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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
INTERMOUNTAIN GAS COMPANY FOR )  
THE AUTHORITY TO CHANGE ITS RATES ) Case No. INT-G-16-02  
AND CHARGES FOR NATURAL GAS )  
SERVICE TO NATURAL GAS CUSTOMERS )  
IN THE STATE OF IDAHO )  
\_\_\_\_\_ )

DIRECT TESTIMONY OF DAVID SWENSON

FOR INTERMOUNTAIN GAS COMPANY

August 12, 2016

1 I. INTRODUCTION

2 Q. Please state your name, title and business address.

3 A. My name is David Swenson. I am Manager of Industrial Services at  
4 Intermountain Gas Company (“Intermountain” or “the Company”). My business  
5 address is 555 S. Cole Road, Boise, Idaho 83707.

6 Q. Mr. Swenson, please summarize your educational and professional  
7 experience.

8 A. I have been working in the natural gas industry for 33 years. I have been at  
9 Intermountain Gas for over 26 years where I started as an analyst in Pricing and  
10 Special Studies. I also previously worked for IGI resources Inc., a natural gas  
11 marketing company where I held several positions including Manager of Gas  
12 Supply and Business Development. I was named Manager, Industrial Services for  
13 Intermountain in January 2013. Prior to this role, I held various positions in  
14 Intermountain’s accounting, regulatory and gas supply departments. In my  
15 current assignment, I am responsible for the retention and growth strategies for all  
16 large-volume market segments and to build strong, strategic relationships with  
17 these customers and other trade allies. I am also responsible to manage policies  
18 and procedures, oversee forecasting and planning, and conduct contract  
19 negotiations. I also manage the company’s Liquefied Natural Gas sales efforts. I  
20 am a graduate of Brigham Young University with a Bachelor of Science degree in  
21 finance and a minor in accounting and economics. Currently, I also serve as a  
22 member of the board of directors of the Boise Valley Economic Partnership.

23 Q. Please describe the purpose of your testimony.

24 A. In this testimony, I describe and explain the Company’s proposals to:

1 (1) Charge all Large Volume Contract (“Industrial”) firm service customers a  
2 demand charge for the capacity on the Company’s distribution system that is  
3 made available to these industrial customers.

4 (2) Combine current rate schedules T-4 and T-5 into a new rate schedule, also  
5 designated as Rate Schedule T-4

6 (3) Eliminate of the Exit Fee provision in the LV-1 Rate Schedule and the historic  
7 high provision that determined access to block three of the T-4 Rate Schedule.

## 8 **II. INDUSTRIAL RATE SCHEDULES**

### 9 **A. Introduction: Description of Industrial Rate Schedules**

10 **Q. As a preliminary matter, please describe and explain the rate schedules that**  
11 **are available to the Company’s Industrial customers.**

12 A. Intermountain provides service to its largest natural gas consumers (hereinafter  
13 referred to as “Large Volume Industrial”) through one fully bundled sales tariff  
14 and three distribution-only transportation tariffs. The Company provides firm  
15 sales service to the Large Volume Industrial customers that meet the eligibility  
16 conditions of and elect to be served under Rate Schedule LV-1. Firm distribution  
17 system-only transportation service is provided to Large Volume Industrial  
18 customers that meet the eligibility conditions of and elect to be served under Rate  
19 Schedules T-4 or T-5. The Company also offers a distribution system-only  
20 interruptible transportation service to Large Volume Industrial customers that  
21 meet the eligibility conditions of and elect to be served under Rate Schedule T-3.  
22 I have prepared Table DS-1, below, which provides the availability provisions for  
23 the Company’s current industrial Rate Schedules.

1

**Table DS-1 Intermountain Gas Company Industrial Rate Classifications**

Rate Schedule	Title	Availability Provision <sup>1</sup>
LV-1	Large Volume Firm Sales Service	Available to any existing customer receiving service under the Company's rate schedule LV-1 or any customer not previously served under rate schedule LV-1 whose usage does not exceed 500,000 therms annually, for firm sales service in excess of 200,000 therms per year.
T-3	Interruptible Distribution Transportation Service	Available to any customer.
T-4	Firm Distribution Only Transportation Service	Available for firm distribution transportation service in excess of 200,000 therms per year.
T-5	Firm Distribution Service with Maximum Daily Demands	Available to any existing T-5 customer whose daily contract demand on any given days meets or exceeds a predetermines level agreed to by the customer and the Company for firm distribution service in excess of 200,000 therms per year.

2

3 **Q. Please describe how the Company charges interruptible industrial customers**  
4 **served on Rate Schedule T-3.**

5 A. Currently, the Company charges a Volumetric Rate to T-3 customers for  
6 interruptible transportation service.

7 **Table DS-2 Currently Effective T-3 Rates<sup>2</sup>**

Commodity Charge per therm		
Block 1	1 <sup>st</sup> 250,000 therms	\$0.49512
Block 2	Next 500,000 therms	\$0.45663
Block 3	Over 750,000 therms	\$0.33442

<sup>1</sup> In addition, applicable to all industrial customers, service will only be provided upon execution of a one year minimum written service contract and, specifically relating to customers receiving transport service, any customer delivery of natural gas must occur at any mutually agreeable delivery point on the Company's distribution system.

<sup>2</sup> Rate Schedule T-3 Interruptible Distribution Transportation Service, Eleventh Revised Sheet No. 8, Effective: October 1, 2015

1 **Q. Please describe how the Company charges firm industrial customers served**  
2 **on Rate Schedule T-4.**

3 A. Currently, the Company charges a Volumetric Rate to T-4 customers for firm  
4 distribution only transportation service.

5 **Table DS-3 Currently Effective T-4 Rates<sup>3</sup>**

Commodity Charge per therm		
Block 1	1 <sup>st</sup> 250,000 therms	\$0.05777
Block 2	Next 500,000 therms	\$0.01928
Block 3	Over 750,000 therms	\$0.00455

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7 **Q. Please describe how the Company charges firm industrial customers served**  
8 **on Rate Schedule T-5.**

9 A. Differing from the rate schedules described above, the T-5 customers are billed  
10 monthly under a two-part rate: a demand charge and a volumetric rate. The  
11 demand charge is the product of the T-5 demand rate times the effective  
12 Maximum Daily Firm Quantity (“MDFQ”). The MDFQ is more fully described  
13 below. In addition to the demand charge, T-5 customers are also charged a  
14 Volumetric Rate for all firm therms transported and, when applicable, an overrun  
15 rate for all therms transported in excess of the maximum monthly firm amount.  
16 The Company’s currently effective T-5 rates are shown in Table DS-5, below.

17 **Table DS-4 Currently Effective T-5 Rates<sup>4</sup>**

Firm Service		
Demand Charge	Firm Daily Demand (Therms)	\$0.84253
Commodity Charge	Firm Therms Transported	\$0.00111
Over-Run (non-Firm) Service		
Commodity Charge	Therms Transported in Excess of MDFQ	\$0.04370

<sup>3</sup> Rate Schedule T-4 Firm Distribution Only Transportation Service, Tenth Revised Sheet No. 9, Effective: October 1, 2015

<sup>4</sup> Rate Schedule T-5 Firm Distribution Service with Maximum Daily Demands, Effective: October 1, 2015



1 volume industrial customer contracts include a mutually agreed upon MDFQ. The  
2 Company utilizes daily usage data from its SCADA (Supervisory Control and  
3 Data Acquisition) system along with connected load ratings from the customer's  
4 natural gas fired equipment to determine a recommended MDFQ. Upon  
5 confirmation from the engineering and measurement departments that  
6 Intermountain can, in fact, provide that level of peak service to the customer, and  
7 upon agreement with the customer, that MDFQ is written into the customer's  
8 contract. Once the contract is executed, Intermountain commits to the LV-1  
9 customers that it can provide each day during the contract a level of interstate  
10 transportation capacity, gas supply and distribution capacity equal to the  
11 customer's MDFQ. Similarly, Intermountain commits to the firm transport  
12 customers that it can provide that level of daily distribution capacity equal to the  
13 customer's MDFQ.

14 All daily natural gas deliveries above the customer's MDFQ are on an "as  
15 available" basis and, during periods of Entitlement, Intermountain could restrict a  
16 customer's usage to no more than the customer's MDFQ. Knowing that natural  
17 gas deliveries to their factories and places of business can be capped by the  
18 contracted MDFQ, industrial customers are generally careful to nominate an  
19 MDFQ that will satisfy their peak delivery needs.

20 **C. Proposal to Combine Rate Schedules T-4 and T-5**

21 **Q. Please describe the Company's proposal to combine current rate schedules**  
22 **T-4 and T-5 into a new rate schedule, also designated as Rate Schedule T-4.**

23 A. The current Rate Schedules T-4 and T-5 are almost identical, except that current  
24 Rate Schedule T-5 includes both a demand charge and a volumetric charge, and

1 current schedule T-4 includes only a volumetric charge. As shown in Table DS-1,  
 2 above, the availability provisions for both Rate Schedules are the same, and as  
 3 shown in Table DS-6, below, typical T-4 and T-5 customers are structurally  
 4 similar. Thus, after adding a demand charge to Schedule T-4, there is no  
 5 remaining distinguishing differences between the two rate schedules and therefore  
 6 no purpose to be served by continuing to offer both T-4 and T-5.

7 **Table DS-5 Current Rate Schedules T-4, T-5: Customer data (Actual 2015)**

Current Rate Schedule	Customers	Therms		MDFQ	
		Total	Average	Total	Average
T-4	82	246,066,376	3,000,809	1,447,697	17,655
T-5	13	26,054,206	2,004,170	72,750	5,596
Combined	95	272,120,582	2,864,427	1,520,447	16,005

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 9 **D. Industrial Proposed Rates to Industrial Rate Schedules**

10 **Q. Have you reviewed the proposed rates to Industrial Rate Schedules, as**  
 11 **described and explained in the testimony of Witness Blattner?**

12 A. Yes, I have.

13 **Q. What are your general observations related to the proposed Rate Schedule**  
 14 **LV-1 rates?**

15 A. Under the proposed LV-1 rates, as explained by Witness Blattner, the typical  
 16 (average) LV-1 customer will experience a small decrease in annual bills. Based  
 17 on my review of projected LV-1 customer charges using 2015 billed  
 18 consumption, current MDFQs and the proposed LV-1 demand and volumetric  
 19 rates, customers that consume gas more evenly from day-to-day and month-to-  
 20 month (i.e. a high “Load Factor”<sup>5</sup>) will experience larger decreases and customers

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<sup>5</sup> Load Factor is a commonly used measure to describe day-to-day and month-to-month gas consumption patterns. Load Factor is the ratio of the average daily therm use divided by some

1 that have relatively large differences in gas consumption by day and by month  
2 will experience smaller decreases. Some LV-1 customers with relatively large  
3 differences in gas consumption by day and by month may experience small  
4 increases in annual bills.

5 **Q. Why do some Industrial customers have lower load factors than others?**

6 A. In most instances, industrial customers that utilize natural gas largely for heating  
7 load will show relatively less usage during non-heating load periods and therefore  
8 have a lower than average load factor. In some instances however, customers  
9 have knowingly elect an MDFQ higher than needed, when compared to current  
10 gas consumption, in order to protect future growth expectations. In a few cases,  
11 the customer may have elected an MDFQ that does not reflect current or future  
12 expected consumption and the Company continues its efforts to educate such  
13 customers regarding the economic and operational value of a properly set MDFQ.  
14 It is my belief that the inclusion of a demand charge in all firm industrial large  
15 volume rate schedules will provide the necessary price signals for industrial  
16 customers to better manage their contracted peak day requirements. As a result,  
17 the Company will be better able to optimize the use of its distribution system.

18 **Q. What are your general observations related to the new proposed rate**  
19 **Schedule T-4 and the proposed Rate Schedule T-4 rates?**

20 A. In general, the proposal to combine current Rate Schedules T-4 and T-5, and to  
21 charge a demand rate to customers in this class has similar impacts on these

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measure of the peak day or, in this case, the MDFQ. The greater the difference between the MDFQ and the average daily use, the lower the Load Factor. For customers that are charged a demand rate and a volumetric rate, total charges are inversely related to a customer's load factor, for a given level of consumption.

1 customers as the LV-1 impacts that I described above. That is, under the  
2 proposed T-4 rates as explained by Witness Blattner, the typical (average) T-4  
3 customer will experience a small decrease in annual bills. Based on my review of  
4 projected T-4 customer billing based on 2015 billed consumption, current  
5 MDFQs and the proposed demand and volumetric rates, T-4 customers with  
6 relatively high load factors will experience larger decreases, customers with lower  
7 load factors will experience smaller decreases and, in some cases, T-4 customers  
8 with the lowest load factors may experience small increases in annual bills.

9 **Q. Please explain the Firm Demand Relief provision, which is included in the**  
10 **proposed LV-1 and T-4 Tariffs.**

11 A. The Firm Demand Relief provision states, “Demand charge relief will be afforded  
12 to those LV-1 (or T-4) customers when circumstances impacted by force majeure  
13 events prevent the Company from delivering natural gas to the customer’s meter.”  
14 The Company has included this provision to provide a mechanism to refund the  
15 affected portion of a customer’s demand charge in the unlikely event that the  
16 company cannot deliver the customer’s full MDFQ for any days during a given  
17 month. This provision does not provide for refunds to a customer that cannot  
18 arrange for delivery of its full MDFQ or otherwise fails to deliver the needed  
19 amount of natural gas to one of the Company’s city gates.

20 **Q. Please explain the removal of the Exit Fee provision formerly found in the**  
21 **LV-1 Rate Schedule.**

22 A. When the Company first implemented the T-4 Rate Schedule, it was believed that  
23 many customers would desire to switch to T-4 service and in fact, the majority of  
24 the large volume industrials did switch to T-4. In order to not saddle remaining

1 customers with the cost of interstate capacity that Intermountain held on behalf of  
2 those customers migrating to T-4, the Exit Fee provision required those T-4  
3 customers to pay for some of that capacity cost over a two-year period. Since  
4 most of the large volume industrials migrated to transport years ago and most of  
5 the remaining LV-1 customer are relatively small, the amount of capacity that  
6 would be freed up by one of the customers migrating to transport is largely  
7 insignificant and so the Company proposes to eliminate this provision.

8 **Q. Please explain why LV-1 customers were removed from eligibility to use the**  
9 **T-3 tariff as an overrun service.**

10 A. LV-1 customers utilize Intermountain's WACOG supply. In the unlikely event of  
11 Entitlement, curtailment or during periods of managing a T-3 imbalance, it would  
12 be difficult, if not impossible, to identify the source of gas supplies used by an  
13 LV-1 customer.

14 **Q. Please explain the removal of the historic high therm use provision from the**  
15 **T-4 Rate Schedule.**

16 A. Because the Company is proposing the inclusion of a demand charge for the T-4  
17 Tariff, there is no longer any concern that customers growing in the lowest price  
18 tail block or those with unusually high usage for just a short period of time, would  
19 cause other customers to bear fixed costs belonging to those growing customers.  
20 So the Company proposes to eliminate this provision.

21 **Q. Does this conclude your testimony?**

22 A. Yes, it does.