

Temporary Surcharges or Credits

Deferred Gas Costs (IGC PGA Acct 186)

- Variable Cost Collection Adjustment (\$ 816,540)
- Uncollected Gas Costs \$17,307,308
- Market Segmentation (\$2,408,551)
- Fixed Gas Cost Misc (\$ 40,176)
- Expansion II Refund (\$ 166,565)

As computed by the Company, the total requested increase in revenue on an annual basis is \$36,435,392 or 27.66%. The net increase in sales gas revenues is \$36,223,723 or 28.62%. The increase in T-1 transportation service revenues is \$304,854 or 7.01%. The net decrease in T-2 transportation service revenues is (\$93,185) or (14.32%). The annualized change in rates by class of service per Company calculation is as follows:

Gas Sales	Revenue	Avg Increase (Decrease) ¢/Therm	Avg Increase (Decrease) % Change	Proposed Avg Price \$/Therm
RS-1 Residential	\$6,548,887	17.811¢	27.95%	\$0.81534
RS-2 Residential	\$16,334,687	14.672¢	27.34%	\$0.68341
GS-1 Genl Svc	\$ 13,340,149	15.151¢	30.74%	\$0.64442
LV-1 Large Vol. *				

* T-1 tariff price plus the Weighted Average Cost of Gas (WACOG), \$0.28673

(Compare WACOG INT-G-99-01: \$0.18252)

WACOG = total commodity cost of gas ÷ total purchase therms

Transportation	Revenue	Avg Increase (Decrease) ¢/Therm	Avg Increase (Decrease) % Change	Proposed Avg Price \$/Therm
T-1 Transp.	\$304,854	0.628¢	7.01%	\$0.09589
T-2 Transp.	(\$ 93,185)	(0.430¢)	(11.75%)	\$0.03230

With the exception of the Industrial class, IGC proposes to allocate the change in rates to each of its customer classes in accordance with its Purchased Gas Cost Adjustment tariff and approved cost-of-service methodology. (Ref. Case Nos. INT-G-95-1, INT-G-88-2, U-1034-137). Because there are no fixed costs currently recovered in the tailblock of IGC's T-1 tariff and because the proposed increase in the T-1 tariff is related to fixed costs (except for TF-1 commodity charge), a cents-per-therm increase is made only to the first two blocks of the T-1 tariff. All three blocks of IGC's proposed T-1 tariff have been adjusted to include WGP-W's firm transportation TF-1 commodity charge. The proposed increase in the T-2 tariff (except for TF-1 commodity charge) is fixed cost related and, therefore, a cents per therm increase was made only to the T-2 demand charge. The commodity charge component of the T-2 tariff was adjusted to include WGP-W's firm transportation TF-1 commodity charge.

Intermountain Gas requested that its Application be processed under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The Company has requested an effective date of July 1, 2000.

Notices of Application and Modified Procedure in Case No. INT-G-00-01 were issued by the Commission on May 30, 2000. The deadline for filing written comments was June 23, 2000. The Commission's Notice contained the following language:

Given the size of the PGA rate increase requested in this case and the rate shock that may result from immediate implementation, comment is specifically solicited from Commission Staff and the Company as to whether the PGA methodology would be compromised by a phase-in of the increase over time. Any phase-in proposals should also be submitted. Related ramifications including fairness and equity should also be addressed.

Commission Staff was the only party to file formal comments. Numerous letters from Company customers, including the City of Pocatello, were also received. A letter reply was filed by the Company on June 28, 2000. Based on its investigation and analysis, Staff recommends approval of the Company's Application. Customers filing comments were nearly unanimous in their opposition to the proposed increase.

Staff Comments

Commission Staff in its comments notes that the Company since its last tracker: (1) continues to maintain transportation cost as part of the demand charges; (2) has discontinued its

practice of securing hedges for the cost of gas; (3) has continued to pursue capacity release and segmentation (the capacity release of a segment of IGC's transportation rights); and (4) has reduced the management fee it pays to its affiliate IGI Resources, Inc. for management of the Company's gas supplies and transportation. Staff notes that its audit of gas supply, capacity release, tariff allocations and PGA changes revealed no accounting irregularities.

Staff notes, however, that in making the calculations of interest on the deferred account, the Company used monthly calculations based on 31 days per month for each month in the period. In addition, for the year 2000 the Company used 365 days instead of 366 days to calculate interest. This resulted in an overcharge of \$8,393 included in the variable cost calculation adjustment. Staff proposes that the overcharge be accounted for as a credit in the PCA deferral account and not as a dollar adjustment in this case. The Company in its reply comments concurs with the Staff's recommendation.

Based on figures provided by the Company, Staff calculates that the Company's weighted average cost of gas (WACOG) increased by \$24,609,101. This, Staff notes, accounts for roughly 60% of the requested increase in this case. Staff reviewed the Company's projected gas costs for the 2000-2001 period that provide the basis for the WACOG increase and compared it to the current prices and other projections of future market gas prices. Pursuant to Commission direction, Staff also evaluated the ramifications of extending the deferral account amortization period from one to two years. Recent increases in gas spot prices have Staff concerned that the proposed WACOG adjustment requested in this case may not be sufficient in the upcoming year. Intermountain's gas sales and cost projections for the upcoming year (2000-2001) are based upon an average gas cost of \$2.8673 per MMBtu. However, current natural gas spot and future prices are well above \$3.50 per MMBtu. Explanations given for the increase in price during an off-season time are varied. There appears to be general agreement that the root cause is increased demand for gas during the "off season." Also of specific note is the opening of the Alliance Pipeline which has allowed low-cost Canadian gas to be transported to markets in the Mid-west where gas prices are generally much higher. Additionally, there has been an increase in the number of natural gas fired turbines for electric power generation which has increased competition for gas supply during the summer months, a period which historically has been used by gas companies to purchase and store gas at low prices for use during the winter months when demand and prices are generally higher. Because of what is perceived to be a continuing upward trend in natural gas prices Staff believes

any effort to amortize the deferral account over a multi-year period is extremely risky and therefore recommends no phase-in of rates.

As of June 19, 2000, Staff's Consumer Assistance Division notes that the Commission received and placed in its formal case file 22 written comments from customers, 21 of which opposed the proposed rate increase. The Consumer Division details the Company's continuing efforts to provide its customers with economic assistance and payment options. Intermountain Gas participates in two fuel funds, Project Share and Project Warmth, to assist low-income customers that need help paying their gas bills. Project Share is directed to the same service territory as Idaho Power Company and Project Warmth is the same service area as Utah Power & Light. In addition to the fuel funds, Staff notes that there are other programs to help needy families such as LIHEAP. The Company also participates in the Gatekeeper Programs that target elder citizens needing assistance.

The Consumer Division notes further that Intermountain Gas offers a level payment plan that allows a customer to pay their average annual usage with equal monthly payments. The payments may be adjusted annually to allow for usage or rate increases or decreases. Approximately 25% of Intermountain Gas customers take advantage of this level payment plan. Other special level payment arrangements are available to help customers manage their utility payment in extraordinary circumstances. To make special arrangements, Staff notes that the customers should contact customer service at Intermountain Gas, (1-800-548-3679, 7:00 a.m. to 7:00 p.m., Monday through Friday).

Staff recommends that the proposed increase be approved as submitted by the Company. Staff notes the Company's practice of submitting quarterly summaries of purchased gas transactions and related PGA deferral balances and providing Staff with updated gas cost information. Staff recommends and the Company has agreed to update the Commission through periodic meetings on the status of the PGA account and natural gas prices.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. INT-G-00-1 including the comments filed by Commission Staff, the Company's customers and the reply comments of Intermountain Gas. Although the proposed rate increase in this case is large, we continue to find that the public interest does not require a formal public hearing to consider the issues presented and that it is reasonable to process the Application and issue an Order without

further Notice or public comment. Reference IDAPA 31.01.01.204. In approving the increase without a hearing we note that the PGA is a tracker mechanism, not a general rate case. None of the revenue from this year's price increase will profit the Company. The increase requested is a simple pass-through of supply and transportation costs. We find that the facts presented in the written filings were uncontested and that a hearing in this case would not yield any additional evidence.

In IGC's 1999 gas tracker, the Commission directed Staff to conduct a study as to the continued reasonableness of the Company's PGA tracker. Reference Case No. INT-G-99-1. The informal conclusion drawn by Staff was that the PGA continues to operate as it was designed and continues to have value. Although we concur, we find that the nature of the PGA mechanism requires continual regulatory vigilance. As regulators, we cannot ignore the fact that it has been over a decade since Intermountain Gas Company has had a general rate case, and since we have had the opportunity to review and consider all of the Company's other costs and determine their reasonableness. Recognizing the changes that continue to occur in the natural gas industry, we find it good practice and reasonable to continually question and reassess the appropriateness of PGA trackers.

Our review of the PGA's operation over the years reveals that it has provided economic savings and benefit to the Company's customers and has been of economic and regulatory benefit to the utility. Prior to the requested increase in this case, the price per therm of natural gas (63¢) for residential customers was actually less than it was 15 years ago (66¢). IGC's prices have been consistently among the lowest in the nation and will remain so even with this increase.

That being said, we recognize that our words provide little consolation to the customers of Intermountain Gas who will have a difficult time absorbing what is a significant nationwide spike in the price of natural gas. We also recognize that this increase does not occur in isolation—the prices of gasoline at the pump and electricity are also rising. Unfortunately, since the Company filed its Application the price of natural gas has continued to rise and future prices do not look promising. This uncertainty prevents us from phasing in the proposed increase. We find based on the record before us that we have little choice but to approve the Company's requested increase.

The Commission has reviewed and considered the Company's Application in Case No. INT-G-00-1 together with the attached exhibits and workpapers. The Company in this case has requested a \$36,435,392 increase in its annualized revenues. Based on our review and analysis, we find it appropriate, just and reasonable to approve the requested increase. We further find it

reasonable that the change in rates and charges be implemented for an effective date of July 1, 2000. The Company is directed to file compliance tariffs conforming with this Order. Our approval includes the permanent adjustments, the temporary gas cost adjustments, surcharges and credits, and a balancing out of the Company's deferred PGA Account 186. We further agree that the changes should be tracked through to the customers as proposed in the Company's Application.

The Commission Staff has identified an \$8,393 overcharge related to miscalculation of interest on the deferred PGA account. Staff recommends that a credit in the Company's PCA balancing account be made lieu of an adjustment of the proposed increase. The Commission finds Staff's proposal to be reasonable.

Staff also recommends that the Company be required to continue submitting quarterly summaries of purchased gas transactions, related deferral balances and updated gas cost information. The Company concurs with Staff's recommendations. The Company has also offered to keep the Commission apprised of the status of the PGA account and natural gas prices through periodic meetings and status reports. We find the Company's proposal to keep us apprised of the current state of natural gas prices through periodic meetings to be quite helpful.

Finally, we note that Staff in its comments has outlined many assistance programs and the availability of a level payment plan to smooth out the seasonal bill changes. In this time of escalating energy prices and recognizing that the Company continues to experience growth in its service area, we find it reasonable for the Company to acquaint new customers and reacquaint older customers with the economic assistance and payment programs it offers and to also remind customers of demand side management opportunities and conservation changes they can implement to reduce their use of gas. We encourage the Company to do so before the winter heating season arrives.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and Intermountain Gas Company, a gas utility, pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and Intermountain Gas Company is hereby authorized to change its rates and charges for RS-1, RS-2, GS-1 and LV-1/T-1/T-2 customers in the manner reflected in the

Company's Application for an effective date for implementation of July 1, 2000. The amended tariff sheets to be filed by the Company should comport with an authorized adjusted annual revenue requirement increase of \$36,435,392 or 27.66%.

IT IS FURTHER ORDERED and the Company is directed to account for Staff identified arithmetic errors in PCA interest calculations by adjusting PCA Account 186 to reflect a credit of \$8,393.

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. 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 day of June 2000.

DENNIS S. HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Myrna J. Walters
Commission Secretary

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