

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KARL KLEIN
DEPUTY ATTORNEY GENERAL

DATE: AUGUST 25, 2016

SUBJECT: INTERMOUNTAIN GAS COMPANY'S GENERAL RATE CASE
(CASE NO. INT-G-16-02)

On August 12, 2016, Intermountain Gas Company applied to the Commission for authority to increase its rates and charges for natural gas service by \$10.2 Million (4.06%). The Company asks that the new rates and charges take effect September 12, 2016.

In its Application, the Company notes it has not filed a general rate case since 1985, and explains it must file one now to account for customer growth over the last 31 years. The Company states that, on average, its new rates would increase the bills of: (1) customers who use gas for space and water heating by \$2.31 per month (4.93%); (2) customers who use natural gas for space heating only by \$1.16 per month (3.26%); and (3) commercial customers by \$12.16 per month (6.29%). The Company also states that its new rates would provide it with a 7.42% rate of return on its investment in the property it uses to serve customers.

As part of this case, the Company also proposes to implement new "Demand Side Management" programs that would help its customers conserve energy. In summary, the Company seeks to operate a new Energy Efficiency Rebate Program that would provide rebates to customers who install high-efficiency natural gas equipment and ENERGY Star-certified homes. The Company explains that the rebates would help bridge those customers' up-front cost of higher efficiency equipment, and thus optimize the amount of energy being used in the customers' homes. The Company notes, however, that while it wants its customers to use less gas, it does not want to reduce earnings per customer as a result. The Company thus proposes a Fixed Cost Collection Mechanism (FCCM) to remove this financial disincentive by breaking the link between the Company's (a) earnings per residential and commercial customer, and (b) delivery of natural gas to

those customers. If the FCCM is implemented, then even if the Company's commercial and residential customers use less gas due to DSM, their decreased gas use will not decrease the Company's revenues and earnings.

STAFF RECOMMENDATION

Staff recommends that the Commission issue a Notice of Application and Notice of Intervention Deadline that sets a 14-day intervention deadline and directs the Commission's Secretary to issue Notice of Parties after the intervention deadline has run. The Notice also should direct Staff to informally confer with the parties about a schedule for the case, and to report the proposed schedule back to the Commission. Lastly, given the Staff and Commission's current workload and the time it will take to thoroughly analyze the Company's filing and process the case, Staff recommends that the Commission suspend the Company's proposed effective date for 30 days plus 5 months, as allowed by *Idaho Code* § 61-622(4).

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Notice of Intervention that sets a 14-day intervention deadline, suspends the Company's proposed effective date for 30 days plus 5 months, and directs the Commission's Secretary to issue a Notice of Parties, and the Staff to informally confer with the parties about a schedule and then report the schedule back to the Commission?



Karl T. Klein
Deputy Attorney General

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