DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

DAVID SCHUNKE

MADONNA FAUNCE

TERRI CARLOCK

DON HOWELL

GARY RICHARDSON

WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 17, 1995

RE:CASE NO.  INT-G-95-2

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.

Commission Notices of Application and Modified Procedure in Case No. INT-G-95-2 were issued on May 2, 1995.  The deadline for filing written comments (protests) was May 17, 1995.  Commission Staff was the only party to file comments (attached).

Based on its review of the Company’s Application and exhibits and after performing a limited audit of the Company’s records, contracts and letters of intent, Staff recommends approval of the Company’s Application.  Staff in its comments states that it believes that IGC has acted prudently and in the interest of the ratepayer.  Based on information reviewed, Staff believes that IGC has contracts with responsible and reliable companies.  Staff further believes that over the long run the replacement contracts will reduce costs to the Company’s ratepayers.

Commission Decision

●Does the Commission continue to find Modified Procedure in Case No. INT-G-95-2 to be appropriate?

●Does the Commission find the Company’s decision to terminate its participation in NWP’s Expansion II to be reasonable and prudent?

●Should the Company’s Application for Authority to defer NWP System Expansion II termination costs and demand charge credits be approved?

Scott Woodbury

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