customers through a Customer Letter which is attached hereto and incorporated herein by reference. Copies of this Application and its Exhibits and Workpaper have been provided to those parties regularly intervening in Intermountain's rate proceedings.

XI.

Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

WHEREFORE, Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

a. That the proposed rate schedules herewith submitted as Exhibit No. 2 be approved without suspension and made effective as of June 30, 2008 in the manner shown on Exhibit No. 2,

b. That the proposed Rate Schedule T-5 herewith submitted as Exhibit No. 3 be approved without suspension and made effective as of July 1, 2008 in the manner shown on Exhibit No. 3,

c. In order to help facilitate the T-1 and T-2 customer's option to elect the T-4 tariff, that the T-4 tariff's Exit Fee provision be waived,

d. That this Application be heard and acted upon without hearing under modified procedure, and

e. For such other relief as this Commission may determine proper herein.

DATED at Boise, Idaho, this 7th day of May, 2008.

INTERMOUNTAIN GAS COMPANY

By ______________________________
Paul R. Powell
Executive Vice President & CFO

Stephen R. Thomas

By ______________________________
Stephen R. Thomas
Attorney for Intermountain Gas Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 7th day of May, 2008, I served a copy of the foregoing Case No. INT-G-08-01 upon:

Paula Pyron
Northwest Industrial Gas Users
4113 Wolf Berry Court
Lake Oswego, OR 97035-1827

Edward A. Finklea
Cable Huston Benedict Haagensen & Lloyd LLP
1001 SW Fifth Avenue, Suite 2000
Portland, Oregon 97204-1136

R. Scott Pasley
J. R. Simplot Company
PO Box 27
Boise, ID 83707

Steven Gray
J. R. Simplot Company
PO Box 27
Boise, ID 83707

Conley E. Ward, Jr.
Givens, Pursley, Webb & Huntley
277 N. 6th St., Suite 200
PO Box 2720
Boise, ID 83701

by depositing true copies thereof in the United States Mail, postage prepaid, in envelopes addressed to said persons at the above addresses.

Michael P. McGrath
Director
Gas Supply and Regulatory Affairs

EXHIBIT NO. 4

CASE NO. INT-G-08-01

INTERMOUNTAIN GAS COMPANY

PERTINENT EXCERPTS FROM NORTHWEST PIPELINES GENERAL TERMS AND CONDITIONS

(4 pages)

TF01013800092804NORTHWEST PIPELINE CORPORATION
TF021 3Third Revised Volume No. 1
TF030 00000P126 Sheet No. 0
TF04
TF05Laren M. Gertsch, Director
TF06092804 102904
TF07

FERC GAS TARIFF

THIRD REVISED VOLUME NO. 1

(Superseding Second Revised Volume No. 1 and
First Revised Volume No. 1-A)

Of

NORTHWEST PIPELINE CORPORATION

Filed with

FEDERAL ENERGY REGULATORY COMMISSION

Communications concerning this Tariff should be sent to:

Laren M. Gertsch, Director, Rates & Regulatory
Northwest Pipeline Corporation
295 Chipeta Way
Salt Lake City, Utah 84108
P.O. Box 58900
Salt Lake City, Utah 84158

Telephone: (801) 584-7200
Facsimile: (801) 584-7764

TF03200 130005P126Thirteenth Revised Sheet No. 200
TF04 Twelfth Revised Sheet No. 200
TF05Laren M. Gertsch, Director
TF06092804 102904
TF07

GENERAL TERMS AND CONDITIONS

INDEX

TF03215 040005P126Fourth Revised Sheet No. 215
TF04 Third Revised Sheet No. 215
TF05Laren M. Gertsch, Director
TF06021104 040104
TF07

GENERAL TERMS AND CONDITIONS
(Continued)

8. TITLE TO GAS

8.1 Warranty of Title. Transporter accepts Shipper's gas at the Receipt Point(s) subject to the understanding that Shipper warrants that it will at the time of delivery of gas to Transporter for transportation, have good title to all gas so delivered to Transporter, free and clear of all liens, encumbrances and claims whatsoever, and that it will at such time of delivery have the right to deliver such gas. Transporter may also request Shipper's proof of right to purchase or transport such gas.

Subject to the foregoing, Transporter warrants that it will at the time of delivery of the transported gas to Shipper at the Delivery Point have the right to deliver said gas free and clear of all liens, encumbrances and claims whatsoever.

8.2 Buy/Sell. "Buy/sell" arrangements are those in which Shipper takes title to natural gas at or upstream of Transporter's receipt point in a transaction with a third party with the understanding and commitment that after the gas has been transported on Transporter's transmission system and delivered to Shipper at the delivery point, such gas will be returned to the third party and title to the gas reconveyed to the third party. All buy/sell arrangements existing prior to November 1, 1993, the date Transporter's capacity release mechanism went into effect, are grandfathered. Shipper warrants that the gas which it tenders for firm transportation will not be acquired by Shipper under buy/sell arrangements executed on or after such date. Further, Shipper will identify existing grandfathered buy/sell arrangements underlying its firm service agreement(s) with Transporter, and provide such information to Transporter for posting on Transporter's Designated Site pursuant to Section 26 of the General Terms and Conditions.

8.3 Indemnity. Each party shall indemnify, save and hold the other party, its subsidiaries and/or affiliates and their directors, officers, employees and agents, free and harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of all persons to the gas delivered by it to such other party.

TF03216 020004P126Second Revised Sheet No. 216
TF04 First Revised Sheet No. 216
TF05Laren M. Gertsch, Director
TF06021104 040104
TF07

GENERAL TERMS AND CONDITIONS
(Continued)

8. TITLE TO GAS (Continued)

8.4 Waiver of Shipper Must Have Title Requirement. If Transporter acquires transportation and/or storage capacity on an off-system pipeline, Transporter will use such capacity for operational purposes and/or will render service to Shippers using such capacity pursuant to the terms and conditions of its tariff and at Commission-approved rates. For transactions subject to this Section 8.4, the "Shipper must have title" requirement is waived.

9. FORCE MAJEURE

Neither Transporter nor Shipper shall be liable in damages to the other for any act, omission or circumstance occasioned by or in consequence of any blockades, insurrections, riots, epidemics, flood, washouts, landslides, mudslides, earthquakes, extreme cold or freezing weather, lightning, rulers and peoples, civil disturbances, explosions, breakage or imminent breakage or freezing of or accident to machinery or line of pipe, the order of any court or governmental authority having jurisdiction, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered a matter within the control of the party claiming suspension.

Such causes or contingencies affecting the performance under the executed Service Agreement by either Transporter or Shipper, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and to remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting such performance relieve either party from its obligations to make payments of amounts then due in respect of gas theretofore delivered and as provided for in Section 10 of Rate Schedule TF-1.

WORKPAPER NO. 1

CASE NO. INT-G-08-01

INTERMOUNTAIN GAS COMPANY

PROPOSED RATE SCHEDULE T-5

RATE DESIGN

(2 pages)

INTERMOUNTAIN GAS COMPANY
T-5 Price Design

Line No. (a)	Description (b)	Amount (c)
1	**INT-G-07-03 DEMAND CHARGES [1]:**	
2	**Transportation:**	
3	NWP TF-1 Demand 1 (Full Rate)	$342,768
4	NWP TF-1 Demand 1 (Discounted)	78,986
5	Upstream Capacity	235,007
6	**Subtotal Transportation Charges**	656,761
7	**Storage:**	
8	SGS-1	
9	Demand	2,648
10	Capacity Demand	3,499
11	TF-2 Reservation	5,873
12	**Subtotal SGS Storage Charges**	12,020
13	LS-1	
14	Demand	17,916
15	Capacity	22,079
16	Liquefaction	9,944
17	Vaporization	6,490
18	TF-2 Reservation	5,891
19	**Subtotal LS Storage Charges**	62,320
20	**Other Storage Facilities**	63,918
21	**TOTAL INT-G-07-03 DEMAND CHARGES**	$795,019
22	**T2 CD Volumes from INT-G-07-03[2]**	660,840
23	**Per CD Volume Demand Charge Change**	$1.20304
24	**Per Therm NWP Commodity Charge Change[3]**	$0.00404

[1] See INT-G-07-03 Exhibit 4, Lines 1-19, Column (m), plus Exhibit 5, Lines 1-19, Column (i)
[2] See INT-G-07-03 Exhibit 4, Line 26, Column (m)
[3] See INT-G-07-03 Exhibit 4, Line 23,Column (f)

INTERMOUNTAIN GAS COMPANY
T-5 Price Design

Line No. (a)	Description (b)	October 1, 2007 T-2 Prices per INT-G-07-03 (Order No. 30443) (c)	Proposed Adjustment (d)	Proposed July 1, 2008 T-5 Prices (e)
1	Firm Daily Demand	$1.81947	($1.20304) (1)	$0.61643
2	Commodity Charge:			
3	For Firm Therms Transported	$0.00841	($0.00404) (2)	$0.00437
4	Over-Run Service Commodity Charge:			
5	For Therms Transported in Excess of MDFQ:	$0.05100	($0.00404) (2)	$0.04696

(1) See Workpaper 1, Line 23, Col (c)
(2) See Workpaper 1, Line 24, Col (c)