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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 FOR)CASE NO. INT-G-95-4

AUTHORITY TO PLACE INTO EFFECT AN)

INDUSTRIAL TRANSPORTATION TARIFF)

UNDER A PILOT PROGRAM AND TO)COMMENTS OF THE

MODIFY ITS EXISTING T-1 TRANSPORTA-)COMMISSION STAFF

TION SERVICE TARIFF.)

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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 in response to the Application filed by Intermountain Gas Company (IGC; Company) on September 8, 1995, submits the following comments.

The Company has applied for authority to change the "tail block" provisions on the Company's Rate Schedule T-1 Transportation Service Tariff and to "test market" for two years a Rate Schedule T-2 Transportation Service Tariff designed to minimize the purchase of peak day delivery and maximize the load factor.  The Commission Staff has reviewed the Company's filing in Case No. INT-G-95-4 and preformed a limited audit.  In auditing the Company's existing transportation contracts and peak day consumption, Staff found peak day transportation capabilities are reaching IGC's current maximum contracted daily allowances.

Staff finds that the Company will have to add new transportation contracts and/or shave the peak day usage in the near future.  Attachment 1 from the Company's September 13, 1994 Integrated Resource Planning workshop shows expected peak day growth.

Staff recommends acceptance of the change in the Company's Rate Schedule T-1 Transportation Service Tariff that will grandfather existing "tail block" customers at their three year historical high usage within the tail block and move all growth above the block one to the block two rate.  In examining the Company's Rate Schedule T-1 Transportation Service Tariff rate design Staff agrees that with a constraint on peak day transportation the Company would have to add new capacity to accommodate new growth in the "tail block".  Staff also agrees that the tariff is a cost based tariff which collects fixed demand costs in the first two blocks.  If there is any growth in the third block, known as the "tail block", (which only recovers variable cost) without growth in the first two blocks, to cover the fixed costs, it would cause other ratepayers to pay the additional demand costs associated with the growth in the "tail block.  This would be a  cross subsidy from all ratepayers and defeat the purpose of basing the T-1 Rate Schedule on cost.  Staff also believes it is appropriate to grandfather existing "tail block" customers.  Because of usage variability Staff does not take exception to using a three year high.

Staff recommends approval of the Company's Rate Schedule T-2 Transportation Service Tariff on a two year trial basis.  The T-2  Rate Schedule would be a Demand Side Management tool used to shave peak day usage.  Staff has audited the numbers used to prepare the T-2 Rate Schedule and found the numbers used to prepare the rate schedule are from the most current cost of service study and that the block 2 is based on Northwest Pipelines's demand charge.  Therefore, Staff  believes this schedule is cost based.  Because it is hard to judge how many customers will use the T-2 Rate Schedule and the T-2 Rate Schedule is designed to recover a fixed amount of cost it is currently impossible to judge the exact impact of the T-2 rate schedule on the Company's earnings,   Staff  asked the Company to prepare an analysis based on the customer demand levels to show which customers would find an advantage in switching from T-1 to T-2 (see Attachment 2).  The analysis based on a single month's bill at an assumed load factor and a single customers daily demand shows that only a customer with at least a 70% load factor would benefit.  The analysis also shows that customers with a high load factor who are also grandfathered in the "tail block" as a heavy "tail block user" would find the T-2 a disadvantage and therefore would not switch.  This analysis gives some idea as to which customers might be interested in switching but each customer would have to look at their own requirements and usage patterns to determine if it would be beneficial for them to switch.

The Staff also recommends that both the T-1 and T-2 Rate Schedules have language to notify customers that the Rate Schedules are subject to all provisions of the Purchased Gas Cost Adjustment Provision Tariff.  The Company states in its Application, page 9, No. VI, "Per the Company's Purchased Gas Cost Adjustment Provision Tariff (PGA Tariff) approved by this Commission in IPUC Order No. 26019 Case No. INT-G-95-1, any over or under collected demand charges would be balanced or "trued up" through the PGA mechanism."   In the Rate Schedule T-1 it is specifically stated that "This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Provision."  Because of the change made by IPUC Order No. 26019  to also true up demand charges, Staff believes language in the T-1 Tariff should be changed to recognize the fact that it is subject to the PGA Tariff, which covers both fixed and variable true ups, not just purchased gas.   The same language should be added to the T-2 Rate Schedule which does not have any provisions that recognize the PGA Tariff.  The Company recognizes that the T-2 Tariff is subject the PGA Tariff in the Application, page 9, No VI.

DATED  at Boise, Idaho, this                    day of October, 1995.

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Scott Woodbury

Deputy Attorney General

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