BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)

INTERMOUNTAIN GAS COMPANY FOR)CASE NO. INT-G-95-3

AUTHORITY TO CHANGE ITS PRICES)

ON JULY 1, 1995 AND CANCEL ITS LV-1A)

TARIFF SCHEDULE.)ORDER NO.  26075

                                                                 )

On May 26, 1995, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to place into effect new rate schedules that would result in a decrease of $4,340,194 in its annualized revenues.  The decrease reflects a change in the Company’s cost of gas and the elimination and/or imposition of a number of temporary gas and transportation cost adjustments, surcharges and credits.  The Company also proposes to balance out its Purchased Gas Cost Adjustment (PGA), Account No. 186.  The PGA account is a deferral mechanism for over- and under-collections and for realized savings on spot market gas purchases.

The proposed adjustments reflected in the Application include changes in costs billed IGC by Northwest Pipeline Corporation (NWP), the elimination of temporary surcharges and credits (INT-G-94-3), a decrease in the Company’s weighted average cost of gas (WACOG), the benefits generated from the Company’s segmentation of its firm capacity rights on NWP’s system, and the inclusion of temporary surcharges and credits related to gas and transportation costs from the Company’s deferred gas cost account (PGA Account No. 186).

The Application proposes implementation of the following permanent and temporary changes, adjustments, surcharges and credits to IGC’s tariff rate for natural gas service, sales and transportation.

Permanent Adjustments

●INT-G-94-3 Elimination of temporary surcharges/credits$1,244,781

●Change in transportation, storage and commodity rates/charges($2,614,222)

Temporary Surcharges or Credits

Deferred gas costs (IGC PGA Account No. 186)

●Deferred Account No. 186 Miscellaneous (fixed)$767,071

●Deferred Account No. 186 (variable) ($518,882)

●Deferred Account No. 186 – interest($21,345)

●Special Contract Shared Margin ($678,469)

●Northwest Exploration Joint Venture($64,000)

Refund Amount for IGC Past Participation

●Capacity Segmentation Credits($2,455,128)

As computed by the Company, the total requested decrease in revenue on an annual basis is ($4,340,194) or -4.2%.  The decrease in sales gas revenues is ($4,771,192) or -5.3%.  The increase in transportation service revenues is $430,998 or 3.2%.  The annualized change by class of service per Company calculation is as follows:

Gas Sales

RS-1 Residential

RS-2 Residential

GS-1 Gen. Svc.

Revenue

($442,174)

($3,035,561)

($1,293,457)

Average

Decrease

¢/Therm

(1.401¢)

(4.346¢)

(1.856¢)

Average

Decrease

% Change

(2.2%)

(8.2%)

(3.9%)

Proposed

Average Price

$/Therm

$0.62198

$0.48792

$0.46124LV-1 Lg. Volume\*

\*T-1 Tariff Price plus the Weighted Average Cost of Gas (WACOG), $0.18891.

(Compare WACOG INT-G-94-3: $0.22011)

WACOG = total commodity cost of gas ÷ total purchase therms

Transportation

T-1 Transportation

Revenue

$430,998

Average

Increase

¢/Therm

0.232¢

Average

Increase

% Change

3.2%

Proposed

Average Price

$/Therm

$0.07510

With the exception of the industrial class, IGC proposes to allocate the decrease to each of its customer classes in accordance with its Purchase Gas Cost Adjustment tariff and approved cost of service methodology.  (Reference Case Nos. INT-G-95-1, INT-G-88-2, U-1034-137).  Because there are no fixed costs currently recovered in the tail block of IGC’s T-1 tariff and because the proposed increase in the T-1 tariff is related to fixed costs, a ¢/therm increase is made only to the first two blocks of the T-1 tariff.

IGC contends that the overall price decrease requested will not affect its earnings and is fair, just and equitable.  Additionally, the Company requests cancellation of its LV-1A tariff.  The purpose of the tariff was “to pass through adjustments in purchased gas costs [to large volume firm service sales customers] resulting from adjustments in the rates of [NWP], pursuant to a tariff approved by the Federal Energy Regulatory Commission authorizing pipeline commodity rate changes on one day’s notice.”  The Company contends that the tariff is obsolete and serves no function or purpose in today’s “open access” environment.  IGC contends that the public interest does not require suspension of the Application or further investigation into its reasonableness by hearing.  The Company requests that the matter be processed under Modified Procedure, i.e., by written submission rather than by hearing.  The Company requests an effective implementation date of July 1, 1995.

Commission Notices of Application and Modified Procedure in Case No. INT-G-95-3 were issued on June 2, 1995.  The deadline for filing written comments or protests was June 22, 1995.  Commission Staff (Staff) was the only party to file comments.

Staff recommends that the Company’s Application in Case No. INT-G-95-3 be approved.  Staff reviewed the Company’s filing and performed an audit.  Staff notes that the Company has done the following:

●Changed some gas suppliers;

●Begun using swaps (hedging) to fix gas supply costs;

●Actively pursued capacity release and segmentation (the capacity release of a segment of IGC’s transportation rights);

●Terminated firm transportation on Northwest Pipeline’s Expansion II;

●Added firm capacity contracts on NWP as authorized in Order No. 26022, Case No. INT-G-95-2, dated May 24, 1995, and

●Changed the PGA to use normalized volumes for fixed demand costs as authorized in Order 26019, Case No INT-G-95-1, dated May 24, 1995.

Staff states that its audit of gas supply, swaps, capacity release, segmentation, added firm capacity and PGA changes revealed no irregularities.

Staff believes the Company’s hedging activities should be monitored closely and recommends that IGC keep records that will allow Staff to audit what would have happened absent the swap and what has happened with the swap.

Staff states that it agrees with the Company that its LV-1A tariff no longer serves a useful purpose and can be eliminated.

Commission Findings

The Commission has reviewed and considered the Company’s Application in Case No. INT-G-95-3 together with attached exhibits and workpapers.  The Commission has also reviewed and considered the comments and recommendations of Staff which performed an audit related to the Company’s Application.  We find that the public interest regarding the requested change in rates does not require a public hearing to consider the issues presented and that it is reasonable to process the Application and issue an Order without further notice or public comment.  Reference IDAPA 31.01.01.204.

The Company in this case has requested a $4,340,194 decrease in its annualized revenues.  Based on our review and analysis we find it appropriate, just and reasonable to approve the requested decrease.  We further find it reasonable that the change in rates and charges be implemented as reflected in the proposed tariff sheets submitted by the Company for an effective date of July 1, 1995.  Our approval includes the permanent adjustments, the temporary gas cost adjustments, surcharges and credits, and the balancing out of the Company’s deferred PGA Account 186.  We further agree that the changes should be tracked through to customers as proposed in the Company’s Application.

Finally, the Commission encourages the Company and Staff to work together to develop and implement an accounting procedure or method that will enable Staff to better monitor and evaluate the Company’s hedging activities.

CONCLUSION OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and Intermountain Gas Company, a gas utility pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the Intermountain Gas Company be authorized to decrease its rates and charges for RS-1, RS-2, and GS-1 customers and increase its rates and charges for LV-1/T-1 customers in the manner reflected in the Company’s amended tariff sheets heretofore filed with the Commission for an effective date of implementation of July 1, 1995.  The amended tariff sheets comport with an adjusted annual revenue requirement decrease of $4,340,194.

IT IS FURTHER ORDERED and the Commission Secretary is hereby directed to cancel Intermountain Gas Company’s LV-1A rate schedule tariff.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of  June 1995.

                                                            RALPH NELSON, PRESIDENT

                 MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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