

EXECUTIVE OFFICES

**INTERMOUNTAIN GAS COMPANY**

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IDAHO PUBLIC  
UTILITIES COMMISSION

January 30, 2009

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

RE: Intermountain Gas Company's Quarterly Report pertaining to Lost and  
Unaccounted for Gas  
Case No. INT-G-08-03

Dear Ms. Jewell:

Attached for filing with the Idaho Public Utilities Commission are the original and seven copies of Intermountain Gas Company's Quarterly Report pertaining to Lost and Unaccounted for Gas.

If there are any questions regarding the attached, please contact me at (208) 377-6168.

Very truly yours,



Michael P. McGrath  
Director  
Gas Supply and Regulatory Affairs

MPM/sc

Enclosures

cc: K. F. Morehouse  
E. N. Book  
S. W. Madison

An inter-disciplinary team at Intermountain Gas Company was established several years ago to investigate and take remedial action towards the level of Lost and Unaccounted for Gas (“LUAF”) on Intermountain’s distribution system. Simply stated, LUAF is the difference, or variance, between the volumes of natural gas purchased to serve the needs of our customers and the volumes billed to those same customers. To-date, Intermountain has identified, employed and evaluated several processes that address the recovery of lost gas – which is to say a reduction to the level of Lost and Unaccounted for Gas. Currently, Intermountain Gas Company has one of the lowest levels of LUAF in the natural gas distribution industry.

The below information is a summary of those processes that have addressed LUAF at Intermountain. While all the processes are basic by nature, some processes are more complex to administer than others.

The more straightforward LUAF identification methods include billing and meter audits.

Billing audits utilize variance reports whereby an auditor reviews billed consumption as compared to some standard. “Low Usage Reports” are used to compare billed consumption against that same customer’s historical usage pattern for a given Heating Degree Day. If billed consumption appears low in relation to that historical usage pattern, a technician might be called out to further investigate the meter in question. “Zero Usage Reports” help to identify those meters where usage is arguably taking place but not registering on the meter (dead meters). Additional audit reports allow the auditor to review billed consumption for a given “meter size.” There should arguably be a correlation between the customer’s billed volumes and the size of the meter installed to serve that customer. These types of correlated audits sometimes identify malfunctioning meters and at other times identify a problem with the programming in place that translates metered consumption to billed consumption. The term “foot drive error,” for instance, is used to characterize a billing error whereby the customer’s meter was functioning properly but Intermountain’s billing system was improperly programmed to recognize and account for those consumed volumes. Also in relation to billing audits, regular comparisons are made between the natural gas delivered onto Intermountain’s distribution system according to the interstate pipeline vs. those same volumes as measured by the Company’s Gas Control Department.

Meter audits include a multitude of measures. Regular meter sampling occurs whereby meters are pulled from the field and tested in a laboratory for accuracy. If these types of sampling audits were to determine that the accuracy of certain “batches” of purchased meters were in question, additional targeted samples take place and any necessary follow-on remedial measures are taken. In addition to these regular meter audits, Intermountain has undertaken additional steps to identify the potential for incorrectly sized and/or type of meter in use by our larger industrial customers. Some industrial customers consume natural gas differently over time as may be related to changes in the economy, plant and equipment improvements, conservation measures, etc. A meter size and/or type (and corresponding accuracy with respect to consumption) which may have been warranted at the customers premise a decade ago may no longer be applicable today and a change in

installed meter size and/or type might be warranted. Many of our large industrial customers have "Scada" measurement devices installed at their premise which facilitate a monthly comparison to the billed volumes as determined by the customer's meter. If a discrepancy exists between the two measured volumes, remedial action is taken.

Also related to meter audits, and in conjunction with the billing audits previously noted, Intermountain has undertaken steps to improve billing accuracy of installed meters by establishing quality control measures that require additional "eyes on" for both newly established meter sets as well as groupings of meters already established in the field. Technicians are dispatched to "double check" the billing determinants assigned to these meters.

Also in relation to meters, Intermountain designed and implemented three (3) "field labs" on segregated (or isolated) sections of its distribution system. These labs facilitated measurements allowing for comparison of the throughput from various main feeds into Intermountain's distribution system to the combined volumes metered at the end-use customers.

On a regular and programmed basis, Intermountain technicians traverse the entire distribution system of the Company with sophisticated equipment that can detect even the smallest leaks in our distribution system. When such leaks are identified, which is very infrequent, remedial action is immediately taken. Unfortunately, human error sometimes leads to unintentional damage to our distribution system by an outside contractor or even a homeowner. When such a situation occurs, an estimate is made of the escaped gas and that gas then becomes "found" and not "lost."

The calculations involved to convert metered cubic feet to billable therms include inputs related to pressure, temperature and Btu content. These required billing determinants are applied in conjunction with industry standard formulas to arrive at billable volumes. This billing method is employed by both Northwest Pipeline (inputting to our distribution system) as well as Intermountain Gas Company when billing end-use customers. Great care is given to allow for accurate determinations of these key billing determinants – pressure, temperature and Btu content.

In addition to Intermountain's internal efforts to mitigate the overall level of Lost Gas, other distribution companies have been contacted over time to investigate their efforts towards the remediation of LUAF. When additional measures used by these companies seem to have merit, the aforementioned team takes action.

Again, the above was meant to provide an overall summary of the actions taken to mitigate LUAF. The Company looks forward to discussions with the IPUC Staff in the hopes of further improving upon our efforts to date.