BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO CHANGE ITS PURCHASED GAS COST ADJUSTMENT TARIFF LANGUAGE. | ))))))) | CASE NO. INT-G-95-1ORDER NO.  26019 |

On April 14, 1995 Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting authority to update and change its Purchased Gas Adjustment (PGA) tariff language.  Reference Idaho Code §§ 61-307 and 61-622.  The Company’s filing responds in part to Commission and Staff concerns addressed in he Company’s last PGA case, Case No. INT-G-94-3, Order No. 25597.

The PGA mechanism is used by IGC to adjust rates to reflect changes in the cost of gas purchased from Northwest Pipeline and other suppliers, including transportation costs, gathering charges, etc., associated with such gas.  The current PGA tariff methodology was approved in Order No. 22058, Case No. INT-G-88-2.  The methodology authorizes the use of historic case volumes and allocations when computing price changes.  The Company contends that a regular update to these volumes and allocators will more accurately capture its cost to serve each customer class, thereby helping to mitigate the magnitude for any future pass-back or recovery of demand charges.

The proposed changes to the PGA tariff include provisions which allow for

1.an annual update to the sales volumes used to calculate proposed price changes,

2.updating the demand cost determinants in place to serve the updated sales volumes

3.updated demand cost allocations and

4.a provision to defer demand charge over or under collections for subsequent pass-back or collection.

The Application states that the purpose of the proposed tariff changes is to update the established mechanism to pass through or defer future price adjustments.  There will be no revenue impact resulting from the proposed tariff update until such time that the provisions are employed for the purpose of modifying current rates, generally July 1 of each year.

The Company contends that the public interest in this matter does not require a hearing. The Company requests that the case be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Rules 201-204 of the Commission’s Rules of Procedure.

Commission Notices of Application and Modified Procedure in Case No. INT-G-95-1 were issued on May 2, 1995.  Deadline for filing written comments (protests) was May 17, 1995.  The Commission Staff (Staff) was the only party to file comments.

Staff recommends approval of the Company’s Application.  Staff states that the proposed changes in the PGA Tariff address Staff’s continued concern with the practice of using historical therms (that have become outdated due to record growth) for allocating current fixed and variable costs in the Company’s PGA filings.  In demonstrating the reasonableness of the proposed changes and the use of estimated therms as opposed to historical therms in PGA calculations, Staff presents an analysis of the Company’s 1994 PGA filing.  The proposed use of current normalized gas usage in calculating changes in the cost of gas and demand charges, Staff contends, will improve the methodology and provide the Company and ratepayers with a better and more accurate credit/surcharge mechanism.

Commission Findings

The Commission has reviewed the filings of record including the Company’s Application and Staff comments.  The Commission has also reviewed its prior 1988 Order approving the current PGA tariff methodology (Order No 22058).  We continue to find Modified Procedure to be appropriate in this case.  reference IDAPA 31.01.01.204.

The Commission finds the proposed amendments to the Company’s PGA provision special supplementary tariff language to be reasonable.  The historical therms used for “base purchase amounts” in the existing PGA methodology are from the 12-month period ending April 30, 1985.  As provided in the underlying methodology it was contemplated that base purchase amounts would be changed or updated in subsequent general rate cases.  The industry has changed and with it the frequency of general rate cases.  The Company has had no subsequent general rate cases and has indicated no present intent to file one.  During the same period, as reflected in periodic Staff audits, the Company has experienced “record growth.”  The continued use of historical therms for calculation of PGA adjustments, as is specified and required in the existing PGA methodology, has resulted since 1990 in Staff and Commission concern.  The existing process can be corrected with the proposed changes.  The Commission finds that the proposed changes improve the mechanics of the PGA methodology.  Both the Company and its customers will benefit from the changes that we approve today.

CONCLUSION OF LAW

The Idaho Public Utilities Commission has jurisdiction over Intermountain Gas Company, a gas utility, pursuant to the authority granted it under Title 61 of the Idaho Code and pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission hereby approves the proposed changes of Intermountain Gas Company to the Company’s Purchased Gas cost Adjustment (PGA) tariff language as reflected in the Company’s Application and the submitted amended tariff sheets.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by 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        day of May 1995.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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