DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:JUNE 26, 1998

RE:CASE NO. INT-G-98-4

ANNUAL PGA GAS TRACKER

$1.1 MILLION DECREASE IN ANNUAL REVENUES

On May 29, 1998, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to place into effect new rate schedules that would result in an overall decrease of approximately $1.1 million in its annualized revenues.  The decrease reflects a change in the Company’s cost of gas and the elimination and/or imposition of a number of temporary gas and transportation cost adjustments, surcharges and credits.  The Company in its filing also proposes to balance out its Purchased Gas Cost Adjustment (PGA), Account 186.  The PGA Account is a deferral mechanism for over- and under-collections and for realized savings on spot market gas purchases.

The proposed adjustments reflected in the Application include changes in costs billed IGC by Williams Gas Pipelines-West (WGP-W) and other transportation companies, the elimination of temporary surcharges and credits (INT-G-97-3), an increase in the Company’s weighted average cost of gas (WACOG), the benefits generated from the Company’s segmentation of its firm capacity rights on WGP-W’s system, the inclusion of temporary sur­charges and credits relating to gas and transportation related costs from the Company’s deferred gas cost account (PGA Account 186), and an updated customer allocation of gas-related costs.

The Application proposes implementation of the following permanent and temporary changes, adjustments, surcharges and credits to IGC’s tariff rates for natural gas service, sales and transportation:

Permanent Adjustments:

●INT-G-97-3 Elimination of Temporary Surcharges/Credits($ 120,813)

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

●Fixed Cost Collection($196,798)

Temporary Surcharges or Credits

Deferred Gas Costs (IGC PGA Acct 186)

●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 Misc ($  952,176)

As computed by the Company, the total requested decrease in revenue on an annual basis is $1,091,471 or 0.94%.  The net decrease in sales gas revenues is ($1,031,435) or (1.00%).  The  decrease in T-1 transportation service revenues is ($130,501) or (1.15%).  The net increase in T-2 transportation service revenues is $70,465 or 18.83%.  The annualized change in rates by class of service per Company calculation is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Gas Sales | Revenue | Avg Increase (Decrease)     ¢/Therm | Avg Increase (Decrease)    % Change | Proposed Avg Price  $/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 Genl Svc | $ 36,129 | 0.046¢ | 0.10% | $0.45440 |

|  |
| --- |
| LV-1 Large Vol. \* |
| \* T-1 tariff price plus the Weighted Average Cost of Gas (WACOG), $0.15684                      (Compare WACOG INT-G-97-3:  $0.14869) |
| WACOG = total commodity cost of gas ÷ total purchase therms |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transportation | Revenue | Avg Increase (Decrease)  ¢/Therm | Avg Increase (Decrease)  % Change | Proposed Avg Price  $/Therm |
| T-1 Transp. | ($   130,501) | (0.100¢) | (1.15%) | $0.08610 |
| T-2 Transp. | $    70,465 | 0.311¢ | 18.83% | $0.01963 |

With the exception of the Industrial Class, IGC proposes to allocate the change in rates to each of its customer classes in accordance with its Purchased Gas Cost Adjustment tariff and approved cost-of-service methodology.  (Ref. Case Nos. INT-G-95-1, INT-G-88-2, U-1034-137).  Because there are no fixed costs currently recovered in the tailblock of IGC’s T-1 tariff  and because the proposed decrease in the T-1 tariff is related to fixed costs (except for TF-1 commodity charge), a cents-per-therm decrease is made only to the first two blocks of the T-1 tariff.  All three blocks of IGC’s proposed T-1 tariff have been adjusted to include WGP-W’s firm transportation TF-1 commodity charge.  The proposed decrease in the T-2 tariff (except for TF-1 commodity charge) is fixed cost related and, therefore, a cents per therm decrease was made only to the T-2 demand charge.  The commodity charge component of the T-2 tariff was adjusted to include WGP-W’s firm transportation TF-1 commodity charge.

On June 5, 1998, the Commission issued a Notice of Application and Modified Procedure in Case No. INT-G-98-4.  The deadline for filing written comments was June 24, 1998.  Commission Staff was the only party to file comments (attached).  Staff reviewed the Company’s filing and performed a limited audit.  Staff’s audit of gas supply, swaps, capacity release, segmentation, added firm transportation capacity, tariff allocation and PGA changes revealed no irregularities.  Staff recommends that the Company’s Application and requested changes to tariff rates be approved for effective date July 1, 1998.

Regarding the Company’s continued use of swap transactions for gas supply, Staff notes that in Case No. INT-G-95-3, the Company’s use of swap contracts was a new event and there was not enough data to determine the effect on ratepayers.  Staff in this case has examined the Company’s swap transactions and found that with the rise in gas prices in the 1996 and 1997 heating seasons the swaps saved the core customers in gas costs approximately $4 million in 1996 and $1.7 million in 1997.

Commission Decision

Does the Commission find that Modified Procedure in Case No. INT-G-98-4 is still appropriate?  Does the Commission agree that the Company’s Application and requested changes to tariff rates should be approved for effective date July 1, 1998?  If not, what is the Commission’s preference?

Scott Woodbury

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