

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN) CASE NO. INT-G-22-08
GAS COMPANY'S APPLICATION FOR)
AUTHORITY TO CHANGE ITS PRICES) ORDER NO. 35673
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On December 27, 2022, Intermountain Gas Company (“Intermountain” or “Company”), a subsidiary of MDU Resources Group, Inc., filed an application (“Application” or “Interim Purchased Gas Adjustment” or “PGA”) requesting authority to increase rates 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. The Company represented that the proposed changes would increase the Company’s annualized revenues by approximately \$56.5 million, or roughly 17.1%; however, the Company’s earnings would not be increased by the proposed changes in prices and revenues. The Company represented that the average residential customer would see a monthly increase of \$8.58, or approximately 16.6%, and the average commercial customer would see a monthly increase of \$43.10, or approximately 17.9%. The Company requested that the Commission approve the proposed changes effective as of February 1, 2023. 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	\$36,865,654	\$0.13592	16.55%	\$0.95696
GS-1 General Service	\$17,919,253	\$0.13592	17.90%	\$0.89522
LV-1 Large Volume	\$ 1,685,331	\$0.13592	24.19%	\$0.69788
IS-R Res Snowmelt	-	\$0.13592	-	-
IS-C Sm Comm Snowmelt	-	\$0.13592	-	-
TOTAL	\$56,470,238	\$0.13592	17.12%	\$0.92964

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 those 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, such as the Company's costs for equipment and facilities to provide service. The Company did not propose to change its gas transportation cost or temporary purchased gas cost adjustments as they would be adjusted as part of the Company's regular 2023 PGA filing. However, the Company did propose an adjustment to the gas-related costs of the Company's Weighted Average Cost of Gas ("WACOG").

The Company sought to pass through higher gas-related costs to customers through an increase in rates due to: (1) colder than normal weather that increased demand for natural gas, putting upward pressure on pricing; (2) a must flow Operational Flow Order ("OFO") on the Northwest Pipeline that resulted in higher prices from the Sumas hub located in British Columbia and the Stanfield hub in Washington; and (3) maintenance and constraints on southwestern pipelines serving California that increased demand for natural gas from Alberta and the Rockies. If approved, the WACOG would incrementally increase \$0.13592 per therm from the currently approved rate of \$0.39216¹ per therm to \$0.52808 per therm.

The Company represented that its Application had 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.

COMMISSION STAFF COMMENTS

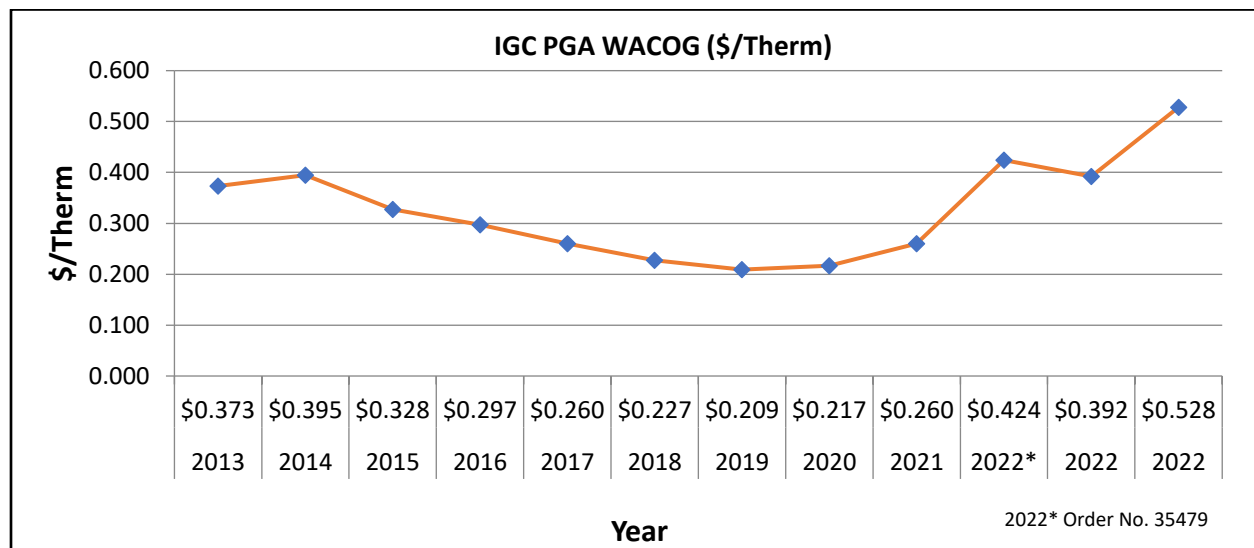
Commission Staff ("Staff") reviewed the Company's Application, workpapers, and exhibits. Staff believed: (1) the proposal would not affect the Company's earnings; and (2) the Company's WACOG request was reasonable. Staff recommended that the Company's Application be approved.

A. Weighted Average Cost of Gas

The WACOG is the Company's average variable cost to buy and transport natural gas to meet customer estimated annual requirements. The Company estimated a WACOG of \$0.66399 based on actual purchases through December 21, 2022, and forecasts through September 30, 2023. To mitigate the estimated WACOG increase, the Company proposed a WACOG of \$0.52808 per therm, which is an increase of 34.66% from the current WACOG of \$0.39216 per therm. Chart No. 1 shows the Company's historical WACOG price trend.

¹ The current rate was approved by the Commission in Order No. 35538.

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



B. Market Fundamentals & Price Analysis

Although the Company hedges or stores a portion of its forecasted supply at fixed prices, market fluctuations impact the WACOG. Over the last few months, natural gas costs across the region have remained uncharacteristically high in relation to Henry Hub benchmark pricing and exceeded the Company’s forecasted expectations. Based on the recent spikes in demand and natural gas costs, Staff believed the adjustment to the Company’s WACOG was necessary and reasonable to recover the higher than projected cost of natural gas. The requested WACOG of \$0.52808 per therm was less than the estimated WACOG of \$0.66399. Any difference between the WACOG and actual gas costs will continue to be tracked so customers are not overcharged for gas commodity costs.

Additionally, Staff reviewed the Company’s projected cost to purchase natural gas for the remaining PGA period 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”). Based on a review of the market fundamentals, trends, natural gas futures, and current EIA data, Staff believed that the Company’s estimated cost of forward-looking purchases were reasonable.

C. Line Break Rate

The Company proposed to increase the Line Break Rate from the current rate of \$0.58848² per therm to \$0.69172 per therm. The proposed Line Break Rate includes a \$0.16364 Fixed-Cost Component per therm (Transportation Cost) and a \$0.52808 Variable-Cost Component per therm (WACOG) for a total of \$0.69172 per therm. Staff believed that the Company calculated the proposed Line Break Rate consistent with Order No. 33139.

D. Customer Notice and Press Release

Staff reviewed the documents and determined that both met 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 January 5, 2023, and ending February 1, 2023.

The Commission set a comment deadline of January 19, 2023. Staff believed that some customers in the last billing cycles would not have received and or had adequate time to submit comments before the January 19, 2023, deadline. Staff recommended that the Commission accept late filed comments from customers.

PUBLIC COMMENTS

As of January 18, 2023, four comments had been filed in opposition to the Company's proposed increase. Customers voiced concern about recent and proposed increases, the cost of living in the State, the Company's hedging practices, declining natural gas spot prices when the Company's proposed rates were increasing, and if declining spot prices would result in reduced rates in the next traditional annual PGA filing.

COMPANY COMMENTS

The Company agreed with Staff's comments and did not file any additional reply comments.

COMMISSION FINDINGS AND DECISION

The Company is a gas corporation under *Idaho Code* § 61-117, and a public utility under *Idaho Code* § 61-129. The Commission has jurisdiction over the issues in this case under Title 61 of the Idaho Code. *Idaho Code* §§ 61-301, 501, 502, and 503. The Commission has reviewed the record, the Application, and all submitted materials. We find the Company's costs to buy natural gas and transport it to the Company's system have increased, and that the Company's current rates are insufficient to enable it to reasonably recover these costs. We find the Company's proposed

² The current rate was set by the Commission in Order No. 35479.

WACOG of \$0.52808 per therm and the resulting proposed customer rates are just, reasonable, and sufficient to enable the Company to recover its increased costs and continue to provide safe and reliable service to its customers. The Commission notes that the proposed increase in the WACOG does not increase the Company's earnings. Thus, the Commission approves the Company's Application with the proposed WACOG of \$0.52808 per therm and the proposed Rate Schedules RS, GS-1, IS-R, IS-C, and LV-1 as filed.

The Commission recognizes the impact the increased WACOG may have on the Company's customers. For those customers in need of financial assistance, the Low Income Home Energy Assistance Program and Project Share each provide energy assistance grants to eligible participants to help pay their natural gas bills. Customers can apply for these programs through Community Action Partnership agencies located in the Company's service territory.

The Company is directed to continue filing quarterly reports reflecting deferred natural gas costs and WACOG projections. The Commission notes that there were no late-filed comments from customers in this case.

ORDER

IT IS HEREBY ORDERED that the Company's Application and the proposed WACOG amount of \$0.52808 per therm is approved.

IT IS FURTHER ORDERED that the Company's proposed Rate Schedules RS, GS-1, IS-R, IS-C, and LV-1 are approved as filed with an effective date of February 1, 2023.

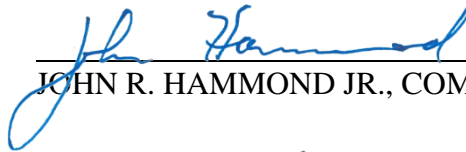
IT IS FURTHER ORDERED that the Company continue filing quarterly reports reflecting deferred natural gas costs and WACOG projections.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date upon 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 and 62-619.

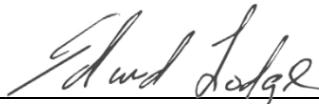
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of January 2023.



ERIC ANDERSON, PRESIDENT

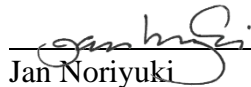


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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