(text box: 1)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 A FIRM DISTRIBUTION ONLY TRANSPOR­TATION SERVICE TARIFF, AND TO MODIFY ITS EXISTING LV-1, T-1, T-2 AND T-3 TARIFFS. | )  )  )  )  )  )  )  ) | CASE NO. INT-G-98-2  NOTICE OF APPLICATION  NOTICE OF MODIFIED            PROCEDURE  NOTICE OF COMMENT/ PROTEST DEADLINE |

YOU ARE HEREBY NOTIFIED that on April 28, 1998, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to place into effect a Firm Distribution Only Transportation Service tariff (Schedule T-4), and to modify its existing Schedule LV-1 (Large Volume Firm Sales Service), T-1 (Firm Transportation Service), T-2 (Firm Transportation Service with Maximum Daily Demands), and T-3 (Interruptible Distribution Transportation Service) tariffs.

The proposed T-4 tariff will enable customers whose usage is 200,000 therms or more per year to contract for firm transportation on IGC’s distribution system without using IGC’s interstate transportation capacity.  This will enable industrial customers to enter into contracts with third parties for both firm gas supplies and interstate transportation and with IGC for Firm Distribution Only Transportation Service.

The proposed T-4 tariff, the Company contends, will broaden the menu of services currently offered to contract customers and, to the extent that the tariff is utilized, will serve to minimize the need for IGC to purchase incremental capacity on the interstate pipeline system, thereby helping to keep costs down for all of IGC’s customers.

As part of its Application, the Company proposes to grandfather service to current LV-1, T-1 and T-2 customers at current service levels.  In the event an existing LV-1, T-1 or T-2 customer’s annual usage is below 500,000 therms, the customer will be allowed incremental usage up to and including 500,000 therms under their existing LV-1, T-1 or T-2 tariff.  Any incremental or additional service needs for said customers, the Company proposes, must be met from T-3 or T-4 service.

New customers whose annual usage is expected to exceed 500,000 therms will be required to purchase gas supply and interstate pipeline capacity from a third party and receive distribution transportation service under the existing T-3 or proposed T-4 service.  A new customer whose annual usage is less than 500,000 therms will be eligible for LV-1 service.  The proposed T-4 service may be used concurrently with IGC’s other transportation services on the customer’s same  or contiguous property.

The Company notes that its T-2 Firm Transportation Service tariff was approved by the Commission as a two year pilot program expiring November 1, 1997.  Reference Order No. 26203, Case No. INT-G-95-4.  The Company was to reevaluate the tariff at the conclusion of the test period.  By this Application, the Company proposes to continue or grandfather T-2 service only to those customers currently contracting for T-2 service.

In order to mitigate any upward pressure to IGC’s remaining customers resulting from the interstate capacity costs “left behind” or stranded by existing firm contract customers electing T-3 or T-4 service, an exit fee has also been proposed.  The proposed exit fee is $.03 per therm of current firm annual usage, collected at a rate of $.015 per therm times the customer’s block 1 and block 2 usage over a two (2) year period.  The proposed exit fee may be waived if the existing firm contract customer (LV-1, T-1 or T-2) provides to the Company a one year or more advanced written notice of the customer’s intent to elect T-3 or T-4 service.  The written notice will include the amount of daily firm interstate capacity the customer wishes to relinquish from their LV-1, T-1, or T-2 contract when switching to T-3 or T-4 service.  IGC will select, through a lottery system, the customers eligible for the exit fee waiver up to a Company maximum of 200,000 therms per day of relinquished firm interstate capacity.  T-3 or T-4 service for the selected customers will begin no earlier than October 1, 1999.

Also proposed is a modification of the Company’s interruptible T-3 tariff to include provision for an exit fee.  Any current T-3 customer will not be subject to the new exit fee.

IGC proposes by way of this Application that any credits related to volumes of interstate capacity release generated in excess of that included in the Company’s PGA Case No. INT-G-97-3 be allocated back to include those customers who have exited LV-1, T-1 or T-2 service for T-3 or T-4 service.

IGC further proposes that any customer who wishes to elect T-3 or T-4 service, within 90 days of the time that this Application is approved, be allowed to renegotiate their service contract with the Company.  The Company has requested an effective date of July 1, 1998.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the Company’s Application in Case No. INT-G-98-2.  The Commission has preliminarily found that the public interest regarding the proposed Tariff Schedule T-4 and modifications to schedules LV-1, T-1, T-2 and T-3 may not require a hearing to consider the issues and that the Application may be processed under Modified Procedure, by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives the written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used.  Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that the deadlinefor filing written comments or protests with respect to the Application and the Commission’s use of Modified Procedure in Case No. INT-G-98-2 is Wednesday, June 17, 1998.  Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission will consider the matter on its merits and enter its Order without a formal hearing.  If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it.  Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that the Company’s Application has been filed with the Commission and is available for public inspection during regular business hours at the Commission office and at the general offices of Intermountain Gas Company, 555 South Cole Road, Boise, Idaho 83705 (Telephone:  377-6000).  Written comments concerning this Application shall be mailed to the Commission and the Company at the addresses reflected below:

COMMISSION SECRETARYRUSSELL L. WORTHAN, VICE PRESIDENT

IDAHO PUBLIC UTILITIES COMMISSIONGOVERNMENTAL AFFAIRS AND

PO BOX 83720RESOURCE PLANNING

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FIELDS CHT’D

PO BOX 829

BOISE, ID 83701

All comments should contain the case caption and case number shown on the first page of this document.

DATED at Boise, Idaho this                  day of May 1998.

Myrna J. Walters

Commission Secretary

vld/n:INT-G-98-2.sw

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

May 13, 1998