

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF INTERMOUNTAIN GAS COMPANY’S) **CASE NO. INT-G-16-02**
APPLICATION TO CHANGE ITS RATES)
AND CHARGES FOR NATURAL GAS) **NOTICE OF APPLICATION**
SERVICE IN THE STATE OF IDAHO)
) **NOTICE OF**
) **INTERVENTION DEADLINE**
) **ORDER NO. 33593**

On August 12, 2016, Intermountain Gas Company (“Intermountain”) filed an Application seeking authority to increase Intermountain’s general rates for natural gas service in Idaho. Intermountain proposes a rate plan that would increase annual natural gas-billed revenues by approximately \$10.2 million (4.04%). *See* Madison Direct at 6. Intermountain asks that the new rates and charges take effect September 12, 2016.

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that Intermountain is a public utility engaged in the distribution of natural gas in the State of Idaho. Intermountain’s Idaho service area includes 75 communities in southern Idaho serving approximately 334,650 customers. *Id.* at 2. Intermountain’s last general rate filing took place in 1985. *Id.* at 6. Intermountain’s existing base rates and charges for natural gas services were last approved by the Commission on September 29, 2015, and took effect October 1, 2015. *See* Order No. 33386.

YOU ARE FURTHER NOTIFIED that Intermountain claims its existing rates are not fair, just, and reasonable, and that it must increase them so it can earn a fair return on its investment in Idaho. Intermountain maintains that it needs to increase its rates primarily to cover increased operating expenses and costs associated with plant additions. Specifically, Intermountain claims that its existing rates should increase in order to cover non-revenue generating infrastructure, such as pipeline expansion and replacement and investment in customer systems and information technology. *See* Madison Direct at 12.

YOU ARE FURTHER NOTIFIED that, based on an average annual usage level of 747 therms per year, Intermountain’s proposed natural gas rate increase would, on average, increase bills by: (1) \$2.31 per month (4.93%) for customers who use gas for space and water

heating; (2) \$1.16 per month (3.26%) for customers who use natural gas for space heating only; and (3) \$12.16 per month (6.29%) for commercial customers. *See* Madison Direct at 6. Intermountain asserts that it notified the general public and its customers about the proposed rate increases by distribution of a Press Release and Customer Notice on or about August 12, 2016.

YOU ARE FURTHER NOTIFIED that Intermountain bases its supporting evidence for the requested rate increases on a 12-month test year ending December 31, 2016. *See* Application at 3. Intermountain requests a 50% common equity, a 50% long-term debt ratio, a 9.90% return on equity, a 4.94% cost of debt, resulting in an overall rate of return of 7.42%. *See* Gaske Direct at 3.

YOU ARE FURTHER NOTIFIED that Intermountain proposes to modify its rate schedules and rate structures by: (1) creating a single rate schedule for service to all residential customers; (2) modifying the General Services-1 (GS-1) rate structure so that rates charged to the GS-1 customer class more closely align with Intermountain's costs and reduce subsidization; (3) eliminating seasonal rate variation between summer and winter for residential and general service customers; (4) combining two rate schedules to create a single Industrial Firm Transportation Service customer class; (5) adding a demand charge to Large Volume Firm Sales Service (LV-1) to cover distribution costs associated with distribution to that class; and (6) applying the current Rate Schedule T-5, which includes a demand charge, to the newly proposed Rate Schedule T-4 rate structure. *See* Blattner Direct at 18 and Attachment 01 to Application.

YOU ARE FURTHER NOTIFIED that as a part of this case Intermountain also proposes to implement new demand-side management (DSM) programs that would help its customers conserve energy. According to Intermountain, DSM means finding opportunities for Intermountain to purchase therms through conservation versus a natural gas supplier. *See* Spector Direct at 3. Specifically, Intermountain seeks to introduce a new Energy Efficiency Rebate Program that would provide rebates to customers who install high-efficiency natural gas equipment and ENERGY Star-certified homes. *Id.* at 5.

YOU ARE FURTHER NOTIFIED that, as a result of DSM implementation, Intermountain asserts that fixed-cost recovery is necessary to mitigate marginal losses from conservation efforts. *Id.* at 8. Therefore, Intermountain proposes to raise the monthly residential and commercial fixed customer charges to more closely match fixed costs and to better reflect class rates to class customer-related costs. *See* Blattner Direct at 28. Intermountain proposes to

recover said fixed costs by implementing a natural gas fixed-cost collection mechanism (FCCM). Intermountain defines FCCM as the calculation of total sales service margin less Purchased Gas Adjustment (PGA) revenues and less revenues recovered from the customer charge for the applicable rate schedules. *See* McGrath Direct at 2. Intermountain states that the purpose of the FCCM is to break the link between Intermountain's gas deliveries and earnings. *Id.* at 2. Under the proposed FCCM, Intermountain's revenues would adjust each month to reconcile the difference between its actual FCCM and the allowed or approved FCCM. *Id.* Intermountain maintains that the FCCM will allow its revenues and earnings to be unaffected by variations in the quantities of natural gas it distributes to customers. *Id.*

YOU ARE FURTHER NOTIFIED that the Commission has designated this case as a general rate case. As such, Intermountain's intrastate revenue requirement, and every component of it, both rate base and expense, are at issue. The Commission may grant, deny, or modify the revenue requirement requested and may find a revenue requirement different from that proposed by any party is just, fair and reasonable. IDAPA 31.01.01.124.01.

YOU ARE FURTHER NOTIFIED that the rates and charges of all Intermountain retail customers, both recurring and non-recurring, including those of special contract customers, are at issue, and every component of every existing and proposed rate and charge is at issue. The Commission may approve, reject or modify the rates and charges proposed and may find that rates and charges different from those proposed by any party are just, fair and reasonable. *Id.*

YOU ARE FURTHER NOTIFIED that the Commission may approve, reject or modify existing or proposed relationships between and among rates and charges within, between or among customer classes or rate groupings and may approve, reject or modify existing or proposed relationships among and between customer classes or rate groupings. *Id.*

YOU ARE FURTHER NOTIFIED that the Commission may abolish, reduce or create rate blocks or categories of rates and charges, abolish, create or reduce components of rates and charges, abolish, reduce or create customer classes or rate groupings, and abolish, reduce or create absolute or relative differences among and between existing classes or rate groupings of customers. *Id.*

YOU ARE FURTHER NOTIFIED that the tariffs, practices, rules and regulations, service, instrumentalities, equipment, facilities, classifications, and customer relations of the utility are at issue, and the Commission may address any of them in its order. *Id.*

YOU ARE FURTHER NOTIFIED that the Application and supporting workpapers, testimonies and exhibits have been filed with the Commission and are available for public inspection during regular business hours at the Commission offices. The Application and testimonies are also available on the Commission's web site at www.puc.idaho.gov. Click on the "File Room" tab at the top of the page, scroll down to "Open Gas Cases," and then click on the case number as shown on the front of this document.

YOU ARE FURTHER NOTIFIED that, given the complexity of the issues presented by this case and the length of time since Intermountain's last general rate case, the Commission finds it appropriate to suspend Intermountain's first proposed effective date of September 12, 2016, for a period of 30 days plus 5 months, unless the Commission issues an earlier Order accepting, rejecting, or modifying Intermountain's Application. *See Idaho Code* § 61-622(4).

YOU ARE FURTHER NOTIFIED that all proceedings in this case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and specifically *Idaho Code* §§ 61-501, 61-502, 61-507, 61-520, 61-523, and 61-622. The Commission may enter any final Order consistent with its authority under Title 61.

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that **persons desiring to intervene** in this matter for the purpose of presenting evidence or cross-examining witnesses at hearing **must file a Petition to Intervene** with the Commission pursuant to this Commission's Rules of Procedure 72 and 73, IDAPA 31.01.01.072 and -.073. Persons intending to participate at the hearing must file a Petition to Intervene **no later than fourteen (14) days from the service date of this Order**. Persons desiring to present their views without parties' rights of participation and cross-examination are not required to intervene and may present their comments without prior notification to the Commission or the parties.

YOU ARE FURTHER NOTIFIED that the Commission Secretary shall issue a Notice of Parties after the deadline for intervention has passed. The Notice of Parties shall assign exhibit numbers to each party in this proceeding.

YOU ARE FURTHER NOTIFIED that once the Notice of Parties is issued, the Commission Staff will convene an informal prehearing conference for the parties to discuss a schedule to process this case and other issues as may be raised by the parties.

YOU ARE FURTHER NOTIFIED that the following persons are designated as Intermountain's representatives in this matter:

Michael P. McGrath
Director, Regulatory Affairs
Intermountain Gas Company
555 S. Cole Road
PO Box 7608
Boise, ID 83707
E-mail: mike.mcgrath@intergas.com

Ronald L. Williams
Attorney for Intermountain Gas Company
1015 W. Hays Street
Boise, ID 83702
E-mail: ron@williamsbradbury.com

YOU ARE FURTHER NOTIFIED that all hearings and prehearing conferences in this matter will be held in facilities meeting the accessibility requirements of the Americans with Disabilities Act (ADA). Persons needing the help of a sign language interpreter or other assistance in order to participate in or to understand testimony and argument at a public hearing may ask the Commission to provide a sign language interpreter or other assistance at the hearing. The request for assistance must be received at least five (5) working days before the hearing by contacting the Commission Secretary at:

IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0338 (Telephone)
(208) 334-3762 (FAX)
E-Mail: secretary@puc.idaho.gov

YOU ARE FURTHER NOTIFIED that all proceedings in this matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that Intermountain's proposed September 12, 2016, effective date is suspended for a period of thirty days plus five months, unless the Commission issues an earlier Order accepting, rejecting, or modifying the Application. *See Idaho Code* § 61-622(4).

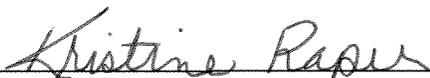
IT IS FURTHER ORDERED that persons desiring to intervene in this matter for the purpose of presenting evidence or cross-examination at hearing shall file a Petition to Intervene with the Commission no later than fourteen (14) days from the service date of this Order.

IT IS FURTHER ORDERED that discovery is available in this case pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.221-234.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of September 2016.



PAUL KJELLANDER, PRESIDENT

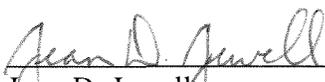


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:INT-G-16-02_sc