

## **DECISION MEMORANDUM**

**TO:           COMMISSIONER REDFORD  
              COMMISSIONER SMITH  
              COMMISSIONER KEMPTON  
              COMMISSION SECRETARY  
              COMMISSION STAFF**

**FROM:       KRISTINE SASSER  
              DEPUTY ATTORNEY GENERAL**

**DATE:       NOVEMBER 5, 2008**

**SUBJECT:    IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S REQUEST  
              FOR AUTHORITY TO DECREASE ITS RATES, CASE NO. INT-G-08-04**

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 requests 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 proposes decreasing the WACOG from the currently approved \$0.78484 per therm to \$0.67482 per therm. The Application asserts 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 calculates 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.

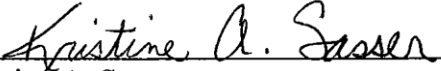
Intermountain asserts that customers have been notified regarding Intermountain's Application through a customer notice and press release. *Id.* At 5. Intermountain states that the proposed overall price change reflects a just, fair, and equitable pass-through of changes in gas related costs to Intermountain's customers. Finally, the Company requests 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.

#### **STAFF RECOMMENDATION**

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 recommends that the Company's Application requesting authority to decrease its rates be approved without further delay or comment to be effective December 1, 2008.

#### **COMMISSION DECISION**

1. Does the Commission wish to approve the Company's Application to decrease its rates without further comment?

  
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Kristine A. Sasser  
Deputy Attorney General

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