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## 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 TARIFFS. )	COMMENTS OF THE
)	COMMISSION STAFF
)	

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The Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Kristine A. Sasser, Deputy Attorney General, in response to the Notice of Application and Notice of Modified Procedure (Order No. 30957) submits the following comments.

### BACKGROUND

On November 5, 2009, Intermountain Gas Company (Intermountain; 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 (Interruptible Snowmelt-Residential) or Rate Schedule IS-C (Interruptible Snowmelt-Commercial). For residential customers, the Company proposes pricing the IS-R Rate Schedule at the lower non-summer RS-2 (Residential Service-2) rate. The RS-2 Rate Schedule is the lowest residential rate schedule, and is for customers using natural gas

for both water heating and space heating. For commercial customers, the Company proposes to price the IS-C Rate Schedule at the lower non-summer GS-1 (General Service-1) rate. The benefit of being on the Interruptible Snowmelt Schedules for RS-2 and GS-1 customers is the savings of being charged the lower non-summer rate during shoulder season Snowmelt, which would otherwise be priced at the higher summer rate. The Company requests that its Application be processed by Modified Procedure and that its rates become effective on December 15, 2009.

## **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.<sup>1</sup>

Intermountain proposes that all new Snowmelt applications have individual metering facilities, separate and distinct from metering for 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.<sup>2</sup> Existing Snowmelt users will be given the option to convert to the terms and conditions of the proposed rate schedules.

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

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

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.

## STAFF REVIEW

In Staff's review of Intermountain's proposal, four primary factors were analyzed:

- 1) The impact of gas-fired Snowmelt equipment on system capacity;
- 2) The Company's process for implementing interruptions;
- 3) The benefits of the proposal as a Demand Response strategy; and
- 4) Intermountain's calculation of the Facility Reimbursement Charge.

### *Impact of gas-fired Snowmelt equipment on system capacity*

Since the Company's inception in 1955, the Company has designed and constructed its distribution facilities to serve the needs of its firm service customers at peak-day deliverability. It has made substantial capital upgrades in order to account for its growing firm loads. On the Sun Valley lateral alone, the Company has completed two uprates at a cost of approximately \$1.2 million and recently finished another at a cost of \$316,064 or \$19.75 per therm of added capacity.

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 it is utilized for a short period of time it does not generate revenue commensurate with the load, when compared to space and water heating. Because the number and size of these 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.

The Company proposal only requires interruptible service for new customers. Staff believes existing customers with firm Snowmelt service are likely not paying their full cost of

service. Even though this issue will have to be addressed in the next rate case, Staff believes interruptible service is a step in the right direction. 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 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.

#### *The Company's process for implementing interruptions*

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 meters 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. Some cities, small businesses, and elderly residents rely on natural gas for snow removal in order to keep sidewalks clear, businesses operating, and driveways open. Staff recommends that except for emergencies, the Company notify customers or property managers a minimum of two hours prior to interrupting service. This notification should be delivered based on the customers preferred method of communication, either by telephone or e-mail. 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.

#### *The benefits of the proposal as a Demand Response strategy*

Occasionally storms, severe weather, and periodic system repairs have the potential to affect the supply of gas. Building enough pipeline capacity to satisfy every possible supply and demand scenario is possible, but the capital costs would be tremendous. In place of incurring costly upgrades, the utility is left with two alternative choices when capacity is constrained: it can either curtail load to customers on interruptible service tariffs or utilize incentive driven demand response programs. Both alternatives are designed to reduce load during times of peak

demand. Without these alternatives, when demand is high and supply is low, interruptions would occur with firm service customers.

Since Snowmelt involves significant capacity requirements but is only necessary 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 will entice some existing customers to participate. In order to increase participation with existing Snowmelt customers, Staff recommends the Company actively promote and market the tariffs as a conservation measure that is similar to a demand response program.

#### *Intermountain's calculation of the Facility Reimbursement Charge*

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. Since there is not a 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 recommends the Company return with a proposal to the Commission outlining the cost of installing automated equipment. Once the additional cost of an automated system has been evaluated and deemed cost effective, it is Staff's recommendation that the system become automated. This will 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.

## **Public Participation and Comments**

Intermountain included its press release with its Application on November 5, 2009. The press release was sent on that same day to newspapers in the area that would be impacted by the new, proposed Interruptible Snowmelt Tariffs. Existing customers did not receive direct notification of the Company's proposal through billing statement messages or inserts. Staff assumes this was done because the proposal primarily affects new customers. Existing customers would need to "opt in" to participate in the program.

Interested parties were given until December 23, 2009 to file comments. As of December 18, 2009, two customers had filed comments. Both comments opposed the new tariff proposal.

One customer opposed curtailing or interrupting gas asking that, instead, a surcharge be assessed for usage over a certain threshold. This comment might be an indication that some customers' understanding of the purpose of the proposed new tariff is to "punish" Snowmelt customers for excessive use, when in fact, it is to ensure Intermountain has the capacity to serve its firm customers with the natural gas that is needed to provide heat to homes and businesses in the winter season during times of peak usage.

The second comment came from an existing residential Snowmelt customer in the Sun Valley area who said he opposed having service interrupted during peak usage periods. This is another example of a customer not being aware of the reason behind the Company's proposal. This customer would not be necessarily affected by the new tariffs, because he is an existing customer and would have to "opt in" to the program before his service would be subject to interruption.

## **STAFF RECOMMENDATION**

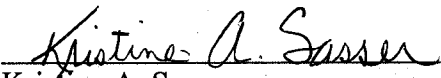
After a complete evaluation of the Company's Application, its methodology and conclusions, Staff recommends that the Commission approve the Company's proposed Interruptible Snowmelt Schedule. However, Staff has the following additional recommendations:

- 1) That the Company notify customers or property managers a minimum of two hours prior to interrupting service. This notification should be delivered based on the customers preferred method of communication, either by telephone or e-mail. The

Company should also keep customers abreast of 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 that is similar to a demand response program.
- 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.

Respectfully submitted this 23<sup>rd</sup> day of December 2009.

  
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Kristine A. Sasser  
Deputy Attorney General

Technical Staff: Matt Elam

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 23<sup>RD</sup> DAY OF DECEMBER 2009, SERVED THE **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-09-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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CERTIFICATE OF SERVICE