Office of the Secretary
Service Date
September 29, 2023

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S REQUEST FOR AUTHORITY TO CHANGE ITS PRICES	)))))	**CASE NO. INT-G-23-04** **ORDER NO. 35942**

On August 14, 2023, Intermountain Gas Company ("Intermountain" or "Company") applied to the Idaho Public Utilities Commission ("Commission") for new rate schedules that will reduce its annualized revenues collected through the Purchased Gas Cost ("PGA") by about $86.9 million. If approved, the Company represents that the typical residential customer would see a monthly decrease of $11.96, or 19.3 percent, and the typical commercial customer would see a monthly decrease of $72.88, or 24.4 percent.

On August 31, 2023, the Commission issued a Notice of Application and Notice of Modified Procedure setting public comment and Company reply deadlines. Staff and one member of the public filed comments supporting the Company's Application. The Company did not formally reply.

Having reviewed the record in this case, we now issue this Order approving the Company's Application.

BACKGROUND

The Company's rates include a base-rate component and a gas-related cost—PGA—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 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 defers these costs into its PGA account and then passes them on to customers through an increase or decrease in rates.

THE APPLICATION

The Company seeks to pass through various changes in gas-related costs from: (1) firm transportation providers; (2) a decrease in the Company's Weighted Average Cost of Gas ("WACOG"); (3) short-term debt interest expenses from 2022-2023; (4) the customer allocation of costs related to the PGA; (5) temporary surcharges and credits related to gas purchases and interstate transportation costs; (6) benefits from the Company's management of storage and firm capacity rights; (7) the sale of liquefied natural gas through its Nampa facility; (8) recovery of in-person customer payment fees that were deferred; and, (9) over-refunded Residential Energy Efficiency fund recovery. *Id*. at 4. The Company also asks to end the temporary surcharges and credits established in Case No. INT-G-22-04. These changes would result in a price decrease for all classes of customers except T-3.

The proposed reduction in annualized revenues will not impact the Company's earnings.

The proposed WACOG in the Company's Application would change from the $0.52808 per therm to $0.30455 per therm through September 30, 2024—a decrease of approximately $98.5 million in natural gas costs compared to those currently included in rates.

The Company included about $17.5 million in additional transportation costs due to increases in associated rates. The Company anticipates the increase in transportation costs will be offset through access to less expensive gas with the additional transportation it secured for supply form the Aeco basin in Alberta, Canada.

The Company's Application included descriptions of all components that make up the PGA along with exhibits that show the summaries of all price changes by customer class and proposed tariffs.

STAFF'S COMMENTS

Staff recommended the Commission approve the Company's Application and the accompanying proposed rate Schedules RS, GS-1, LV-1, IS-R, IS-C, T-3, and T-4. Staff's analysis indicated the PGA proposal would not affect the Company's earnings, the deferred costs are prudent and properly calculated, and the Company's proposed WACOG of $0.30455—a 42 percent decrease from the current WACOG—is reasonable. Staff compared the Company's projected cost to purchase natural gas to forecasts from several national and regional organizations and, despite noting the recent volatility in the market, concluded the Company's projected natural gas costs are reasonable. Staff determined the Company's strategies and practices in buying, managing, storing, and transporting gas in response to market conditions are flexible and provide price stability for customers. Staff recommended the Commission direct the Company to hold a workshop with interested parties to examine the Company's risk management policies and make changes that are required to consider future volatility.

Staff noted that this PGA year's Lost and Unaccounted for Gas rate is -0.1978% (found gas), well below the maximum allowable level of 0.85% established in Commission Order No.

30649, which results in $568,561 being credited to residential and industrial customers in this year's PGA. Staff determined the Company's proposal to decrease its Line Break Rate from $0.55580 per therm to $0.50639 per therm was consistent with the Commission's directive in Order No. 33139 and properly incorporates the updated WACOG. Staff verified the Company's proposed credit of $1,423,100 to customers for non-utility sales of LNG was calculated correctly. Staff confirmed no expenses from the 2016 rate case were included in the PGA. Staff also verified the balance of the total deferred in-person payment fees associated with customer pay station transactions handled by Western Union in the amount of $44,611 was correct.

Staff recommended the Commission allow the Company to recover the over-refunded Residential Energy Efficiency funds in the PGA. In Order No. 35538, the Commission approved a credit of about $4.85 million of over-collected Residential Energy Efficiency funds for the 2022-2023 PGA. The Company over-refunded the Residential Energy Efficiency funds by $686,777 due to consumption exceeding base rate assumptions. Staff used the following criteria to determine if the company's request to recover the over-refunded funds through the PGA was appropriate: (1) the expenses relate to the credit approved in Order No. 35538; and (2) the expenses were correctly calculated, and the Company exhausted available offsets to mitigate impacts for customers.

Staff recommended the Commission allow the Company to collect interest costs associated with short-term borrowing authorized in Case No. INT-G-22-09. The Company's Application sought recovery of about $3.2 million in short-term interest expenses (offset by revenue from short-term interest) related to the debt it needed to issue in December to cover increased gas costs. Staff established the following criteria to determine if the request was appropriate: (1) expenses were related to an event the Company could not control; (2) the expenses could cause financial harm to the Company; and (3) the expenses were correctly calculated, and the Company exhausted available offsets to mitigate impacts for customers. After reviewing the request against the criteria above, Staff recommended the Company be allowed to recover the short-term debt once.

Staff supported the Company's request that the Commission require the Company to file quarterly WACOG projections, LNG Sales Cost Benefit Analysis, and Deferred Gas Cost Balance reports. Excepting the addition of the LNG Sales Cost Benefit Report to the quarterly system, the reporting requirement for these three reports is consistent with the prior Commission orders. The Company committed to notifying the Commission if an interim filing is needed. Staff believed the quarterly reporting with a commitment to notify is reasonable.

Staff noted that the Company included its press release and customer notice with its Application and the notice was included with bills mailed to customers from August 15, 2023, through September 12, 2023, which would not provide every customer adequate time to comment by the September 19, 2023, comment deadline. Therefore, Staff recommends the Commission accept late filed public comments.

COMMISSION DECISION AND FINDINGS

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 changes to Schedules RS, GS-1, LV-1, IS-R, IS-C, T-3, and T-4 accurately capture the Company's prudently incurred variable costs. We thus find it fair, just, and reasonable to approve the Company's proposed tariff rate schedule changes.

Pursuant to Staff's request for a workshop regarding the Company's risk management policies, we recommend the Company schedule a workshop with Staff and any interested parties to evaluate the Company's risk management policies and discuss any suggested modifications and the appropriate steps needed for implementation of those modifications.

Due to recent volatility in the natural gas markets as discussed in Staff's comments and generally apparent by the magnitude and frequency of recent PGA and interim PGA filings, we continue to direct the Company to inform the Commission if an interim filing is necessary to minimize the impacts of any unanticipated shifts in natural gas prices.

We also find that quarterly reports reflecting WACOG projections, LNG Sales Cost Benefit Analysis, and Deferred Gas Cost Balances provide useful information and assist Staff with determining whether to perform its audit earlier than planned and whether an interim filing might be needed. We approve of quarterly reporting for these reports with the understanding that if the Company needs to notify the Commission of any major changes outside the quarterly reporting window, it will.

ORDER

IT IS HEREBY ORDERED that the Company's Application for authority to change its prices is approved—for a total annualized revenue decrease of $86.9 million, with new rates to take effect on October 1, 2023 through September 30, 2024. The Company's proposed tariffs are approved as filed.

IT IS FURTHER ORDERED that it is recommended the Company schedule a workshop to review its risk management policies with Staff and other interested parties.

IT IS FURTHER ORDERED that the Company shall file quarterly reports reflecting WACOG projections, LNG Sales Cost Benefit Analysis, and Deferred Gas Cost Balances.

IT IS FURTHER ORDERED that the Company shall notify the Commission promptly if an interim filing is needed.

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 Idaho Public Utilities Commission at Boise, Idaho this 29th day of September 2023.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND JR., COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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