Office of the Secretary
Service Date
July 17, 2008

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS FOR AUTHORITY TO CANCEL ITS EXISTING T-1 AND T-2 TRANSPORTATION TARIFFS AND IMPLEMENT A T-5 TARIFF.	**CASE NO. INT-G-08-01** **ORDER NO. 30599**

On May 7, 2008, Intermountain Gas Company filed an Application with the Commission seeking authority to cancel its existing T-1 and T-2 Transportation Tariffs and place into effect a new Industrial Transportation Tariff (T-5 Tariff). More specifically, the Company asserts that it is necessary to cancel the T-1 and T-2 tariffs in order to ensure continued compliance with the applicable rules and regulations pertaining to the Northwest Pipeline.[1]

On May 29, 2008, the Commission issued a Notice of Application and set an intervention deadline. Order No. 30562. Northwest Industrial Gas Users was the only party to petition to intervene and it was granted intervention in Order No. 30577. The Commission issued its Notice of Parties on June 20, 2008. Following consultation with the parties, it was determined that a formal discovery period was unnecessary to address issues raised by the Application. On June 27, 2008, the Commission issued a Notice of Modified Procedure setting a 14-day comment period. Order No. 30586.

THE APPLICATION

The Company asserts that it is necessary to cancel the T-1 and T-2 tariffs and implement the new T-5 tariff to comply with the applicable rules and regulations pertaining to Northwest Pipeline's interstate pipeline system. Northwest's Federal Energy Regulatory Commission (FERC) Gas Tariff requires that a shipper have sole title to the natural gas transported on Northwest's system. The shipper must have concurrent title to both the gas molecule as well as the interstate transportation rights transporting that same gas molecule.

Intermountain Gas maintains that there are two fundamental attributes of its T-1 and T-2 tariffs at odds with Northwest's regulation requirement: (1) the Company's T-1 and T-2 tariffs are "bundled" transportation services to include the use, and compensation for, the

[1] Northwest Pipeline is an interstate pipeline system utilized to transport natural gas.

Company's firm capacity on Northwest's system; and (2) the tariffs require that customers procure their own supply of natural gas from a third-party marketer. Presently, to ensure compliance with Northwest's FERC Gas Tariff, Intermountain Gas has contractually agreed beyond the scope of the tariffs to release interstate transportation capacity to prearranged marketer parties who supply gas to existing T-1 and T-2 customers. However, the Company feels that, given the evolving dynamics of the interstate natural gas market, as additional marketers compete for business on Intermountain Gas's distribution system, the likelihood that concurrent commodity and transportation titles will become severed is greatly intensified thereby risking non-compliance with FERC regulations if the T-1 and T-2 tariffs remain in use.

Concurrent with the elimination of its T-1 and T-2 tariffs, Intermountain Gas intends to offer each T-1 and T-2 customer the opportunity to choose from the menu of remaining unbundled industrial transportation services; specifically those services as offered under the Company's T-3 and T-4 tariffs, and, if approved by the Commission, the proposed T-5 tariff. In order to help facilitate a customer's option to elect the T-4 tariff, the Company seeks Commission approval to waive the T-4 tariff's Exit Fee provision.

According to its Application, T-1 customers have the option of selecting the T-4 tariff – an unbundled version of the T-1 tariff. T-2 tariff customers have no equivalent unbundled tariff option. Therefore, the proposed T-5 rate schedule is an unbundled version of the Company's T-2 tariff. Intermountain Gas asserts that, with the interstate transportation capacity release, the T-5 customer's burner-tip price "should be economically equivalent" to that provided under the bundled T-2 service.

THE COMMENTS

Staff recognized Intermountain Gas's concern regarding compliance with FERC regulations and the Company's increasingly complicated contractual arrangements implemented to assure compliance. Because the T-1 and T-2 transportation tariffs require the customer to procure its own gas supply and also include an allocated portion of the Company's transportation cost, the tariffs are at risk of non-compliance without modification. The Company's proposed remedy is to eliminate embedded transportation costs from its industrial transport tariffs. Staff found it reasonable for Intermountain Gas to seek modification of its tariffs to ensure compliance with the Northwest Pipeline and FERC.

Intermountain Gas's existing T-4 tariff provides an equivalent alternative to current T-1 customers absent the embedded interstate transportation costs. In order to further facilitate a customer's option to elect the T-4 tariff, the Company seeks Commission approval to waive the T-4 tariff's Exit Fee provision. Staff supported waiver of the T-4 Exit Fee. Current T-2 customers do not have an existing equivalent alternative absent the embedded interstate transportation costs. Without the T-2 tariff, customers who specify a maximum daily firm quantity will need another option. In response, the Company has proposed the implementation of a new T-5 tariff to meet the future needs of current T-2 customers. Staff had no objection to the implementation of the proposed T-5 tariff.

Instead of having interstate transportation capacity provided by Intermountain Gas within the T-1 and T-2 price structure, the Company will accommodate the customers' ability to procure gas by turning over interstate transportation capacity on Northwest Pipeline to the customer or the customer's marketing agent, subject to recall. Intermountain Gas affirmed that it would provide customers with the same allocated receipt point proportion as was permissible previously under the T-1 and T-2 tariffs.

Despite the Company's assurance of a smooth transition, Staff indicated concern about the impact that the tariff changes would have on customers. Staff urged that Intermountain Gas have a clear transition plan wherein customers were openly informed and not penalized for the termination of the tariffs. Staff recommended that the Commission require Intermountain Gas to monitor the transition to prevent termination penalties from being charged due to the T-1 and T-2 tariff eliminations.

The intervenor, Northwest Industrial Gas Users (NWIGU), filed comments indicating that its concerns had been addressed and resolved through direct communications with Intermountain Gas. As a result, NWIGU supported Intermountain Gas's Application.

COMMISSION FINDINGS AND CONCLUSIONS

Having fully reviewed the Application and comments in this proceeding, we approve Intermountain Gas's Application for authority to cancel its existing T-1 and T-2 Transportation Tariffs and implement a T-5 Tariff. Considering the evolving dynamics of the interstate natural gas market, the Commission finds it reasonable for Intermountain Gas to modify its tariffs to ensure compliance with the Northwest Pipeline and FERC regulations. The Commission further finds that waiving the T-4 tariff's Exit Fee is appropriate in order to assist those customers electing to take service under the existing T-4 tariff.

It is important that current T-1 and T-2 customers not be penalized for the Company's decision to terminate their tariffs. Therefore, the Commission directs Intermountain Gas to closely monitor the transition to ensure that termination penalties are not charged due to the elimination of the T-1 and T-2 tariffs.

ORDER

IT IS HEREBY ORDERED that Intermountain Gas's Application for authority to cancel its existing T-1 and T-2 Transportation Tariffs be granted.

IT IS FURTHER ORDERED that the implementation of a new T-5 Tariff be granted.

IT IS FURTHER ORDERED that the Exit Fee associated with Intermountain Gas's T-4 tariff be waived in order to facilitate a customer's option to elect service under the T-4 tariff.

IT IS FURTHER ORDERED that Intermountain Gas closely monitor the transition of current T-1 and T-2 tariff customers to ensure that the customers are not penalized by the Company's business decision to eliminate tariffs.

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. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17th day of July 2008.

MACK A. REDFORD, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

JIM D. KEMPTON, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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