DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL

DATE: DECEMBER 29, 2011

SUBJECT: INTERMOUNTAIN GAS CO.'S APPLICATION TO DECREASE PRICES, CASE NO. INT-G-11-03

On December 22, 2011, Intermountain Gas Company applied for authority to decrease its revenues from February 1, 2012 to September 30, 2012 by $6.0 million. Application at 2. The Company contends the proposed revenue decrease relates to changes in the Company's gas purchase costs and will decrease customer rates while not affecting the Company's earnings. *Id.* at 2. The Company asks that the Commission process the Application by Modified Procedure, and that the new rates take effect February 1, 2012. *Id.* at 6.

THE APPLICATION

With this 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.*[1] 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.* Finally, the Company requests that this matter be handled under Modified Procedure and that its rates become effective on February 1, 2012. *Id.* at 6.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure, with initial comments due in 14 days and Company reply comments, if any, due 7 days later.

COMMISSION DECISION

Does the Commission wish to process this case under Modified Procedure, with initial comments due in 14 days and Company reply comments, if any, due 7 days later?

Karl Klein
Deputy Attorney General

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[1] 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.