

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF INTERMOUNTAIN GAS COMPANY) CASE NO. INT-G-10-03
FOR AUTHORITY TO CHANGE ITS)
PRICES (2010 PURCHASED GAS COST) NOTICE OF APPLICATION
ADJUSTMENT).)
)
) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 32051**

On August 11, 2010, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application requesting authority to decrease its annualized revenues by \$2.2 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, 2010.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that, with this Application, 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 by Northwest Pipeline GP ("Northwest" or "Northwest Pipeline"); (2) an increase in costs from Intermountain's "upstream" pipeline suppliers; (3) a decrease in Intermountain's Weighted Average Cost of Gas, or "WACOG"; (4) an updated customer allocation of gas-related costs pursuant to the Company's Purchased Gas Cost Adjustment provision; (5) 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 (6) 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.

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YOU ARE FURTHER NOTIFIED that Intermountain Gas proposes decreasing the WACOG from the currently approved \$0.49600 per therm to \$0.49211 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 5.

YOU ARE FURTHER NOTIFIED that, pursuant to Order No. 30913, Intermountain included temporary surcharges and credits in its October 1, 2009, prices for the principal reason of collecting or passing back to its customers deferred gas cost charges and benefits. Intermountain 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. Exhibit No. 4, line 26, reflects the elimination of these temporary surcharges and credits. The proposed changes would result in a price decrease to Intermountain's RS-2, GS-1 and LV-1 customers and a slight increase to Intermountain's RS-1 customers. Transportation customers would also experience a small rate increase resulting from the reversal of the prior year's amortization rates. Application at 4.

YOU ARE FURTHER NOTIFIED that 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 coming 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 5. Although current commodity futures prices dictate the use of a \$0.49211 per therm WACOG, the Company continues to remain vigilant in monitoring natural gas prices. If forward prices for natural gas materially deviate from \$0.49211 per therm, the Company is committed to return to the Commission to amend these proposed rates.

YOU ARE FURTHER NOTIFIED that 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, 2011, as follows: (1) fixed gas costs credit of \$2,079,148 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 \$15.6 million attributable to variable gas costs since October 1, 2009; 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 7.

YOU ARE FURTHER NOTIFIED that Intermountain states that a straight cents-per-therm price decrease was not utilized for the LV-1 tariff. There are no fixed costs recovered in the tail block of the LV-1 tariff. The proposed changes in the WACOG, and variable deferred credits (outlined in Exhibit 9) are applied to all three blocks of the LV-1 tariff, but adjustments relating to fixed costs are applied only to the first two blocks of the LV-1 tariff. *Id.* Each block of the proposed LV-1, T-3, T-4 and T-5 tariffs include a uniform cents-per-therm decrease to adjust for Lost and Unaccounted for Gas. *Id.*

YOU ARE FURTHER NOTIFIED that Intermountain asserts that customers have been notified regarding Intermountain's Application through a customer notice and press release. Application at 8. 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, 2010.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, 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.

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 22, 2010**. 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 the Applicant at the addresses reflected below:

NOTICE OF APPLICATION
NOTICE OF MODIFIED PROCEDURE
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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

Katherine Barnard
Manager – Gas Supply & Regulatory Affairs
Intermountain Gas Company/
Cascade Natural Gas Corporation
222 Fairview Avenue North
Seattle, WA 98109-5312
E-mail: kathie.barnard@cngc.com

Stephen R. Thomas
Moffatt Thomas Barrett Rock & Fields, Chtd.
101 S. Capitol Boulevard, Suite 1000
Boise, ID 83702
E-mail: srt@moffatt.com

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 home page 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. These comments must also be sent to Intermountain Gas at the e-mail addresses listed above.

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 web site at www.puc.idaho.gov by clicking on "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

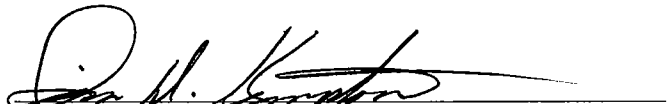
Idaho Code §§ 61-307, 61-313, 61-503 and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

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.*

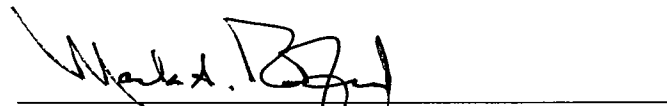
ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons and parties may file written comments **no later than September 22, 2010.**

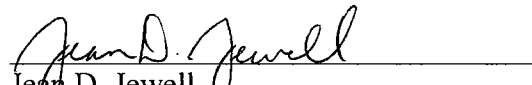
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th day of August 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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