

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF INTERMOUNTAIN GAS COMPANY) CASE NO. INT-G-11-03
FOR AUTHORITY TO DECREASE ITS)
PRICES)
) ORDER NO. 32450
)

On December 22, 2011, Intermountain Gas Company applied for authority to place into effect new rate schedules that will decrease the Company's revenues from February 1, 2012 to September 30, 2012 by \$6.0 million. Application at 2. The proposed revenue decrease arises from changes in the Company's gas purchase costs that will decrease customer rates while not affecting the Company's earnings. *Id.* at 2. The Company asked for the new rates to take effect February 1, 2012. *Id.* at 6.

On January 5, 2012, the Commission issued a Notice of Application/Modified Procedure that allowed interested persons to file comments until January 19, 2012, with the Company to file any reply comments by January 26, 2012. *See* Order No. 32428 at 3. With this Order, the Commission approves the Company's Application.

THE APPLICATION

Intermountain Gas seeks to pass-through to its sales customer classes a decrease in gas commodity costs resulting from a decrease in Intermountain's weighted average cost of gas ("WACOG"). The Company says this would result in an overall price decrease to Intermountain's RS-1, RS-2, GS-1, LV-1, IS-R and IS-C customers. Application at 3.

Intermountain proposes decreasing the WACOG from the currently approved \$0.45342 per therm to \$0.41812 per therm because regional natural gas prices have continued to decline since Intermountain filed INT-G-11-01 in August 2011. *Id.* at 4. The Company attributes the decline to: (1) the continued prolific availability of U.S. shale gas production; (2) storage balances being at or near record high levels; (3) the lack of material hurricane activity that would typically reduce natural gas deliverability; and (4) a mild winter that has dampened natural gas demand across the Pacific Northwest. *Id.* Additionally, the Company says the domestic Ruby pipeline has displaced traditional Canadian natural gas supplies and softened

“prices at the AECO hub in Alberta which makes up a significant portion of the Company’s gas supply portfolio.” *Id.*

Intermountain says it has allocated the proposed price changes to each of its customer classes based on Intermountain’s Purchased Gas Cost Adjustment (PGA) provision. *Id.* The Company says the proposed price changes are just, fair, and equitable. *Id.* at 5.

Intermountain asserts that customers have been notified regarding Intermountain’s Application through a customer notice and press release. *Id.*

THE COMMENTS

Staff Comments

Staff notes that the Company’s current filing results from the Company’s adherence to Order No. 32372, which requires that the Company apply to reduce prices whenever purchased gas costs materially deviate from those currently authorized and embedded in rates. The Company proposes to reduce the WACOG from \$0.45342 per therm to \$0.41812 per therm. Staff says this is 7.79% less than the WACOG approved in the 2011 PGA, which took effect on October 1, 2011. *See Staff Comments at 2.*

Staff reviewed the Company’s Application primarily by comparing it to Staff’s analysis of the WACOG approved in the October 1, 2011 PGA (Case No. INT-G-11-01). *Id.* at 3. Based on this review, Staff found that:

1. The Company’s method to determine the WACOG is rigorous and the calculations are accurate (*id.*);
2. The Company’s proposed reduction in its WACOG correlates with market trends identified in Staff’s comments for the October 2011 PGA filing and that these trends persist (*id.* at 3-4); and
3. The cost of purchased gas that forms the basis for the proposed WACOG reasonably compares to current benchmark market prices forecasted by third-party sources (*id.* at 3, 5-6).

Accordingly, Staff recommended that the Commission approve the Company’s request to establish a WACOG of \$0.41812 per therm and reduce rates by \$0.03530 per therm for the Company’s RS-1, RS-2, GS-1, LV-1, IS-R and IS-C customers. *Id.* at 3, 6.

Public Comments

The sole public commenter is a customer who is pleased with the Company’s proposed rate decrease.

FINDINGS AND DISCUSSION

The Commission has reviewed the record for this case, including the Application and comments. The Commission has jurisdiction over Intermountain Gas Company, a public utility, its Application for authority to change rates and prices, and the issues involved in this case pursuant to Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502, along with the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.*

The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502. The PGA mechanism is used to adjust rates to reflect changes in the Company's costs for the purchase of natural gas from suppliers – including transportation, storage and other related costs. *See* Order No. 26019. The Company's earnings are not to be increased from changes in prices and revenues resulting from the PGA. The PGA mechanism is designed to pass through prudently incurred commodity costs in a timely fashion.

With regard to the current Application, we note that natural gas prices continue to decrease for various reasons. Supply is abundant due to new drilling technologies and pipeline infrastructure. Record quantities of stored gas also exist, and there has been no material hurricane activity that might otherwise interfere with delivery. The demand for gas, on the other hand, has softened due to a mild winter. Consequently, we find it reasonable to grant the Company's request to decrease the approved WACOG from \$0.45342 per therm to \$0.41812 per therm, and to reduce rates by \$0.03530 per therm for the Company's RS-1, RS-2, GS-1, LV-1, IS-R and IS-C customers. The Commission appreciates the Company's prompt Application to decrease its rates in the face of falling natural gas prices.

ORDER

IT IS HEREBY ORDERED that Intermountain Gas Company's Application is approved. Intermountain is authorized to pass through its proposed adjustments, surcharges, and credits to customers as filed. The Company shall establish a WACOG of \$0.41812 per therm and reduce rates by \$0.03530 per therm for the Company's RS-1, RS-2, GS-1, LV-1, IS-R and IS-C customers. The tariff sheets filed with the Company's Application are hereby approved, effective February 1, 2012.

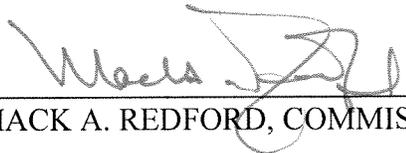
IT IS FURTHER ORDERED that Intermountain Gas promptly apply to amend its WACOG should gas prices materially deviate from the presently approved \$0.41812 per therm.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626 and 62-619.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st day of January 2012.



PAUL KJELLANDER, PRESIDENT

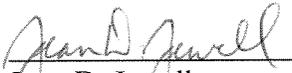


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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