MEMORANDUM

TO:TERRI CARLOCK

STEPHANIE MILLER

SCOTT WOODBURY

WORKING FILE

FROM:MADONNA FAUNCE

DATE:MAY

SUBJECT:INT-G-95-1

PGA TARIFF--PROPOSED LANGUAGE CHANGES

I have reviewed the Intermountain Gas Co. application and exhibits, in this case.  These changes are in response to Staff’s concern with using historical therms for allocating current fixed and variable costs that have been out dated due to record growth,.  Staff has had several meetings with the Company to identify the problem and to work out a solution.  Staff recommends approval of the changes Intermountain Gas Co. has proposed.

Staff conducted an analysis on transportation costs (Exhibit 1) by taking total annual fixed transportation costs allocated to ratepayer classes and dividing this amount by the historical therms, as has been done in the past PGA, to arrive at each ratepayer class cost per therm for fixed transportation.  This cost per therm was then multiplied by the projected therm usage to arrive at a projected revenue collection to cover the fixed cost.  Staff then added fixed transportation costs not in the original filing and therefore not officially collected by the Company (Staff believes this cost has been covered by overcollection of existing fixed costs).  This analysis on line 26 shows that Intermountain Gas Co. would have been overcollecting fixed costs.  The Company agrees that it is in the best interest of the ratepayers and the Company to change the method of calculating changes in the cost of gas to use current normalized gas usage.  This change will correct the problem on a going forward basis.  To correct prior period problems the Company has also agreed to Staff’s suggestion of tracking over/under collection of fixed costs to insure the ratepayers and the Company are whole.

Staff would like to thank the Company for it’s help to identify and correct problems in a timely manner.