BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR AUTHORITY TO DECREASE ITS PRICES (2016 PURCHASED GAS COST ADJUSTMENT)	)))))	**CASE NO. INT-G-16-03** **ORDER NO. 33604**

On August 12, 2016, Intermountain Gas Company filed its annual Purchased Gas Cost Adjustment (PGA) Application. The Company has proposed to decrease the weighted average cost of gas ("WACOG") from the currently approved $0.32764 per therm to $0.29695 per therm. This would result in a PGA rate *decrease* to the Company's annualized revenues by $17.2 million (7.11%). The new rates would take effect October 1, 2016.

On August 24, 2016, the Commission issued a Notice of Application and Notice of Modified Procedure setting a September 15, 2016 comment deadline, and a September 20, 2016 reply deadline. The Snake River Alliance and Commission Staff filed comments. 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 $3.48/month (7.55%); (2) customers who use gas for space heating only by $2.31/month (6.50%); and (3) commercial customers by $14.23/month (7.34%).

The Company explained that the proposed decrease results from: (1) a decrease in transportation costs; (2) a decrease in the Company's weighted average cost of gas ("WACOG");[1] (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

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[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.

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. The temporary rebates approved in last year's PGA Order No. 33386 have also been eliminated. Overall, the Company's proposed changes will result in a decrease in annual revenues of $17,224,457.

As stated, the Company proposed decreasing the WACOG from the currently-approved $0.32764 per therm to $0.29695 per therm. This is $0.03069 (9.4%) per therm lower than the WACOG established in the 2015 PGA. The Company stated that significant supplies of North American shale gas and substantial storage balances have contributed to the decrease in the Company's WACOG. The Company noted that in an effort to further stabilize prices it has entered into various fixed-price agreements to lock in the price for portions of its underground storage and other winter "flowing" supplies.

The Company also proposed to pass through to its customers, as per therm credits, $3.9 million that will be generated from the management of its transportation capacity. In this regard, the Company proposed to temporarily adjust prices for 12 months – until September 30, 2017 – to allocate deferred gas costs from its Account No. 191, including deferred fixed-gas costs of $7.3 million, and a variable gas cost debit of $1.9 million.

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.

COMMENTS

A. Commission Staff

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 $17.2 million (7.11%) and establish a WACOG of $0.29695 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 expressed concerns about the Company's customer notice in this case. Specifically, the customer notice failed to inform customers that written comments could be filed with the Commission. Further, the Company issued notice of two separate cases—this PGA filing and the general rate case (INT-G-16-02)—under the caption "Intermountain Gas Company files for an overall decrease to its prices." Staff pointed out that the notice is potentially misleading to customers because the PGA filing requests a *temporary decrease*, and the rate case requests a *permanent increase* in rates.

B. Snake River Alliance

Snake River Alliance's (SRA) comments were primarily directed at Intermountain's simultaneously-filed general rate case. To the extent that its comments address the PGA, SRA is supportive of the Company's Application.

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. We approve the Company's proposed decrease in its WACOG from $0.32764 per therm to $0.29695 per therm, and find that that the resulting customer rates are fair, just, and reasonable.

Finally, we address the form and content of the Company's customer notice. The Commission's rules require that customer notices <u>clearly identify</u> a utility's proposal(s) in a way that can be <u>easily understood</u>. IDAPA 31.01.01.125.03. The purpose of this rule is to encourage wide dissemination to customers of the proposed rate change and allow customers to participate in the proceedings before the Commission. IDAPA 31.01.01.125. Combining notice of an annual rate adjustment with a proposal to permanently increase base rates did not produce the clarity called for in the Rules of Procedure. In the event of future simultaneously-filed applications, we direct the Company to strictly adhere to the language and intent of our customer notice rule.

ORDER

IT IS HEREBY ORDERED that the Company's annual Purchased Gas Cost Adjustment (PGA) 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 $0.29695 per therm. The tariff sheets filed with the Company's Application are hereby approved, effective October 1, 2016.

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 27th day of September 2016.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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