DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

DAVID SCHUNKE

MADONNA FAUNCE

DON HOWELL

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 17, 1995

RE:CASE NO.  INT-G-95-1

PURCHASED GAS COST ADJUSTMENT

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 Cost 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 the 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.  The deadline for filing written comments (protests) was May 17, 1995.  The Commission Staff was the only party to file comments (attached).

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 terms (that have been 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 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, Staff contends, will improve the methodology and provide the Company and ratepayers with a better and more accurate credit/surcharge mechanism.

Commission Decision

●Does the Commission continue to find Modified Procedure to be appropriate?

●Should the Company’s Application for authority to update and change its Purchased Gas cost Adjustment tariff language be approved?

Scott Woodbury

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