(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR APPROVAL OF PROPOSED STANDARDS FOR COMPETITIVE PRACTICES. | ))))) | CASE NO. INT-G-98-3ORDER NO. 27799 |

On April 30, 1998, Intermountain Gas Company  (Intermountain; IGC; Company) filed with the Idaho Public Utilities Commission (Commission) proposed Standards for Competitive Practices which, if approved, would become Section E of the Company’s General Service Provisions.

As proposed, the Standards for Competitive Practices would apply to transactions, direct or indirect, between Intermountain Gas Company, its customers and gas marketing companies (affiliate and nonaffiliate).  The Company states that the standards proposed have been followed by it for at least the past two years, as the Company has operated in an open-access environment.  To the extent, it states, that such standards exceed the jurisdiction of the Commission, IGC agrees to voluntarily comply with them.  With these additions, the Company contends that its General Service Provisions will continue to be fair, just, reasonable, and consistent with the requirements of Idaho Code § 61-315 which prohibits discrimination and preferential treatment.

The Commission determined that the Company’s filing should be treated as a formal Application and established this case for public comment and participation.  On May 14, 1998, the Commission issued Notices of Application and Modified Procedure with a deadline for filing written comments of June 26, 1998.  Timely comments comporting with the Commission’s Notice were filed by Idaho Power Company (IPCo) and Commission Staff.  Also received was a letter from Wasatch Energy.  On August 17, 1998, the Company filed a reply to Staff and IPCo comments, objections and recommendations.

Both Staff and Company provide background and overview for the Commission regarding the relationship of IGC and IGI Resources, the Company’s marketing affiliate, and the respective positions related to a need for formal Standards for Competitive Practices and a change in the IGC/IGI relationship.  Staff contends that the adoption of standards has become necessary because IGI is now competing against other gas suppliers and marketers for delivery of gas to customers on IGC’s system under IGC’s transportation tariffs and in many cases using IGC’s pipeline transportation contract.

To promote customer benefit, reduce the appearance of impropriety, and assist the Commission in its oversight duties, Idaho Power recommends that the Commission require the Company to post all use of Company interstate assets except those used for IGC’s system supply requirements on an electronic bulletin board.

Wasatch Energy, whose complaint regarding IGC’s practices and relationship with IGI Resources precipitated the Company’s filing in this case, disputes the Company’s representation that it has been complying with the proposed standards for the past two years.  Wasatch contends that IGC has marketed on behalf of and has given preferential treatment to IGI Resources vis-ˋa-vis competitive marketers.  Wasatch believes that the Company is sharing market-sensitive information with its affiliate thereby giving it a distinct advantage over competing marketers.  Wasatch contends that until such time as IGC procures and manages its own gas, storage and interstate transportation, a level playing field will never exist.

IGC contends in its preliminary comments that the proper focus of the Commission must be upon utility customers and not the well being of its competitors or its vendor’s competitors.  The common purpose of the Commission, Commission Staff and the Company, IGC contends, is to assure the reliable delivery of quality service to the utility’s customers at just, reasonable and sufficient rates.  The services of IGI Resources, the Company contends, have been uniformly excellent and have provided the utility’s customers with substantial savings, reliability and innovation.  IGC strongly believes that

∙The officers and directors of the utility should continue to have the right and duty to manage the utility’s business.

∙The management of the utility must continue to have the right opportunity to prudently develop new benefits for the utility’s customers.

∙Competitors must not be allowed to handicap the relationship between the utility and its affiliate to enhance the competitor’s chances for success at the expense of Intermountain’s customers.

∙The Commission should not mandate change in the current relationship between Intermountain and Resources which is serving Intermountain’s customers exceptionally well.

∙Resources’ proven record of cutting edge innovation, supply and transportation reliability and significant cost savings for Intermountain’s customers should be allowed to continue.

Based on these factors, IGC is reluctant to endorse any radical changes in its fundamental way of doing business, i.e., mandatory competitive bidding or taking outsourced services in-house.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. INT-G-98-3 including the proposed Standards for Competitive Practices, the comments of Idaho Power Company, Commission Staff and Wasatch Energy and the reply comments of Intermountain.

Based on our review of the record, the Commission continues to find that the issues presented for consideration in Case No. INT-G-98-3 are appropriate for processing under Modified Procedure and that the public interest does not require a hearing.  IDAPA 31.01.01.204.

The Commission acknowledges that Intermountain’s unregulated marketing affiliate, IGI Resources, markets its services within the service territory of Intermountain.  The Commission also acknowledges that other gas marketers desire to compete with Intermountain’s affiliate and offer their services in Intermountain’s service territory.  Recognizing that as natural gas service continues to be increasingly more competitive retail customers may benefit from rules of conduct that promote full and fair competition, we find that there is a need for establishing formal standards for  competitive practices.

We find that the Commission has the jurisdiction and power to prescribe the relationship  of Intermountain with its unregulated marketing affiliate, IGI Resources, particularly where such relations, transactions and dealings may have ratemaking implications and affect the operations of Intermountain or have a bearing upon the price of gas supply by Intermountain or the quality thereof.

The Commission thanks the parties for their comments.  The Commission recognizes that some of those commenting are active participants and competitors in the natural gas market.  In considering their comments, we recognize also that there is only one gas service providing entity before us that is regulated by this Commission, Intermountain.  Although changes are occurring in the natural gas industry, it is an industry that is still in transition.  This Commission owes an obligation to Intermountain and its retail customers to assure that the Company is not disadvantaged by virtue of its regulation.  To that end, we recognize that business decisions and service choices cannot be dictated by price alone.  While we will continue in rate proceedings to assess the prudence of Intermountain business practices and decisions, we are not convinced that either the public interest or the interests of Intermountain’s customers require that supply and transportation services (if outsourced) be procurred through a competitive bid process.  Nor do we find it necessary at this time to require the posting on an electronic bulletin board or website of all Company use of its interstate assets.

Based on our consideration of the filings of record including comments, objections, recommendations and areas of agreed change, modification and deletion, we find it reasonable to establish and adopt the following Standards for Competitive Practices for Intermountain:

GENERAL SERVICE PROVISIONS

SECTION E

1. GENERAL

These standards for competitive practices apply to trans­ac­tions, direct or indirect, between Intermountain Gas Com­pany (Intermountain), its customers and gas marketing companies (including any entity or aggregator engaged in marketing, brokering or selling natural gas to retail customers).

2.CONDITIONS FOR COMPETITIVE PRACTICES

2.1 Intermountain’s solicitation of proposals for the purchasing of the utility’s natural gas supply or transportation, or both, shall be on a non-prefer­en­tial and non-discriminatory basis.

2.2 Intermountain shall apply its tariff provisions in a non-preferential and non-discriminatory manner.

2.3 Scheduling, balancing, metering, storage, standby service, curtailment policy, or other services must be provided in a non-preferential and non-discriminatory manner.

2.4 Intermountain shall process all requests for transportation or other gas- related services in a non-preferential and non-discriminatory manner.

2.5 Intermountain shall refrain from giving any appearance of speaking on behalf of its marketing affiliate in any and all contacts or communications with customers or potential customers.  An Intermountain employee may not indicate to any customer or others that any advantage may accrue to that customer or others in the use of its gas marketing affiliate’s services.

2.6 Intermountain shall not give preference to its gas marketing affiliate in the scheduling and allocation of capacity at receipt points.

3.SUPPLY, TRANSPORTATION AND STORAGE

3.1 Intermountain may choose to outsource the functions of natural gas procurement, related transportation, and storage services.  The contract entity may negotiate supply contracts with producers on behalf of Intermountain and provide, inter alia, certain load-balancing, dispatching, and nominating services.  As part of the nominating services, the contract entity will absorb any penalties incurred.

3.2 Intermountain will maintain a position of Gas Supply Officer.  The Gas Supply Officer will be charged with directing any negotiation for the purchase and/or transportation and storage of natural gas for Intermountain’s account.  This obligation remains with Intermountain despite the existence of any agency relationship.  This officer shall be responsible for obtaining reliable, secure, diverse, and economical gas supply, transportation, and storage services for the utility.

3.3 To better facilitate the regulatory review of Intermountain’s gas procurement, the Gas Supply Officer will ensure that all procurement of gas supplies for Intermountain’s sales service will be accomplished through separately negotiated contracts.

3.4 All reasonable efforts will be made to sell the gas excess to Intermoun­tain’s daily needs whenever a willing purchaser can be found at a market clearing price.

3.5 During periods when transportation and storage capacity is excess to Intermountain’s customer needs, Intermountain will use all reasonable efforts to sell this capacity to other markets.

4.GAS MARKETING

4.1 Without the prior written consent of the customer, Intermountain may not disclose to its gas marketing affiliate or any other market participant any non-public information which it has from any of the following:

∙A customer or gas supplier

∙A potential customer or gas supplier

∙An agent of a customer or gas supplier or potential customer or supplier

∙A marketer or other supply entity seeking to supply gas to a customer or potential customer that is located in the utility’s service territory.

Intermountain shall not solicit the release of non-public information and data exclusively for its own affiliate.

4.2 Intermountain may not provide business leads to its gas marketing affiliate and shall refrain from giving the appearance that Intermountain speaks on behalf of its gas marketing affiliate.  If a customer requests information about gas marketers from Intermountain, Intermountain shall provide to the customer a list of all marketers known to be operating on the system and who have requested to be on the Company’s list, but may not promote any marketer over another.  Intermountain shall also inform the customer that the Idaho Public Utilities Commission maintains a gas marketer registry.

4.3 Intermountain will put in place internal procedures assuring that a customer electing to obtain gas supply or pipeline capacity from other than the utility, may do so without disclosure to parties, other than the utility or pipeline, of the customer’s receipt and delivery points for their gas supply and/or pipeline capacity.

5.PERSONNEL AND RECORDS

5.1 The gas marketing affiliate shall be a stand-alone entity and physically separated from Intermountain, but may receive corporate-level support at the utility’s full embedded cost of providing such service.

5.2 An employee shared by Intermountain and its gas marketing affiliate shall record time in a manner consistent with good regulatory accounting practices.

5.3 The gas marketing affiliate’s books of accounts and records shall be kept separate from Intermountain’s books.  Aggregated information that is not market-sensitive may be transferred to or from Intermountain and to or from its gas marketing affiliate for corporate financial accounting, control, and reporting purposes.

5.4 Intermountain shall keep sufficient records to document all written offers of, bids for, requests for, and sales of natural gas supplies, capacity, or both, including the evaluation criteria for acceptance and rejection.  Intermountain shall keep or cause to be kept documentation, so that the utility’s activities can be audited.

5.5 Intermountain employees shall refrain from revealing market sensitive information that could result in an unfair competitive advantage for its gas marketing affiliate.

6.COMPLAINT PROCEDURE

6.1 If any competitive gas supplier, marketer or customer believes Intermountain has violated the General Service Provisions Section E Standards for Competitive Practices, that competitor or supplier may file a complaint in writing with Intermountain.  Intermountain must respond in writing to the complaint within 21 business days after receipt of the complaint.  Intermoun­tain must offer to meet with the complaining party within 14 days after the response to resolve any remaining issues and must notify the complainant of his or her right to complain to the Commission if not satisfied.

6.2 Intermountain will maintain a log of all new, resolved and pending complaints alleging violations of the Standards for Competitive Practices and make the log available to the Idaho Public Utilities Commission upon request.  The log shall include the date each complaint was received; the complainant’s name, address and telephone number; a written description of the complaint; the resolution of the complaint, or reason (if any) why the complaint is still pending.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Intermountain Gas Company, a gas utility, and its Application in Case No. INT-G-98-3 pursuant to the authority and power granted under Title 61 of the Idaho Code and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve the foregoing Standards for Competitive Practices which are to become Section E of the Company’s General Service Provisions.  Intermountain Gas is directed to file an amended Schedule E conforming with the Commission’s Order.

IT IS FURTHER ORDERED and the Commission Secretary is directed to establish a Registry of Gas Marketers who wish to operate and offer services within the service territory of Intermountain Gas Company.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of November 1998.

                                                                                                                                       DENNIS S. HANSEN, PRESIDENT

                                                                                            RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:INT-G-98-3.sw2

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

November 17, 1998