

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

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

RECEIVED

2009 JUN 15 PM 3: 21

IDAHO PUBLIC
UTILITIES COMMISSIC

June 15, 2009

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

RE: Intermountain Gas Company
Case No. INT-G-09-01

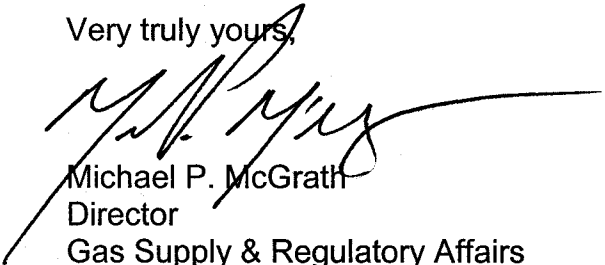
Dear Ms. Jewell:

Enclosed for filing with this Commission are a signed original and seven copies of Intermountain Gas Company's Application and supporting Workpapers for Authority to Establish a Hook-up Fee along its Sun Valley Lateral.

Please acknowledge receipt of this filing by time stamping and returning a photocopy of this Application cover letter to us.

If you have any questions or require additional information regarding this Application, please contact me at (208) 377-6168.

Very truly yours,



Michael P. McGrath
Director
Gas Supply & Regulatory Affairs

MPM/sc

Enclosures

cc: F. Morehouse
E. N. Book
S. Madison
T. Clark

RECEIVED

2009 JUN 15 PM 3: 26

IDAHO PUBLIC
UTILITIES COMMISSION

INTERMOUNTAIN GAS COMPANY

CASE NO. INT-G-09-01

**APPLICATION,
EXHIBIT
AND
WORKPAPERS**

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY
for Authority to Establish a Hook-up Fee along its Sun Valley Lateral**

Morgan W. Richards, Jr., ISB No.1913
RICHARDS LAW OFFICE
804 East Pennsylvania Lane
Boise, Idaho 83706
Telephone: (208) 345-8371
Facsimile: (208) 345-8371
Attorney for Intermountain Gas Company

RECEIVED
2009 JUN 15 PM 3: 30
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authority to Establish a Hook-up Fee
along its Sun Valley Lateral

Case No. INT-G-09-01
APPLICATION

Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, hereby requests authority, pursuant to Idaho Code Sections 61-307 and 61-622, to place into effect July 15, 2009 a new Rate Schedule. The proposed schedule would require new customers, whose estimated peak usage on the Company's Sun Valley Lateral exceeds the average peak-day usage on the Lateral, to pay a fee for the disproportionate amount of incremental distribution system plant investment that these new customers utilize. Intermountain's earnings will not change as a result of the proposed new Rate Schedule. Intermountain's proposed Rate Schedule is attached hereto as Exhibit No. 1 and is incorporated herein by reference.

Communications in reference to this Application should be addressed to:

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

and

Morgan W. Richards, Jr.
Richards Law Office
804 East Pennsylvania Lane
Boise, ID 83706

In support of this Application, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County - Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelley;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Conda, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glenns Ferry, Hammett, and Mountain Home;
Fremont County - Parker, and St. Anthony;
Gem County - Emmett;
Gooding County - Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg, and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;
Owyhee County - Bruneau, Homedale;
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Intermountain Gas Company has, and continues, to make substantial capital upgrades to its Sun Valley Lateral in order to serve the daily natural gas needs of all its Sun Valley Lateral customers. By way of recent examples, in 2003 Intermountain provided 15 miles of "uprate" along

the Lateral at a cost of \$675,000. In 2005, Intermountain again upgraded the Sun Valley system along an additional 33.5 miles at a cost of \$550,000.

III.

Today, the Sun Valley Lateral is operating at near system capacity. The physical deliverability and demand characteristics of the Sun Valley Lateral are unique. Currently, 97% of the demand on the Lateral is contained within the last (northern) 15 miles of the 68 mile Lateral. Due to the physical nature of providing distribution service to an "end-of-the-line" customer, distribution system upgrades in the Ketchum and Sun Valley, Idaho areas, which are necessary to provide for continued customer growth, become more expensive. Adding to the uniqueness of the Ketchum/Sun Valley area, much of the planned growth in the area is for "seasonal" homes much larger than an average sized residence. While the occupancy of these large seasonal homes do not generate year-round revenue for the Company, these homes none-the-less require the same commitment by the Company to provide for the customer's peak-day natural gas needs. The next planned distribution system upgrade off the main Sun Valley Lateral is the "Ketchum Uprate" planned to be completed in 2009. This distribution system upgrade will provide for 16,000 therms per day of incremental distribution capacity to new Ketchum and Sun Valley, Idaho customers at an estimated cost of \$640,000, or \$40.00 per incremental therm.

IV.

The uprate of a natural gas pipeline is the process required to increase the allowable operating pressure of a pipeline segment whereby the pipe segment is subjected to assessments mandated by federal regulations. Upon completion of an uprate the pipeline segment subjected to the assessment may operate at, and not exceed, the newly established allowable operating pressure. The particular assessment hereto is described as a pressure test in adherence to federal regulation known as CFR Title 49, Part 192, Subpart J.

V.

Intermountain seeks with this Application to establish a Hook-up Fee requiring new customers, whose estimated peak-day usage on the Company's Sun Valley Lateral exceeds the average peak-day usage on the Lateral, to pay a fee for their disproportionate share of the incremental distribution system plant investment constructed in order to serve the needs of these new customers.

The customers who will be subject to the proposed Hook-up Fee will be the same new customers causing the need for, and who directly benefit from, additional Sun Valley Lateral distribution system capital upgrades. Additionally, the Company has defined a specific geographic region subject to the proposed Hook-up Fee as more fully described on pages 2 and 3 of the attached Exhibit No. 1. This defined geographic region is the same area directly benefiting from the before mentioned Ketchum Upgrade.

VI.

While the average peak-day usage per customer along the Lateral is 15.5 therms per day (see Company's Integrated Resource Plan on file at the Commission), the nature of the new customer growth (primarily due to the large size of the planned Ketchum/Sun Valley area domiciles) is such that the demands each new customer can place on the Lateral can far exceed the average 15.5 therms per day. New customers, the Company contends, should pay a Hook-up Fee based on the demands they place on the Lateral that go above-and-beyond this 15.5 therms per day Sun Valley Lateral system average.

VII.

The Company has determined the boundaries that a new customer's peak-day demand can place on the Sun Valley Lateral. The upper end of this range can be established by using a summation of the hourly mechanical ratings of the customer's proposed natural gas equipment which represents the "mechanical potential" for hourly peak consumption of that new customer. The lower boundary was estimated by using a regression analysis that correlated hourly natural gas usage for customers on the Sun Valley Lateral to the customers' installed natural gas equipment ratings. This study supported a lower range of the customers' hourly demand needs, based on equipment ratings, as being approximately 50% of what would otherwise be possible based on the "mechanical potential" of the equipment alone. The results of this study are included in Workpaper No. 1 which is attached hereto and incorporated herein by reference. The above methodologies purposely excluded any natural gas consumed for the purpose of providing snowmelt. The Company contends that the application of the proposed Hook-up Fee should not provide for un-interrupted service for the purposes of snowmelt.

Intermountain Gas Company proposes herein, based on the lower range of its study, to establish a new Ketchum/Sun Valley area customer Hook-up Fee by taking 50% of the customer's

proposed mechanical equipment ratings, multiplied by 20 hours, to arrive at the customer's natural gas peak-day consumption needs. If the result of this calculation exceeds the before mentioned 15.5 therms per day, the customer will be charged for that excess (above average peak-day usage) at the before mentioned cost of \$40.00 per peak-day therm.

Workpaper No. 2 provides examples of the calculation of the proposed Hook-up Fee. Workpaper No. 2 is attached hereto and incorporated herein by reference.

VIII.

Any collected Hook-up Fee will be applied as a reduction to the distribution system plant investment (rate base) provided to serve the incremental Ketchum/Sun Valley area customers thereby avoiding any cross-subsidies that would otherwise occur to pay for any above average customer usage.

IX.

The Company proposes to administer the Hook-up Fee pursuant to the proposed Rate Schedule beginning at the time the Rate Schedule would become effective. Therefore, the Fee will be initially set based on the estimated cost of construction of the Ketchum Uprate Project, or \$640,000. Intermountain will come before the Commission with a revised Rate Schedule reflecting the actual cost of the Ketchum Uprate once those figures are known by the Company. If this revised Rate Schedule results in a Hook-up Fee lower than the Hook-up Fee originally approved by the Commission, and subsequently charged to a customer, Intermountain would make a refund to that customer based on the lower Fee. If, however, the revised Rate Schedule results in a higher Hook-up Fee as compared to what was originally billed the customer, Intermountain proposes to not charge that customer for any difference caused by the higher Fee.

Additionally, the Company will come before this Commission as necessary to update the proposed Rate Schedule to reflect the next increment of Ketchum/Sun Valley area distribution system plant investment which will be required as prior system upgrades become full and reach their deliverable maximum.

X.

The proposed Rate Schedule requested herein is a just, fair, and equitable pass-through of those costs made in order to serve the above normal demands of Ketchum/Sun Valley area customers. To do otherwise, Intermountain contends, would cause undue subsidization and

upward price pressure on those customers not directly benefiting from the Ketchum/Sun Valley area distribution system upgrades.

XI.

This Application is filed pursuant to the applicable statutes and the Rules and Regulations of the Commission. This Application has been brought to the attention of Intermountain's customers through a News Release sent to daily and weekly newspapers in Intermountain's service area impacted by the proposed rate schedule. The News Release is attached hereto and incorporated herein by reference. Copies of this Application, its Exhibit, and Workpapers have been provided to those governmental bodies whose jurisdictional area would be directly impacted by the proposed rate schedule.

XII.

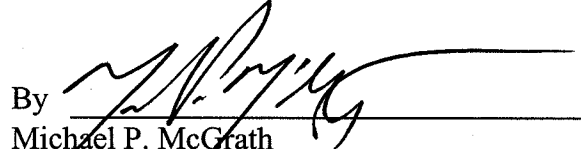
Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

WHEREFORE, Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

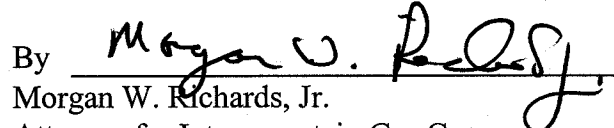
- a. That the proposed Rate Schedule herewith submitted as Exhibit No. 1 be approved without suspension and made effective as of July 15, 2009 in the manner shown on Exhibit No. 1.
- b. That this Application be heard and acted upon without hearing under modified procedure, and
- c. For such other relief as this Commission may determine proper herein.

DATED at Boise, Idaho, this 15th day of June, 2009.

INTERMOUNTAIN GAS COMPANY

By 
Michael P. McGrath
Director – Gas Supply & Regulatory Affairs

Morgan W. Richards, Jr.

By 
Morgan W. Richards, Jr.
Attorney for Intermountain Gas Company

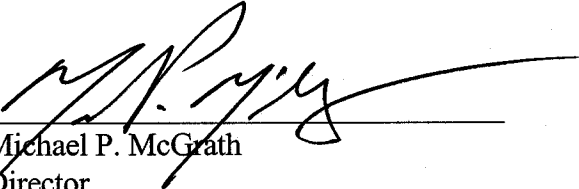
CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 15th day of June, 2009, I served a copy of the foregoing Case No. INT-G-09-01 upon:

Mayor Randy Hall
Box 2315
Ketchum, Idaho 83340

Mayor Wayne Willich
Box 416
Sun Valley, Idaho 83353

by depositing true copies thereof in the United States Mail, postage prepaid, in envelopes addressed to said persons at the above addresses.



Michael P. McGrath
Director

Gas Supply and Regulatory Affairs

WORKPAPER NO. 1

CASE NO. INT-G-09-01

INTERMOUNTAIN GAS COMPANY

Regression Analysis Study

(8 pages)

Ketchum/Sun Valley Usage Study

1.1 Scope

This paper describes the overall process and results for a usage study that was done on the Ketchum/Sun Valley distribution system, more specifically; customers fed from Regulator Stations 633 and 6300 as of March 2009. The study was performed with the intent to determine a percentage of the natural gas equipment rating a residence uses on a projected peak-day and identify any correlations associated with the projected usage.

1.2 Data Collection

Because it is unrealistic for a customer to use 100% of the equipment ratings for all of the appliances within the residence at one given time, IGC Engineering completed a study to determine what realistic percent of the total equipment rating a customer would use on a "Peak-Day". Approximately 18% of new RS2 and GS11 customers that came online from November 2003 to February of 2009 were used in the study (82 of 450). The following is the criteria used in selecting the sample of customers:

- RS1 and LV customers were filtered out
- Customers that used less than 20% or over 80% of their equipment rating were considered bad data and filtered out
- Customers that did not have documented equipment ratings were filtered out
- Snowmelt was removed from the equipment rating
- Construction heat loads were filtered out
- Monthly usages from the winter months of 2003 to February of 2009 were used

The data used in the study can be found in Attachment A.

