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:APRIL 28, 1995

RE:CASE NO.  INT-G-95-2

NWP EXPANSION II

DEFERRAL OF TERMINATION COSTS AND DEMAND CHARGE CREDITS

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 201-204 the Commission’s Rules of Procedure.

Commission Decision

Does the Commission find the Company’s Application to be appropriate for Modified Procedure?

If not,. how does the Commission wish to proceed?

Scott Woodbury

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