

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN)
GAS COMPANY'S REQUEST FOR) **CASE NO. INT-G-09-01**
AUTHORITY TO ESTABLISH A HOOKUP)
FEE ALONG ITS SUN VALLEY LATERAL.) **ORDER NO. 30908**
)

On June 15, 2009, Intermountain Gas Company filed an Application with the Commission seeking authority to establish a hookup fee along its Sun Valley Lateral. The Company requested that the Application be processed by Modified Procedure and that the hookup fee be implemented as of July 15, 2009.

On July 10, 2009, the Commission issued a Notice of Application, set a deadline for intervention, and suspended the Company's request for a July 15, 2009, effective date. Order No. 30857. No parties petitioned to intervene. On August 11, 2009, the Commission issued a Notice of Modified Procedure setting a 21-day comment period. Order No. 30876. Five comments, all favoring the hookup fee, were filed with the Commission. By this Order, the Commission approves Intermountain Gas's request as more fully discussed herein.

THE APPLICATION

The Sun Valley Lateral is currently operating near system capacity. The Company maintains that it has made and will continue to make substantial capital upgrades to the Lateral in order to serve the daily natural gas needs of all its Sun Valley Lateral customers. The next planned distribution system upgrade off the main Sun Valley Lateral is the "Ketchum Uprate"¹ planned to be completed in 2009. This upgrade will provide for an additional 16,000 therms per day of incremental distribution capacity to new Ketchum and Sun Valley, Idaho customers at an estimated cost of \$640,000.

The Company anticipates that a significant portion of the planned growth along the Lateral will be large homes and high-usage seasonal customers whose estimated peak-day demand requirements are extremely high compared to their daily usage throughout the year. Intermountain Gas proposes a new rate schedule that would require new customers whose estimated peak usage on the Sun Valley Lateral exceeds the average peak-day usage on the

¹ The "uprate" of a natural gas pipeline is the process required to increase the allowable operating pressure of a pipeline segment.

Lateral to pay a fee. The fee would be based on the disproportionate amount of incremental distribution system plant investment that these new customers create. The customers who will be subject to the proposed hookup fee will be the same new customers causing the need for, and who directly benefit from, additional Sun Valley Lateral distribution system capital upgrades.

The Company reports that the average peak-day usage per customer along the Sun Valley Lateral is presently 15.5 therms per day.

The Company proposes that the hookup fee initially be set based on the estimated cost of construction of the Ketchum Uprate Project – \$640,000. The Company intends to file a revised rate schedule with the Commission reflecting the actual costs of the Ketchum Project when they are known. If actual costs of the Project result in a lower hookup fee than that which is initially approved, and therefore charged, to customers, the Company will issue a refund to customers who paid the inflated fee. If actual costs result in a higher hookup fee the Company does not intend to seek the difference from customers who paid the lower fee prior to the determination of actual costs.

The Company asserts that its earnings will not change as a result of the proposed new rate schedule. Any collected hookup fee will be applied as a reduction to the distribution system plant investment (rate base) provided to serve the incremental Ketchum/Sun Valley area customers thereby avoiding any cross-subsidies that would otherwise occur to pay for any above average customer usage.

The Company believes that failure to approve a hookup will cause undue subsidization and upward price pressure on customers who do not directly benefit from the Ketchum/Sun Valley area distribution system upgrades.

THE COMMENTS

Staff recognized Intermountain Gas's concern about its ability to provide service to the large homes and high-usage seasonal customers along the Sun Valley Lateral. In order to align the Company's commitment to provide service and still ensure that projects are cost effective, Intermountain Gas identified a geographic region that will directly benefit from the Ketchum Uprate Project.² Based on its proposed hookup fee and growth forecasts, the Company estimated that it would take from two to four years to recover the costs of the Ketchum Uprate Project.

² The area north of Gimlet Road but excluding Gimlet Subdivision.

Staff believes that the Company's proposal is a reasonable means of achieving extra capacity to meet above average growth in per customer peak-day demand while allowing new customers with average demand to take service without added cost. Consequently, Staff supported the proposed hookup fee and recommended that the hookup fee stay in effect until either the project investment is completely recovered or the additional incremental 16,000 therm capacity is utilized. Staff supported the Company's proposal to provide refunds to customers who paid a higher hookup fee if actual costs of the project reveal a lower hookup fee calculation. Staff recommended that refunds include interest at the customer deposit rate.

Five public comments were received. All public comments supported the Company's proposal. The comments described the hookup fee as an equitable solution for future growth in which high-usage customers pay their fair share.

COMMISSION FINDINGS AND CONCLUSIONS

Having fully reviewed the Application and comments in this proceeding, the Commission approves Intermountain Gas's Application for authority to establish a hookup fee along its Sun Valley Lateral. Intermountain Gas is committed to providing for all of its customers' peak-day natural gas needs. However, the seasonal occupancy of the large homes being built in the area identified by Intermountain Gas does not allow the Company to generate year-round revenue to make the Ketchum Uprate Project cost effective without a hookup fee. Therefore, the Commission finds it reasonable for Intermountain Gas to charge a hookup fee to those customers who will directly benefit from the capital investment and, ultimately, whose demand makes the uprate necessary.

The Commission further finds that if actual costs of the Ketchum Uprate Project result in a lower hookup fee calculation than that initially approved and charged to customers, the Company will refund the difference between the charges and the lower hookup fee ultimately approved by the Commission. We do not require that refund amounts, if any, include interest. Finally, the Commission finds it reasonable for the Company to collect the hookup fee until either the Ketchum Uprate Project costs are completely recovered or the additional incremental 16,000 therm per day capacity provided by the project is fully utilized.

ORDER

IT IS HEREBY ORDERED that Intermountain Gas's Application for authority to establish a hookup fee along its Sun Valley Lateral is approved.

IT IS FURTHER ORDERED that the hookup fee become effective on October 1, 2009. Intermountain Gas is directed to file a conforming tariff no later than September 30, 2009.

IT IS FURTHER ORDERED that Intermountain Gas issue refunds if actual costs of the Ketchum Uprate Project result in a lower hookup fee calculation than that initially approved and charged to its customers.

IT IS FURTHER ORDERED that the Company collect the hookup fee until either the Ketchum Uprate Project costs are completely recovered or the additional incremental 16,000 therm per day capacity provided by the project is fully utilized.

IT IS FURTHER ORDERED that Intermountain Gas file an updated application apprising the Commission of actual costs of the Ketchum Uprate Project and resulting hookup fee calculation within 60 days of the completion of the Project.

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 25th day of September 2009.



JIM D. KEMPTON, PRESIDENT

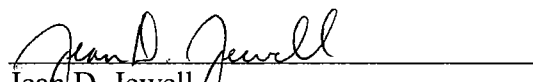


MARSHA H. SMITH, COMMISSIONER



MACK A. REDFORD, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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