

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF INTERMOUNTAIN GAS COMPANY)	CASE NO. INT-G-08-03
FOR AUTHORITY TO CHANGE ITS)	
PRICES (2008 PURCHASED GAS COST)	NOTICE OF APPLICATION
ADJUSTMENT))	
)	NOTICE OF
)	MODIFIED PROCEDURE
)	
)	ORDER NO. 30634

On August 15, 2008, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application requesting authority to increase its annualized revenues by \$54.3 million. Application at 2. The PGA mechanism is used to adjust rates to reflect annual changes in Intermountain's costs for the purchase of natural gas from suppliers – including transportation, storage, and other related costs. *See* Order No. 26019. Intermountain's earnings will not be increased as a result of the proposed changes in prices and revenues. The Company requests that its Application be processed by Modified Procedure and that new rates become effective October 1, 2008.

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) a decrease in costs billed to Intermountain pursuant to the Settlement of the General Rate Case filed by Gas Transmission Northwest Corporation ("Gas Transmission Northwest" or "GTN"); (2) the procurement of discounted interstate transportation on Northwest Pipeline GP ("Northwest" or "Northwest Pipeline"); (3) benefits included in Intermountain's firm transportation and storage costs resulting from Intermountain's management of its storage and firm capacity rights on pipeline systems including Northwest Pipeline, GTN and TransCanada's BC system; (4) an increase in Intermountain's Weighted Average Cost of Gas, or "WACOG"; (5) an updated customer allocation of gas-related costs pursuant to the Company's Purchased Gas Cost Adjustment provision; and (6) the inclusion of temporary surcharges and credits for one year relating to gas and interstate transportation costs from Intermountain's deferred gas cost accounts. Application at 3-4.

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YOU ARE FURTHER NOTIFIED that the Company calculates that, if its Application is approved, residential customers using natural gas for space heating alone could experience an average increase of \$7.90 on their monthly bill (15% increase per therm). Residential customers using natural gas for both space and water heating could experience an increase of \$12.30 on an average monthly bill (18% increase per therm). Commercial customers could realize a \$55.30 increase in monthly billing (18% increase per therm).

YOU ARE FURTHER NOTIFIED that Intermountain Gas proposes to increase the WACOG from the currently approved \$0.63583 per therm to \$0.78484 per therm. The Application asserts that worldwide demand for energy, coupled with constraints on production, has driven the price of all energy to record highs. The Company maintains that its proposed WACOG includes the benefits to Intermountain's customers generated by the Company's management of significant natural gas storage assets. More specifically, the Company procures natural gas during the summer season for withdrawal and use during the winter when prices would otherwise be higher. Additionally, the Application states that, in an effort to further stabilize the prices paid by customers during the upcoming winter period, Intermountain has entered into various hedging agreements to lock-in the price for significant portions of its underground storage and other winter "flowing" supplies. Application at 6. Although current commodity futures prices dictate the use of a \$0.78484 per therm WACOG, the Company intends to remain vigilant in monitoring natural gas prices. If forward prices for natural gas materially deviate from \$0.78484 per therm, the Company is committed to return to the Commission prior to this winter's heating season to amend these proposed rates.

YOU ARE FURTHER NOTIFIED that, pursuant to Order No. 30443, Intermountain included temporary surcharges and credits in PGA rates last October. Exhibit No. 4, Line 26 reflects the elimination of these temporary surcharges and credits. The Company includes a fixed-cost collection adjustment pursuant to the provisions of its PGA tariff which provides that proposed rates will be adjusted for updated customer class sales volumes and purchased gas cost allocations. Application at 7. Intermountain proposes to pass back to its customers the benefits generated from the management of its transportation capacity totaling over \$9 million. *Id.*, Exhibit No. 7. Further, the Company proposes to allocate deferred gas costs from its Account No. 186 balance to its customers through temporary price adjustments to be effective during the

12-month period ending September 30, 2009, as follows: (1) fixed gas costs credit of \$8.5 million attributable to the collection of interstate pipeline capacity costs, the true-up of expense issues previously ruled on by the Commission, refunds attributable to the Settlement of GTN's General Rate Case and mitigating capacity release credits from Intermountain's upstream capacity; and (2) deferred gas cost debits of \$18 million attributable to variable gas costs since October 1, 2007. Application at 8. Intermountain proposes to collect the balances via a per therm surcharge and credit. *Id.*

YOU ARE FURTHER NOTIFIED that Intermountain states that a straight cents-per-therm price increase was not utilized for the LV-1 tariff. The proposed increase is fixed-cost related and, since there are no fixed costs recovered in the tail block of the LV-1 tariff, a cents-per-therm increase relating to fixed costs was made only to the first two blocks of the LV-1 tariff. Each block of the proposed T-3 and T-4 tariffs include a uniform cents-per-therm increase for unaccounted-for gas recovery. *Id.* Additionally, these industrial tariffs were updated to reflect the elimination of the T-1 and T-2 tariffs.¹ Order No. 30599.

YOU ARE FURTHER NOTIFIED that the proposed increase to the T-5 Tariff Demand Charge is fixed-cost related and reflects the removal of a fixed-cost temporary credit currently included in the T-5 Demand Charge. Also, the T-5 Commodity Charge includes a uniform cents-per-therm increase for unaccounted-for gas recovery. Application at 9.

YOU ARE FURTHER NOTIFIED that Intermountain asserts that customers have been notified regarding Intermountain's Application through a customer notice and press release. *Id.* Intermountain states that the proposed overall price changes reflect a just, fair, and equitable pass-through of changes in gas-related costs to Intermountain's customers.

YOU ARE FURTHER NOTIFIED that the Company has asked that its Application be processed under Modified Procedure. The Company has requested an effective date of October 1, 2008.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily determined that the public interest may not require a formal evidentiary hearing in this matter

¹ Intermountain Gas currently offers four industrial tariff options: LV-1 – Large Volume Firm Sales Service; T-3 – Interruptible Distribution Transportation Service; T-4 – Firm Distribution Only Transportation Service; and T-5 – Firm Distribution Service with Maximum Daily Demand.

and will proceed under Modified Procedure pursuant to the Commission's Rules of Procedure 201 through 204, IDAPA 31.01.01.201 through .204. The Commission notes that Modified Procedure and written comments have proven to be an effective means for obtaining public input and participation in cases of this nature.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this Application may file a written comment in support or opposition with the Commission **no later than September 25, 2008**. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Application shall be mailed to the Commission and Intermountain Gas 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 83702-5918

Michael P. McGrath
Director – Gas Supply & Regulatory Affairs
Intermountain Gas Company
PO Box 7608
Boise, ID 83707

Stephen R. Thomas
Moffatt, Thomas, Barrett, Rock & Fields,
Chartered
PO Box 829
Boise, ID 83701

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.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that the Application, supporting workpapers 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 other workpapers are also available on the Commission's Website at www.puc.idaho.gov under the "File Room" and then "Gas Cases."

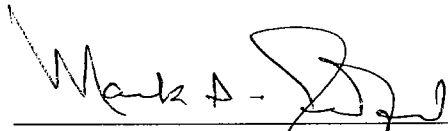
YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code, and specifically *Idaho Code* §§ 61-307, 61-313, 61-503 and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*


ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons and parties may file written comments no later than September 25, 2008.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 3rd day of September 2008.


MACK A. REDFORD, PRESIDENT
MARSHA H. SMITH, COMMISSIONER
JIM D. KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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