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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION OF)

INTERMOUNTAIN GAS COMPANY FOR)CASE  NO.  INT-G-98-4

AUTHORITY TO CHANGE ITS PRICES.)

)COMMENTS OF THE

)COMMISSION STAFF

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COMES  NOW  the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the Application filed by Intermountain Gas Company (IGC; Company) on May 29, 1998, submits the following comments.  Staff recommends that the Company’s Application and requested changes to tariffed rates be approved for effective date July 1, 1998.

Intermountain Gas Company in Case No. INT-G-98-4 has applied for authority to implement new rates for the Company’s annual Purchased Gas Cost Adjustment (PGA) tracker.  The Commission Staff has reviewed the Company’s filing and performed a limited audit.  Staff found that the Company:  (1) has maintained transportation cost as part of the demand charges; (2) has continued to hedge gas supplies; (3) has actively pursued capacity release and segmentation (the capacity release of a segment of IGC’s transportation rights); (4) has settled a price change per FERC Docket No. RP96-367 on Williams Gas Pipelines - West (previously Northwest Pipeline) and is now passing the savings from the two million dollar price adjustment to customers, and (5) has used normalized volumes for fixed demand costs per

Order No. 26019, Case No. INT-G-95-1, dated May 24, 1995.  Staff’s audit of gas supply, swaps, capacity release, segmentation, added firm transportation capacity, tariff allocations and PGA changes revealed no irregularities.

TRACKER IMPACT

The overall effect of the proposed changes would be to decrease Idaho revenues by $1,091,471.  The net decrease is made up of:

Permanent Adjustments:

INT-G-97-3 Elimination of temporary surcharges/credits($120,813)

Change in WPG-W rates/charges($294,183)

Fixed cost collection($196,798)

Temporary Surcharges or Credits:

NWP Refund Docket No. RP96-367($2,000,000)

Variable Cost Collection Adjustment($     44,772)

Uncollected Gas Costs $ 4,953,484

Market Segmentation($ 2,433,688)

Fixed Gas Cost Miscellaneous ($   954,701)

Net adjustments ($1,091,471)

Any over/under collections will be trued up in the next tracker.

Staff computes the annualized increase/(decrease) by class of service per therm in the following manner:

 Average  AverageAverage

IncrementalIncremental Proposed  Price

Gas Sales Revenue ¢/Therm% Change/Therm

RS-1 Residential($162,712)(0.469¢)(0.77%)$0.60341

RS-2 Residential($904,852)(0.958¢)(1.92%)$0.48844

GS-1 General Service$  36,129 0.046¢ 0.10% $0.45440

T-1 Transportation($130,501)(0.100¢)(1.15%)$0.08610

T-2 Transportation$  70,465 0.311¢ 18.83% $0.01963

Intermountain Gas Company proposes to allocate the increase (decrease) to each of its customer classes in accordance with its Purchase Gas Cost Adjustment tariff and approved cost-of-service methodology (reference Case Nos. INT-G-95-1, INT-G-88-2, and U-1034-137).

PERMANENT ADJUSTMENT

The tracker permanent adjustment reflects a decrease by the elimination of temporary surcharges or credits from last year’s tracker, Case No. INT-G-97-3, a decrease in charges by WGP-W, and a decrease in fixed cost collection.  These three items add up to a decrease of $611,794.

TEMPORARY SURCHARGES OR CREDITS

The temporary surcharges/credits reflect the true-up of prior period costs deferred in Intermountain Gas Company’s PGA 186 accounts.  The surcharges/credits are broken into fixed gas and transportation costs, variable gas and transportation costs, shared revenue, interest, NWP’s refunds, the removal of the prior year temporary adjustment and the sale of segmented space under Intermountain Gas Company’s transportation agreements.

The largest adjustments contributing to holding costs down were the Market Segmentation at $2,433,688 and the $2,000,000 refund from a price adjustment to Williams Gas Pipeline-West.  The price adjustment to WGP-W from FERC Docket No. RP96-367 is a one time adjustment and except for a small true-up will not occur again.  The deferred cost of gas was an increase of $4,953,484.  The net temporary adjustments add up to a decrease of $475,024.

Intermountain Gas Company included in Case No. INT-G-96-3 the WACOG transportation firm capacity costs on Pacific Gas Transmission Company, Alberta Natural Gas Company and Nova Gas Transmission Services Ltd.  The Company also included in the WACOG costs for firm “supply area” storage at Clay Basin in Utah and AECO in Alberta, Canada used to provide load balancing and peak day service to all customer classes.  After auditing and analyzing these costs Staff agrees the additional transportation, load balancing capability and peak day service benefits transportation customers as well as the core customers.  Therefore, Staff agrees that in Case No. INT-G-98-4 these costs should be billed to all customers.

Intermountain Gas Company has made an adjustment for Fixed Cost Collection (Exhibit No. 4, line 36).  This adjustment is necessary to correct for changes in the number of customers that cover the fixed costs.  The annual therms shown on Exhibit No. 4, Column B, does not change but the number of customers have increased.

Intermountain Gas Company has been entering into swap transactions for gas supply.  In Staff’s comments in Case No. INT-G-95-3, Staff noted that this was a new event and there was not enough data available to determine the effect the swap contracts would have on ratepayers.  Staff has examined the swap transactions and found that with the rise in gas prices in the 1996 and 1997 heating seasons the swaps saved the core customers approximately $4 million in 1996 and $1.7 million in 1997 in gas costs.

CONCLUSION

The Company’s Application and requested changes to tariffed rates should be approved for effective date July 1, 1998.

Respectfully submitted this               day of June 1998.

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Scott Woodbury

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