Office of the Secretary
Service Date
September 29, 2015

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR AUTHORITY TO DECREASE ITS PRICES (2015 PURCHASED GAS COST ADJUSTMENT).	)	**CASE NO. INT-G-15-02** **ORDER NO. 33386**

On August 7, 2015, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application. The PGA adjusts rates each year to reflect changes in the Company's costs to buy natural gas from suppliers—including transportation, storage, and other related costs. *See* Order No. 26019. If approved, the Company's proposed PGA rates would *decrease* the Company's annualized revenues by $15.3 million (5.69%). The Company requested that its proposed PGA rates take effect October 1, 2015.

On August 26, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure setting a September 16, 2015 comment deadline and a September 23, reply deadline. The Commission Staff filed the only comments in the case, and recommended that the Commission approve the Company's Application. The Company did not reply.

Based on our review of the record, we approve the Company's Application as more specifically described below.

THE APPLICATION

With this PGA Application, the Company proposed to pass through to customers gas-related cost changes that would *decrease* the average bill of: (1) residential customers who use natural gas for space heating and water heating, by $3.12/month (6.11%); (2) customers who use gas for space heating only, by $1.36/month (3.56%); and (3) commercial customers by $12.15/month (5.66%).

The Company explained that these gas-related cost changes result from: (1) transportation costs billed to the Company by Northwest Pipeline GP ("Northwest" or "Northwest Pipeline"); (2) a decrease in the Company's weighted average cost of gas ("WACOG");[1] (3) an

[1] The WACOG is the Company's average variable cost to buy and transport gas to satisfy its customers' estimated annual gas needs. The WACOG includes the volumetric interstate transportation rate, city gate costs, IGI Resources administrative fees, and Gas Technology Institute (GTI) charges. It does not include fixed-capacity costs for interstate transportation, liquid storage, and underground storage. The WACOG is roughly 68% of the Company's total annual gas cost. *See* Staff Comments at 4.

updated customer allocation of gas-related costs under 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 the Company's deferred gas cost accounts; and (5) benefits resulting from the Company's management of its storage and firm capacity rights on various pipeline systems. The Company's proposed price changes 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 the Company's last PGA filing, Case No. INT-G-14-01.

The Company's new rates also include $1.4 million related to the acquisition of additional Plymouth LNG storage capacity on Northwest's delivery system. The Company acquired incremental Plymouth capacity of 378,900 MMBtu with a daily deliverability of 41,975 MMBtu. The Company stated that the Plymouth facility has been a valuable asset given its ability to help ensure supply and delivery to customers.

The Company proposed decreasing the WACOG from the currently approved $0.39482 per therm to $0.32764 per therm. The Company stated that shale reserves in North America continue to be significant which, combined with slow growth of the nation's economy, have contributed to the decrease in the Company's WACOG. The Company noted, however, that natural gas supplies combined with significant storage balances have kept natural gas prices lower than they were just a year ago. The Company noted that it has entered into fixed-price agreements to lock in the price for significant portions of its underground storage and other winter "flowing" supplies.

With this Application, the Company would also pass through to its customers, as per therm credits, $3.9 million that will be generated from the management of its transportation capacity. The Company also proposed to temporarily adjust prices for 12 months – until September 30, 2016 – to allocate deferred gas costs from its Account No. 191, including: (1) a fixed-gas cost debit of $1.1 million; (2) a variable gas cost debit of $0.7 million; and (3) a Lost and Unaccounted For Gas (LAUF Gas) credit of $76,166.

The Company stated that the resulting overall price changes are a just, fair, and equitable pass through of changes in gas-related costs to the Company's customers.

STAFF COMMENTS

Staff examined the Company's Application and gas purchases for the year. Staff confirmed that the Company's PGA proposal would not change the Company's earnings, the Company's deferred costs are prudent, and the Company's proposed WACOG is reasonable. Staff thus recommended the Commission approve the Company's Application and tariffs as filed to decrease the Company's annual revenue by $15.3 million (5.69%) and establish a WACOG of $0.3276 per therm. Staff also recommended the Commission direct the Company to promptly return to the Commission to amend its WACOG if prices materially deviate from proposed rates in the upcoming year.

While Staff recommended the Commission approve the Application, Staff also expressed concern that the Company's new Customer Care and Billing System itemizes charges on bills in a complex way that differs from how charges are broken up in the Company's tariff. Consequently, while Staff can confirm that the billed charges add up to the total cents per therm charge authorized in the Company's tariff, Staff cannot simply consult the tariff to verify the accuracy of each itemized item. Staff noted that the Company has agreed to work with Staff after the case concludes to resolve these billing and tariff issues.

DISCUSSION AND FINDINGS

The Commission has reviewed the record for this case, including the Application and comments. The Company is a public utility, and the Commission has jurisdiction over it and the issues in this case under Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-501 and 61-502. The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502. As noted above, the PGA adjusts the Company's rates to reflect changes in the Company's costs to buy natural gas from suppliers—including transportation, storage and other related costs. The PGA passes the Company's prudently incurred natural gas costs to customers through new rates, but the resulting rate changes do not increase or decrease the Company's profits. *See* Order No. 26019.

The Commission has examined the Company's Application and gas purchases for the year, and finds that the Application should be granted and the tariffs approved as filed. We approve the Company's proposed decrease in its WACOG from $0.3948 per therm to $0.3276 per therm, and find that that the resulting customer rates are fair, just, and reasonable.

We appreciate the Company and Staff working to resolve the billing and tariff issues described above.

ORDER

IT IS HEREBY ORDERED that the Company's Application is granted. The Company is authorized to pass through its proposed adjustments, surcharges, and credits to customers as filed. The Company shall establish a WACOG of $0.3276 per therm. The tariff sheets filed with the Company's Application are hereby approved, effective October 1, 2015.

IT IS FURTHER ORDERED that the Company shall promptly apply to amend its WACOG if natural gas prices materially deviate from the WACOG approved in this Order.

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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29th day of September 2015.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Marsha H. Smith

MARSHA H. SMITH, COMMISSIONER

Kristine Raper

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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