DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

GEORGE FINK

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:MAY 7, 1998

RE:CASE NO. INT-G-98-2

FIRM DISTRIBUTION ONLY TRANSPORTATION SERVICE

(SCHEDULE T-4);

PROPOSED MODIFICATIONS TO SCHEDULES LV-1, T-1, T-2, AND T-3

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.

IGC requests that its Application be processed pursuant to 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 a July 1, 1998, effective date.

Commission Decision

Staff notes that the Company’s Application provides an initial opportunity to explore stranded costs and exit fees.  Also presented for consideration is a proposed lottery mechanism for exit fee waiver.  Staff concurs with the Company’s proposal to process its Application, at least initially, pursuant to Modified Procedure, but suggests that the comment period be extended from 21 days to 42 days.  Does the Commission agree?  If not, what is the Commission’s preference?

Scott Woodbury

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