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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-96-5

APPROVAL OF A TRANSPORTATION)

IMPLEMENTATION AGREEMENT )

BETWEEN INTERMOUNTAIN GAS )COMMENTS OF THE

COMPANY AND EASTERN ENERGY )COMMISSION STAFF

MARKETING, INC.)

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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) on August 9, 1996 submits the following comments.

Intermountain Gas Company has applied for approval of a Transportation Implementation Agreement (Implementation Agreement) between IGC and Eastern Energy Marketing, Inc.  (Eastern).  The Commission Staff has reviewed IGC’s filing in Case No. INT-G-96-5 and performed a limited audit.  Staff found the following:

The estimated cost of facility construction appears to be reasonable.

The revenue generated will cover all the incremental cost and contribute to IGC’s fixed costs.

The price per therm in this contract is not comparable to the price per therm in other special contracts like the Amalgamated Sugar contract.  Eastern has guaranteed that they will take or pay for 8,781,000 therms per year for ten years.  The other special contracts do not guarantee a specific number of therms.  The Eastern contract is a firm transportation agreement compared to the other special contracts’ interruptibility.

While the price per therm is not comparable to IGC’s other special contracts, Staff believes that like the other special contracts a percentage of all revenue flowing from the contract usage should be deferred and applied as a credit in IGC’s Purchased Gas Cost Adjustment (PGA) tracker.  While other special contracts use a fifty percent split, Staff recommends for this contract a fifty percent split after deducting the accelerated depreciation recommend by Staff below.  This would make the contract a benefit to the core market as well as to the shareholders.

The price per therm in this firm transportation agreement is greater than the same therm usage under the interruptible T-3 Tariff.

IGC proposes to depreciate the constructed facility cost over the normal depreciable life of the facilities per the INT-G-94-1 depreciation case.  Because this is a special contract that is guaranteed for 10 years Staff recommends the facility cost be depreciated over the 10 years.  By using a 10-year depreciation existing ratepayers would be protected from stranded cost at the end of the guaranteed period.  Staff’s analysis shows that by using the 10-year amortization the revenue generated would cover all the incremental cost and contribute to IGC’s fixed costs.  The faster depreciation would not affect the cash flow.

Staff recommends approval of the contract with a 10-year depreciation of constructed facilities and fifty percent of all revenue flowing from this contract after depreciation being credited to the PGA.

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

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Scott Woodbury

Deputy Attorney General

Technical Staff:Madonna Faunce

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