DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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DON HOWELL

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DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:JUNE 25, 1997

RE:CASE NO. INT-G-97-3

ANNUAL PGA TRACKER

$2.2 MILLION REQUESTED INCREASE IN REVENUE REQUIREMENT

YOU ARE HEREBY NOTIFIED that on May 30, 1997, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to place into effect new rate schedules that would result in an overall increase of approximately $2.2 million in its annualized revenues.  The increase reflects a change in the Company’s cost of gas and the elimination and/or imposition of a number of temporary gas and transportation cost adjustments, surcharges and credits.  The Company in its filing also proposes to balance out its Purchased Gas Cost Adjustment (PGA), Account 186.  The PGA Account is a deferral mechanism for over- and under-collections and for realized savings on spot market gas purchases.

The proposed adjustments reflected in the Application include changes in costs billed IGC by Northwest Pipeline Corporation (NWP) and other transportation companies, the elimination of temporary credits (INT-G-96-3), a decrease in the Company’s weighted average cost of gas (WACOG), the benefits generated from the Company’s segmentation of its firm capacity rights on NWP’s system, capacity costs discounts, fixed costs collected and the inclusion of temporary sur­charges and credits relating to gas and transportation related costs from the Company’s deferred gas cost account (PGA Account 186).

The Application proposes implementation of the following permanent and temporary changes, adjustments, surcharges and credits to IGC’s tariff rates for natural gas service, sales and transportation:

Permanent Adjustments:

●INT-G-96-3 Elimination of Temporary Surcharges/Credits$4,783,075

●Change in NWP rates/charges $119,388

●Capacity costs discounts($3,033,378)

●Commodity charges($5,405,452)

●Pacific Gas Transmission, Alberta Natural Gas & Nova Gas$7,373,539

●Fixed Cost Collection($1,746,196)

Temporary Surcharges or Credits

Deferred Gas Costs (IGC PGA Acct 186)

●Special Contract Shared Margin($  222,532)

●Fixed Cost Collection Adjustment($2,904,228)

●Uncollected Gas Costs $5,747,429

●Transportation Segmentation($2,720,219)

●Fixed Gas Cost Misc $   180,394

As computed by the Company, the total requested increase in revenue on an annual basis is $2,174,581 or 1.96%.  The net increase in sales gas revenues is $647,161 or 0.64%.  The  increase in T-1 transportation service revenues is $1,544,975 or 16.04%.  The net decrease in T-2 transportation service revenues is ($17,555) or -2.14%.  The increase in ammonia transportation service revenue is $3,361 or 0.41%.  The annualized change in rates by class of service per Company calculation is as follows:

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| --- | --- | --- | --- | --- |
| Gas Sales | Revenue | Avg Increase (Decrease)     ¢/Therm | Avg Increase (Decrease)    % Change | Proposed Avg Price  $/Therm |
| RS-1 Residential | ($480,301) | (1.373¢) | (2.21%) | $0.60810 |
| RS-2 Residential | $ 1,582,842 | 1.798¢ | 3.75% | $0.49802 |
| GS-1 Genl Svc | ($455,380) | (0.571¢) | (1.24%) | $0.45394 |

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| --- |
| LV-1 Large Vol. \* |
| \* T-1 tariff price plus the Weighted Average Cost of Gas (WACOG), $0.14869                      (Compare WACOG INT-G-96-3:  $0.17546) |
| WACOG = total commodity cost of gas ÷ total purchase therms |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transportation | Revenue | Avg Increase (Decrease)  ¢/Therm | Avg Increase (Decrease)  % Change | Proposed Avg Price  $/Therm |
| T-1 Transp. | $ 1,544,975 | 1.204¢ | 16.04% | $0.08710 |
| T-2 Transp. | ($17,555) | (0.075¢) | (2.14%) | $0.03423 |

With the exception of the Industrial Class, IGC proposes to allocate the increase (decrease) to each of its customer classes in accordance with its Purchased Gas Cost Adjustment tariff and approved cost-of-service methodology.  (Ref. Case Nos. INT-G-95-1, INT-G-88-2, U-1034-137).  Because there are no fixed costs currently recovered in the tailblock of IGC’s T-1 tariff  and because the proposed increase in the T-1 tariff is related to fixed costs (except for TF-1 commodity charge), a cents-per-therm increase is made only to the first two blocks of the T-1 tariff.  All three blocks of IGC’s proposed T-1 tariff have been adjusted to include NWP’s firm transportation TF-1 commodity charge.  The proposed decrease in the T-2 tariff (except for TF-1 commodity charge) is fixed cost related and, therefore, a cents per therm decrease was made only to the T-2 demand charge.  The commodity charge component of the T-2 tariff was adjusted to include NWP’s firm transportation TF-1 commodity charge.  Two blocks of IGC’s proposed T-1 and T-2 tariff have been adjusted to include a share of the demand charges removed from the WACOG.

IGC contends that the overall change in prices requested will not affect its earnings and is fair, just and equitable.  IGC further contends that the public interest does not require suspension of the Application or further investigation into its reasonableness by hearing.  The Company requests that the matter be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.  The Company requests an effective implementation date of July 1, 1997.

Commission Notices of Application and Modified Procedure in Case No. INT-G-97-3 were issued on June 12, 1997.  The deadline for filing written comments or protests  was June 25, 1997.  Commission Staff was the only party to file comments (attached).

Staff recommends that the Company’s Application in Case No. INT-G-97-3 be approved.  Staff reviewed the Company’s filing and performed a limited audit.  Staff’s audit of gas supply, swaps, capacity release, segmentation, added firm transportation capacity, tariff allocations and PGA changes revealed no irregularities.

After auditing and analyzing capacity and supply storage costs, Staff agrees with the Company that the transportation firm capacity costs on PGT, Alberta Natural Gas and Nova Gas Transmission Services Ltd, and the costs for firm “supply area” storage at Clay Basin in Utah and AECO in Alberta, Canada should be removed from the WACOG that is billed to core customers only and moved to fixed demand costs that are billed to all customers.  Staff agrees that the additional transportation, load balancing capability and peak day service is of benefit to transportation customers as well as core customers.  In examining the WACOG for this case and comparing it with the WACOG in INT-G-96-3, Staff finds that with the fixed demand costs removed, the actual cost for gas on city gate volumes has increased by approximately 3.9%.  Staff notes that with the rise in gas prices in the 1996 heating season the Company’s use of swap transactions for gas supply has saved the core customers approximately $4 million in deferred gas costs.

Commission Decision

Should the Company’s PGA Tracker Application in Case No. INT-G-97-3 be approved?  If not, what is the Commission’s preference?  Does the Commission continue to find Modified Procedure to be appropriate?

Scott Woodbury

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