DECISION MEMORANDUM

TO:COMMISSIONER NELSON

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COMMISSIONER HANSEN

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WORKING FILE

FROM:SCOTT WOODBURY

DATE:JULY 26, 1996

RE:CASE NO.  INT-G-96-4

DEMAND SIDE MANAGEMENT PROGRAMS

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 (Niagara).  The Company contends that the program would operate as follows:

Intermountain would supply Niagara with addresses of Boise, Idaho natural gas water heating customers residing in a single family dwelling or apartment completed prior to 1992.  Niagara would, in turn, mail to 10,000 of these customers information regarding the proposed program, in addition to order forms.

Customers would be offered, free of charge, one kit consisting of a kitchen faucet aerator, a low-flow shower head, a bathroom faucet aerator, Teflon tape, and complete instructions.  Customers may instead wish to order from Niagara, at a cost of five dollars ($5), an enhanced kit equipped for a second bathroom.  An 800 telephone number will also be supplied to provide installation instruction assistance from Niagara.

Customers may respond by returning the order forms, and a $5 check when applicable, to Niagara in a post-paid envelope.  Niagara, in turn, will mail the requested kits to the customers and will also maintain a data base of those customers who responded.  Intermountain will develop a natural gas usage data base using the customer participation list generated by Niagara.  Intermountain estimates a participation level of 2,000 customers generated from the 10,000 customer mailing.

Intermountain and Niagara will follow up with each participating customer to ascertain customer utilization and satisfaction, as well as track post-installation therm consumption.

Intermountain Gas states it will expand its proposed demand side management program to its entire pre-1992 residential water heating customer base if customer acceptance of the program is significant and therm conservation reaches the desired levels.

Under the Company’s 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 maintains that market forces necessitate an update to the program.  The Company represents 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 requests an effective date of August 1, 1996.  The Company maintains that the public interest does not require a hearing on its Application and requests 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 in Case No. INT-G-96-4.  The deadline for filing written comments was July 22, 1996.  The Commission Staff was the only party to file comments (attached).  Regarding the Company proposed showerhead and faucet aerator program, Staff in its comments expresses 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 is unable to recommend approval of the Company’s program.  Should the program be approved, Staff recommends that the ratepayers not be held accountable for program costs.  If the Commission finds it in the public interest for Intermountain Gas to promote low-flow showerheads, Staff recommends that the program involve local retailers in each community and that the Company delay full scale implementation of any approved program until the results of its evaluation of a pilot phase are available.  Expansion of the program, Staff contends, should be predicated upon the results of that evaluation.

Regarding the Company’s proposal to decrease the incentive provided in the residential water heater rebate program from the current $100 to $50, Staff notes 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, Staff contends that 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 believes, given recent changes in energy, marketplace and in federal standards, that the $50 incentive level proposed by the Company is unnecessary and inappropriate.  The program, Staff contends, should be terminated entirely unless Intermountain Gas, rather than its ratepayers, absorb the costs of the program.

In accordance with Staff’s recommendations regarding the program issues, if the Company wishes to proceed with the programs, Staff recommends that accounting be “below the line”, i.e., that the Company’s shareholders, not its ratepayers, be responsible for the costs.

In the Company’s letter response dated 7/25/96 (attached), the Company states that although implementation of the low-flow showerhead 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 requests that the Commission act on Case No. INT-G-96-4 accordingly.

Commission Decision

In light of the foregoing,

∙Should the Company’s proposed residential low-flow showerhead and faucet aerator demand side management program (with related accounting procedure) be approved or disapproved?

∙Should the Company’s proposal to reduce the rebate in its existing residential water heater rebate program from $100 to $50 be approved; or should the program be terminated?

Scott Woodbury

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