DECISION MEMORANDUM

TO:COMMISSIONER NELSON

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COMMISSIONER HANSEN

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:SEPTEMBER 20, 1995

RE:CASE NO. INT-G-95-4

INDUSTRIAL TRANSPORTATION TARIFFS

T-1 TARIFF CHANGE; T-2 NEW TARIFF

On September 8, 1995 Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to implement a new industrial transportation tariff (“T-2 tariff”) and to modify its existing T-1 transportation service tariff (“T-1 tariff”).  By its filing IGC seeks to effect changes in tariff so as to enable the Company to better manage firm capacity rights on the Northwest Pipeline Corporation (NWP) system and provide industrial customers with an economic incentive to manage the growth in their peak day usage   As represented, the proposed tariffs will serve to minimize the need to purchase incremental capacity on NWP’s system while at the same time helping to increase IGC’s load factor, thereby helping to keep costs down for all IGC’s customers.  The Company has requested an effective date of November 1, 1995.

T-1 Tariff

As presently structured, the T-1 tariff recovers the industrial class’s allocated share of NWP-related demand charges in the first two blocks of the tariff.  There are no fixed costs recovered in the “tail block” or third block of the tariff.  The tail block price is currently $0.0061/therm and applies to any natural gas transported to an industrial customer in excess of 750,000 therms.

The Company contends that a change in the T-1 tariff is needed because incremental demand-related charges incurred by the Company on behalf of tail block customers to serve the incremental peak day growth of such customers, is not being recovered from said customers.  This under-collection of demand charges from the responsible party, the Company contends, results in a need for cross-subsidization by the Company’s other customers, both core market as well as industrial.  It is to be noted that any under-collection of demand charges is recovered by the Company in its purchased gas cost adjustment tariff (PGA tariff).

To resolve this inequity, IGC proposes to limit any T-1 tail block usage at the tail block therm price (currently $0.00661/therm) to a customer’s three-year historic high usage within this block (i.e., that transportation usage that exceeds 750,000 therms within any given month).  The Company further proposes that any growth in an existing industrial customer’s tail block usage above this historical level, be billed at the block 2 price (currently $0.05351/therm), thus recovering any incremental demand-related costs incurred by the Company to serve that customer’s incremental peak day usage.  (Proposed T-1 tariff attached)

T-2 Tariff

The Company states that by this Application it is seeking to broaden the menu of services offered to industrial transportation customers.  IGC reports that several of its large industrial customers are anticipating growth in their daily natural gas needs, which in turn, may require the Company to procure additional peak day capacity from NWP.  The same industrial customers, if given the proper economic incentive, the Company contends, have the ability to limit their peak day usage either by using their existing alternative fuel capability or, by managing their production schedules and moving production away from IGC’s system peak day.  Minimizing the purchase of expensive peak day capability from NWP is certainly, the Company contends, the least cost alternative for all of IGC’s customers.

The T-2 transportation tariff (attached) proposed by the Company includes a demand charge whereby each industrial customer would pay an amount necessary to purchase incremental firm capacity incurred by the Company on the industrial customers’ behalf, a commodity charge for firm usage, and a commodity charge for any usage above the contracted peak day.

The Company proposes to “test market” the proposed T-2 tariff under a two-year pilot program and to reevaluate the tariff at the conclusion of the test period.  All of IGC’s industrial customers are eligible to elect service under the proposed T-2 tariff.

The Company contends that the public interest in this case does not require a hearing.  The Company requests that the matter be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedures, IDAPA 31.01.01.201 through .204.

Staff Recommendation

Staff has yet to complete its analysis of the Company’s filing.  Staff believes, however, that it is reasonable to process the Company’s Application under Modified Procedure.

Commission Decision

How should this case be processed?  Is Modified Procedure appropriate?  If not, what is the Commission’s preference?

Scott Woodbury

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