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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION OF )

INTERMOUNTAIN GAS COMPANY FOR)CASE  NO.  INT-G-96-2

AUTHORITY TO PLACE INTO EFFECT AN)

INTERRUPTIBLE DISTRIBUTION TARIFF,)

TO MODIFY ITS EXISTING LV-1, T-1 AND)COMMENTS OF THE

T-2 TARIFFS AND TO CHANGE ITS)COMMISSION STAFF

GENERAL SERVICE PROVISIONS.)

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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, in response to the Application filed by Intermountain Gas Company (IGC; Company) on May 9, 1995, and submits the following comments.

The Company has applied for 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 demand service tariffs, and to change its General Service Provisions.  The Commission Staff has reviewed the Company’s filing in Case No. INT-G-96-2 and performed a limited audit.  The Staff agrees that based on the Company’s last cost of service study (1991-1992) the rates are cost-justified.  Staff recommends approval of the T-3 tariff if the $30,000 minimum is removed and the LV-1 tariff language relative to the 200,000 therm usage is utilized in the T-1, T-2, and T-3 tariffs.  Staff also recommends approval of the changes to the LV-1, T-1, T-2 tariffs and rules and regulations with the Staff-recommended wording changes to reduce roadblocks to competition and to clarify the Company’s position.

Staff is concerned that a $30,000 minimum on the T-3 tariff is inconsistent with the 200,000 therm minimum needed to qualify for the T-3 tariff and recommends the $30,000 minimum be removed.  It would take approximately 540,000 therms at the T-3 block one rate of $.05560 to equal the $30,000 minimum.  The Company has expressed fears to Staff that if the $30,000 minimum is removed customers would leave the GS-1 general service tariff for the T-3 tariff  which would shift costs to the remaining core customers.  It should be noted that the Company does not express the same concern about general service customers switching to the LV-1, T-1 or T-2 tariffs which would have the same effect of shifting costs.  The Company has also maintained throughout the industrial customer tariffs that 200,000 therms marks the difference between a general service customer and an industrial customer.  The $30,000 minimum (540,000 therm minimum) only on the T-3 tariff creates a barrier for that tariff.  If 200,000 therms marks the difference between general service and industrial service, the 200,000 therm threshold must be equal for all industrial tariffs to open competition.  The Company should not be allowed to pick and choose or add conditions that unjustifiably change the playing field.  If customer movement between tariff schedules shifts costs and impacts the Company’s earnings, the Company may need to initiate a rate case.  The growth in all classes of customers since the last rate case and changes caused by FERC Order 636 makes the Company’s argument of cost shifting difficult to understand.  Staff found only three GS-1 customers who have taken 200,000 therms or more in 1995.  These customers represent approximately 1% of the GS-1 total therms in 1995.  Staff also found that if all GS-1 customers with 150,000 therms or more in 1995 were to migrate to the industrial class it would only be approximately 3.4% of the GS-1 total therm usage in 1995.  If customers who do not presently take 200,000 therms are changing from the GS-1 tariff to one of the industrial tariffs then possibly the language in either the tariffs or the rules and regulations needs to be changed or clarified.  Staff recommends that language be added to the rules and regulations that would read “To qualify as an industrial customer, a GS-1 customer must have averaged 200,000 therms per year for 3 years.  New industrial customers asking to become a contract customer must demonstrate that the industrial process will exceed 200,000 therms per year.”

The tariffs for the LV-1, T-1, T-2 and T-3 schedules should have the same adjustment or additional payment for not using the minimum 200,000 therms.  The LV-1 tariff has been changed to read “In the event that total deliveries to any customer during the annual contract period under this Rate Schedule LV-1 are less than the contract minimum of 200,000 therms, an additional amount shall be billed.  The additional amount shall be calculated at the applicable Rate Schedule GS-1 rate less amounts previously billed during the annual contract period.”  Staff recommends that all the transportation tariffs contain this same language.  This would change the T-1 tariff, Service Condition 3, and T-2 tariff, Service Condition 8, to read “In the event that total deliveries to any customer during the annual contract period under this Rate Schedule T-1 (or T-2) are less than the contract minimum of 200,000 therms, an additional amount shall be billed.  The additional amount shall be calculated at the applicable Rate Schedule GS-1 rate, adjusted for the cost of gas, less amounts previously billed during the annual contract period.”  For Rate Schedule T-3, the annual minimum bill would be removed and Service Condition 8 would be added to read “In the event that total deliveries to any customer during the annual contract period under this Rate Schedule T-3 are less than the contract minimum of 200,000 therms, an additional amount shall be billed.  The additional amount shall be calculated at the applicable Rate Schedule GS-1 rate, adjusted for the cost of gas and transportation, less amounts previously billed during the annual contract period.”  Staff believes the rates should be consistent as the danger of migration and shifting costs applies to all tariffs.  If the separation point between general service and industrial customers is 200,000 therms, when 200,000 therms are not taken, the customer should be considered a general service customer and the GS-1 tariff should apply.  If the T-1 and T-2 customers are treated differently than the LV-1 and T-3 customers it would give the message that if the customer therm usage is borderline (i.e. whether they can or cannot take the 200,000 therms annually) it is better to be a T-1 or T-2 customer because the adjustment for not meeting the minimum therms is less costly.  The difference in calculating the adjustment using the GS-1 or the T-1, Block 1 rates could be viewed as a roadblock to competition in the industrial classes.  Staff also recommends that when the GS-1 rate is used, the customer is actually a GS-1 customer and the customer’s revenue should be classified as a GS-1 service for accounting purposes to preserve the integrity of the cost of service study and Purchased Gas Cost Adjustment.  The accounting details for this classification need to be worked out with the Company.

Staff is concerned that some of the language included in the tariffs or language that has been moved from the tariffs and added to the rules and regulations is not clear.  Clarifying language is needed relative to costs incurred on the customers' behalf in the previous year (Purchased Gas Cost Adjustments Provision, PGA) when a customer changes tariffs.  Staff believes that the wording “gas-related costs” is not clear in that it means both the demand and cost of gas as well as the demand and cost of transportation on the interstate pipeline.  Staff also believes this language needs to be included in the tariffs to avoid confusion when a customer wishes to change service.  Staff recommends the following language be added to the following tariffs:

A.  General Service Tariff GS-1; add as Service Condition 1:

Any GS-1 customer who leaves the GS-1 service  will pay to Intermountain Gas Company, upon exiting the GS-1 service, all gas and transportation related costs incurred to serve the customer during the GS-1 service period not borne by the customer during the time the customer was using GS-1 service.  Any GS-1 customer who leaves the GS-1 service will have refunded to them, upon exiting the GS-1 service, any excess gas commodity or transportation payments made by the customer during the time they were a GS-1 customer.

B.  Large Volume Firm Sales Rate Schedule LV-1, Service Condition 2; change to read:

Any LV-1 customer will pay to Intermountain Gas Company, upon exiting the LV-1 service, all gas and/or interstate transportation related costs to serve the customer during the LV-1 contract period not borne by the customer during the LV-1 contract period.  Any LV-1 customer will have refunded to them, upon exiting the LV-1 service, any excess gas and/or interstate transportation related payments made by the customer during the LV-1 contract period.

C.  Firm Transportation Service Rate Schedule T-1; add as Service Condition 8:

Any T-1 customer who exits the T-1 service and does not sign a LV-1 or T-2 service contract will pay, upon exiting the T-1 service, all pipeline reservation and distribution capacity costs incurred to serve the customer during the T-1 contract period not born by the customer during the T-1 contract period.  Any T-1 customer who exits the T-1 service and does not sign a LV-1 or T-2 service contract will have refunded to them, upon exiting the T-1 service, any excess pipeline reservation and distribution capacity costs payments made by the customer during the T-1 contract period.

D.  Firm Transportation Service with Maximum Daily Demands Rate Schedule T-2; add as Service Condition 11:

Any T-2 customer who exits the T-2 service and does not sign a LV-1 or T-1 service contract will pay, upon exiting the T-2 service, all pipeline reservation and distribution capacity costs incurred to serve the customer during the T-2 contract period not born by the customer during the T-2 contract period.  Any T-2 customer who does not sign a LV-1 or T-1 service contract will have refunded to them, upon exiting the T-2 service, any excess pipeline reservation and distribution capacity costs payments made by the customer during the T-2 contract period.

Staff recommends two 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.  First, at Service Condition 5 add, “The Customer is responsible for procuring its own supply of natural gas and transportation to Intermountain’s distribution system under this rate.”  Second, add Service Condition 7, “The customer understands and agrees that the Company is not responsible for delivering gas supplies to the customer which have not been nominated and accepted for delivery by the interstate pipeline.”

As discussed with the Company by Mary Ann Hutton of the Northwest Industrial Gas Users, Staff agrees with the addition to T-2, Service Condition 3, of “Firm demand relief will be afforded to those T-2 customers paying both demand and commodity charges for gas when, in the Company’s judgement, such relief is warranted.”

In the Company’s Rules and Regulations III, Section D, 5.4 (a), the Staff recommends that “shall be purchased” should be “may be purchased” to protect the Company from having to take gas if system problems arise.  Staff also recommends that the Company add language to its statement of  “may be purchased from the customer, by the Company, at the lesser of.”  This addition should read “( C) At the actual average price paid for gas by the Customer or Company over the 30 day period.”  This would allow the Company to determine the actual lowest price that should be paid for gas without allowing a customer or marketer to intentionally incur an imbalance to force the Company to take low price gas at a higher cost and thereby reaping a windfall.

In Rules and Regulations III, Section D, 3.3, Staff recommends the addition of “Request for interruptible transportation service shall be considered in accordance with the operating conditions of the distribution system of the Company.”  This clarifies the position of the Company on the interruptible transportation offering.

In Rules and Regulations III, Section D, 3.5 change “gas costs” to read  “gas and/or transportation costs” and change “gas supply” to read “gas supplies and/or transportation.”  This clarifies that the Company has both gas costs and transportation costs on its system that must be considered when changing or requesting service.  Also, Mary Ann Hutton of the Northwest Industrial Gas Users has suggested to the Company, and Staff agrees, that the 30-day notification period in Section D, 3.5 needs to be clearer.  This should read “Requests to be served under a firm rate schedule and requests for a higher MDFQ will be made no later than 30 business days prior to the anniversary date of the customer’s contract.”

In Rules and Regulations III, Section D, 5.5, in the first line “any charges or fees,” Staff suggests be changed to “any charges, penalties or fees.”  The Company should not be responsible for any penalties incurred by the customer or marketer for transportation of marketer or customer-owned gas under third party transporters.

DATED  at Boise, Idaho, this            day of May 1996.

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Scott Woodbury

Deputy Attorney General

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Madonna Faunce

Senior Auditor

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