DECISION MEMORANDUM

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

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: AUGUST 23, 2012

SUBJECT: INTERMOUNTAIN GAS COMPANY'S ANNUAL PURCHASED GAS COST ADJUSTMENT (PGA) FILING, CASE NO. INT-G-12-01

On August 10, 2012, Intermountain Gas Company ("Intermountain" or "Company") filed its annual Purchased Gas Cost Adjustment ("PGA") and requested a Commission Order, pursuant to *Idaho Code §§* 61-307 and 61-622, to institute new rate schedules which will decrease its annualized revenues by $6.0 million. *Application* at 2. Intermountain also "seeks to refund $11.9 million of variable deferred credits in a one-time bill credit." *Id.* Intermountain attached copies of its current rate schedules and proposed rate schedules. *Id.*, Exh. 1-2.

THE FILING

Intermountain's Application lists the following cost variations that it seeks to pass through to each of its customer classes through this filing:

(1) An increase in costs billed Intermountain from Northwest Pipeline GP ("Northwest" or "Northwest Pipeline") reflecting a January 1, 2013 price increase and the purchase of additional Northwest capacity;

(2) A decrease in Intermountain's Weighted Average Cost of Gas, or "WACOG";

(3) An updated customer allocation of gas related costs pursuant to the Company's PGA provision;

(4) The inclusion of temporary surcharges and credits for one year relating to natural gas purchases and interstate transportation costs from Intermountain's deferred gas cost accounts, and

> (5) Benefits resulting from Intermountain's management of its storage and firm capacity rights on various pipeline systems. 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 No. 32372 per Case No. INT-G-11-01.

Id. at 3-4. The Company asserts that the net effect of the "above changes would result in an overall price decrease to Intermountain's customers." *Id.* at 4.

According to Intermountain, its "proposed prices incorporate all changes in costs relating to the Company's firm interstate transportation capacity including, but not limited to, any price changes or projected cost adjustments implemented by the Company's pipeline suppliers as well as any volumetric adjustments in contracted transportation agreements which have occurred since Intermountain's PGA filing in Case No. INT-G-11-01." *Id.*

Intermountain notes that "Northwest Pipeline and its shippers settled Northwest's recent rate case filing resulting in an approximate 9% price increase effective January 1, 2013. *Id.*, Exh. 3. Next, Intermountain recounted the efforts the Company has taken to "effectively manage its natural gas storage assets." *Id.* at 4-5, Exh. 4.

The Application lists a decrease in the WACOG price from the current price of $0.41812 per therm to the proposed price of $0.33489 per therm. *Id.* at 5, Exh. 4. Intermountain declares that natural gas prices have continued to fall. *Id.* Intermountain states that natural gas storage balances are at "record levels." *Id.* Thus, record storage levels combined with "ample natural gas supplies . . . has kept the near term prices for natural gas low." *Id.* Intermountain states that it "has entered into various fixed price agreements to lock-in the price for significant portions of its underground storage and other winter 'flowing' supplies." *Id.*

Intermountain's Application seeks "to pass through to its customers the benefits that will be generated from the management of its transportation capacity totaling $3.7 million as outlined on Exhibit No. 7." *Id.* at 6. Intermountain's proposal seeks 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, 2013. . . ." *Id.* at 7, Exh. 6, 8-9.

Intermountain filed "an out-of-cycle PGA which was effective February 2012 to account for rapidly falling natural gas prices. . . ." *Id.* Nevertheless, prices continued to drop and "lower natural gas commodity prices from July 2011 through June 2012 resulted in a credit balance of $11.9 million." *Id.* at 7, Exh. 10. Intermountain's proposal includes a "refund of this balance through a one-time credit on customer bills in December 2012." *Id.* The credit balance would be divided by actual sales volumes over the time period it was generated to arrive at the per therm credit. *Id.*, Exh. 10. "This calculated credit would be reflected as a line item on customer bills in December 2012." *Id.* at 8, Exh. 10. Intermountain did not apply "a straight cent per therm price decrease . . . for the LV-1 tariff as no fixed costs are currently recovered in the tail block of the LV-1 tariff." *Id.* The changes to the WACOG price, as well as other variable deferred credits, "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 increase to adjust for Lost and Unaccounted For Gas as detailed on Exhibit No. 9, Lines 13 through 20, Col. (b)." *Id.* An analysis of the overall price changes by class of customer is outlined in Exhibit No. 11. *Id.*

Intermountain states it has provided notice of the proposed changes to its tariff schedules through the issuance of a formal Customer Notice and Press Release. *Id.* Intermountain proposes an effective date for the proposed changes of October 1, 2012. *Id.* at 10.

COMMISSION DECISION

Does the Commission wish to process Intermountain's PGA Application through Modified Procedure with a comment deadline of September 20, 2012?

Neil Price
Deputy Attorney General

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