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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO CHANGE ITS PRICES (2009 PURCHASED GAS COST ADJUSTMENT)	**CASE NO. INT-G-09-02** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Kristine A. Sasser, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 30886 submit the following comments.

BACKGROUND

On August 19, 2009, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application requesting authority to decrease its annualized revenues by $72.4 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 decreased as a result of the proposed changes in prices and revenues. The Company requests that its Application be processed by Modified Procedure and that its rates become effective on October 1, 2009.

In this Application, Intermountain Gas seeks to pass-through to each of its customer classes a change in gas-related costs resulting from: (1) an increase in costs billed to

Intermountain due to higher prices charged by Northwest Pipeline GP ("Northwest" or "Northwest Pipeline") offset by a small decline in contract volumes on Northwest; (2) a net increase in costs from Intermountain's "upstream" Canadian pipeline suppliers; (3) a decrease in the Company's projected costs relating to its storage contracts; (4) a decrease 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; (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; and (7) 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. Application at 3-4. Intermountain also seeks with this Application to eliminate the temporary surcharges and credits included in its current prices during the past 12 months, pursuant to Order Nos. 30649 and 30676. The aforementioned changes would result in an overall price decrease to Intermountain's customers.

Intermountain Gas proposes decreasing the WACOG from the currently approved $0.67482 per therm to $0.49600 per therm. The Application maintains that weather adjusted demand for natural gas has diminished, driven by the downturn in our regional and national economy. At the same time, natural gas supplies are plentiful. This current imbalance between supply and demand has driven down the near term prices for natural gas. Application at 6.

The Company asserts that the proposed WACOG includes the benefits resulting from Intermountain's storage of significant amounts of natural gas procured during the summer season for use during the winter when market prices are normally higher. Additionally, and in an effort to further stabilize 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 indicate the use of a $0.49600 per therm WACOG, the Company continues to remain vigilant in monitoring natural gas prices. If forward prices for natural gas materially deviate from $0.49600 per therm, the Company is committed to return to the Commission prior to this winter's heating season to amend these proposed rates. Pursuant to Order No. 30649, Intermountain included temporary surcharges and credits in its October 1, 2008, and November 15, 2008, prices for the principal reason of collecting or passing back to its customers deferred gas cost charges and benefits. Exhibit No. 4, line 26 reflects the elimination of these temporary surcharges and credits. 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, 2010, as follows: (1) fixed-gas costs credit of $741,556 attributable to the collection of interstate pipeline capacity costs, the true-up of expense issues previously ruled on by the Commission, and mitigating capacity release credits generated from the release of Intermountain's pipeline capacity; (2) deferred gas cost amounts of $12.7 million attributable to variable gas costs since October 1, 2008; and (3) deferred gas costs related to Lost and Unaccounted for Gas which results in a net per therm decrease to both sales and transportation customers. Application at 8.

Intermountain states that a straight cents-per-therm price decrease was not utilized for the LV-1 tariff. The proposed decrease is fixed-cost related and, because there are no fixed costs recovered in the tail block of the LV-1 tariff, a cent per therm decrease 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 decrease for unaccounted for gas recovery. *Id.*

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. 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 rates become effective on October 1, 2009.

STAFF ANALYSIS

Staff has reviewed the Company's Application and gas purchases for the year to verify that the Company's earnings will not change as a result of the filing, that the deferred costs are prudent, and to determine the reasonableness of the WACOG request. The table below illustrates the impact the proposed decrease will have on the various customer classes served by the Company:

Customer Class	Proposed Change in Class Revenue	Proposed Average Change in $/Therm	Proposed Average % Change	Proposed Average Price $/Therm
RS-1 Residential	(7,729,312)	(0.23938)	-20.18%	0.94667
RS-2 Residential	(40,360,100)	(0.24102)	-22.24%	0.84249
GS-1 General Service	(22,610,462)	(0.21990)	-21.55%	0.80058
LV-1 Large Volume	(762,661)	(0.28603)	-33.23%	0.57462
T-3 Transportation	(269,448)	(0.00433)	-20.63%	0.01666
T-4 Transportation	(601,203)	(0.00433)	-9.36%	0.04195
T-5 Transportation	(95,746)	(0.00433)	-14.04%	0.02652
	(72,428,932)		-21.60%	

The overall effect of the proposed changes in the Company's Application is a decrease in annual revenue received by Intermountain Gas Company of $72,428,932. This decrease is comprised of the following items:

Deferrals:		
Removal of INT-G-08-03 Temporaries	$ 2,121,191	
INT-G-09-02 Temporaries	$ (19,268,569)	
Total Deferrals		$ (17,147,378)
Lost and Unaccounted for Gas		$ (896,762)
Re-allocation of Fixed Costs		$ (46,976)
Changes in the Weighted Average Cost of Gas		$ (54,581,641)
Fixed Cost Changes:		
Northwest Pipeline	$ 450,947	
New Upstream Capacity Costs	473,053	
LS & SGC Storage Cost Changes	7,686	
AECO & Clay Basin Cost Changes	(687,861)	
Total Fixed Cost Changes		$ 243,825
Total Annual Price Change		**$ (72,428,932)**

Weighted Average Cost of Gas (WACOG)

The Company's current Application proposes to decrease the WACOG approved last year by approximately 26.50% (Order No. 30676). More specifically, the proposal drops the

WACOG from the current rate of $0.67482 per therm to the proposed rate of $0.49600 per therm. This request reflects the second decrease since the Company's original WACOG became effective October 1, 2008, and the third decrease in the past four PGA filings. The table below illustrates the changes in the natural gas market over the past twelve years and the volatility experienced over the same period:

Year	WACOG	Percentage Increase/(Decrease) From Prior Year
1998	0.15684	n/a
1999	0.18252	16.37%
2000	0.28673	57.10%
2001	0.38796	35.30%
2002	0.32000	(17.52%)
2003	0.47500	48.44%
2004	0.55492	16.83%
2005	0.73219	31.95%
2006	0.68500	(6.45%)
2007	0.63583	(7.18%)
2008	0.78484	23.43%
2008	0.67482	(14.02%)
2009	0.49600	(26.50%)

As stated previously, the primary reason for the decrease in natural gas rates is because the downturn in our regional and national economy has caused weather adjusted demand for natural gas to diminish while at the same time, natural gas supplies are plentiful. In fact, according to a national report issued by the Energy Information Administration (EIA) in August of this year, "the severe contraction during the first half of the year contributed to an estimated 3.8-percent decline in daily average natural gas consumption compared with consumption during the first half of 2008. The decline in natural gas use during this period was driven principally by a drop in industrial activity, reflected in the 17-percent year-over-year decline in the natural-gas-weighted industrial production index during the first half of the year." In addition to the impact of weather adjusted drops in consumption, a number of factors have contributed to excess supplies throughout the past year. Several influencing factors contributing to this supply include: (1) the cooler summer reduced the need for natural gas fired electric generation; (2) the discovery of an abundance of North American shale reserves; (3) the spread of global recession led to higher than normal supplies of Liquid Natural Gas (LNG); (4) the volume of natural gas in storage exceeded historical averages and continued to increase through the injection season; and (5) the surge in drilling rigs brought on by last summer's high prices.

In order to determine the WACOG for the following year the Company looked at the combined forward gas prices of the supply sources it utilizes and then considered the impact of economic factors. Last year's WACOG of $0.67482 per therm in the Company's amended October 27th 2008 PGA filing was high compared to what Intermountain paid for gas throughout the year. Actual gas prices continued decreasing throughout the year, and therefore resulted in the Company over-collecting for variable costs, which will be credited back to customers over the next twelve months.

Throughout the year Staff reviews several publications relating to the natural gas industry. However, three primary sources are utilized to develop forecasts, specifically: (1) NYMEX Futures Index; (2) Energy Information Administration (EIA); and (3) Wood Mackenzie. Staff has reviewed the Company's proposed WACOG of $0.49600 and its forecasted natural gas prices through September 2010. When comparing these informational sources and forecasts, it is clear that the NYMEX forward prices are slightly inflated to account for upward price risk in the long term market. When looking at the forward prices indicated by Intermountain, the Company seems to be predicting gas prices slightly higher than anticipated. Although Intermountain's estimates are reasonable, the following factors support continued low prices through September 2010: (1) slight global economic improvements are only expected to increase consumption 0.5 percent in 2010 from a comparative decline of 2.6 percent in 2009 ; (2) compared to 2009, the 2010 expectation of lower coal prices is anticipated to lead to slight reductions in natural gas use by the electric power sector; (3) Gulf of Mexico production is expected to increase by 3.3 percent this year because of a lower anticipated incidence of hurricane activity and several deep water fields coming online; (4) Liquefied Natural Gas (LNG) imports are expected to increase by 240 bcf in 2010 as the U.S. becomes the most attractive import market; and (5) the EIA is forecasting fewer heating degree days than normal.

Staff reviewed the established and recently proposed WACOG's of other major northwest gas utilities and found Intermountain's proposed WACOG was the lowest. However, comparisons can be difficult because some utilities include different (transportation and storage) elements in the WACOG calculation and have different amortization rates on the year to year deferral balances. Some of Intermountain's WACOG difference can also be attributed to: (1) Northwest Pipeline's proximity to Intermountain's service territory; (2) the significant capacity Intermountain holds on Northwest Pipeline for delivery of gas supplies from the Rockies Basin; and (3) Intermountain's extensive gas storage that allows it to hedge gas at lower prices.

In light of these contributing factors and Intermountain's dynamic hedging strategies, it has been able to guarantee stable and low prices to customers. Given that the Company has locked its winter flowing gas supplies and the WACOG of $0.49600 per therm is reasonably supported by future commodity prices, Staff recommends the Commission accept the Company's proposed WACOG. However, Staff agrees with the Company that if spring and summer prices significantly deviate from the proposed rates, the Company should return to the Commission with a new filing.

Temporary Surcharges and Credits

In Order No. 30649 Intermountain included temporary surcharges and credits in its October 1, 2008, and November 15, 2008, prices for the principal reason of collecting or passing back to its customers deferred gas cost charges and benefits. The removal of the temporary credits amounts to $2,121,191 as illustrated above. The eliminated temporary surcharges and credits consist of three separate items: (1) a credit of $9 million in benefits generated from releasing some pipeline transportation capacity that was passed back to customers; (2) an additional credit of $8.4 million attributable to the collection of pipeline capacity costs, the true-up of expenses from the 2007 PGA, and the refunds attributable to the settlement of the GTN General Rate Case with the Federal Energy Regulatory Commission (FERC); and (3) the $15.4 million deferred surcharge balance, which was the difference from the commodity costs that Intermountain actually paid for natural gas and the WACOG that was included in rates for the past year.

The new temporary credits consist of three separate items: (1) a credit of approximately $5.9 million in benefits generated by releasing some pipeline transportation capacity; (2) an additional credit of $741,000 attributable to the collection of pipeline capacity costs, the true-up of expenses from the 2008 PGA, and charges attributable to new rates effective January 1, 2009 for Northwest Pipeline; and (3) the $12.7 million deferred credit balance, which is the difference from the commodity costs that Intermountain actually paid for natural gas and the WACOG that was included in rates. When the temporary credit items are totaled to account for the drop in revenue proposed by the Company, the credits total $19.3 million. However when offset by the removal of prior temporaries the reduction in revenue is $17.1 million. When combined with the proposed $54.5 million revenue reduction due to the reduced WACOG, and after adding in additional fixed cost changes, the total reduction in revenue is $72.4 million.

Natural Gas Storage

Intermountain utilizes storage to avoid high winter prices by procuring gas during the summer when prices are cheaper. Currently, Intermountain stores gas at Northwest's Plymouth LNG and Jackson Prairie's facilities, and Questar Pipeline's Clay Basin facility. Intermountain formerly leased capacity at the AECO storage facility in Alberta, Canada. However, this year AECO proposed a significant cost increase to renew the contract which forced the Company to revaluate the cost-effectiveness of the facility. In its evaluation, the Company determined "the most economic course of action was to allow the contract to expire on March 31, 2009, thereby lowering Intermountain's fixed storage costs." Underground storage is typically used for fulfilling the Company's basic core market needs. The Company has 108 million therms in underground storage going into the winter heating season, which represents 47% of its November 2009 to March 2010 supply requirement. Intermountain entered into various hedging agreements to lock-in the price of its underground storage and other winter flowing supplies. According to its filing, Intermountain's storage gas has already locked in approximately $680,000 in savings from the management of these assets. When you incorporate the storage hedges currently in place, the $0.49600 per therm proposed WACOG embeds a significantly lower underground storage gas price of $0.36300 per therm. Therefore, the resulting affect of the Company's forward purchasing plan on the WACOG is small and any difference will be reconciled in customer rates next year.

The Company continues to utilize Liquid Natural Gas (LNG) for design weather peaking purposes and to curtail entitlements where the pipeline imposes stringent control of pipeline flows leaving Intermountain with limited supply options. When at capacity, LNG represents approximately 15% of the Company's total storage; however the Company expects to keep this below capacity throughout the winter. As of September 1, 2009, the Company's LNG storage was at approximately 59% of its capacity. Storing significantly more LNG than what is expected to be used during the winter season would come at an additional expense to ratepayers because of Intermountain's cost to maintain the LNG at a specific temperature.

Pipeline Transportation

Intermountain delivers transported natural gas to its Idaho Citygates through Northwest Pipeline, an interstate transportation provider whose pipeline runs through Intermountain's service territory. However, in order to move gas from Canada to Northwest Pipeline Intermountain also utilizes capacity on Gas Transmission Northwest (GTN), TransCanada's Foothills Pipeline system (Foothills) and its Alberta system known as Nova Gas Transmission (Nova). Three of Intermountain's interstate pipeline companies changed their rates January 1, 2009. Northwest Pipeline increased rates to adjust for the higher number of leap year days included in its 2008 prices which, in turn, increased Northwest's 2009 full-rate capacity costs. Since Intermountain's discounted capacity price is indexed on Northwest's full-rate, Intermountain's prices increased. However Intermountain's discounted capacity price still provides a customer savings of $5.4 million when compared to the full-rate cost. Intermountain's pipeline capacity rates on Nova increased while its capacity rates on Foothills decreased, resulting in an annualized net partial increase between the two. In addition, a contract held by the Company on the Nova pipeline expired and the contractual terms on Northwest's system resulted in a slight decline in daily volume and capacity costs. Although capacity on these pipelines remains a key component in serving customers and maintaining supply diversity, Intermountain determines when interstate transportation is under-utilized due to warmer weather or declines in industrial demand and then posts these opportunities for others to utilize at the benefit of Intermountain customers.

Intermountain's proximity to several interstate pipelines allows it to effectively allocate its natural gas supply mix from different basins based on price differentials, and subsequently redeliver that specified volume on its own distribution pipeline network at the lowest possible price. Currently nearly 62% of the Company's gas is purchased from the Rockies Basin, leaving approximately 38% between Sumas and AECO. Since Northwest Pipeline (a large pipeline connecting the Rockies supply basin) runs directly through Intermountain's service territory, Intermountain is able to geographically utilize this service more directly. Lower Rockies Basin prices have benefited Intermountain due to its lack of pipeline infrastructure capable of moving Rockies gas east. Rockies Express pipeline, a pipeline being built to move gas east, began moving limited quantities of gas last year but is still not near completion. The scheduled completion date has been moved back, and even the completed sections have influenced prices very little amongst this year's supply buildup and declining economic conditions.

The Company's diversity of supply basins has enabled it to hedge expected winter flowing gas requirements at favorably contracted prices. This diversity allows Intermountain to exercise hedging options and provide customers with the lowest possible price.

Recovery of Lost and Unaccounted for Gas

Lost and unaccounted for gas is simply the difference, or variance, between the physical purchase of natural gas to serve customers and the volumes billed to those same customers. Intermountain Gas requests the recovery of Lost and Unaccounted for Gas (L&U) through a per therm surcharge. The PGA surcharge request reflects L&U amounts above those which are included in base rates as approved by the Commission in 1985. In its 2008 PGA Application, the Company requested a surcharge increase of 27%, or approximately $2 million above base rates for a total L&U gas amount of approximately $3 million. This represented a proposed increase in estimated L&U to 0.86% of throughput, a 19% increase over the 2007 approved PGA. Due to Staff's concern over the 19% increase in estimated L&U gas between the 2007 PGA and the 2008 PGA, Staff recommended that the Commission place a cap on the amount of L&U gas recovered. In Order No. 30649, the Commission ordered "that Intermountain Gas be permitted to recover a maximum of 0.85% of its total throughput as lost and unaccounted-for gas." The Commission also ordered the Company to submit quarterly reports outlining: (1) the Company's framework for how it has tested for, identified, and remediated equipment measurement errors or leaks; and (2) the business process for alleviating measurement errors through its financial accounting of nominations, scheduling, measurements, flow volume allocation, and billing. Intermountain was directed to work with Staff to outline steps toward identifying the sources of lost and unaccounted for gas and work toward improvement. The table below illustrates the Company's Lost and Unaccounted (L&U) for gas estimates submitted as part of the past three PGA filings along with the percentage change in these estimates experienced over the same period:

Year	Lost & Unaccounted (L&U)	% of L&U vs. Throughput	Change From Prior Year's % L&U
2007	3,700,000	0.72%	n/a
2008*	4,800,000	0.86%	19.12%
2009	2,414,773	0.45%	-47.11%

*According to the INT-G-08-03 & INT-G-08-04 filing

As indicated by the table, this year the Company has significantly dropped its estimated percentage of L&U from 0.86% to 0.45% of total throughput, approximately 47% lower than last year's estimates. Comparatively, when looking back at the Company's actual percentage of L&U gas to total throughput, it was 0.94% and 0.47% for 2007 and 2008, respectively. According to conversations with the Company, this year's PGA estimate of 0.45% L&U gas to total throughput is expected to be closer to what is anticipated to actually occur than in prior years.

In an effort to meet the conditions of the Commission's Order No. 30649, Intermountain has filed its quarterly reports explaining how it tests for, identifies, and remediates equipment measurement errors or leaks. One measure Intermountain takes to identify errors and leaks is by completing variance reports, where an auditor reviews billed consumption compared to "Low Usage Reports." The goal of these reports is to identify inaccurate billings due to the malfunctioning of the customer's meter. The report analyzes each meter read in every cycle and compares the current measured usage to the usage in the same period one year earlier. Accounts with disparities greater than 60% are summarized and receive the attention of a skilled analyst who reviews other usage history to determine whether there is a valid reason for the difference. If there is no valid reason for the difference, the analyst flags the account for a courtesy phone call or "check-for-dead" order.

In 2007 Intermountain performed 7,382 "check-for-dead" billing audits and found roughly 7% of these meters to have been dead whereas in 2008 there were 5,088 audits which yielded roughly 13% to be dead. Comparatively, so far in 2009 Intermountain has performed nearly 4,837 "check-for-dead" billing audits and found roughly 11% to be dead. In addition to this type of audit, Intermountain regularly completes audits to: (1) make sure the appropriate type and size meter is installed; (2) identify problems in programming software used to translate metered consumption into billed consumption; and (3) ensure what is delivered to

Intermountain's distribution system according to the interstate pipeline are equivalent to those same volumes measured by the Company's Gas Control Department.

In 1985, the Commission established the normalized unit cost collected as part of base rates at $0.00182 per therm. However, when adjusted for growth and the natural gas rate of recovery approved per Case No. INT-G-07-03, the normalized level is $968,168, as illustrated on Workpaper No. 8 included with the Company's Application. Intermountain is requesting to recover the difference between the total estimated October 2008 to September 2009 L&U gas and the normalized level of L&U gas revenue already collected in current base rates. As stated above, the normalized level of L&U already collected is $968,168 while the estimated October 2008 to September 2009 amount is $1,544,745. Thus, Intermountain is requesting an additional $576,577. If at the end of September the Company's level of unaccounted for gas is below its estimate included as part of the PGA, the Company will credit the difference back to customers in next year's PGA filing.

Staff recommends that the Commission allow the Company to recover the L&U gas amount requested in this PGA. However, as mentioned in previous Staff Comments, "if the system were to experience a catastrophic failure, Staff would expect the Company to file for an accounting order authorizing it to defer the costs of the repair and lost gas." Staff also maintains its viewpoint that losses due to errors in faulty meters or measurement control practices should not be recovered in the PGA. In order to continue to evaluate the Company's losses and procedures but make reporting less onerous, Staff recommends the Commission reduce the frequency of L&U reports from quarterly to semi-annual. Staff recommends the Commission order the Company to work with Staff on determining the content of the semi-annual reports. Additionally, after reviewing reports issued by the EIA summarizing several local distribution companies' L&U statistics, Staff recommends the Commission maintain the maximum L&U gas recovery at 0.85% of total throughput as specified in Order No. 30649.

Risk Management and Gas Purchasing

Intermountain's risk management and purchasing strategies are dynamic and involve the flexibility to make decisions based on the fundamentals of the natural gas environment. These include decisions based on weather and hurricane forecasts, storage levels, drill rig counts, new Gulf of Mexico and shale gas supplies, LNG levels, interstate pipeline transportation changes, and consumption patterns. All of these factors go into determining how the Company executes a given hedge strategy, layers in the execution of a given hedge strategy, fixes the price for a given time frame, or utilizes other forms of financial pricing. The Company and Staff continue to evaluate the market fundamentals and management guidelines within the "Gas Supply Risk Management Program" to evaluate the risk of price volatility to customers. The primary purposes of the gas purchasing strategies are: (1) to ensure adequate gas supplies are available to customers; (2) to mitigate the adverse impact of significant price movements in the natural gas commodity; and (3) to minimize the credit risk inherent in the implementation of certain price risk reducing strategies.

This year because of declining economic conditions, natural gas prices have been steadily declining. This spring, in response to low summer and forward prices, the Company was able to lock in gas for injection season at favorable prices. This winter, Intermountain has locked approximately 90% of its supply, leaving 10% unlocked for weather variability and the possibility that warmer conditions drop the supply requirements. By leaving 10% unlocked, customers are protected from potentially higher winter prices and market volatility. Intermountain foresees next summer's futures price softening from where they are currently, therefore it has decided to leave these contracts open given the anticipation of a downward adjustment. Although the Company's contracts for physical gas supplies are still typically based on the first-of month index price, the Company sometimes converts these to daily pricing depending on what benefits customers. The Company's strategy, foresight, and flexibility continue to offer savings to customers, and more importantly mitigate the volatility by hedging in comparison to the WACOG. This year, the declining economic conditions and the Company's hedging strategies allowed the Company to purchase gas at prices much lower than the WACOG currently set in rates, this contributed to the over-collection of approximately $12 million now being credited back to customers.

CONSUMER ISSUES

Customer Notice and Press Release

The Customer Notice and Press Release were included in Intermountain's Application. The Application was received on August 19, 2009. Staff reviewed the customer notice and press release and determined they were in compliance with the requirements of Rule 102, Utility Customer Information Rules (UCIR), IDAPA 31.21.02.102. The customer notice was mailed with cyclical billings beginning August 20, 2009 and ending September 18, 2009.

Customer Comments

Customers were given until September 9, 2009 to file comments. As of September 9, 2009, eight comments had been received. All commenters supported the decrease in rates while three commenters said the reduction was not enough given the current market conditions.

Financial Assistance for Paying Heating Bills

Even though a 20% decrease in Intermountain's rates for the coming year is welcome news for customers of Intermountain, some customers will still struggle to make ends meet. Because of this, Staff encourages all qualified customers to apply for the federally-funded Low Income Home Energy Assistance Program (LIHEAP). Bill payment assistance is also available through organizations such as Project Share in southwestern Idaho and Project Warmth and Helping Hand in southeastern Idaho. For more information on these programs, customers may call the nearest Community Action Agency, Intermountain Gas Company, the Idaho Public Utilities Commission, or the 2-1-1 Idaho Care Telephone Line.

Low Income Weatherization Program

In Order No. 30649, Case No. INT-G-08-03, the Commission directed the Company to collaborate with Staff to explore the creation of a low-income weatherization program for residences heated with natural gas. The Company was ordered to report on the results of those efforts on or before March 15, 2009.

On March 12, 2009, Intermountain sent a letter to the Commission stating it was committed to working with Staff on a weatherization program but felt it would be advantageous to wait until more was known about the impact of increased federal funding for low income weatherization programs and possible additional funding for energy efficiency programs under the federal American Economic Recovery and Reinvestment Act of 2009 (aka federal Stimulus Funds). On July 1, 2009, the Company and Staff met to discuss how to proceed with development of a low income weatherization program. At that meeting, program design, possible funding mechanisms and the interrelationship of existing federal and electric utility programs with a new program benefiting Intermountain Gas' customers was discussed. The Staff and Company agreed to continue discussions and that the Community Action Partnership

Association of Idaho, which administers the existing low income weatherization programs, should be included in the next meeting.

RECOMMENDATION

After a complete examination of the Company's Application and gas procurements for the year, Staff recommends that the Commission accept the Company's Application and filed tariffs decreasing the annual revenue of Intermountain Gas Company by $72.4 million and establishing a weighted average cost of gas at $0.49600/therm. Regarding the lost and unaccounted for gas issues in Order No. 30649, Staff recommends the Commission order Intermountain to: (1) provide semi-annual L&U reports in place of the quarterly reports; (2) work with Staff on determining the content of the semi-annual reports; and (3) maintain the cap in Order No. 30649 that specifies the Company's maximum total L&U gas recovery at 0.85% of total throughput.

Respectfully submitted this 9TH day of September 2009.

Kristine A. Sasser

Kristine A. Sasser
Deputy Attorney General

Technical Staff: Matt Elam
Donn English
Marilyn Parker

i:umisc:comments/intg08.31ksmedemp comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 9TH DAY OF SEPTEMBER 2009, SERVED THE **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. INT-G-09-02, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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