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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF INTERMOUNTAIN)
GAS COMPANY’S APPLICATION FOR) CASE NO. INT-G-22-02
AUTHORITY TO CHANGE ITS PRICES)
)
) COMMENTS OF THE
) COMMISSION STAFF
)
_____)**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Claire Sharp, Deputy Attorney General, submits the following comments.

BACKGROUND

On May 31, 2022, Intermountain Gas Company (“Intermountain” or “Company”) filed an “interim” or “out of cycle¹” Purchased Gas Adjustment (“PGA”) requesting authority to place into effect on August 1, 2022, new rate schedules for its Residential Service (“RS”), General Service (“GS-1”), Large Volume Firm Sales Service (“LV-1”), Residential Interruptible Snowmelt Service (“IS-R”), and Small Commercial Interruptible Snowmelt Service (“IS-C”) customer classes that would increase its annualized revenues by \$67 million, or approximately 25.2%. The Company represents that the average residential customer would see a monthly

¹ Intermountain’s PGAs are normally filed in August of each year with an October 1 effective date.

increase of \$10.55 or approximately 24.1%, and the average commercial customer would see a monthly increase of \$51.87 or approximately 27%.

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 Percent Change	Average Price \$/Therm
RS Residential	\$43,966,037	\$0.16405	24.05%	\$0.84624
GS-1 General Service	\$ 21,221,290	\$0.16405	26.96%	\$0.77260
LV-1 Large Volume	\$ 1,845,168	\$0.16405	40.97%	\$0.56446
IS-R Res Snowmelt	-	\$0.16405	-	-
IS-C Sm Comm Snowmelt	-	\$0.16405	-	-
TOTAL	\$67,032,495	\$0.16405	25.20%	\$0.81517

The 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 and other related costs. The Company defers these costs into its PGA account and then passes them on to customers through an increase or decrease in rates.

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 it infrequently changes. The Commission approved the Company’s current base rates in Order No. 33757.

The gas-related costs of the Company’s Weighted Average Cost of Gas (“WACOG”) rate is at issue in this case. The Company seeks to pass through higher gas-related costs to customers through an increase in rates due to: (1) demand for natural gas exceeding supply as COVID-19 restrictions have been reduced; (2) national gas storage levels being lower than the 5-year average putting upward pressure on forward pricing; (3) increased natural-gas fired power generation ; and (4) national and global supply chain issues affecting the supply and price of natural gas. If approved, the WACOG would increase \$0.16405 per therm from the currently approved rate of \$0.2600² per therm to \$0.42405 per therm.

² Approved in Order No. 35182.

STAFF ANALYSIS

Staff reviewed the Company's Application, workpapers, and exhibits for this case and confirmed: (1) the PGA proposal would not affect the Company's earnings; and (2) the Company's WACOG request is reasonable. Staff recommends that the Company's Application be approved.

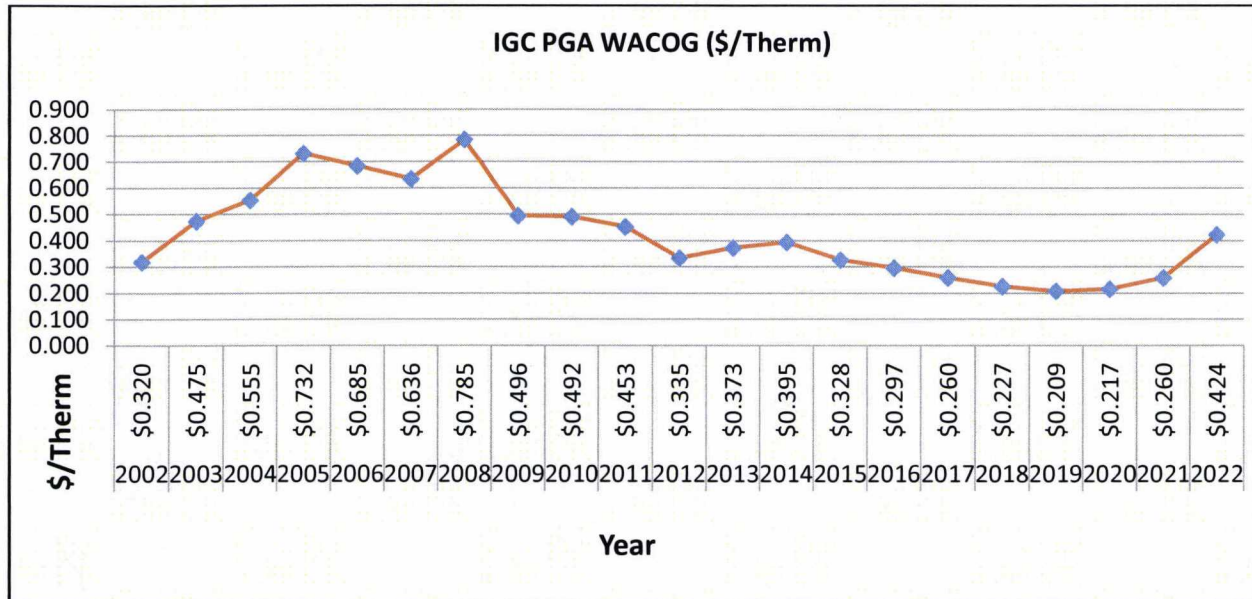
Staff explored ways to mitigate the proposed rate increases. Specifically, Staff reviewed the cost components contained in RS rates. One component of the RS rate is the ("EEC-RS" Residential Energy Efficiency Charge) which funds the Company's Residential Energy Efficiency ("EE") programs. The Company's current EEC-RS rate is over collecting and has resulted in a surplus of approximately a \$4.9M for the Company's Residential EE Tariff Rider balance. An adjustment to the Residential Energy Efficiency Rider is necessary to address the balance and could help in offsetting the impact of the requested PGA increase for RS customers only. This case is focused on the WACOG and changes to the EEC-RS charge or Residential EE Tariff Rider should be addressed in a subsequent filing.

Weighted Average Cost of Gas - WACOG

The WACOG is the Company's average variable cost to buy and transport natural gas to meet estimated customer annual requirements. The WACOG components include the city gate natural gas cost, the transport variable cost, the IGI Resources administrative fees, and the Gas Technology Institute (GTI) charges. The gas transportation cost and temporary purchased gas cost adjustment components of customer rates approved in the last regular PGA are not changing with this proposal and if approved will be addressed in the next regular PGA filing.

The proposed WACOG of \$0.42405 per therm is an increase of 63.09% from the 2021 WACOG of \$0.26000 per therm. This increase in the WACOG represents an approximate \$67 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 a portion of its forecasted supply at fixed prices, market fluctuations 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”)³ and the Northwest Gas Association (“NWGA”).

There is currently volatility in natural gas futures. In the EIA June 7, 2022, Short-Term Energy Outlook (“STEO”), it states;

“We expect the Henry Hub spot price to average \$8.69 per million British thermal units (MMBtu) in 3Q22, up from an average of \$8.13/MMBtu in May. Natural gas prices are rising mainly because of three factors: natural gas inventories that are below the five-year average, steady demand for U.S. liquefied natural gas (LNG) exports, and high demand for natural gas from the electric power sector given limited opportunities for natural gas-to-coal switching.⁴”

Based on review of the market fundamentals, trends, and current EIA data, Staff believes that the Company’s estimated cost of forward-looking purchases are reasonable.

³ EIA Natural Gas Weekly <https://www.eia.gov/naturalgas/>

⁴ <https://www.eia.gov/outlooks/steo/report/natgas.php>

Line Break Rate

The Company charges a Line Break Rate to 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 \$0.42443⁵ per therm to \$0.58848 per therm. The proposed Line Break Rate includes a \$0.16443 Fixed-Cost Component (Transportation Cost) per therm and a \$0.42405 Variable-Cost Component (WACOG) per therm for a total of \$0.58848. Staff concludes that the Company calculated the proposed Line Break Rate consistent with Order No. 33139.

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 June 2, 2022, and ending July 1, 2022.

The Commission set a comment deadline of July 7, 2022. 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 July 6, 2022, one comment had been filed in opposition to the Company's proposed increase

STAFF RECOMMENDATIONS

Staff recommends 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;

⁵ See Order No. 35182

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.

Respectfully submitted this ^{7th} day of July 2022.



Claire Sharp
Deputy Attorney General

Technical Staff: Kevin Keyt
Curtis Thaden

i:umisc/comments/intg22.2eskkct comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 7th DAY OF JULY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-22-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY