

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN)
GAS COMPANY'S APPLICATION FOR) CASE NO. INT-G-09-03
AUTHORITY TO ESTABLISH)
INTERRUPTIBLE SNOWMELT) ORDER NO. 31089
TARIFFS.)

On November 5, 2009, Intermountain Gas Company filed an Application requesting authority to implement new rate schedules. Application at 2. Specifically, the Company proposes new rate schedules that would require any new residential or small commercial customer installing new natural gas equipment, or any existing residential or small commercial customer performing remodeling work that includes modification of equipment and piping, for the purpose of melting snow on sidewalks, driveways, or other similar appurtenances ("Snowmelt"), to receive interruptible service for such Snowmelt either under the Company's proposed Rate Schedule IS-R or Rate Schedule IS-C. The Company requested that its Application be processed by Modified Procedure and that its rates become effective on December 15, 2009. On December 3, 2009, the Commission suspended the Company's effective date (for a period of 30 days plus 5 months) and set a December 23, 2009, comment deadline.

Several comments were received in the case. As a result of issues raised through the public comment process, the Commission convened a workshop on February 2, 2010. The Company filed comments on May 5, 2010, addressing questions, concerns and considerations raised during the workshop. After reviewing the Application, comments and Company response, we approve Intermountain Gas's proposed new rate schedules as set forth in greater detail below.

THE APPLICATION

Intermountain asserts that natural gas-fired Snowmelt equipment has increased in popularity over the past decade. The Company explains that while Snowmelt usage can be beneficial during off-peak periods to more efficiently use otherwise unused distribution capacity, it can negatively impact system pressures when firm sales and transportation customers require peak-day deliveries.

The Company maintains that most Snowmelt equipment uses an inordinate amount of natural gas compared to a standard space or water heating application. The Company states that during periods of peak-day throughput, Snowmelt usage competes with firm customers for the

finite amount of available natural gas that can flow through the Company's distribution system, potentially degrading service to firm customers. Intermountain explains that because Snowmelt customers use large amounts of natural gas for only a few days or weeks during the winter, it creates an inefficient use of the Company's distribution system and does not allow for cost recovery of the added capacity. Therefore, Intermountain proposes that Snowmelt use be considered an interruptible service.¹

Intermountain proposes that all new Snowmelt applications have individual metering facilities, separate and distinct from any metering providing any other natural gas service. At its sole discretion, Intermountain will manually or remotely turn off all Snowmelt meters in affected regions of its system when system integrity is at issue. The Company believes that interruptions will be short in duration and will depend on weather and snowfall conditions. Existing Snowmelt users will be given the option to convert to the terms and conditions of the proposed rate schedules.²

The proposed rate schedules include a Facility Reimbursement Charge to recover the capital investment required to provide Snowmelt service to new customers. However, the proposed schedules include a provision that would exempt existing Snowmelt customers from the one-time Facility Reimbursement Charge.

Intermountain asserts that customers have been notified regarding Intermountain's Application through a press release in the Company's service area where customers would be impacted by the proposed schedules. Intermountain states that the proposed schedules are just, fair, and equitable.

THE COMMENTS

A number of cities, businesses, and residents have installed natural gas Snowmelt under sidewalks, parking lots, and driveways. Natural gas Snowmelt equipment presents a unique set of challenges for the Company in designing its distribution system because it puts a very large load on the system. However, because Snowmelt is utilized for a short period of time it does not generate revenue commensurate with the load, when compared to space and water heating.

¹ During periods of peak-day throughput, interruptible customers can be required to cease using natural gas to help ensure the needs of firm sales and transportation customers are met.

² The Company has already negotiated voluntary agreements with existing large volume Snowmelt users that provide for cessation of Snowmelt upon notice by the Company.

Because the number and size of natural gas Snowmelt installations have grown, the Company must design its system to meet the Snowmelt peak loads, which have a very low load factor. By making Snowmelt service interruptible, future system expansions to serve this load can be avoided and Snowmelt service can occur when the system is close to capacity. The proposed tariffs align the Company's commitment to provide reliable service with the desire to avoid costly capital upgrades. Therefore, Staff agrees that the interruptible Snowmelt tariffs present an equitable solution to keep costs down and prevent the subsidization of Snowmelt customers by more traditional natural gas users.

Intermountain's proposal requires that all new Snowmelt applications have individual metering facilities, separate and distinct from any metering providing other natural gas service. When required, the Company will manually or remotely turn off all Snowmelt applications in affected regions of its system. The Company has indicated to Staff that it can anticipate the need to curtail load and has the ability to provide notice to customers prior to interruption. Staff agrees that it is important whenever possible to give customers adequate notice of an interruption to make alternative arrangements for snow removal. Staff recommended that except for emergencies, the Company notify customers or property managers a minimum of two hours prior to interrupting service. The Company should also keep customers abreast of when service is expected to be restored. This up-to-date information will allow customers who have selected natural gas as their preferred method of snow removal to find alternative methods and plan accordingly.

Because Snowmelt activity involves significant capacity requirements but is necessary only for a fraction of the year, Intermountain's proposal to make this service interruptible presents an opportunity for all customers on the system to conserve resources and lower costs by allowing the Company to forego expensive capital upgrades. In addition, similar to a demand response program, the proposal induces existing customers to voluntarily convert their Snowmelt systems to interruptible service. The proposal offers residential customers the lower RS-2 winter rate for interruptible Snowmelt use between April and November, and offers commercial customers the GS-1 winter rate for interruptible Snowmelt that may occur between April and November. Initially the number of customers on the interruptible Snowmelt schedules will be low; however, Staff hopes that the lower rate in shoulder months will increase the number of participants. When combined with the proposed tariff provision exempting existing

residential and commercial customers from paying the one-time Facility Reimbursement Charge, the proposal presents a modest incentive that is likely to entice existing customers to participate.

The proposed tariffs include a Facility Reimbursement Charge to recover the capital investment required to provide interruptible Snowmelt service to a new customer. This charge currently includes the cost of the meter set and other related facility and equipment costs. Because there is no solution currently available within the natural gas industry to cost-effectively shut off and turn on service remotely under cold conditions, interruption will initially be made by manual shut-off. However, once satisfactory remote Snowmelt cycling equipment is available, Staff recommended the Company return with a proposal to the Commission outlining the cost of installing automated equipment. Remote automation would allow the Company to cycle customers' systems on and off for shorter periods of time during longer interruptions and make the process of initiating interruptions more efficient as the number of customers with Snowmelt increases.

After a complete evaluation of the Company's Application, its methodology and conclusions, Staff recommended that the Commission approve the Company's proposed interruptible Snowmelt schedules subject to the following conditions: (1) that the Company notify customers or property managers a minimum of two hours before interrupting service and keep customers informed when service is expected to be restored and when service has been restored; (2) that the Company actively promote and market the tariffs as a conservation measure similar to a demand response program; and (3) that once satisfactory remote Snowmelt cycling equipment is available, the Company return with a proposal to the Commission outlining the cost of installing the new equipment.

Six customers filed comments regarding the Company's Application. One customer requested that a tiered rate-type approach be used as opposed to interruptible service, i.e., higher rates for larger users. Two customers supported the Company's proposal as a means of reining in excessively large homes and as a positive conservation measure regarding our natural resources. One customer opposed the proposed interruptible tariff because he utilizes a Snowmelt system and does not want to be inconvenienced (it was unclear from his comment whether he understood that as an existing customer he would have to "opt in" to the program before his service would be subject to interruption). A comment was submitted on behalf of the Sun Valley City Council asking for more time to comment. Although the case has remained

open for five (5) months since the Council's comment was received, only one additional comment was submitted to the Commission. The final comment was submitted by a gentleman who installs Snowmelt systems. He strongly opposes an interruptible tariff and opines that Snowmelt interruptions would result in personal injury and property and vehicle damage. He relates any lack of capacity to Intermountain Gas's lack of planning.

Company Response Following Workshop Discussions

On May 5, 2010, Intermountain Gas filed comments in response to discussions and concerns raised in the workshop. The Company reiterated that although the purpose of the proposed tariff is to ensure that essential needs for natural gas are not displaced by discretionary uses, the Company has no financial incentive to unnecessarily interrupt gas sales.

Intermountain Gas initially proposed to turn off Snowmelt at the Company's meter either manually or by electronically controlled devices. However, through cooperative discussions at the workshop and further investigation, the Company determined that interrupting Snowmelt at the customer's boiler system offers significant advantages. Controlling a customer's boiler instead of the meter eliminates both the need for Company personnel to enter the customer's home and the need to relight equipment when service is restored. The Company maintains that it would be relatively simple to tie into the Snowmelt equipment's electrical system to control its activation and that an "on/off" switch could be located at an outdoor, perimeter site easily accessible to Company personnel. Three types of boiler control devices were investigated by the Company. Intermountain Gas recommended the use of a unit that can verify the boiler's on/off status and would be relatively easy to upgrade to a remote-controlled system if and when technology and conditions warrant. The Company also suggested the use of a locking control box of sufficient size to provide added flexibility in upgrading to a remote operating system.

An assertion was made by a participant at the workshop that Blaine County and/or the cities within Blaine County had ordinances requiring the use of Snowmelt. The Company's review of city and county ordinances found no such requirement. Based on the information provided with its initial Application, the discussions during the workshop, and the follow-up information provided, the Company requested that the Commission approve its Snowmelt tariffs.

COMMISSION FINDINGS

The Commission has jurisdiction over Intermountain Gas Company, a public utility, its Application for authority to implement new rates and charges, and the issues involved in this case pursuant to Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501 and 61-502, along with the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq.* Having fully reviewed the Application and comments in this proceeding, we approve Intermountain Gas's Application for authority to implement new rate schedules requiring that new Snowmelt customers be subject to interruptible service.

Because Snowmelt customers use large amounts of natural gas for only a few days or weeks during the winter, costly capital upgrades to deliver natural gas for that use would create an inefficient use of the Company's distribution system. Moreover, the upgrades would be subsidized by more traditional and typical natural gas users who do not require the added capacity. By making Snowmelt service interruptible, future system expansions to serve this load can be avoided and Snowmelt service can occur when system capacity is available.

The Company represented that it can anticipate the need to curtail load in order to avoid interruptions to its firm service customers. It is important that customers be given adequate notice of the need for an interruption in service so that they may make alternative arrangements for snow removal. The Commission finds that a minimum of two (2) hours' notice before interrupting a customer's Snowmelt service is reasonable. In addition, the Company must keep the affected customers apprised of when service is expected to be restored.

Similar to a demand response program, the Company's proposed tariffs provide an incentive for existing customers to voluntarily convert their Snowmelt systems to interruptible service. The new schedules offer both residential and commercial customers a lower winter rate for interruptible Snowmelt use between April and November. In addition, existing customers are exempt from paying the one-time Facility Reimbursement Charge. The Commission directs the Company to actively promote and market its interruptible tariffs as a conservation measure in order to maximize participation among existing Snowmelt customers.

The Commission wishes to commend Intermountain Gas on its willingness to work with the Commission and the public regarding the concerns raised about interruptibility and its effects on customers and Snowmelt systems. Following the workshop, and after some investigation, the Company determined that it would be relatively simple to tie into the

Snowmelt boiler's electrical system to control its activation and that an "on/off" switch could be located at an outdoor, perimeter site easily accessible to Company personnel. The Commission supports the Company's proposal to utilize a boiler control device that can verify the unit's on/off status and allows for the ability to upgrade to a remote-controlled system when technology and conditions warrant. The Company's responsiveness to the workshop discussion will eliminate the need for Company personnel to enter a customer's home and the need to relight equipment when service is restored. We direct the Company to return to the Commission with a new proposal outlining the costs of materials and installation of remote Snowmelt cycling equipment when such technology becomes reasonably available.

In conclusion, we find the Company's proposed rate schedules to be reasonable and appropriate.

ORDER

IT IS HEREBY ORDERED that Intermountain Gas Company's Application to implement new rate schedules requiring that new Snowmelt customers be subject to interruptible service is approved.

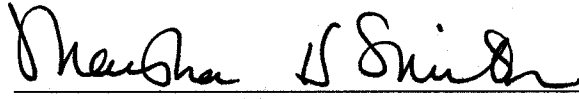
IT IS FURTHER ORDERED that Intermountain Gas provide a minimum of two (2) hours' notice prior to interrupting a customer's Snowmelt service. The Company must also keep the affected customers apprised of when service is expected to be restored.

IT IS FURTHER ORDERED that the Company file conforming tariffs to be effective June 1, 2010.

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.

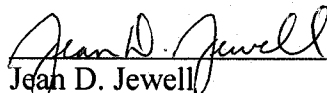
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 24th
day of May 2010.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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