BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO CHANGE ITS PRICES	))))	**CASE NO. INT-G-17-05** **ORDER NO. 33887**

On August 14, 2017, Intermountain Gas Company applied to the Commission for authority to change its rates, effective October 1, 2017, to reflect changes in gas-related costs. Application at 2. The Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines. Order No. 33859. Commission Staff timely submitted comments. No other comments were received.

Having reviewed the record, the Commission enters this Order approving the Company's Application, with an adjustment to the Company's external rate case costs, for a total revenue decrease of $19.25 million under this Purchased Gas Adjustment (PGA), with the new rates to take effect October 1, 2017. The Commission's decision is more fully set forth below.

THE APPLICATION

Intermountain's rates include a base rate component and a gas-related cost component. The base rate component is intended to cover Intermountain's fixed costs to serve its customers – for example, the Company's costs for equipment and facilities to provide service – and has not frequently changed. The current base rates were approved in Order No. 33757, Case No. INT-G-16-02. *See id.* The gas-related cost component of Intermountain's rates is at issue here.

With this Application, Intermountain seeks to change its rates to pass through to customers changes in gas-related costs. These changes will *decrease* rates for Intermountain's residential and commercial (RS and GS-1) customers, and *increase* rates for its large volume and transportation (LV-1, T-3, and T-4) customers. *Id.* at 4. The current gas-related cost component of Intermountain's rates was approved in Order No. 33604, Case No. INT-G-16-03. *See id.* The proposed changes to the rates would decrease Intermountain's annualized revenues by $19.2 million, but would not impact earnings. *Id.* at 2.

The proposed changes in gas-related costs result from: (1) costs billed to Intermountain from firm transportation providers (including Northwest Pipeline LLC); (2) a decrease in Intermountain's weighted average cost of gas (WACOG); (3) an 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 Intermountain's deferred gas cost accounts; (5) benefits resulting from Intermountain's management of its storage and firm capacity rights on various pipeline systems; and (6) costs accrued related to Intermountain's general rate case. *Id.* at 3-4. Intermountain seeks to eliminate the temporary surcharges and credits in its current prices during the past 12 months under Case No. INT-G-16-03. *Id.*

The Application provided detail on these changes. *See id.* at 4-8. For example, the WACOG reflected in the proposed prices is $0.26020 per therm, compared with the WACOG of $0.29695 currently included in rates. *Id.* at 5. This decrease of $0.03675 per therm reflects robust natural gas supplies, significant storage balances, and the Company's efforts to manage its natural gas storage assets. *Id.* The Application further explained other adjustments and treatment of various deferred costs. *Id.* at 4-8.

The Company also explained adjustments to the LV-1, T-3, and T-4 tariffs, which would receive a price increase under the proposed PGA. For the LV-1 tariff, a straight cents per therm price change was not used, because no fixed costs are currently recovered in the tail block of that tariff. *Id.* Intermountain indicated that the proposed changes in the WACOG and variable deferred credits and debits (outlined in Exhibit Nos. 9 and 10) applied to all three blocks of the LV-1 tariff. *Id.* at 7-8. However, adjustments related to fixed costs applied only to the first two blocks. *Id.* at 8. The net change of the adjustments is a price increase for the LV-1 customers. *See id.* at Exhibit No. 13. For the T-3 and T-4 tariffs, the adjustments included in the proposed tariffs include: (a) removal of existing temporary price changes; (b) the Lost and Unaccounted for (LAUF) Gas decrease (outlined in Exhibit No. 9); (c) for the T-4 tariff, the Liquefied Natural Gas (LNG) Sales Credits (see Exhibit 10), and (d) a temporary adjustment to recover the Company's general rate case related expenses. *Id.* at 8. The net change of these adjustments for the T-3 and T-4 customers is a rate increase. *Id.*

The Company included in this Application $25,178 of intervenor funding for recovery, per Order No. 33757, to be allocated proportionally according to base rate revenues within each customer class. *Id.* The Company also requested amortization and collection of $699,114 of deferred external rate case costs over a four-year period. *Id.*

The Company provided an exhibit, Exhibit No. 13, which analyzes the overall price changes by class of customer. *Id.* The Company also provided its proposed rate schedules and tariff sheets. *See id.* at Exhibit Nos. 1-2.

STAFF COMMENTS

Staff reviewed the Company's Application, workpapers, and exhibits, and verified that the PGA proposal "would not impact the Company's earnings, that the Company's deferred costs are prudent and properly calculated, and that the Company's WACOG request is reasonable." Staff Comments at 3. Staff proposed adjustments in one area: the recovery and amortization of deferred rate case expenses. *Id.* at 4. The effect of Staff's recommended adjustments is a total decrease in annual revenues of $19.25 million (an additional decrease of $99,056 as compared to the Company's proposal). *Id.*

Staff reviewed and described various components of the Company's filing. Regarding the WACOG, Staff noted that the proposed price per therm of $0.26020 is a 12.4% decrease from the WACOG established in the 2016 PGA filing. *Id.* at 5. Because market fluctuations can affect the WACOG, Staff reviewed market fundamentals and the Company's and industry forecasts. *Id.* at 6-7. Staff believed that absent a major catastrophic event, natural gas prices should remain relatively stable in the near term. *Id.* at 7. Staff also reviewed and described the Company's risk management practices and believed that the Company's strategy and its management of its resource portfolio provide price stability for customers. *Id.*

Staff reviewed and concurred with the Company's proposed LAUF Gas rate, which is a credit, and deferral account balance of $858,114. *Id.* at 9-10. This rate accounts for differences between the volumes of natural gas delivered to the distribution system at the city gate and the volume of gas billed to customers at the meter. *Id.* at 9. Staff also reviewed the Company's proposal for how that rate would apply to customers receiving service under the T-4 rate. *Id.* at 10. The Company proposed to apply the credit to the demand charge for the T-4 class, rather than applying it to result in a negative per-therm charge. *Id.* Staff believed this approach is reasonable. *Id.* Further, regarding the Line Break rate for damages to the distribution system that cause a gas leak, Staff believed the Company correctly calculated the proposed rate, which is a decrease to $0.45984 per therm (from $0.54067 per therm). *Id.*

The Company proposed, based on Order No. 33757, to include $25,178 for intervenor funding in rates via the PGA. Staff verified that the Company properly allocated this amount to the customer classes based on revenues approved in that Order. *Id.* Staff noted that T-3 customers will not see a rate change from the intervenor funding because the amount allocated to that class—$150—has no impact on rates. *Id.* at 11.

Staff proposed adjusting the Company's requested recovery of $699,114 in deferred rate case expenses. Staff reviewed invoices and related documentation from the vendors whose costs the Company is now seeking to recover. Staff recommended including $378,614 of these costs in this PGA for recovery over five years ($75,723 per year). *Id.* at 13. Staff recommended further deferral and review of the remaining $319,963, comprised of (1) one-half of the budgeted amount for the cost of capital studies performed by Concentric Energy Advisors (Concentric); (2) all of Concentric's costs for rate base consulting and calculations; and (3) all of the costs of Alta Vista Systems, LLC for external computer services. *Id.* at 12-13. Staff recommended the Commission defer its decision on the remaining $319,963 until the next general rate case. After incorporating its adjustments, Staff recommended the Commission approve a $19.25 million revenue decrease.

Staff also discussed its desire for the Company to file quarterly updates on deferred gas cost balances and WACOG calculations. *Id.* at 13-14. The Company filed these reports historically, but stopped filing them in October 2015. *Id.* at 13. Staff indicated that the reports are useful for tracking PGA balances throughout the year and for considering whether the WACOG included in rates "remains reflective of current conditions." *Id.* According to Staff, the Company has agreed to resume filing quarterly reports. *Id.* at 13-14.

Finally, Staff indicated that the Company's press release and customer notice comply with the Commission's Rules of Procedure. *Id.* However, Staff explained that the customer notice was included in customer bills beginning August 16 and ending September 13, and that because the comment deadline was September 14, some customers will not have a reasonable opportunity to file comments before the deadline. *Id.* To ensure that customers could file comments and have them considered, Staff recommended the Commission accept late-filed comments. *Id.*

COMMISSION FINDINGS

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential discriminatory, or in violation of any provision of law, and may fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission thoroughly reviewed the Application and comments and appreciates the parties' time in preparing them.

We find the Company's methodology adheres to our prior Orders regarding the PGA. Specifically, we find the Company's proposed WACOG of $0.26020 to be just and reasonable, and we appreciate the Company's resource and risk management efforts. We find the Company's inclusion of intervenor funding costs in the PGA to be consistent with our direction in Order No. 33757. We also find the Company's calculation of the PGA rate, including the calculation and application of the LAUF Gas and Line Break rates, to be just and reasonable.

Regarding recovery of external rate case expenses, the Company asked to include $699,114 in the PGA. At this time, we find the Company has demonstrated the prudency of $378,614 in external rate case expenses, and that including this amount in the PGA for recovery over five years ($75,723 per year) is just and reasonable. Although it is standard practice to determine the prudency and amortization of deferred rate case expenses in a general rate case, because the PGA reduces rates this year we find it reasonable to allow the Company to begin recovering some of the prudently incurred expenses now to offset what could be a more significant increase later.

We are not at this time approving recovery of the remaining $319,963 in external rate case expenses, reflecting work by Concentric on the cost of capital study and rate base consulting and calculations and by Alta Vista on external computer services. Instead, more investigation and justification of those expenses is required before we can determine whether they were prudently incurred. We therefore defer our consideration of those expenses until the Company's next general rate case.

In sum, we approve a $19.25 million revenue decrease, and direct the Company to file conforming tariffs. We also find it reasonable for the Company to resume filing quarterly Summary of Deferred Gas Cost Balances reports and quarterly WACOG calculations. We find these reports to be useful for tracking PGA balances and the WACOG throughout the year, and for determining whether the WACOG continues to reflect market conditions. We direct the Company to work with Staff to determine the most useful format and presentation for the reports.

Finally, we acknowledge Staff's recommendation that we accept late-filed comments due to the timing of some customers' receipt of bill inserts regarding this case. Adequate notice is important to ensure customers have a meaningful opportunity to participate. No public comments have been filed.

ORDER

IT IS HEREBY ORDERED that the Company's Application for authority to change its rates, with an adjustment to external rate case expenses, is approved – for a total revenue decrease of $19.25 million. Regarding external rate case expenses, the Company is authorized to include $378,614 over five years in this PGA ($75,723 per year). The Company shall promptly file new tariff sheets in compliance with this Order, with new rates to take effect on October 1, 2017.

IT IS FURTHER ORDERED that the Company resume filing quarterly Summary of Deferred Gas Cost Balances reports and quarterly WACOG calculations.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in 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 22nd day of September 2017.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian
Commission Secretary

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