BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)CASE NO. INT-G-95-2

INTERMOUNTAIN GAS COMPANY FOR )

AUTHORITY TO DEFER NORTHWEST)NOTICE OF APPLICATION

PIPELINE CORPORATION’S SYSTEM )NOTICE OF MODIFIED

EXPANSION II TERMINATION COSTS AND)      PROCEDURE

DEMAND CHARGE CREDITS)NOTICE OF COMMENT/

                                                                   )  PROTEST DEADLINE

YOU ARE HEREBY NOTIFIED that on April 14, 1995, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to defer Northwest Pipeline Corporation (NWP) system Expansion II termination costs and demand charge credits.  Reference Idaho Code §§ 61-307 and 61-622.

By way of background, in January 1993 IGC by contract elected to participate in a proposed expansion of the NWP system (Expansion II).  Because FERC had not determined whether Expansion II costs would be billed on a “rolled in” or “incremental” basis, subscribing participants were given until April 1994 to exercise a one time option to terminate their participation.  Those electing to cancel participation would nevertheless remain responsible to NWP for payment of their allocable portion of costs incurred prior to the actual construction of the expansion, i.e., environmental impact study costs, expansion design costs, etc.  As of March 1994, however, FERC had still not made a preliminary determination on the rate treatment for Expansion II.  Despite the lack of guidance from FERC, NWP agreed that participants could still elect to terminate participation.

With the enactment of FERC Order 636 in November of 1993, IGC states that other options to procure added firm capacity on NWP’s system became available to the Company without the risk of incremental pricing.  In March 1994 IGC elected to cancel its participation in Expansion II and began the process of replacing its firm capacity election through other means.  In January 1995 the Company was notified by NWP that its allocable share of the Expansion II termination costs was $3,109,292 plus interest.

IGC states that it has been able to obtain contracts for incremental firm capacity, at the lower cost, rolled-in basis.  The Company has also been able to obtain certain discounts from releasing shippers which will accrue, on an annual basis, savings of approximately $2,131,000 to the Company’s customers.

In an attempt to preserve the stability of natural gas prices to its customers, the Company in its Application requests the authority to defer, in Account 186-150, its allocable share of the NWP Expansion II termination costs, plus interest, and amortize against this expense, the benefits accrued from the discounted capacity.  The requested deferrals the Company states will continue until such time as the deferred capacity cost benefits equal or offset the deferred Expansion II costs, such period lasting until approximately the fall of 1997.  After the estimated “cross-over” period during the fall of 1997, IGC states that it will propose to enact a permanent price reduction to its customers reflecting the future impact of the discounted firm capacity.

The Company in its Application states that there will be no revenue impact resulting from the proposed accounting treatment until such time that the deferred capacity cost credits equal the deferred Expansion II costs.  At such time, the capacity cost credits will serve to reduce the Company’s prices and revenues from its customers.

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 through 204 of the Commission’s Rules of Procedure.

The Company’s filing in this docket is available for public inspection during regular business hours at the Commission office and at the offices of the Intermountain Gas Company.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. INT-G-95-2.  The Commission has preliminarily determined that the public interest may not require a hearing to consider the issues presented and that the issues raised by the Company’s filing may be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01201 through 204.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used.  Reference IDAPA 31.01.01203.

YOU ARE FURTHER NOTIFIED that the deadline for filing written comments or protests with respect to the Company’s filing and the use of Modified Procedure in Case No. INT-G-95-2 is Wednesday May 17, 1995.  Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written protests or comments are received within the deadline, the Commission may consider the matter and enter its order without a hearing.  If comments or protests are filed within the deadline, the Commission will consider them and may set the matter for hearing or may decide the matter and issue its order on the basis of the written positions before it.  Reference IDAPA 31.01.01204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. INT-G-95-2 must be mailed to:

COMMISSION SECRETARY

IDAHO PUBLIC UTILITIES COMMISSION

PO BOX 83720

BOISE, IDAHO  83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST

BOISE, IDAHO  83702-5983

All comments filed should contain the case caption and case number shown on the first page of this document.

DATED at Boise, Idaho this              day of May 1995.

Myrna J. Walters

Commission Secretary

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