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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO PLACE INTO EFFECT AN INTERRUPTIBLE DISTRIBUTION TARIFF, TO MODIFY ITS EXISTING LV-1, T-1 AND T-2 TARIFFS AND TO CHANGE ITS GENERAL SERVICE PROVISIONS.   | ))))))))) | CASE NO. INT-G-96-2ORDER NO.  26450 |

On April 5, 1996, Intermountain Gas Company (IGC; Company; Intermountain Gas) filed an Application with the Idaho Public Utilities Commission (Commission) in Case No. INT-G-96-2 requesting authority to place into effect a new Schedule T-3 interruptible distribution transportation service tariff, to modify its existing LV-1 large volume firm sales, T-1 firm transportation and T-2 firm transportation with maximum daily demands service tariffs, and to change its General Service Provisions.  The Company contends that its current tariffs and general service provisions do not adequately address the issues presented in today’s open access environment.

Intermountain Gas states that its proposed T-3 offering is an attempt by the Company to better manage its firm capacity rights on the Northwest Pipeline system and to provide its industrial customers with an additional choice regarding management of their natural gas usage.  When there is adequate capacity on the Company’s distribution system, the proposed T-3 tariff authorizes customers to enter contracts for 200,000 therms or more per year for interruptible transportation service.  An annual minimum charge of $30,000 is required.  The service does not include the cost of gas supply or interstate pipeline capacity, and it may not be used concurrently with another transportation on contiguous property.  The Company maintains that the T-3 tariff will serve to minimize the need to purchase incremental capacity on the interstate pipeline system, will help to increase IGC’s load factor and will help keep costs down for all Intermountain Gas customers.

The Company reports that several of its contract customers are anticipating growth in their daily natural gas needs which, in turn, may require Intermountain to procure additional peak day interstate capacity.  The same customers, if given proper economic incentive, IGC states, have the ability to limit their usage either by using their existing alternative fuel capability or by managing their production schedules and moving production away from the IGC’s system peak day.  By allowing the customer to have more options for the management of its natural gas needs and the economic consequences associated therewith, the Company maintains that an optimization of distribution and interstate transportation capacity needs will be achieved.  Minimizing the purchase of expensive peak day delivery capability IGC contends is the least cost alternative for all the Company’s customers.

The proposed changes to the existing LV-1 firm sales tariff permit a customer to sign a service contract for terms greater than one year.  Language changes clarify that contract minimum shortfalls are to be billed at the higher GS-1 rate.  LV-1 customers by tariff change are required to nominate a maximum daily firm quantity (MDFQ).  By added language the tariff notes that embedded in LV-1 service is the cost of purchased gas per the Company’s PGA, firm interstate pipeline reservation charges, and distribution system costs.

The proposed changes to the existing T-1 firm transportation tariff clarify the need for a customer to sign a minimum one-year contract for firm transportation service in excess of 200,000 therms per year.  Language is added to clarify the penalty provision that will be utilized if less than 200,000 therms per year are transported.  T-1 customers by tariff change are required to nominate a maximum daily firm quantity.  The character of service section is moved from the tariff to the General Service Provisions, Section D.  By added language the tariff notes that embedded in T-1 service is the cost of firm interstate pipeline reservation charges and distribution system costs.

The proposed changes to the existing T-2 firm transportation service with maximum daily demands tariff clarify the need for a customer to sign a minimum one-year contract for firm transportation service in excess of 200,000 therms per year.  Language is added to clarify the penalty provision that will be utilized if less than 200,000 therms per year are transported.  Stricken language is moved from the tariff to the General Service Provisions Section D.  By added language the tariff notes that embedded in T-2 service is the cost of firm interstate pipeline reservation charges and distribution system costs.

Intermountain Gas proposes miscellaneous changes to its existing General Service Provisions, Section A.  The Company also proposes a new General Service Provision Section D applicable to all contract customers.  Included Section D language is similar to that found in existing contracts.  Some of the proposed language in Section D has been moved from the Company’s other tariffs.  Section D includes, in part, definitions relating to service (Section 2), restriction on service requests and substitutions (Section 3), priority of service (Section 4), dispatch and nomination of customer-owned gas (Section 5.2), imbalance and penalty provisions (Section 5.3(a)), declared entitlement periods (Section 5.3(b)), unauthorized over run and under run penalties (Section 5.3(b)(i)(ii)), responsibility for costs (Section 5.4) and measuring equipment (Section 6).

The Company contends that if approved, its proposed tariffs and General Service Provisions will continue to be cost-justified and will be fair, just, reasonable, and nondiscriminatory.

On April 18, 1996, the Commission suspended the proposed effective date from May 1 to May 15, 1996, and issued Notices of Application and Modified Procedure in Case No. INT-G-96-2.  Reference IDAPA 31.01.01.201-204.  The deadline for filing written comments or protests regarding the Company’s Application was May 9, 1996.  Commission Staff was the only party to file comments.

Staff in its comments states that it reviewed the Company’s filing and performed a limited audit.  Staff agrees that based on the Company’s last cost-of-service study (1991-1992) the Company’s proposed T-3 rates are cost-justified.  Staff expresses concern that the proposed $30,000 minimum (540,000 therms) in the T-3 tariff is inconsistent with the 200,000 therm minimum needed to qualify for the T-3 tariff and the Company’s other industrial tariffs.  Staff in its comments contends that if 200,000 therms indeed marks the difference between a general service customer and an industrial customer, then the threshold must be equal for all industrial tariffs to truly open competition.  If customer movement between tariff schedules shifts costs and impacts the Company’s earnings, Staff suggests the Company may need to initiate a rate case.  Staff recommends that the $30,000 minimum be removed.

Staff recommends the following changes:

•clarifying additions and changes in service condition language of tariff schedules GS-1, LV-1, T-1 and T-2 relative to responsibility for costs incurred on the customer’s behalf when a customer changes tariffs.

•changes to the service conditions of the T-3 tariff to clarify and emphasize the customer and company responsibilities for gas supplies and interstate transportation.

•the following addition to Schedule T-2, service condition 3—

Firm demand relief will be afforded to those T-2 customers paying both demand and commodity charges for gas when, in the Company’s judgment, such relief is warranted.

•clarifying changes to the Company’s Rules and Regulations General Service Provisions Section D.

On May 10, 1996, Intermountain Gas Company filed a letter of reply to Staff comments.  The Company, maintains that the primary function of the $30,000 annual minimum bill provision is to limit or reduce any stranded costs caused by customers migrating from the GS to the T-3 customer class.  The Company believes that $30,000, stated in terms of an annual minimum bill, sends a clear price signal and recommends that the minimum bill provision be retained.  The Company agrees to the other recommendations of Staff to clarify tariff and General Service Provision language.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. INT-G-96-2, including the comments of Staff and the Company’s reply.  We find that apart from the T-3 $30,000 annual minimum question, the Company has acquiesced to the suggested changes of Staff.  We find those changes as described above and further defined in Staff’s comments to be reasonable.  We further find the resultant LV-1, T-1, T-2, T-3 and GS-1 tariffs and General Service Provisions to be fair, just and reasonable.

The Company maintains that its T-3 tariff offering should include the proposed $30,000 annual minimum language.  As reflected in Staff comments, this will require transportation of 540,000 therms, significantly greater than the 200,000 therm eligibility threshold for industrial customers.  We note that the proposed T-3 tariff is nevertheless available to all eligible customers, as eligibility is defined within the tariff.  To the extent that the tariff may create confusion among customers considering (and choosing) T-3 service, we will expect the Company to explain tariff requirements to its customers prior to any initiation of service under the tariff.  We accordingly find it reasonable to accept the $30,000 annual minimum requirement and deny the related Staff recommended changes.

CONCLUSIONS OF LAW

The Commission has jurisdiction over the issues presented in Case No. INT-G-96-2 and over Intermountain Gas Company, a natural gas utility, pursuant to the power and authority granted the Commission under Title 61 of the Idaho Code and the Commission’s 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 and the Commission does hereby approve, the Company’s schedule T-3 interruptible distribution transportation service tariff, the changes and clarifications to the existing LV-1, T-1, T-2 and GS-1 tariffs, and the changes to the Company’s General Service Provisions for effective date May 15, 1996.  The Company is directed to file compliance tariffs and amended General Service Provisions.

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 May 1996.

                                                                                                                                       RALPH NELSON, PRESIDENT

                                                                                            MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:INT-G-96-2.sw2

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

May 16, 1996