DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

KEITH HESSING

GEORGE FINK

MADONNA FAUNCE

TERRI CARLOCK

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:SEPTEMBER 11, 1998

RE:CASE NO. INT-G-98-3 (INTERMOUNTAIN GAS COMPANY)

PROPOSED STANDARDS FOR COMPETITIVE PRACTICES

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

As proposed, the Standards for Competitive Practices will apply to transactions, direct or indirect, between Intermountain Gas Company, its customers and gas marketing companies.  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 has determined that the Company’s filing should be treated as a formal Application with a case established for public comment and participation.

On May 14, 1998, the Commission issued Notices of Application and Modified Procedure in Case No. INT-G-98-3.  The deadline for filing written comments was June 26, 1998.  Timely comments comporting with the Commission’s Order were filed by Idaho Power Company (IPCo) and Commission Staff (attached).  Also received was a letter from Wasatch Energy (attached).  On August 17, 1998, the Company filed a reply to Staff and IPCo comments (attached).

The reply comments of IGC at pages 10-34 sets out verbatim Staff and IPCo specific comments, objections and recommendations to the Company’s proposed Standards for Competitive Practices and provides the related Company response.  For this reason it is recommended that the Commission use the Company’s reply as the basis document for consideration and discussion of party positions including areas of disagreement and agreed change.

Both Staff (at pp. 1-2) and Company (at pp. 1-10) 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.

Embedded in the proposed Standards for Competitive Practices, Idaho Power notes, is a reference to a May 1, 1990, administrative services agreement entered into by IGC and IGI Resources.  (¶ 3.6) As part of the standards, Idaho Power states that IGC asks the Commission to adopt this agreement.  Idaho Power recommends that the agreement be made available for public review.  The Company requests additional time for comment on the agreement.  Idaho Power urges that the Commission defer acting upon the proposed standards until after the opportunity for review and comment on the May 1, 1990, administrative services agreement is provided.  Staff recommended that paragraph 3.6 be deleted.  The Company agreed.

To promote customer benefit, reduce the appearance of impropriety, and assist the Commission in its oversight duties, Idaho Power also 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 in its preliminary comments contends 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 services in-house).

Commission Decision

∙Does the Commission continue to find Modified Procedure to be appropriate in Case No. INT-G-98-3?

∙Does the Commission agree with IPCo that additional notice and opportunity for comment should be provided regarding the Company’s May 1, 1990, administrative service agreement with IGI Resources?—Staff recommends that ¶ 3.6 be deleted.  The Company agreed.

∙Regarding IPCo’s suggestion that the Company be required to post use of interstate pipeline and storage capacity on an electronic bulletin board?  Idaho Power urges the Commission to act on this proposal before acting on the proposed standards.  The Company opposes IPCo’s suggestion arguing that maintaining a web site would be very expensive and would benefit only marketers competing with IGI and not the Company’s customers.

∙The Commission’s attention is directed to Company reply pages 10-34 for a decision tree progression regarding the Company’s proposed standards for competitive practices.

Scott Woodbury

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