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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 (2010 PURCHASED GAS COST ADJUSTMENT).	**CASE NO. INT-G-10-03** **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 (Order No. 32051) submits the following comments.

BACKGROUND

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 change 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.

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.

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.

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. 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 and 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 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 returning to the Commission to amend its rates.

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 6 and 7.

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 Company 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.*

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.

STAFF REVIEW

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:

Table 1:

Customer Class	Proposed Change in Class Revenue	Proposed Average Change in $/Therm	Proposed Average % Change	Proposed Average Price $/Therm
RS-1 Residential	59,568	0.00185	0.20%	0.94852
RS-2 Residential[1]	(2,270,229)	(0.01329)	-1.58%	0.82920
GS-1 General Service[1]	(55,974)	(0.00056)	-0.07%	0.80002
LV-1 Large Volume	(8,625)	(0.00337)	-0.59%	0.57125
T-3 Transportation	27,233	0.00042	2.52%	0.01708
T-4 Transportation	53,588	0.00042	1.00%	0.04237
T-5 Transportation	8,564	0.00042	1.47%	0.02906
	(2,185,875)		-.83%	

The overall effect of the proposed changes in the Company's Application is a decrease in annual revenue received by Intermountain Gas Company of $2,185,875. This decrease is comprised of the following items:

Table 2:

Deferrals:		
Removal of INT-G-09-02 Temporaries	$ 19,268,569	
Removal of INT-G-09-02 Lost and Unaccounted for Gas	896,763	
INT-G-10-03 Temporaries	(21,459,356)	
Total Deferrals		$ (1,294,024)
Lost and Unaccounted for Gas (INT-G-10-03)		$ (547,731)
Re-allocation of Fixed Costs		$ 113,651
Changes in the Weighted Average Cost of Gas		$ (1,189,446)
Fixed Cost Changes:		
Northwest Pipeline	$(1,166,760)	
New Upstream Capacity Costs	1,826,053	
Other Storage Facility Changes	72,382	
Total Fixed Cost Changes		$ 731,675
Total Annual Price Change		**$ (2,185,875)**

[1] There were no therm sales under the IS-R and IS-C tariffs. However, the IS-R price is based on the RS-2 December-March price and receives the same PGA adjustments and the IS-C price is based on the GS-1 December-March price and receives the same PGA adjustments.

Weighted Average Cost of Gas (WACOG)

The Company's current Application proposes to decrease the WACOG by approximately 0.78% from that approved last year by Commission Order No. 30913. More specifically, the proposal drops the WACOG from the current rate of $0.49600 per therm to the proposed rate of $0.49211 per therm. This request reflects the third decrease since October 1, 2008, and the fourth decrease in the past five PGA filings. The table below illustrates the changes in the WACOG volatility experienced over the last fourteen years:

Table 3:

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%)
2010	0.49211	(0.78%)

The primary reason for the decline in the WACOG is the continuing decline in natural gas prices due to the weakness in our regional and national economy that has reduced the weather adjusted demand for natural gas during a period of time when natural gas supplies have been plentiful. A national report issued by the Energy Information Administration (EIA) in August of this year, provides insight into the anticipated conditions of the natural gas industry through 2011 in the areas of natural gas consumption, production, inventory and pricing. Natural gas consumption is forecast to increase by 3.8% from the 2009 levels of 64.9 billion cubic feet per day (Bcf/d) in 2010 and remain flat in 2011. Natural gas consumption in the industrial sector is projected to

increase by 7% through the remaining months of 2010 and expected to increase by only 1% through 2011. Residential and commercial consumption through 2011 is projected to remain at levels comparable to those of 2009. Production during 2010 is expected to be 1.1% above 2009 levels with a 1.4% reduction in drilling activity in 2011. The EIA Report (September 9, 2010) states that inventories held in underground storage in the lower 48 states is 5.5 percent above the five-year average of 2.998 trillion cubic feet, and 6.4 percent below last year's storage level of about 3.382 trillion cubic feet. Finally, natural gas spot price averaged $0.463 per therm in July 2010 - $0.0017 per therm less than June 2010. EIA forecasts natural gas prices for the remainder of 2010 to average $0.4466 per therm with an average price of $0.498 per therm in 2011.

In order to determine the WACOG for the following year, the Company looks at the combined forward gas prices of the supply sources it utilizes and then considers the impact of current and forecasted economic factors on natural gas demand and supply. Last year's WACOG of $0.49600 per therm in the Company's amended 2009 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 revenue from customers. This over-collection 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, two primary sources are utilized to develop forecasts, specifically: (1) NYMEX Futures Index and (2) Energy Information Administration (EIA). For purposes of this Application, Staff has reviewed the Company's proposed WACOG of $0.49211 and its forecasted natural gas prices through September 2011. When comparing the data from the above 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, however, the Company's forecasted gas prices are reasonable and within the confidence intervals of the national forecasts.

Staff reviewed the established and recently proposed WACOG's of other major northwest gas utilities and found that Intermountain's proposed WACOG continues to be the lowest. However, direct 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.

These contributing factors, coupled with Intermountain's dynamic hedging strategies, have historically allowed the Company to provide stable and low prices to customers. Given that the Company has locked the majority of its winter flowing gas supplies, the WACOG of $0.49211 per therm is reasonable when compared to forecasted future commodity prices. Staff recommends the Commission accept the Company's proposed WACOG. However, Staff agrees with the Company that if prices significantly deviate from the proposed rates, the Company should return to the Commission with a new filing.

Temporary Surcharges and Credits

Pursuant to Order No. 30913, Intermountain included temporary credits in its October 1, 2009 prices for the principal reason of passing back to its customers deferred gas cost charges and benefits. The temporary credits consisted 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. In the same case, Lost and Unaccounted for Gas temporary credit deferrals were $900,000.

The new temporary credits consist of three separate items: (1) a credit of approximately $3.8 million in benefits generated by releasing some pipeline transportation capacity; (2) an additional credit of $2.1 million attributable to the collection of pipeline capacity costs, the true-up of expenses from the 2009 PGA, and capacity release credits generated from the release of Intermountain's pipeline capacity; and (3) the $15.6 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 $21.5 million. However, when offset by the removal of prior temporaries (including Lost and Unaccounted for Gas) the reduction in revenue is $1.3 million. As shown on page 4, Table 2, the total reduction in revenue is $2.2 million. This is the combination of the current Lost and Unaccounted for Gas credit of $600,000, the proposed $1.2 million revenue reduction due to the reduced WACOG, additional fixed cost changes and the $1.3 million temporary surcharges and credits discussed above.

Natural Gas Storage

Intermountain utilizes storage to avoid high winter prices by procuring gas during the summer when prices are usually cheaper. Currently, Intermountain stores gas at Northwest's Plymouth LNG and Jackson Prairie facilities, and Questar Pipeline's Clay Basin facility. Underground storage is typically used for fulfilling the Company's basic core market needs. The Company has 111 million therms in underground storage going into the winter heating season, which represents 52% of its November 2010 to March 2011 supply requirement. Intermountain entered into various hedging agreements to lock-in the price of its underground storage and other winter flowing supplies. The remaining storage injections have been locked in at prices ranging from $0.39800 to $0.41600/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. Consistent with prior years, as of September 1, 2010, 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 City gates 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). Intermountain's pipeline capacity rates for both Nova and Foothills increased in 2010 resulting in an increase of $1.8 million. Northwest Pipeline updated its rates effective May 21, 2010. While some rates decreased and others increased (storage and fuel rates), the pipeline transportation rate billed to Intermountain remains unchanged. Contractual terms with Northwest Pipeline allowed for a slight decline in daily volume and a decrease in capacity costs of $1.2 million. Capacity on these pipelines remains a key component in serving customers and maintaining supply diversity. Intermountain will also determine when its contracted interstate transportation is under-utilized due to warmer weather or declines in industrial demand. This capacity will be posted for release to others with the release payments received benefiting 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. This year the Company purchased nearly 62% of its gas from the Rockies Basin, leaving approximately 38% between Sumas and AECO. Since Northwest Pipeline 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. However, Rockies Express pipeline, a 639 mile pipeline built to move gas east, was completed this past year. This pipeline will enable Rockies direct access to the eastern markets for the first time which is expected to increase price competition among suppliers in North America. To date, the completion of the Rockies Express pipeline has not significantly influenced natural gas prices.

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 lower priced natural gas.

Recovery of Lost and Unaccounted for Gas

Lost and unaccounted for gas (L&U gas) is 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 L&U gas through a per therm surcharge. The PGA surcharge request reflects L&U gas amounts above those which are included in base rates as approved by the Commission in 1985. In response to concerns about increasing L&U gas recovery, in 2008 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." Order No. 30649. 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 L&U gas estimates submitted as part of the past four PGA filings along with the percentage change in these estimates experienced over the same period:

Year	Lost & Unaccounted (L&U)	Estimated % of L&U Gas vs. Throughput	% Change From Prior Year's Estimated L&U
2007	3,700,000	0.72%	n/a
2008*	4,800,000	0.86%	29.73%
2009*	2,414,773	0.45%	-49.69%
2010	1,077,361	0.20%	-55.38%

*According to the INT-G-09-02, INT-G-08-03 & INT-G-08-04 filing

As indicated by the table, this year the Company has significantly reduced its estimated percentage of L&U gas from a high of 0.86% to 0.20% of total throughput, approximately 55% lower than last year's estimates of 0.45%. The Company's actual percentage of L&U gas to total throughput has steadily decreased over the course of the last three filings as well. Actual L&U gas was 0.94%, 0.47% and 0.44% for 2007, 2008 and 2009, respectively. The Company indicates that this year's L&U gas estimate of 0.20% is expected to be closer to the actual L&U gas going forward. According to the Company, this is due to aggressive commitment and focus on continuous improvement in the area of reducing L&U gas by Intermountain.

In an effort to meet the conditions of Commission 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 the completion of variance reports, i.e., 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 an 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" meter order.

During 2010, Intermountain performed 6,481 "check-for-dead" billing audits and found slightly over 8% to be dead or have a drive/pressure related issue. This is compared to 4,837 audits in 2009, 5,088 audits in 2008 and 7,382 audits in 2007 with "dead meter rates" of 11%, 13% and 7%, respectively. In addition, Intermountain regularly completes audits to: (1) verify that 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 the amounts 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 in Case No. INT-G-07-03, the normalized level of L&U gas embedded in base rates yields a collection of lost and unaccounted for gas in the amount of $1,000,241 as illustrated on Workpaper No. 8 included with the Company's Application. Intermountain is requesting to recover the difference between the total estimated October 2009 to September 2010 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 gas already collected is $1,000,241 while the October 2009 to September 2010 actual amount of L&U gas is $423,407. Thus, Intermountain is requesting that the difference of $576,834 be passed back as a credit to customers.

Staff recommends that the Commission allow the Company to credit the L&U gas amount requested in this PGA. However, as mentioned in previous Staff Comments, Staff would expect the Company to file for an accounting order authorizing it to defer the costs of the repair

and lost gas in the event of catastrophic failure. Staff also maintains that losses due to errors in faulty meters or measurement control practices should not be recovered in the PGA. Staff recommends that the Company continue to submit semi-annual L&U gas reports for review. Staff also recommends that 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 the injection season at favorable prices. Once again, 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. 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, continued weak economic conditions coupled with the Company's hedging strategies have allowed the Company to purchase gas at prices much lower than the WACOG

currently set in rates. This contributed to the over-collection of $15.6 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 11, 2010. Staff reviewed the customer notice and press release and determined they were in compliance with the requirements of IPUC Rules of Procedure 125.04 and 125.05 (IDAPA 31.01.01.125). The customer notice was mailed with cyclical billings beginning August 12, 2010 and ending September 14, 2010.

Customer Comments

Customers were given until September 22, 2010 to file comments. As of September 21, 2010, one customer had commented on this case. The comment was from an RS-1 residential customer (space heating only) who will receive a slight increase in rates if the PGA is approved. The commenter indicated that it was not fair to reward some customers with a decrease because they use more product and penalize others that use less product. He felt it was inequitable treatment.

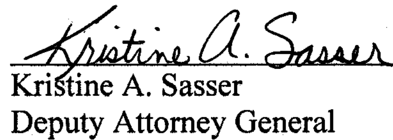
Financial Assistance for Paying Heating Bills

If approved, Intermountain's RS-2 residential customers will see a slight decrease in their rates (average RS-2 customer will see 90 cents per month in savings) and RS-1 residential customers will see a slight increase in their rates (average RS-1 customer will see 9 cents more in billing per month). Staff encourages all customers that qualify 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 Hands 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.

STAFF RECOMMENDATION

After a thorough 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 $2.2 million and establishing a weighted average cost of gas at $0.49211/therm. Staff further recommends that the Commission continue to require semi-annual L&U gas reports and maintain a cap for L&U gas recovery at 0.85% of total throughput.

Respectfully submitted this 22nd day of September 2010.



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Deputy Attorney General

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Patricia Harms
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF SEPTEMBER 2010, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. INT-G-10-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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