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Attorney for the Commission Staff

BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION)

OF INTERMOUNTAIN GAS COMPANY)CASE  NO.  INT-G-95-2

FOR AUTHORITY TO DEFER)

NORTHWEST PIPELINE CORPORATION)

SYSTEM EXPANSION II TERMINATION)

COSTS AND DEMAND CHARGE )

CREDITS.)COMMENTS OF

)THE COMMISSION

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COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Scott Woodbury, Deputy Attorney General, and submits the following  comments for the Commission’s consideration in Case No. INT-G-95-2.

Commission Staff has reviewed the Intermountain Gas Company (IGC; Company) Application and Exhibits in Case No. INT-G-95-2 and performed a limited audit of the Company's records, contracts and letters of intent.  Staff has also reviewed Northwest Pipeline's (NWP; Pipeline) Order 636 restructuring filing with the Federal Energy Regulatory Commission (FERC).  Staff finds the Company's representations to be accurate.  Staff also notes IGC's lead roll in negotiating a reduction in the termination costs.  Staff believes that the replacement contracts will reduce costs to the ratepayers over the long run and recommends approval of the Company’s Application.

Subscribers to NWP firm transportation capacity in the proposed Expansion II were required to execute a 15-year service agreement by the close of business December 7, 1992.  While NWP said it planned to pursue rolled-in rate treatment for the expansion facilities, the execution of the service agreement obligated a shipper to pay whatever rate that might ultimately be set by FERC.  NWP provided shippers a one-time opportunity to terminate the service agreement.  IGC considered its alternatives and chose to terminate its participation.  Staff, based on its analysis, concludes that the Company’s decision was reasonable.  While FERC has not made a determination of rolled-in rates or incremental rates, it appears there is a good chance the rates approved will be incremental.  Because IGC has negotiated incremental firm capacity under the lower cost, rolled-in basis with some discounts, there will be a net savings for IGC's ratepayers.

NWP submitted its Restructuring Compliance Filing to FERC October 30, 1992.

The filing was in response to FERC Order 636 and 636-A, requiring all interstate gas pipelines to take the next steps in unbundling their services and providing open access transportation and storage services.  Among other items, the Pipeline’s filing addressed capacity release after restructuring.   In April 1993 FERC approved some elements of the Pipeline's initial Order 636 compliance filing and required modifications to others.  In an October 1, 1993 order, FERC approved most elements of Northwest Pipeline’s revised filing, again ordering some modifications.  The Pipeline made another compliance filing in mid-October 1993, and its restructuring tariffs went into effect November 1, 1993.  Several parties filed requests for rehearing, comments and requests for clarification or protests.  FERC considered these filings, the requests for rehearing, comments and protests in an order issued December 16, 1993.  In that order FERC clarified that a releasing shipper has the ability to release capacity outside its primary path, and to release a segment of capacity within its primary path without suffering a diminution of its capacity as to the remaining segment.  While parts of the restructuring compliance filing are still being determined, the

December 16, 1993 order allowed IGC to set up alternative sources of firm transportation.

The incremental firm capacity contracted for by IGC is for periods equal to or longer than the 15 years contracted for in NWP's Expansion II.  Based on information reviewed, Staff believes that IGC has contracted with responsible and reliable companies.  The audit verified that volumes, prices and discounts are accurately presented in IGC's Exhibit No. 3.

Given the facts in this case, Staff believes Intermountain Gas Company has acted prudently and in the interest of the ratepayer.  Therefore, Staff recommends approval.

DATED  at Boise, Idaho, this            day of May 1994.

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Scott Woodbury

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