

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN) CASE NO. INT-G-08-04
GAS COMPANY'S REQUEST FOR)
AUTHORITY TO DECREASE ITS RATES)
) ORDER NO. 30676
)

On September 30, 2008, the Commission approved Intermountain Gas Company's annual Purchased Gas Cost Adjustment (PGA) application requesting authority to increase its annualized revenues by \$54.3 million. Order No. 30649. Within its PGA application, the Company affirmed that current commodity futures prices dictated the use of a \$0.78484 per therm weighted average cost of gas (WACOG). However, Intermountain Gas committed to return to the Commission prior to this winter's heating season to amend its rates if forward prices for natural gas materially deviated from \$0.78484 per therm.

On October 27, 2008, Intermountain Gas filed an Application with the Commission for authority to decrease its rates. More specifically, the Company seeks to decrease its WACOG to \$0.67482 per therm. This decrease reflects the downward pricing pressures on domestic supplies of natural gas. Intermountain's earnings will not be decreased as a result of the proposed changes in prices and revenues. The Company requested that its new rates become effective December 1, 2008.

THE APPLICATION

With this Application, Intermountain Gas seeks to pass-through to each of its customer classes a decrease in gas commodity costs resulting from a decrease in its WACOG. The proposed changes would be applicable to service rendered under rate schedules affected by and subject to Intermountain's annual PGA.

Intermountain Gas proposed decreasing the WACOG from the currently approved \$0.78484 per therm to \$0.67482 per therm. The Application asserted that domestic supplies for natural gas remain strong and that the proposed \$0.11002 per therm decrease in the WACOG reflects the downward pricing pressures on domestic supplies of natural gas. Application at 4.

The Company calculated that if its Application is approved, residential customers using natural gas for space heating alone could experience a \$5.18 decrease on their monthly bill (8.49% decrease per therm). Residential customers using natural gas for both space and water

heating could experience a decrease of \$7.41 on an average monthly bill (9.22% decrease per therm). Commercial customers could realize a \$34.63 decrease in monthly billing (9.73% decrease per therm). Application, Exhibit No. 4.

Intermountain asserted that customers have been notified regarding Intermountain's Application through a customer notice and press release. *Id.* at 5. Intermountain stated that the proposed overall price change reflects a just, fair, and equitable pass-through of changes in gas-related costs to Intermountain's customers. Finally, the Company requested that this matter be handled under Modified Procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure and that its new rates become effective December 1, 2008.

COMMENTS

Staff compared the WACOG requested by Intermountain Gas to the NYMEX Futures Index, Global Insights Forecast, and the Energy Information Administration's outlook. Staff believes that, while somewhat optimistic, the Company's projections appear to be reasonable estimates. Therefore, Staff recommended that the Company's Application requesting authority to decrease its rates be approved without further delay or comment to be effective December 1, 2008.

DISCUSSION

We have reviewed the record for this case, including the Application and Staff's comments. The Commission has jurisdiction over Intermountain Gas Company, a public utility, its Application for authority to change rates and prices, and the issues involved in this case pursuant to Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502, along with the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

The Commission is required to establish just, reasonable, and sufficient rates for utilities subject to our jurisdiction. *Idaho Code* § 61-502. The PGA mechanism is used to adjust rates to reflect changes in the costs for the purchase of gas from suppliers, including transportation, storage and other related costs of acquiring and delivering natural gas. The Company's earnings are not affected by changes in prices and revenues resulting from the annual PGA. The PGA mechanism is designed to pass-through prudently-incurred commodity costs in a timely fashion.

Wholesale natural gas prices have continued to fluctuate dramatically. Intermountain Gas pursues a gas supply and risk management program designed to mitigate the adverse impact that significant price movements in the natural gas commodity can have on the Company's supplies, customers, and other operations. We commend Intermountain Gas for taking advantage of lower prices when the opportunity arises within its established risk management policy.

Although in its Application the Company requested a December 1 effective date, the Commission finds that a decrease in rates, under these circumstances, warrants immediate implementation. The Company has indicated that it can implement the decrease as early as November 15, 2008. Therefore, Intermountain Gas Company's new WACOG of \$0.67482 shall be effective on November 15, 2008.

ORDER

IT IS HEREBY ORDERED that Intermountain Gas Company's Application is approved. Intermountain is authorized to pass-through its proposed rate decrease to customers as filed. The Company's WACOG shall be decreased from \$0.78484 per therm to \$0.67482 per therm. The Company shall file conforming tariffs to be effective November 15, 2008.

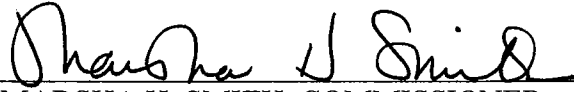
IT IS FURTHER ORDERED that Intermountain Gas continue to file quarterly WACOG projections and monthly deferred-costs reports with the Commission.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 12th
day of November 2008.



MACK A. REDFORD, PRESIDENT

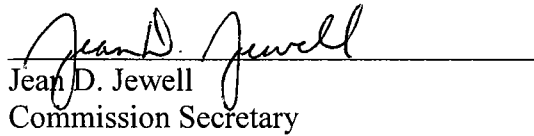


MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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