

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

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

September 26, 2008

Jean Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702-5983

RECEIVED

2008 SEP 26 PM 3: 38

IDAHO PUBLIC
UTILITIES COMMISSION

RE: INT-G-08-03
Reply Comments of Intermountain Gas Company

Dear Mrs. Jewell,

In response to the Comments of the Commission Staff filed in regards to the above referenced Case, Intermountain Gas Company hereby respectfully submits for consideration by the Commission the following remarks.

In addition to the Staff's recommendation to accept Intermountain's Application and filed tariffs, the Staff also recommended the adoption of several criteria pertaining to the Company's Lost and Unaccounted for ("L&U") gas as well as measures targeted towards the Company's low income customers. The below remarks are focused towards these two areas of concern by the Staff.

The Company's continued efforts to manage and improve its distribution system and mitigate the overall level of L&U has led to realized levels of Lost and Unaccounted for gas that are enviable within the natural gas distribution industry. While the L&U industry average remains close to the 2% (of total system throughput) level, Intermountain's L&U for its fiscal year 2007 was less than 1%, or 0.94%. As part of the Company's PGA Application, the Company has requested recovery for the expected level of L&U for its fiscal year 2008 of 0.86% - an improvement over FY07 of 8.5%.* As part of its filed Comments in Case No. INT-G-07-03, the Northwest Industrial Gas Users acknowledged the efficiency with which Intermountain maintains its operating system and believed an appropriate cap on the Company's L&U would be 2%. The Commission has also recognized and acknowledged Intermountain's efforts and track record on L&U and, as part of Order No. 301443, declined to impose a 2% cap on the recovery of L&U.

Also in regards to Lost and Unaccounted for gas, the Staff raised its concerns regarding certain measurement, or metering, inaccuracies. The Company would like to point out that in addition to the regular field audits performed on the Company's metering devices, the Company has also instituted additional audit measures to include a "double check", within 10 days, of all the metrics (programming and otherwise) associated with any

*When comparing the overall levels of L&U between FY07 and FY08, one must also incorporate the fact that the FY07 weather was 5.2% warmer than normal while the FY08 weather was 10.4% colder than normal.

newly installed, or change in customer, metering device. The Commission is aware of the Company's history to not "true-up" or seek recovery on a customer's bill for inaccurately billed/metered volumes that occurred beyond a six (6) month period. The Commission, however, may not be aware that any under billed volumes pertaining to meter errors beyond this six month period are not included as part of the Company's L&U recovery but are instead "written-off" by the Company.

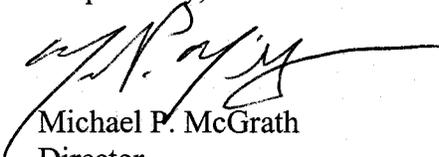
The Staff, as part of their Comments, also recommends instituting additional reporting requirements on the Company pertaining to L&U. In lieu of these reports, the Company hereby invites the Staff to visit with the Company to witness first hand and gain further insight as to the myriad of factors involved in the management and mitigation of the Company's L&U efforts.

The Staff has also requested that the Company be ordered to participate in the upcoming Energy Affordability Workshops. The Company would like to remind the Commission of a recent Decision Meeting held in September whereby Ms. Beverly Barker acknowledged to the Commissioners Intermountain's willingness to participate in these workshops.

In regards to the Staff Comments pertaining to the creation of a low income weatherization program, Intermountain would like to point out the following: the Staff correctly states that "Monies from Idaho Power and Rocky Mountain Power cannot be used to weatherize homes that are heated by natural gas." This is unfortunate as 93% of Intermountain's customers are served by either Idaho Power or Rocky Mountain Power. That said, there remains substantial "fuel blind" weatherization dollars available to Intermountain's customers through either the DOE or LIHEAP. The DOE weatherization dollars budgeted for Idaho for FY09 are \$1.8 million. In addition to these DOE dollars, 15% of LIHEAP's dollars are earmarked for fuel blind weatherization programs (or approximately \$1.7 million during FY08). Also, and as directed by this Commission as part of Intermountain's ongoing Integrated Resource Planning efforts, all demand side management efforts must first be viewed and analyzed within the context of the Company's supply and demand requirements along with an associated cost benefit analysis.

In light of the above, Intermountain Gas Company respectfully requests that: 1) in recognition of the Company's ongoing efforts with L&U that the Commission continue to not impose a cap on the recovery of Intermountain's Lost and Unaccounted for gas, 2) that the quarterly reports requested by the Staff be supplanted by on-sight observations by the Staff as to the Company's efforts to manage and control its L&U and, 3) that the merits of the Staff proposed weatherization program remain outside the context of the Company's PGA Application.

Respectfully,



Michael P. McGrath

Director

Gas Supply and Regulatory Affairs