BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO CHANGE ITS PRICES (2018 PURCHASED GAS COST ADJUSTMENT).	**CASE NO. INT-G-18-02** **ORDER NO. 34154**

On August 10, 2018, Intermountain Gas Company applied to the Commission for authority to change its rates, effective October 1, 2018, to reflect changes in gas-related costs. If approved, the Company's Application would *decrease* the Company's revenues by $24.5 million. Application at 2-3. On September 4, 2018, the Commission issued a Notice of Application and Notice of Modified Procedure setting comment and reply deadlines. Order No. 34137. Commission Staff timely submitted comments, and supported the Company's request. No other comments were received.

Having reviewed the record, the Commission approves the Company's Application. The Commission's decision is more fully set forth below.

THE APPLICATION

The Company's rates include a base rate component and a gas-related cost component. The base rate component is intended to cover the Company's fixed costs to serve its customers – for example, the Company's costs for equipment and facilities to provide service – and rarely changes. The current base rates were approved in Order No. 33887, Case No. INT-G-17-05. *See id.* The gas-related cost component of the Company's rates is at issue here.

With this Application, the Company seeks to change its rates to pass through to customers changes in gas-related costs. These changes would *decrease* rates for Residential (RS) customers by 10%, General Service (GS-1) customers by 11.9%, and Large Volume (LV-1) customers by 17.25%. Rates would *increase* for Transportation (T-3) customers by 6.84%, and Transportation (T-4) customers by 2.3%. *Id.* at 4, and Exhibit No. 1. The proposed rate changes would decrease the Company's annualized revenues by $24.5 million (about 10.2%), but would not impact earnings. *Id.* at 2.

The proposed changes in gas-related costs result from: (1) costs billed to the Company from firm transportation providers (including Northwest Pipeline LLC); (2) a decrease in the

Company's Weighted Average Cost of Gas (WACOG);[1] (3) an updated customer allocation of gas-related costs pursuant to the Company's PGA; (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; (5) benefits resulting from the Company's management of its storage and firm capacity rights on various pipeline systems; (6) costs accrued related to the Company's general rate case; and (7) benefits generated by changes to the federal and state income tax codes. *Id.* at 3-4. The Company also seeks authority to eliminate the temporary surcharges and credits included in its current prices during the past 12 months pursuant to Case No. INT-G-17-05. *Id.*

The Application explained these changes. *See id.* at 4-8. For example, the WACOG reflected in the proposed prices is $0.22724 per therm, compared with the WACOG of $0.26020 currently included in rates. *Id.* at 5. This decrease of $0.03296 per therm reflects robust natural gas supplies attributed to shale gas wells, growing 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.

While prices for RS, GS-1, and LV-1 customers would decrease, prices for T-3 and T-4 customers would increase because the Company adjusted the T-3 and T-4 tariffs to reflect: (a) removal of existing temporary price changes; (b) the Lost and Unaccounted for (LAUF) Gas decrease (outlined in Exhibit No. 10); (c) for the T-4 tariff, the Liquefied Natural Gas (LNG) Sales Credits (*see* Exhibit 11); (d) a temporary adjustment to recover the Company's general rate case related expenses; and (e) deferred credits associated with federal and state income tax reform. *Id.* The net change of these adjustments for the T-3 and T-4 customers is a rate increase. *Id.* at 8.

Exhibit 13 to the Company's Application provides an overall view of price changes by class of customer. *Id.* The Company also included proposed rate schedules and tariff sheets. *See id.* at Exhibit Nos. 1-2.

[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 charges. It does not include fixed-capacity costs for interstate transportation, liquid storage, and underground storage. *See* Staff Comments at 4.

STAFF COMMENTS

Staff reviewed the Company's Application, workpapers, and exhibits, and verified that the PGA proposal "would not impact earnings, that the deferred costs are prudent and properly calculated, and that the Company's WACOG request is reasonable." Staff Comments at 2. Staff suggested no adjustments to the Company's proposal, and thus recommended the proposed tariffs be approved as filed. *Id.*

Staff provided a detailed analysis of the Company's filing and its work in reviewing the application. Regarding the WACOG, Staff noted that the proposed price per therm of $0.22724 is a 12.7% decrease from the WACOG established in 2017. *Id.* at 4. Staff believed that the natural gas forecasts were reasonable, and agreed with the Company that prices should remain relatively stable in the near term. *Id.* at 4-5. Staff also believed the Company's risk management strategy and its management of its resource portfolio provide price stability for customers. *Id.* 5-6.

Staff reviewed and concurred with the Company's proposed LAUF Gas rate. This year, the Company's estimated LAUF Gas rate of 0.0677% is below the maximum allowable level of 0.85% specified in Commission Order No. 30649. Staff stated this calculation is correct and reasonable. *Id.* at 8-9. Regarding the Line Break rates, Staff stated that the Company's proposal to decrease the Line Break Rate from $0.45984 per therm to $0.41625 per therm was properly calculated and in compliance with Commission Order No. 33139. *Id.* 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.*

Staff confirmed, consistent with Order No. 32793, excess LNG capacity sales figures. Pursuant to that Order, the Company provides a credit to ratepayers of 2.5 cents per every gallon of LNG sold. Staff explained that this year it consists of $571,108 from sales, plus $122 in interest, minus $41,785 from the previous case's deferral for a net benefit of $529,445. *Id.* at 8.

Staff audited and confirmed that the amount proposed by the Company to be returned to customers as part of the Tax Cuts and Jobs Act of 2017 were properly accrued and reported in this filing. Staff confirmed that customers would receive benefits from the tax changes totaling $2,731,841 spread across all customer classes, from January 1, 2018, to May 31, 2018. *Id.*

Staff confirmed that the Company's recovery of rate case expenses authorized in the 2017 PGA were properly amortized, and that the proposed recovery amount in this year's PGA were properly calculated. *Id.* Staff further confirmed that intervenor funding from the Company's

2017 rate case is no longer a part of the PGA filing. *Id.* Finally, Staff stated that the Company's press release and customer notice comply with the Commission's Rules of Procedure. *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.

The PGA mechanism is used to adjust rates to reflect changes in the costs for the purchase of gas from suppliers, including transportation, storage and other related costs of acquiring and delivering natural gas. The Company's earnings are not to be increased from changes in prices and revenues resulting from the annual PGA. The PGA mechanism is designed to pass through prudently incurred commodity costs in a timely fashion.

We find the Company's methodology adheres to our prior Orders regarding the PGA. Specifically, we find the Company's proposed WACOG of $0.22724 per therm to be just and reasonable. 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 the recovery of external rate case expenses, we find the proposed deferred general rate case expense recovery amount of $66,966 in this year's PGA was properly calculated. We further find the tax case refund of approximately $2.7 million included in the PGA is just and reasonable. Finally, we find it reasonable for the Company to continue filing quarterly Summary of Deferred Gas Cost Balances reports and quarterly WACOG calculations, as recommended by Staff.

In sum, we approve a $24.5 million revenue decrease, and approve the conforming tariffs filed with the Company's Application.

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 $24.5 million, with new rates to take effect on October 1, 2018.

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 26th day of September 2018.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Kristine Raper

KRISTINE RAPER, COMMISSIONER

Eric Anderson

ERIC ANDERSON, COMMISSIONER

ATTEST:

Diane M. Hanian

Diane M. Hanian
Commission Secretary

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