EDWARD J. JEWELL
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0314
BAR NO. 10446

Street Address for Express Mail:
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR AUTHORITY TO CHANGE ITS PRICES	**CASE NO. INT-G-20-05** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission ("Staff") submits the following comments regarding the above referenced case.

BACKGROUND

On August 14, 2020, Intermountain Gas Company ("Intermountain" or "Company") requested authority to place into effect on October 1, 2020 new rate schedules that would increase its annualized revenues by $8.6 million. *Id.* at 2.

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 change. The Commission approved the Company's current base rates in Order No. 33757, Case No. INT-G-16-02.

The gas-related cost component of the Company's rates is at issue in this case. Specifically, with this Application, the Company seeks to change its rates to pass through to customers changes in gas-related costs resulting from: (1) costs billed to the Company from firm transportation providers (including Northwest Pipeline LLC); (2) replacement of long-term segmented Northwest Pipeline LLC capacity received from third parties with firm Northwest Pipeline LLC capacity held directly by the Company; (3) an increase to the Company's Weighted Average Cost of Gas ("WACOG"); (4) an updated customer allocation of gas-related costs pursuant to the Company's Purchased Gas Cost Adjustment ("PGA") provision; (5) the inclusion of temporary surcharges and credits for one year relating to natural gas purchases and interstate transportation costs from Intermountain's deferred gas accounts; (6) benefits generated from the Company's management of its storage and firm capacity rights on various pipeline systems; (7) benefits associated with the sale of liquefied natural gas from the Company's Nampa, Idaho facility; (8) a portion of the costs accrued related to the Company's latest general rate case, Case No. INT-G-16-02; and (9) the recovery of deferred in-person customer payment fees. Application at 4. The Company seeks to eliminate the temporary surcharges and credits included in its current prices during the past 12 months under Case No. INT-G-19-06.

If approved, the Company's proposal would increase the average RS (Residential) customer's rates by 3.66% or $1.41 per month, the average GS-1 (General Service) customers rates by 4.29% or $7.11 per month and LV-1 (Large Volume) customers rates 5.10%. Volumetric rates for Schedule T-3 (Transportation) customers would decrease by 3.02% and decrease the demand charge rate for Schedule T-4 (Transportation) customers by 1.68%. *Exhibit* No. 1.

STAFF ANALYSIS

Staff examined the Company's Application, workpapers, and exhibits for this case and confirmed: (1) the PGA proposal would not affect the Company's earnings; (2) the deferred costs are prudent and properly calculated; and (3) the Company's WACOG request is reasonable. Staff recommends that the Company's Application be approved.

Table No. 1 summarizes the impact of the proposed changes on customer classes.

Table No. 1: Proposed Change by Customer Class

Customer Class:	Change in Class Revenue	Average Change in $/Therm	Average % Change	Average Price $/Therm
RS Residential	$5,666,132	$0.02213	3.66%	$0.62687
GS-1 General Service	$2,856,495	$0.02224	4.29%	$0.54097
LV-1 Large Volume	$ 177,217	$0.01674	5.10%	$0.34524
T-3 Transportation Volumetric	$ (19,706)	$(0.00033)	-3.02%	$0.01061
T-4 Transportation Volumetric	$ -	$ -	0.00%	$0.01345
T-4 Transportation Demand Charge	$ (79,375)	$(0.00477)	-1.68%	$0.27992
TOTAL	**$8,600, 763**	**$0.01111**	**3.66%**	**$0.31428**

Overall, the Company's proposal increases annual revenue by approximately $8.6 million which is detailed in Table No. 2 below.

Table No. 2: Proposed Change to Annual Revenue

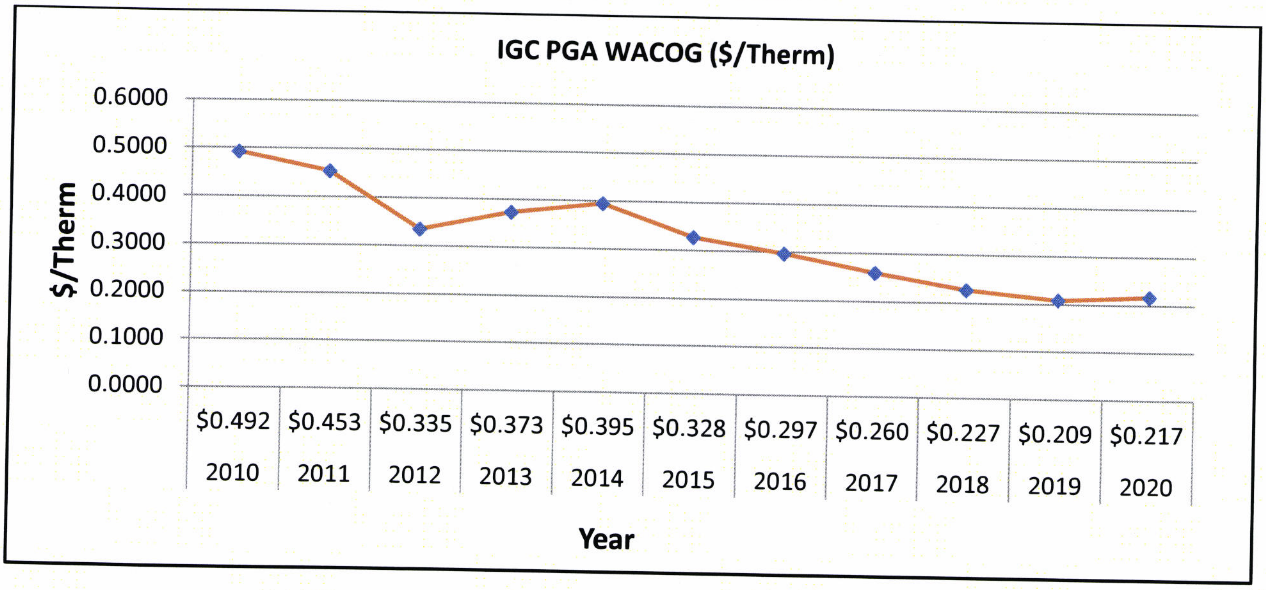
Deferrals:		
Removal of INT-G-19-06 Temporary Credits and Charges		$22,136,702
Additional INT-G-20-05 Temporary Credits and Charges		
Fixed Deferred Gas Costs	$(16,616,272)	
Variable Deferred Gas Costs	4,956,270	
Lost and Unaccounted for Gas	(289,950)	
LNG Sales Credit	(1,005,060)	
Deferred General Rate Case Costs	59,442	
Tax Reform	(32,995)	
In-Person Payment Fees Deferral	66,565	
Total Additional Temporary Credits and Surcharges		$(12,862,000)
Total Deferrals		**$9,274,702**
Fixed Cost Changes:		
NWP Full Rate Reservation	$(100,473)	
NWP Discounted Reservation	427,736	
Upstream Full Rate	(562,548)	
Upstream Discounted	(356,514)	
SGS-2F and LS-2F	(6,492)	
Other Storage Costs	(484,900)	
Total Fixed Cost Changes	$(1,083,191)	
Changes in WACOG	$3,140,763	
Reallocation and True-Up of Fixed Costs	$(2,736,682)	
Difference		**$(679,110)**
Total WACOG and True-Up Changes		**$8,595,592**
Total Annual Revenue Change		**$8,600,763**
Differences due to rounding		**$(5,171)**

The Company eliminated $16,616,272 in temporary credits and surcharges that were part of last year's PGA, Case No. INT-G-19-06. The proposed temporary credits and surcharges in this Application rebate $12,862,000 to customers. These consist of in-person payment fee deferral, market segmentation and capacity release revenues, interest, per therm amortization of deferrals, and over collections from last year's PGA. Additionally, a credit for off-system sales of Liquefied Natural Gas, and a true-up of the of benefits from the Tax Cuts and Jobs Act are included in this request.

Weighted Average Cost of Gas (WACOG)

The WACOG is the Company's average variable cost to buy and transport natural gas to meet customer estimated annual requirements. The WACOG components include the volumetric interstate transportation rate, the city gate costs, the IGI Resources administrative fees, and the Gas Technology Institute (GTI) charges. The WACOG does not include fixed capacity costs for interstate transportation, liquid storage, and underground storage. The proposed WACOG of $0.21699 per therm is an increase of 3.8% from the prior 2019 WACOG of $0.20904 per therm. This increase in the WACOG represents an approximate $8.6 million increase to the Company's billed revenues. Chart No. 1 below shows the Company's historical WACOG price trend.

Chart No. 1: Weighted Average Cost of Gas (Per Therm)



Market Fundamentals & Price Analysis

Although the Company hedges or stores much of its forecasted supply at fixed prices, market fluctuations can impact the WACOG. Staff analyzed the Company's projected cost to purchase natural gas by comparing the Company's price projection to forecasts from several national and regional organizations, including the Energy Information Administration ("EIA") and the Northwest Gas Association ("NWGA"). Staff believes the Company's projected natural gas costs are reasonable.

Risk Management

Staff examined how the Company manages price and risk given the Company's market purchases, storage, and interstate transportation capacity to determine whether the Company reasonably purchased natural gas to minimize risk to ratepayers. The Company's approach is flexible, by allowing it to opportunistically buy gas, manage storage, and utilize interstate transportation capacity as market conditions change. Overall, Staff believes the Company's strategy and practices associated with managing its resource portfolio provides price stability for customers.

The Company fulfills its mainline requirement with hedges, spot market purchases, underground storage, and liquified natural gas ("LNG") storage. Underground storage enables the Company to purchase natural gas for the upcoming heating season during the summer when prices are typically lower. When opportunities arise, the Company manages its interstate transportation capacity, selling surplus capacity into the market. Table No. 3 shows the Company's seasonal hedges over the last seven years.

Table No. 3: Hedging Ratios

% Locked-in Gas by PGA Year[1]							
	2014	2015	2016	2017	2018	2019	2020
Non-Summer Months (Oct.-Mar.)	74	78	82	80	77	77	74
Summer Months (Apr.-Sept.)	63	62	55	49	49	82	72
Full Year	72	74	76	73	70	78	74

[1] % Locked-in gas includes storage volumes that are both hedged and index purchases.

Purchasing

Staff analyzed the Company's purchasing practices to ensure that the Company reasonably adapted them to meet current market conditions. As in recent years, about 26% of the Company's total throughput is purchased at index or spot prices. Staff believes the Company's hedging ratios complement current market conditions, particularly since natural gas prices are low.

The Company continues to utilize index or spot purchases, allowing it to react to upward price risk. Including the Company's storage gas, about 74% is essentially locked-in gas which is lower than last year.

Staff reviewed the natural gas purchases by the Company during the PGA period by examining a six-month sample of invoices. Staff confirmed that the natural gas purchases reconciled with the amount of natural gas purchases reported in the monthly deferral reports.

Natural Gas Underground Storage and Interstate Transportation

The Company delivers domestically produced natural gas to its city gates through Northwest Pipeline. The Company also delivers natural gas from Canada by using pipeline capacity on Gas Transmission Northwest (GTN), TransCanada's Foothills Pipeline system (Foothills), and TransCanada's Alberta system known as Nova Gas Transmission (NOVA).

Permanent transportation and storage costs reflect a net decrease totaling $1,083,191 relative to costs in Case No. INT-G-19-06. Management of the Company's storage assets at Northwest Pipeline's Jackson Prairie and Questar's Clay Basin resulted in $490,000 of savings. Because natural gas added to storage is procured during the summer season when prices are typically lower than the winter, the Company's cost of storage gas is typically lower than what could be procured in winter months. The Company has also entered into various fixed price agreements for portions of underground storage and other winter flowing supplies to further stabilize prices.

Management of Pipeline Capacity

Staff reviewed the Company's procedures for maintaining and releasing pipeline capacity and believes that the Company's capacity planning was prudently conducted. The Company was able to replace long-term segmented capacity contracts with direct third-party contracts between the Company and Northwest Pipeline. *Id at 5.* The Company holds excess capacity in case of increased demand and mitigates the cost of this excess by selling it back into the market, and benefitting customers through the PGA.

In last year's PGA filing, the Company included a $7.1 million credit to customers embedded in its forecast. The Company's capacity release revenue for the current PGA is forecasted to be $6.4 million, which will be credited back to customers over the coming PGA year. If capacity release revenues exceed the $6.4 million embedded in the forecast, customers will receive an additional credit within the 2021 PGA. These credits are included in the Fixed Deferred Gas Costs listed in Table No. 2.

LNG Storage

In Order No. 32793, the Commission authorized the Company to sell excess LNG capacity from its Nampa LNG facility to non-utility customers. Pursuant to that Order, the Company provides a credit to ratepayers of 2.5 cents per gallon of LNG sold for costs related O&M expense. Further, the Company is required to share 50% of the total net margin from the non-utility sale of LNG with ratepayers, up to $1.5 million, and then 70% on any amounts greater than $1.5 million. In this Application, the Company proposes to credit ratepayers $1,005,060 for their share of the revenues from the non-utility sale of LNG. Staff reviewed the Company's non-utility sales of LNG and verified that the credit to ratepayers has been calculated correctly.

Lost and Unaccounted for Gas and Line Break Rate

Lost and Unaccounted for (LAUF) Gas is essentially the difference between the volume of natural gas delivered to the distribution system at the city gate and volume of gas billed to customers at the meter. During the period from the Company's 1985 General Rate Case until conclusion of the 2016 General Rate Case, the Company recovered a portion of LAUF Gas amounts through a $0.00182 per therm charge, embedded in base rates. Any additional cost or credit was administered annually in the PGA. In the 2016 General Rate Case, the embedded rate of $0.00182 was removed resulting in recovery of LAUF Gas solely in the PGA.

This year, the Company's LAUF Gas rate is -0.1795% (found gas). The Company's LAUF rate continues to be below the maximum allowable level of 0.85% specified in Commission Order No. 30649. The Company allocates LAUF Gas at 75% to the core customers (Residential and General Service) and 25% to the industrial customers (Large Volume and

Transportation) through a per therm surcharge or credit. In this PGA, the total credit for LAUF is $289,888 of which $217,416 is credited to core customers and $72,472 is credited to industrial customers.

The Company charges a Line Break Rate to contractors or other parties who are responsible for damage to the distribution system causing a gas leak. The Company proposes to increase the Line Break Rate from the current rate of $0.38991 per therm (2019 PGA) to $0.39010 per therm. The proposed Line Break Rate includes a $0.17311 Fixed-Cost Component (Transportation Cost) per therm and a $0.21699 Variable-Cost Component (WACOG) per therm for a total of $0.39010. Both components of the Line Break Rate are determined annually with the PGA filing. Staff concluded that the Company calculated the proposed Line Break Rate consistent with Order No. 33139.

True-Up of Deferred Tax Liability

In Case No. GNR-U-18-01 the Commission ordered an investigation of the effects of the Tax Cuts and Jobs Act of 2017 (TCJA). In Order No. 34073, the Commission approved a multi-party settlement. The Company was directed to include in its annual PGA filing the benefits received from the TCJA that were accrued during 2018 before the Company reduced rates on June 1, 2018. Staff conducted a true-up of the deferred tax liability for this year in the amount of $32,995 to be credited to customers.

Rate Case Expenses

In Order No. 33887, Case No INT-G-17-05, the Commission authorized the Company to establish a regulatory asset account to recover the external costs associated with the general rate case, Case No. INT-G-16-02. These expenses totaled $378,614 and are to be amortized over five years ($75,723 per year) through the annual Purchased Gas Cost Adjustment mechanism (PGA). During this deferral period, the Company over-collected the rate case amortization by $16,281, leaving $59,442 to be collected during the upcoming PGA year, as shown in Table No. 2 above. Staff verified the annual calculations and confirmed that the expenses were properly amortized, and this year's recovery amount was properly calculated.

Payment Fees Deferral

In Order No. 34099, Case No. INT-G-18-01, the Company was directed to create a regulatory asset to capture the costs associated with in-person customer pay station transactions handled by Western Union. Furthermore, the Company was authorized to seek recovery of those costs in the Company's PGA beginning in 2019, until February 1, 2021, or until the Company files a general rate case, whichever comes first. As of June 30, 2020, the balance of the total deferred In-Person payment fees was $66,565. This is composed of $47,527 for Residential Service (RS) customers and $19,038 for General Service (GS-1) customers. Staff verified that this balance is correct.

Quarterly Reports

In Order No. 34448, the Commission found that quarterly WACOG reports and monthly deferred cost reports provide useful information and assist Staff with determining whether to audit earlier than planned, and whether an interim filing might be needed. In its Application, the Company requested that the Commission revert to filing deferred cost reports on a quarterly basis. The Company stated that it is committed to notifying the Commission if an interim filing might be needed. Staff believes quarterly reporting is reasonable given that the Company's commitment to notifying the Commission.

CUSTOMER NOTICE AND PRESS RELEASE

The Company's press release and customer notice were included with its Application. Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. The notice was included with bills mailed to customers beginning August 17, 2020 and ending September 16, 2020.

The Commission set a comment deadline of September 21, 2020. Some customers in the last billing cycles will not have received/and or had adequate time to submit comments before the deadline. Customers must have the opportunity to file comments and have those comments considered by the Commission. Staff recommends that the Commission accept late filed comments from customers. As of September 21, 2020, one customer filed a comment opposed to the residential increase at double the Consumer Price Index.

STAFF RECOMMENDATIONS

Staff recommends the Commission approve the Company's Application, increasing revenues by $8.6 million as shown in Table No. 2, and approve the proposed WACOG amount of $0.21699 per therm. Staff further recommends that the Commission direct the Company to file tariffs representing the Commission's order for this case, and file quarterly WACOG and deferred costs reports with the Commission.

If gas prices significantly deviate from projections, Staff recommends the Company to file an adjustment to its PGA-related rates. Additionally, Staff recommends the Commission order the Company to file quarterly reports reflecting deferred gas costs and WACOG projections.

Respectfully submitted this 21st day of September 2020.

Ed Jewell

Edward J. Jewell
Deputy Attorney General

Technical Staff: Kevin Keyt
Johan Kalala-Kasanda
Rick Keller
Curtis Thaden

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 21ST DAY OF SEPTEMBER 2020, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. INT-G-20-05, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

LORI BLATTNER
DIR – REGULATORY AFFAIRS
INTERMOUNTAIN GAS CO
PO BOX 7608
BOISE ID 83707
E-MAIL: lori.blattner@intgas.com

PRESTON N CARTER
GIVENS PURSLEY LLP
601 W BANNOCK ST
BOISE ID 83702
E-MAIL: prestoncarter@givenspursley.com
kendrah@givenspursley.com

Jo Nelson
SECRETARY