DECISION MEMORANDUM

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 10, 1996

RE:CASE NO.  INT-G-96-2

NEW TARIFF—SCHEDULE T-3 INTERRUPTIBLE DISTRIBUTION TRANS­POR­TA­TION SERVICE

MODIFICATION OF LV-1, T-1 AND T-2 TARIFFS

CHANGE TO GENERAL SERVICE PROVISIONS

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.  The Company requested that its Application be processed under Modified Procedure (reference Commission Rules of Procedure, Rules 201-204) and approved without suspension for effective date May 1, 1996.

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 services 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 Company maintains that until approved it is unable to determine the marketability of the proposed T-3 tariff or the related effect of such tariff on earnings.

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 a new General Service Provision Section D applicable to all contract customers.  Included 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).

Intermountain Gas also proposes changes to existing General Service Provisions, Section A.  Rule 4.4 affirms the general rule relating to the binding effect of orders, laws, and rules of authorities having jurisdiction and adds the term “user fee” as the result of amendments to Idaho Code § 50-329(A) during the last legislative session.  A portion of § 5.1 and also § 16.1 have been moved to Section D of the General Service Provisions which applies to contract customers.  Section 6.5 provides language to clarify when service may or may not be combined under one bill on contiguous property.  Section 17.2 (previously § 18.2) has been amended to change “industrial” customer to “contracted” customer.  Section 17.3 (previously §18.3) is being amended to define company responsibility for damages.  Finally, minor changes have been made to § 18 (previously § 19), including the addition of the term “lockout” as an example of force majeure.

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.  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 (attached).  Staff 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 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 recommends that the $30,000 minimum be removed.

Staff recommends that the Company’s LV-1, T-1, T-2 and T-3 schedules employ a consistent adjustment or additional payment for not using the minimum 200,000 therms.  When 200,000 therms are not taken, Staff contends, the customer should be considered a general service customer and the GS-1 tariff should apply.  If in such instances the GS-1 rate is used, Staff recommends that for accounting purposes associated revenue be classified as GS-1 service revenue.  Staff further suggests 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 customers behalf in the previous year (PGA) when a customer changes tariffs.

Staff recommends 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.

Staff recites a proposed addition to Schedule T-2, service condition 3, agreed to by IGC and Northwest Industrial Gas Users (NWIGU), i.e.,

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.

It is Staff’s understanding that NWIGU will not be submitting separate comments.  Staff agrees with and recommends the proposed change.

Staff further recommends clarifying changes to the Company’s Rules and Regulations General Service Provision Section D.

On May 10, 1996, the Company filed a letter of reply to Staff comments (attached).  The Company, as reflected in Staff Comments, maintains that the proposed $30,000 minimum should be approved.  The Company contends that if the $30,000 minimum is removed customers may leave the GS-1 general service tariff for the T-3 tariff which would shift costs to the remaining core customers.  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.  To ease Company fears, Staff recommends that the following language be added to the rules and regulations:

To qualify as an industrial customer, a GS-1 customer must have averaged 200,000 therms a year for three years.  New industrial customers asking to become a contract customer must demonstrate that the industrial process will exceed 200,000 therms per year.

Commission Decision

Per Commission Order No. 26414, the Commission suspended the proposed effective date in Case No. INT-G-96-2 to May 15, 1996.

●Re: Schedule T-3 interruptible distribution transportation service tariff

annual minimum charge of $30,000.

●Re: LV-1 tariff changes/clarifications.

Permit service contracts greater than one year

Contract minimum shortfalls to be billed at higher GS-1 rate

Nomination (MDFQ) requirement

Embedded costs include-cost of purchased gas, firm interstate pipeline reservation charges, and distribution system costs

●Re: T-1 tariff changes/clarification

Permit service contracts greater than one year

Penalty provision to be utilized if less than 200,000 therms transported

Nomination (MDFQ) requirement

Language moved to general service provisions, Section D

Embedded costs include-costs of firm interstate pipeline reservation charges, and distribution system costs.

●Re: T-2 tariff changes/clarification

Permit service contracts greater than one year

Penalty provision to be utilized if less than 200,000 therms transportedLanguage moved to general service provisions, Section D

Embedded costs include-costs of firm interstate pipeline reservation charges, and distribution system costs.

●Re: General service provision Section D (new section applicable to all contract customers-attached)

●Re: General service provision Section A changes/clarifications

Rule 4.4—addition of term “user fee” reference I.C. 50-329(a)

Language moved to general service provisions, Section D

Section 6.5—when service may or may not be combined under one bill on continuous property

Section 17.2 (previously 18.2) amended to change “industrial” customer to “contract” customer

Section 17.3 (previously 18.3) amended to define company responsibility for damages

Section 18 (previously 19) minor changes

●Consistent adjustment in industrial tariffs for not using minimum

200,000 therms

—If GS-1 tariff applies for undertakes then associated revenues should be classified as GS-1 service revenue

●Re: 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 customer’s behalf in previous year when a customer changes tariffs.

●Re: Change to service condition’s T-3 tariff to clarify and emphasize customer/company responsibilities for gas supplies and interstate transportation

●Re: IGC/NWIGU change to Schedule T-2, service condition 3 — firm demand relief.

●Re: Staff clarifying changes to Company rules and regulations general service provisions Section D

Scott Woodbury

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