

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF INTERMOUNTAIN)
GAS COMPANY'S APPLICATION TO SELL) CASE NO. INT-G-13-02
LIQUEFIED NATURAL GAS)
) NOTICE OF APPLICATION
)
) NOTICE OF
) MODIFIED PROCEDURE
)
) ORDER NO. 32735**

On January 23, 2013, Intermountain Gas Company applied for authority to sell excess liquefied natural gas ("LNG") to non-utility customers. The Company initially asked for the new service to take effect on March 10, 2013. However, the Company has since advised Commission Staff that it consents to having that date suspended to allow the parties adequate time to process the case. With this Order, the Commission provides notice of the Application and solicits public comment.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Intermountain Gas Company is a gas utility that sells and distributes natural gas in Idaho. With this Application, the Company asks the Commission for permission to sell excess LNG from the Company's Nampa facility to non-utility customers at market-based prices. *Id.*

YOU ARE FURTHER NOTIFIED that the Company expects to have excess LNG capacity for the next few years. *Id.* at 4. It proposes to sell LNG from this excess capacity, less a 50% reserve margin, to non-utility customers until system growth requires the Company to use its entire LNG capacity to meet core market peak-day needs. *Id.* For the near future, however, the Company says it can meet utility-customer needs and still have enough LNG to provide an extra 6 million therms (or 7.3 million gallons) of LNG for year-round non-utility sales. *Id.* at 5. The Company says it will use any and all stored LNG to first satisfy utility-customer demand even if that LNG was initially designated for non-utility use. *Id.*

YOU ARE FURTHER NOTIFIED that the Company says that non-utility customers must sign a contract before buying LNG. The Company says the contract will protect utility customers from financial risk, and the Company from risks arising after the LNG is transferred to the non-utility customer. The contract also will ensure that only surplus LNG is available for sale under the new service. *Id.* at 6.

YOU ARE FURTHER NOTIFIED that the Company says it will accept all financial risk of the venture. Further, it will insulate utility customers from any costs associated with non-utility sales by separately accounting for any quantities of natural gas liquefied for non-utility sales and tracking all related costs independent of utility costs. The Company will separately identify all costs associated with non-utility sales deferring all amounts benefiting utility customers until the next PGA case.¹ The Company then will provide actual sales calculations to Commission Staff during the annual PGA audit. *Id.* at 4-5.

YOU ARE FURTHER NOTIFIED that the Company proposes to pass the benefit of reduced operating costs to its firm customers. The Company will provide a 2.5¢ credit per each gallon sold to recover any direct operations and maintenance (“O&M”) costs that may result from non-utility LNG sales. The Company expects that the booked credit amounts ultimately will offset base-utility O&M over and above the O&M related to non-utility sales. *Id.* at 5-6. The Company also acknowledges that increased use of the LNG facility may accelerate capital expenditures or increase maintenance costs at the Nampa facility. *Id.* at 6. The Company thus proposes to set aside another 2.5¢ per each gallon of LNG sold to defray any such costs. *Id.*

YOU ARE FURTHER NOTIFIED that the Company proposes to share all net revenue from LNG sales on a 50/50 basis with utility customers through the PGA deferral mechanism. *Id.* at 6. The ratepayer part of net revenue would be deferred as credits in a new deferral account and passed back to applicable sales and firm transportation customers in a similar manner to other peaking demand costs during the next PGA. *Id.*

YOU ARE FURTHER NOTIFIED that the Company says its proposal will not increase utility customer rates. It could, however, potentially decrease the future prices that the Company’s sales customers pay when the projected deferred credits become part of future PGA filings. *Id.*

¹ The PGA or “Purchased Gas Cost Adjustment” mechanism is used to adjust rates to reflect annual changes in the Company’s costs for the purchase of natural gas from suppliers – including transportation, storage, and other related costs.

NOTICE OF MODIFIED PROCEDURE

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily 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 March 18, 2013**. 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 Company at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Scott Madison
Executive Vice President & General Manager
Intermountain Gas Company
PO Box 7608
Boise, ID 83707

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5918

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.

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.*

SUSPENSION OF EFFECTIVE DATE

Although the Company's Application proposes a March 10, 2013 effective date, the Company and Commission Staff concur that the Commission should suspend the proposed effective date to ensure the parties have adequate time to process the case. We thus suspend the effective date for thirty (30) days plus five (5) months from March 10, 2013 (i.e., until September 9, 2013), or until such time as the Commission enters an earlier Order accepting, rejecting or modifying the Application in this matter. *See Idaho Code* §§ 61-622 and 61-623. In this regard, the Commission is mindful that the Company would like the Order issued as soon as possible.

ORDER

IT IS HEREBY ORDERED that this case be processed under Modified Procedure. Interested persons and parties may file written comments by **March 18, 2013**. The proposed effective date is suspended as noted above.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 1st
day of February 2013.



PAUL KJELLANDER, PRESIDENT

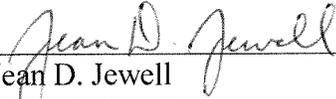


MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:INT-G-13-02_kk