

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF**

**FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL**

DATE: JULY 1, 2009

**SUBJECT: APPLICATION OF INTERMOUNTAIN GAS FOR AUTHORITY TO
ESTABLISH A HOOK-UP FEE ALONG ITS SUN VALLEY LATERAL,
CASE NO. INT-G-09-01**

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

THE APPLICATION

The Sun Valley Lateral is currently operating near system capacity. The Company maintains that it has made and continues to make substantial capital upgrades to its Sun Valley 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 16,000 therms per day of incremental distribution capacity to new Ketchum and Sun Valley, Idaho customers at an estimated cost of \$640,000.

Intermountain Gas proposes a new rate schedule that would require new customers whose estimated peak usage on the Company’s Sun Valley Lateral exceeds the average peak-day usage on the Lateral to pay a fee for the disproportionate amount of incremental distribution system plant investment that these new customers create. The customers who will be subject to

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

the proposed hook-up fee will be the same new customers causing the need for, and directly benefitting from, additional Sun Valley Lateral distribution system capital upgrades.

The Company proposes that the 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 become known. If actual costs of the Project result in a lower hook-up 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 hook-up fee the Company does not intend to seek the difference from customers who paid the lower fee prior to knowledge of the actual costs.

The Company insists that its earnings will not change as a result of the proposed new rate schedule. Any collected hook-up 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 hook-up will cause undue subsidization and upward price pressure on customers who are not directly benefitted from the Ketchum/Sun Valley area distribution system upgrades.

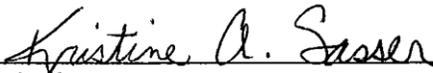
STAFF RECOMMENDATION

Staff has reviewed the Application and recommends that the case proceed by Modified Procedure. Staff recommends the Commission suspend the Company's requested July 15, 2009, implementation date in order to allow adequate time for intervention and public comment. Staff further recommends that a Notice of Application be issued, setting a deadline for intervention. Once the parties are determined, they can discuss processing the case via Modified Procedure.

COMMISSION DECISION

1. Does the Commission find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure?
2. Does the Commission wish to issue a Notice of Application including a deadline for intervention?

3. Does the Commission wish to suspend the Company's proposed effective date of July 15, 2009, pursuant to *Idaho Code* § 61-622, to allow adequate time for intervention and comment?



Kristine A. Sasser
Deputy Attorney General

M:INT-G-09-01