

August 10, 2022

Ms. Jan Noriyuki Commission Secretary Idaho Public Utilities Commission P.O. Box 83720 Boise, ID 83720-0074

RE: Case No. INT-G-22-05

Dear Ms. Noriyuki:

Attached for consideration by this Commission is an electronic submission of Intermountain Gas Company's Application for Authority to Revise Rate Schedule EEC-RS – Residential Energy Efficiency Charge with prices proposed to be effective on October 1, 2022.

If you should have any questions regarding the attached, please don't hesitate to contact me at (208) 377-6015.

Sincerely,

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Lori A. Blattner Director, Regulatory Affairs Intermountain Gas Company

Enclosure

cc: Mark Chiles Preston Carter

# INTERMOUNTAIN GAS COMPANY CASE NO. INT-G-22-05

APPLICATION, EXHIBITS, AND WORKPAPERS

In the Matter of the Application of INTERMOUNTAIN GAS COMPANY For Authority to Revise Rate Schedule EEC-RS – Residential Energy Efficiency Charge Preston N. Carter, ISB No. 8462 Morgan D. Goodin, ISB No. 11184 Givens Pursley LLP 601 W. Bannock St. Boise, Idaho 83702 Telephone: (208) 388-1200

Attorneys for Intermountain Gas Company

### BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of INTERMOUNTAIN GAS COMPANY for Authority to Revise Rate Schedule EEC-RS – Residential Energy Efficiency Charge Case No. INT-G-22-05 APPLICATION

Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, pursuant to the Rules of Procedure of the Idaho Public Utilities Commission ("Commission"), requests an order 1) authorizing a one-time credit of \$4,850,000 of the residential deferral balance to residential customers through Intermountain's Purchased Gas Cost Adjustment ("PGA") filing, and 2) approving a decrease in the Residential Energy Efficiency Charge, Rate Schedule EEC-RS, from \$0.02093 per therm to \$0.01564 per therm, effective October 1, 2022. Please address communications regarding this Application to:

> Preston N. Carter Morgan D. Goodin Givens Pursley LLP 601 W. Bannock St. Boise, Idaho 83702 prestoncarter@givenspursley.com stephaniew@givenspursley.com morgangoodin@givenspursley.com

and

Lori A. Blattner Director – Regulatory Affairs Intermountain Gas Company Post Office Box 7608 Boise, ID 83707 Lori.Blattner@intgas.com In support of this Application, Intermountain alleges and states as follows.

I.

Intermountain is a gas utility, subject to the jurisdiction of the Commission, engaged in the

sale of and distribution of natural gas within the State of Idaho under authority of Commission

Certificate No. 219, issued December 2, 1955, as amended and supplemented by Order No. 6564,

dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties

and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star; Bannock County - Arimo, Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello; Bear Lake County - Georgetown, and Montpelier; Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelley; Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley; Bonneville County - Ammon, Idaho Falls, Iona, and Ucon; Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder; Caribou County - Bancroft, Grace, and Soda Springs; Cassia County - Burley, Declo, Malta, and Raft River; Elmore County - Glenns Ferry, Hammett, and Mountain Home; Fremont County - Parker and St. Anthony; Gem County - Emmett; Gooding County - Bliss, Gooding, and Wendell; Jefferson County - Lewisville, Menan, Rigby, and Ririe; Jerome County - Jerome; Lincoln County - Shoshone; Madison County - Rexburg and Sugar City; Minidoka County - Heyburn, Paul, and Rupert; Owyhee County - Bruneau, Marsing, and Homedale; Payette County - Fruitland, New Plymouth, and Payette; Power County - American Falls; Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls; Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, liquefied natural gas storage facilities, compressor stations, distribution mains, services, meters and regulators, and general plant and equipment.

### II.

In Order No. 34454, Case No. INT-G-19-05, the Commission authorized the Company's current Residential Energy Efficiency Charge ("EEC-RS") of \$0.02093 on Rate Schedule EEC – RS. The EEC-RS allows the Company to fund its Residential Energy Efficiency Program ("EE-RS

Program"). The current EEC-RS was based on a budget of \$3,944,642 of total annual program expenditures that included direct rebate expenses, personnel expenses, program delivery, and rampup expenses. Additionally, the Company included the under-collected balance of \$1,097,907 that had built up through June 2019. These two amounts combined resulted in an estimated annual EE-RS Program funding amount of \$5,042,549.

#### III.

As of June 30, 2022, the Company had an over-collected EEC-RS Program balance of \$4,893,882 as shown on Exhibit No. 1, Page 2, Line 10, Column (b). The over-collected balance has two primary causes: 1) therm sales were higher than the forecast used to calculate the current EEC-RS, and 2) the entire, then-current, under-collected balance of \$1,097,907 was included in the determination of the EEC-RS rate rather than amortizing the balance over time. Additionally, the large revisions to the EE-RS Program that were effective in April 2021 changed the rebates and rebate amounts upon which the previous forecast was based. To reduce the \$4,893,882 over-collected balance through the Company proposes a one-time refund of \$4,850,00 of the over-collected balance through the Company's Purchased Gas Cost Adjustment ("PGA") filing as shown on Exhibit No. 1, Page 2, Line 9, Column (c). Intermountain proposes this balance be amortized to residential customers on a cents per therm basis as further detailed in INT-G-22-04. Exhibit No. 1 is attached and incorporated by reference.

#### IV.

To allow for participation in the program by all interested customers, while more accurately matching revenues with expenses, the Company proposes to decrease the EEC-RS from \$0.02093 to \$0.01564. Exhibit No. 1, Page 1 shows the derivation of the proposed per therm EEC-RS, which is calculated by dividing the Average Annual Forecast Budget to be collected from residential customers by normalized therm sales for Rate Schedule RS, as determined in the Company's annual PGA filing.

V.

The proposed EEC-RS charge is based on estimated average annual program costs for 2023 and 2024 of approximately \$4,235,685. The estimated annual program costs are shown on Exhibit No. 1, Page 2, Line 7, Column (g). Forecast EE-RS Program expenses are comprised of Labor, Promotional & Program Delivery, and Rebates paid directly to residential customers.

Labor is forecast to increase by the Company budgeted 5% over the 2023-2024 time period. Promotional expenses are also forecast to increase by 5%. Intermountain anticipates conducting a Conservation Potential Assessment in 2023 to provide inputs to its next Integrated Resource Plan as well as identify additional, cost-effective incentives that could be included in the EE-RS Program. Finally, based on Intermountain's Evaluation, Measurement & Verification ("EM&V") schedule, the Company will be conducting an EM&V study for all measures that were revised in 2021 based on two years of data through December 31, 2023. This study will occur in 2024. The CPA and EM&V studies are forecast at \$250,000 each. The two-year averages of the Labor and Promotional & Program Delivery expense categories are found on Exhibit No. 1, Page 2, Lines 4 and 5. These expense categories assume a continued 80/20 split in administration expense between the residential and commercial programs.

The forecast Rebate expenses are based on the revised rebate offerings and amounts implemented in the 2021 program change and forecasted participation levels impacted by higher energy performance requirements. Average forecasted rebate expenditures for 2023 thru 2024 are \$3.4 million as shown on Exhibit No. 1, Page 2, Line 6, Column (g).

The 2021 Program revision increased incentives on some underperforming, cost-effective measures and reduced the incentives of other rebates like the new construction measure Whole Home. To account for improvements in building energy code implemented in 2021, therm savings attributed to the Whole Home measure were reduced, which resulted in reducing the incentive from \$1,200 per home, to a two-tiered incentive of either \$900 or \$700 per home. To eliminate a market barrier to participation, the Company also eliminated the Energy Star certification from the Whole Home requirement. The Company anticipates eliminating this barrier will increase the number of builders participating overall, but as the second most redeemed rebate in the offering historically, the reduced new construction incentive amount will ultimately reduce rebate expenditures when compared to previous levels. Most builders are currently only achieving the energy performance targets of the \$700 rebate, which is further reducing rebate expenditures in this category. On a positive note, however, builders that are not qualifying for the increased targets of the Whole Home rebates are still installing high performance equipment in many cases. This has helped to drive increased participation in the furnace, smart thermostat, and water heater categories.

In the 2021 program revision, the furnace incentive amount remained the same at \$350. The Department of Energy is expected to set new energy efficiency equipment standards for furnaces at 95% AFUE, the same as the minimum efficiency required for the current rebate, but "if adopted within DOE's proposed timeframe, the new rule will come into effect in 2029." <sup>1</sup> The Company anticipates furnace rebate participation will continue to grow and will not be impacted by federal equipment standards for several years.

Introduction of the smart thermostat rebate and increased incentive amounts for water heating equipment have already demonstrated upward trends in participation, especially for smart thermostats. The number of smart thermostat rebates and storage water heater rebates paid in the first quarter of 2022 have already doubled rebates paid in 2021. Tankless water heater rebates have reached 2021 levels in the second quarter of 2022. While participation rates of these rebates are projected to grow, they make up a much smaller portion of the total offering so total rebate expenses are anticipated to grow, but at a slower rate than previously forecast, during the 2023 through 2024 time period.

### VI.

By implementing the two proposals included in this Application—1) transferring \$4.85 million in over-collected EE-RS Program deferral balance to the PGA for refund to residential customers, and 2) reducing the EEC-RS going forward—the growth of the deferral balance slows drastically, and, assuming the continued EE-RS Program growth trajectory, will switch to an under-collection in 2025. The ending deferral balances, incorporating the proposed changes, are illustrated on Exhibit No. 1, Page 2, Line 10.

The proposed EEC-RS will decrease annual revenues by approximately \$1.4 million. A typical Residential customer of Intermountain would see a monthly decrease of \$0.33 as a result of the reduction in the EEC-RS charge. The impact to residential customers of the one-time refund of the over-collected balance through the PGA will be included in the PGA filing (see INT-G-22-04).

#### VII.

The Company proposes to make the EEC-RS reduction effective October 1, 2022 to coincide with the effective date of the price change related to the Company's annual PGA. Intermountain believes this timing will help provide an accurate picture to customers of what to

<sup>&</sup>lt;sup>1</sup> <u>Biden Administration Proposes New Cost-Saving Energy Efficiency Standards for Home Furnaces | Department of Energy</u>

expect on their bills heading into winter.

Intermountain's current Rate Schedules EEC-RS and RS showing proposed changes in legislative format are attached as Exhibit No. 2. The Company's resulting proposed Rate Schedules EEC-RS and RS (clean version) are attached as Exhibit No. 3. Exhibit Nos. 2 and 3 are incorporated by reference.

#### VII.

This Application has been brought to the attention of Intermountain's customers by including it in the Company's PGA Customer Notice and Press Release sent to daily and weekly newspapers, and major radio and television stations in Intermountain's service area. The Press Release and Customer Notice are attached as Exhibit No. 4.

### VIII.

Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

#### IX.

Intermountain respectfully petitions the Idaho Public Utilities Commission as follows:

- a. That the Commission approve the one-time transfer of \$4.85 million in over-collected EE-RS
   Program deferral balance to the PGA for refund to residential customers;
- b. That the Commission issue an order approving a decrease in the Residential Energy Efficiency Charge, Rate Schedule EEC-RS, from \$0.02093 to \$0.01564 per therm, effective October 1, 2022;
- c. That this Application be heard and acted upon without hearing under modified procedure; and,
- d. For such other relief as this Commission may determine proper.

DATED: August 10, 2022.

INTERMOUNTAIN GAS COMPANY

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Lori A. Blattner Director – Regulatory Affairs

GIVENS PURSLEY LLP

By

Preston N. Carter Attorney for Intermountain Gas Company

### **EXHIBIT NO. 1**

## CASE NO. INT-G-22-05

## **INTERMOUNTAIN GAS COMPANY**

### PROPOSED RESIDENTIAL ENERGY EFFICIENCY CHARGE

(2 pages)

## INTERMOUNTAIN GAS COMPANY Proposed Residential Energy Efficiency Charge

Line		
No.	Description	 Amount
	(a)	(b)
1	Average Annual Forecast Budget	\$ 4,235,685
2	RS Normalized Sales Volumes (1/1/2021 - 12/31/2021)	270,876,099 <sup>(1)</sup>
3	Proposed Residential Per Therm Energy Efficiency Charge	\$ 0.01564

<sup>(1)</sup> See Case No. INT-G-22-04, Exhibit No. 5, Line 24, Column (i) less Rate Schedule IS-R therms of 354,432. INTERMOUNTAIN GAS COMPANY Proposed Residential Energy Efficiency Charge Forecast Residential Energy Efficiency Program Balance

Line			Actual	Forecast		Estin	iated A	Estimated Annual Balances	SS	Average
No.	Description	9	6/30/2022	July-Dec 2022	<b> </b> `	12/31/2022	12/3	12/31/2023	12/31/2024	2023 - 2024
	(a)		(q)	(c)		(p)		(e)	(f)	(6)
~	Rider Beginning Balance - Residential	ŝ	2,834,164	\$ 4,893,882	\$	2,834,164	ŝ	318,566 \$	768,100	
2	2 Total Residential Revenue		3,624,391	1,502,932		5,127,323		4,490,077	4,622,227	
ę	Expenses									
4	Residential - Labor		259,223	285,408		544,631		571,863	600,456	586,160
ß	Residential - Promotional & Program Delivery		60,183	13,548		73,731		284,400	298,620	291,510
9	Residential - Rebates		1,245,268	929,292		2,174,560		3,184,280	3,531,750	3,358,015
7	Total Residential Expenses		1,564,674	1,228,248		2,792,922		4,040,543	4,430,826	4,235,685
œ	Residential Deferral		2,059,717	274,684		2,334,401		449,534	191,401	
6	Transfer to PGA			(4,850,000)		(4,850,000)				
10	10 Rider Ending Balance - Residential	Ş	4,893,882	\$ 318,566	\$	318,565	Ф	768,100 \$	959,500	

Exhibit No. 1 Case No. INT-G-22-05 Intermountain Gas Company Page 2 of 2

## EXHIBIT NO. 2

## CASE NO. INT-G-22-05

### INTERMOUNTAIN GAS COMPANY

### **PROPOSED TARIFF**

(Legislative Format)

(2 pages)

Exhibit No. 2 Case No. INT-G-22-05 Intermountain Gas Company Page 1 of 2

I.P.U.C. Gas Tariff Rate Schedules Ninth Revised Tenth Name

h Sheet No. 1 (Page 1 of 1)

Intermountain Gas Company

#### IDAHO PUBLIC UTILITIES COMMISSION Approved Effective July 29, 2022 Aug. 1, 2022 Per ON 35479 Jan Noriyuki Secretary

#### Rate Schedule RS RESIDENTIAL SERVICE

#### **APPLICABILITY:**

Applicable to any customer using natural gas for residential purposes.

#### RATE:

of Utility

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$5.50 per bill			
Per Therm Charge:	<del>\$0.76073</del> * <u>\$0.75544</u>			
*Includes the following:				
Cost of Gas:	<ol> <li>Temporary purchased gas cost adjustment</li> <li>Weighted average cost of gas</li> <li>Gas transportation cost</li> </ol>	(\$0.01173) \$0.42405 \$0.16443		
Distribution Cost:		\$0.16305		
EE Charge:		<del>\$0.02093</del>		

#### PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for the cost of purchased gas as provided for in Rate Schedule PGA. This adjustment is incorporated into the calculation of the Cost of Gas stated on customer bills.

#### ENERGY EFFICIENCY CHARGE ADJUSTMENT:

This tariff is subject to an adjustment for costs related to the Company's Energy Efficiency program as provided for in Rate Schedule EEC-RS. The Energy Efficiency Charge is separately stated on customer bills.

#### SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: **Intermountain Gas Company** By: Lori A. Blattner Title: Director – Regulatory Affairs Effective: August 1, 2022

Exhibit No. 2 Case No. INT-G-22-05 Intermountain Gas Company Page 2 of 2

I.P.U.C. Gas Tariff Rate Schedules Second Revised Third
Rate Schedules
I.P.U.C. Gas Tariff

of Utility

Sheet No. 17 (Page 1 of 1)

Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION Approved Effective March 23, 2021 April 1, 2021 Per ON 34941 Jan Noriyuki Secretary

#### Rate Schedule EEC-RS RESIDENTIAL ENERGY EFFICIENCY CHARGE

#### **APPLICABILITY:**

Applicable to customers taking service under Rate Schedule RS. The Energy Efficiency Charge is designed to fund administrative and program delivery costs incurred by the Company for energy efficiency services provided to customers as outlined in Rate Schedule EE-RS.

#### MONTHLY RATE:

The Monthly Rate is equal to the applicable Energy Efficiency Charge multiplied by the monthly billed therms.

Schedule Rate Schedule RS Energy Efficiency Charge \$0.02093 \$0.01564

## **EXHIBIT NO. 3**

## CASE NO. INT-G-22-05

## **INTERMOUNTAIN GAS COMPANY**

**PROPOSED TARIFF** 

(Clean Format)

(2 pages)

Name of Utility ountain Cao Company

Exhibit No. 3 Case No. INT-G-22-05 Intermountain Gas Company Page 1 of 2

Intermountain Gas Company

### Rate Schedule RS RESIDENTIAL SERVICE

### **APPLICABILITY:**

Applicable to any customer using natural gas for residential purposes.

### RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$5.50 per bill	
Per Therm Charge:	\$0.75544*	
*Includes the following:		
Cost of Gas:	<ol> <li>Temporary purchased gas cost adjustment</li> <li>Weighted average cost of gas</li> <li>Gas transportation cost</li> </ol>	(\$0.01173) \$0.42405 \$0.16443
Distribution Cost:		\$0.16305
EE Charge:		\$0.01564

### PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for the cost of purchased gas as provided for in Rate Schedule PGA. This adjustment is incorporated into the calculation of the Cost of Gas stated on customer bills.

#### ENERGY EFFICIENCY CHARGE ADJUSTMENT:

This tariff is subject to an adjustment for costs related to the Company's Energy Efficiency program as provided for in Rate Schedule EEC-RS. The Energy Efficiency Charge is separately stated on customer bills.

#### SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

heet No. 17 (Page 1 of 1)

Name of Utility

Intermountain Gas Company

Exhibit No. 3 Case No. INT-G-22-05 Intermountain Gas Company Page 2 of 2

### Rate Schedule EEC-RS RESIDENTIAL ENERGY EFFICIENCY CHARGE

#### **APPLICABILITY:**

Applicable to customers taking service under Rate Schedule RS. The Energy Efficiency Charge is designed to fund administrative and program delivery costs incurred by the Company for energy efficiency services provided to customers as outlined in Rate Schedule EE-RS.

#### MONTHLY RATE:

The Monthly Rate is equal to the applicable Energy Efficiency Charge multiplied by the monthly billed therms.

Schedule Rate Schedule RS Energy Efficiency Charge \$0.01564

## **EXHIBIT NO. 4**

### **NEWS RELEASE**

and

## **CUSTOMER NOTICE**

## CASE NO. INT-G-22-05

## INTERMOUNTAIN GAS COMPANY



### Intermountain Gas Company files decrease in prices as part of PGA and EEC filings

**BOISE, ID** – *August 10, 2022* – Intermountain Gas Company filed its annual purchased gas cost adjustment (PGA) application with the Idaho Public Utilities Commission to decrease its prices by an average of 2.2% or approximately \$7.7 million. The PGA application is filed each year to ensure the costs Intermountain incurs on behalf of its customers are reflected in its sales prices. Additionally, the company filed an application to reduce its Residential Energy Efficiency Charge, which would decrease prices to residential customers by an average of 0.6% or approximately \$1.4 million. If approved, both decreases would be effective Oct. 1, 2022.

The primary reason for the proposed PGA decrease is a small decrease in estimated gas commodity costs for the upcoming year when compared to Intermountain's recently approved interim PGA as well as a refund of overcollected residential energy efficiency funds. If approved, a typical residential customer would see a monthly decrease of \$1.36, or 2.5% based on average weather and usage. Commercial customers, on average, would see a decrease of \$4.32, or 1.8%, per month.

The decrease in the residential EEC is due primarily to energy efficiency program changes and greater than forecast sales which resulted in an over-collection of funds. Intermountain is proposing a one-time refund of the current balance along with a reduction in the charge going forward. If approved, a typical residential customer would see an additional decrease of \$0.33 per month, or 0.6%. When combined with the PGA decrease, an average residential customer can expect a total decrease of \$1.69, or 3.2%, per month based on average weather and usage. Intermountain's earnings will not change as a result of either of the proposed changes in prices and revenues.

"The natural gas market remains volatile with hot weather in the US, the economic rebound, and other global events keeping prices at higher levels than we have seen in many years," said Scott Madison, executive vice president of business development and gas supply.

Intermountain Gas urges all customers to use energy wisely. For more information about the company's energy efficiency program and available rebates for installing high efficiency equipment, visit <u>www.intgas.com/saveenergy</u>. Conservation tips, information on government payment energy assistance and programs to help consumers level out their energy bills over the year can be found on the company's website <u>www.intgas.com</u>.

Both requests are proposals and are subject to public review and approval by the PUC. A copy of the applications are available for review at the commission, its homepage <u>www.puc.idaho.gov</u>, as well as the company's website <u>www.intgas.com</u>. Written comments regarding the applications may be filed with the commission. Customers may also subscribe to the commission's RSS feed to review periodic updates via email.

Intermountain Gas Company is a natural gas distribution company serving approximately 404,000 residential, commercial and industrial customers in 76 communities in southern Idaho. Intermountain is a subsidiary of MDU Resources Group, Inc., a Fortune 500 company and member of the S&P MidCap 400 and the S&P High-Yield Dividend Aristocrats indices, and is Building a Strong America® by providing essential products and services through its regulated energy delivery and construction materials and services businesses. For more information about MDU Resources, see the company's website at <u>www.mdu.com</u>. For more information about

Intermountain, visit <u>www.intgas.com</u>.

Media Contact: Mark Hanson at 701-530-1093 or <u>mark.hanson@mduresources.com</u>.



### **Customer Notice**

#### Intermountain Gas Company files decrease in prices as part of PGA and EEC filings

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on average weather and usage. Intermountain's earnings will not change as a result of either of the proposed changes in prices and revenues.

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Intermountain Gas urges all customers to use energy wisely. For more information about the company's energy efficiency program and available rebates for installing high efficiency equipment, visit www.intgas.com/saveenergy. Conservation tips, information on government payment energy assistance and programs to help consumers level out their energy bills over the year can be found on the company's website www.intgas.com.

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Intermountain Gas Company | Customer Service: 800-548-3679 | M-F, 7:30am - 6:30pm | www.intgas.com

