

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. INT-G-22-02
OF INTERMOUNTAIN GAS COMPANY)
FOR AUTHORITY TO CHANGE ITS) ORDER NO. 35479
PRICES)
)

On May 31, 2022, Intermountain Gas Company (“Company”) requested approval of new rate schedules with an August 1, 2022, effective date, that would increase its annualized revenues by \$67 million through an interim Purchased Gas Cost Adjustment (“PGA”) filing.¹ The Company asserted that if its request is approved its earnings would not increase.² If approved, the average residential customer would see a monthly bill increase of \$10.55 or approximately 24.1%, and the average commercial customer would see a monthly bill increase of \$51.87 or approximately 27%. The Company’s Application includes supporting exhibits and proposed rate schedules and tariff sheets that show the overall price changes by customer class.

On June 16, 2022, the Commission issued a Notice of Application and Notice of Modified Procedure establishing public comment and Company reply deadlines. Order No. 35432. Commission Staff (“Staff”) and members of the public submitted comments. The Company did not file a reply.

Having reviewed the record, the Commission now issues this Order approving the Company’s Application.

BACKGROUND

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 incurs fixed costs for equipment and facilities to provide service which generally do not frequently change. The gas-related cost component of the Company’s rates is more variable and is at issue here. The Company’s PGA is a Commission approved mechanism that adjusts rates up or down to reflect changes in the Company’s costs to buy natural gas from suppliers—including changes in transportation, storage, and other related costs. The Company

¹ The proposed rate increases would impact the Company’s RS, GS-1, IS-R, IS-C and LV-1 customer classes.

² The Company also requested authority to increase the Line Break Rate from \$0.42443 per therm to \$0.58848 per therm.

defers these costs into its PGA account and then passes them on to customers through an increase or decrease in rates. The Commission approved the Company's current rates in Case No. INT-G-21-04, Order No. 35182.

THE APPLICATION

With this Application, the Company seeks to pass through to each of its customer classes changes in gas-related costs resulting from an increase in the Company's Weighted Average Cost of Gas ("WACOG"). The Company proposed to increase the Commodity WACOG from \$0.26000 per therm currently embedded in rates to \$0.42405 per therm. The Company asserted that the primary drivers of the proposed WACOG increase include macroeconomic forces and geopolitical events increasing the price of wholesale natural gas. *Application* at 4-5. The Company represented that natural gas demand has exceeded supply throughout the Covid-19 pandemic as many producers have shifted from additional drilling activity to paying down debt, and that the United States' export rate of liquefied natural gas has diminished domestic supplies. *Id.* Additionally, the Company cited diminishing national gas storage levels, which are projected to drop below ideal levels by November 1, 2022. *Id.* at 5. The Company also stated that notwithstanding increased gas prices, lower coal stockpiles have bolstered the demand for natural-gas-powered resources to generate electricity. *Id.* Finally, the Company stated that significant global events, including the war in Ukraine and lockdowns in China, have exacerbated supply-chain issues. *Id.*

The Company noted that pursuant to the Commission's directive in Order No. 35182, the Company made the filing to ensure the approved WACOG rate reflects the current natural gas costs, and it hoped this interim PGA would reduce the amount of deferred gas costs in the Company's subsequent, regular PGA filing. *Id.*

The Company stated that although the proposed WACOG reflects a significant price increase for all customers, the Company is hopeful that this interim filing will mitigate the build-up of deferrals as well as provide a price signal that will allow customers extra time to budget for the increased costs before the winter heating season arrives. *Id.* at 6,

The Company also does not propose to change its gas transportation cost or temporary purchased gas cost adjustment rates at this time. *Id.* These rates, along with an updated estimate of Last, the Company asserted that this Application has been brought to the attention of its customers through a Customer Notice and by a Press Release sent to daily and weekly newspapers, and major

radio and television stations in the Company's service area. The Company attached the Press Release and Customer Notice to its Application. *Id.*

STAFF COMMENTS

Staff reviewed the Company's Application and Exhibits No. 1-3, and recommended that the Commission: (1) approve the Company's Application and the proposed WACOG amount of \$0.42405 per therm; (2) approve the Company's proposed Schedules RS, GS-1, IS-R, IS-C, and LV-1 as filed with the Application; (3) direct the Company to continue filing quarterly reports reflecting deferred gas costs and WACOG projections; (4) order the Company to file an adjustment to its PGA-related rates, if gas prices significantly deviate from projections; and (5) accept late-filed comments from customers. Staff's analysis indicated that the PGA proposal would not affect the Company's earnings, and the Company's proposed WACOG of \$0.42405 per therm was reasonable.

Staff recognized that market fluctuations impact the WACOG and analyzed the Company's projected costs to purchased natural gas costs 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. Based on the current volatility in natural gas futures, a review of the market fundamentals, trends, and current EIA data, Staff concluded that the Company's estimated cost of forward-looking purchases were reasonable.

Staff explored ways to mitigate the proposed rate increases. Staff identified that the EEC-RS Residential Energy Efficiency Charge ("EEC_RS") is over-collecting and there is an estimated \$4.9 million surplus in the Company's Residential EE Tariff Rider. Staff suggested that an adjustment to the Residential EE Tariff Rider could offset the requested PGA impact for RS customers and that the Company could address changes to the EEC-RS charge or Residential EE Tariff Rider in a subsequent filing.

Staff reviewed the Company's proposed Line Break Rate increase from the current rate of \$0.42443 per therm to \$0.58848 per therm for parties responsible for damage causing a gas leak and concluded that the proposed Line Break Rate increase was consistent with Commission Order No. 33139.

Staff reviewed the Company's Press Release and Customer Notice and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure. IDAPA 31.01.01.125. Staff noted the Customer Notice was included with bills mailed to customers

beginning June 2, 2022, and ending July 1, 2022. Due to the comment deadline of July 7, 2022, some customers in the last billing cycle will not have received/and or had adequate time to submit comments before the deadline. Thus, Staff recommended that the Commission accept late filed comments from customers.

PUBLIC COMMENTS

Four public comments were received, all opposing the Company's requested rate increases due to the financial impact of the increase.

COMPANY COMMENTS

On July 8, 2022, Company's Counsel notified Commission Staff informally that the Company had received and reviewed Staff's comments and would not be submitting any reply comments.

COMMISSION FINDINGS AND DECISION

The Company is a gas corporation and 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* §§ 61-117, 61-129, 61-307, 61-501, and 61-502. The Commission must establish just, reasonable, and sufficient rates for utilities subject to its jurisdiction. *Idaho Code* § 61-502. Based on our review of the record, we find that the Company's proposed rate changes to the Commodity WACOG from the \$0.26000 per therm currently embedded in rates to \$0.42405 per therm for the Company's RS, GS-1, IS-R, IS-C, and LV-1 customer classes accurately capture the Company's prudently incurred variable, gas-related costs. The primary drivers of the proposed WACOG increase include macroeconomic forces and geopolitical events increasing the price of wholesale natural gas. The Company's new Line Break Rate is also consistent with Commission Order No. 33139. We thus find it fair, just, and reasonable to approve the Company's proposed schedule changes, as filed, effective August 1, 2022. The Commission notes that the approved revenue increase for the Company in this case does not increase the Company's earnings. The PGA mechanism is designed to pass through prudently incurred commodity costs in a timely fashion. Costs the Company had to incur to provide safe and adequate service to its customers. The Commission believes that the Company's decision to file the "out-of-cycle" PGA Application will help mitigate the impact on customer bills and limit surcharge deferrals. We also find that quarterly WACOG 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.

The Commission also finds that the Company's press release and customer notice both meet the requirements of Rule 125 of the Commission's Rules of Procedure. *See* IDAPA 31.01.01.125.

Although the Commission has found that the proposed WACOG increase is fair, just, and reasonable, the Company should explore all options to reduce future increases, including potentially adjusting the Residential EE Tariff or the EEC-RS Residential Energy Efficiency Charge. Further, the Commission also appreciates the public comments received in this case. We understand that many customers struggle to pay utility bills, and we remind these customers they may qualify for financial assistance through programs like the federally-funded Low Income Home Energy Assistance Program. The Company also has assistance programs for its customers. More information about these programs can be found on the Company's website at www.intgas.com/customer-service/low-income-assistance-programs/.

ORDER

IT IS HEREBY ORDERED that the Company's Application to increase the Commodity WACOG to \$0.42405 per therm for the Company's RS, GS-1, IS-R, IS-C, and LV-1 customer classes, with new rates to take effect on August 1, 2022 is approved, as filed.


IT IS FURTHER ORDERED that the Company's proposed Line Break Rate increase to \$0.58848 per therm is approved.

IT IS FURTHER ORDERED that the Company shall continue filing quarterly reports reflecting deferred gas costs and WACOG projections.

IT IS FURTHER ORDERED that the Company shall file an adjustment to its PGA-related rates, if gas prices significantly deviate from projections and the Company is directed to explore all options to reduce future increases, including potential adjustments to the Residential EE Tariff of the EEC Residential Energy Efficiency Charge.

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 regarding 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. *Idaho Code* § 61-626.

DONE by Order of the Public Utilities Commission at Boise, Idaho this 29th day of July 2022.



ERIC ANDERSON, PRESIDENT

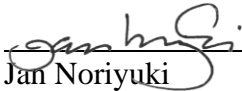


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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