(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO PLACE INTO EFFECT A NEW DEMAND SIDE MANAGEMENT PRO­GRAM, THE ATTENDANT ACCOUNTING PROCEDURES TO BE USED IN CONNECTION WITH THE NEW PROGRAM, AND TO MODIFY AN EXISTING DEMAND SIDE PROGRAM, ALL TO BE EFFECTIVE AUGUST 1, 1996. | ))))))))))) | CASE NO. INT-G-96-4ORDER NO.  26546 |

On June 7, 1996, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority 1) to place into effect a new residential low-flow shower head and faucet aerator demand side management (DSM) program (w/related accounting procedures) and 2) to reduce the rebate in the Company’s existing residential water heater rebate program from $100 to $50.

As proposed, the residential low-flow shower head and faucet aerator program would be jointly administered by Intermountain Gas Company and the Niagara Conservation Corporation.

Under the Company’s existing residential water heater rebate program, a $100 rebate is allowed for new customers and existing natural gas heating customers who convert to a high efficiency, ASHRAE standard 90-75 water heater.  The Company maintained that market forces necessitate an update to the program.  The Company proposed that a $50 rebate is adequate to 1) encourage program participation at current levels and 2) cover the differential costs of piping natural gas equipment.

Intermountain Gas requested an effective date of August 1, 1996.  The Company maintained that the public interest did not require a hearing on its Application and requested that the matter be processed under the Commission’s rules of Modified Procedure.

Based on its review of the filings of record in Case No. INT-G-96-4 the Commission preliminarily determined that the issues raised by the Application could be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.  On July 3, 1996, the Commission issued a Notice of Application and Modified Procedure.  The deadline for filing written comments was July 22, 1996.  The Commission Staff was the only party to file comments.  Regarding the Company proposed showerhead and faucet aerator program, Staff in its comments expressed concerns regarding the equity of cost distribution, declining need for such a program, actual energy savings and measurement of those savings.  Based on its analysis, Staff was unable to recommend approval of the Company’s program.

Regarding the Company’s proposal to decrease the incentive provided in the residential water heater rebate program from the current $100 to $50, Staff noted that when originally implemented, the incentive provided through the program encouraged the consumer to purchase more efficient water heaters than were typically purchased.  Since that time new federal standards have eliminated the less efficient water heaters from the shelves, and the only heaters available exceed the standards required by the program.  Staff contended that given recent changes in energy, marketplace and in federal standards, that the $50 incentive level proposed by the Company is unnecessary and inappropriate.  Staff recommended that the program be terminated entirely unless Intermountain Gas, rather than its ratepayers, absorbs the costs of the program.

The Company filed a letter response dated July 25, 1996.  It stated that although implementation of the low-flow shower head pilot program seemed prudent when it was first conceptualized with the Commission Staff back in 1994, its Application today is not supportable in light of the issues summarized by Staff in their remarks.  The Company also concurs with the issues raised by Staff in recommending discontinuance of the water heater rebate program.  Therefore, Intermountain Gas concurs with the findings of the Commission Staff as they pertain to elimination of the proposed low-flow showerhead pilot program and the elimination of the water heater rebate program and therefore respectfully requested that the Commission act on this Application accordingly.

Commission Findings

The Commission has reviewed and considered the filings of record in Case No. INT-G-96-4 including the comments of Commission Staff and the Company’s letter response.  Staff’s analysis regarding the proposed residential low-flow shower head and faucet aerator DSM program and the Company’s existing water heater rebate program persuades us to find that energy efficient practices and technology and related standards have transformed the marketplace.  It is now apparent that some demand-side management programs which have or would have been deemed prudent only a short time ago are, because of these changes, no longer necessary or supportable.  We encourage the Company to review its other DSM programs to determine their necessity, cost/benefit ratios and effectiveness.

Accordingly, and with the noted acquiescence of the Company, we find it reasonable to reject the Company’s Application in Case No. INT-G-96-4, to deny implementation of the proposed residential low-flow shower head and faucet aerator DSM program and the proposed modification to the Company’s residential water heater rebate program.  We further find it reasonable to terminate the Company’s existing residential water heater rebate program effective October 1, 1996.  (Reference Order No. 16558, Case No. U-1034-91, and as amended in Order No. 23661, Case No. INT-G-91-2.)  This termination date should provide the Company adequate time to notify affected dealers of the change and complete the processing of current applications.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over Intermountain Gas Company, a gas utility, and the issues presented in Case No. INT-G-96-4, pursuant to the authority and power granted the Commission under Title 61 of the Idaho Code and pursuant to the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby deny the Application of Intermountain Gas Company in Case No. INT-G-96-4.

IT IS FURTHER ORDERED and the Commission  does hereby terminate the Company’s existing residential water heater rebate program effective October 1, 1996.

THIS IS A FINAL ORDER.  Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in 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         day of  August  1996.

                                                                                 RALPH NELSON, PRESIDENT

                                                                                 MARSHA H. SMITH,  COMMISSIONER

                                                                                 DENNIS S. HANSEN, COMMISSIONER

ATTEST:

MYRNA J. WALTERS

COMMISSION SECRETARY

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

August 1, 1996