BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF STAR VALLEY ENERGY, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE NATURAL GAS SERVICE TO SALMON, IDAHO. | )  )  )  )  )  )  )  ) | CASE NO. SVE-G-95-1  NOTICE OF APPLICATION  NOTICE OF INTERVENTION         DEADLINE  NOTICE OF INITIAL    COMMENT DEADLINE |

NOTICE OF APPLICATION

YOU ARE HEREBY NOTIFIED that on February 24, 1995 Star Valley Energy, Inc. (Star Valley Energy; Company), an Idaho corporation, filed an Application with the Idaho Public Utilities Commission (Commission) requesting a Certificate of Public Convenience and Necessity to operate as a natural gas corporation and public utility in the State of Idaho, and authority to construct facilities required to provide natural gas service to the community of Salmon, Idaho.  Idaho Code § 61-526; IDAPA 31.01.01.111.  The principal office of Star Valley Energy is located at 1829 Meadow View Avenue, Rexburg, Idaho 83440.

As reflected in the Company’s Application, Star Valley Energy was organized for the purpose of providing natural gas service to rural communities in Idaho, California and Wyoming that do not have access to natural gas pipelines.  The Company proposes to construct and operate a natural gas distribution system wholly within the city limits of Salmon, Idaho.  Natural gas will be supplied to the town distribution system via a liquid natural gas (LNG) storage tank (capacity of 50,000 gallons or less) and vaporizer system.  These facilities will be located outside the city limits.  Gas supplies will be transported to the Company’s Salmon facilities by truck from area suppliers located in Wyoming and western Colorado.  The Company reports that LNG has been transported on the road for over 50 years with no fires or serious injury to date.  The Company states, this is due in part, to the double wall design of the LNG tanker and the non-explosive nature of LNG.

As projected by the Company, estimated volumes for the town of Salmon, including residential, commercial and light industrial users is 6,023 gallons of LNG per day (512 mmbtu/day) on an annualized basis.  Peak winter demand will be approximately 18,500 gallons of LNG per day (1572 mmbtu/day) and summer demand will be approximately 1600 gallons of LNG per day (136 mmbtu/day).  It is anticipated that 400 to 500 customers will elect to convert to natural gas in the town of Salmon under various incentive programs such as zero and low interest loans for conversion costs, rebates or new appliances and furnaces, and free service hook-ups for the first year of system operation.

The Company projects that service may be extended in the future to include alternative fuels for vehicles.  This would include compressed natural gas (CNG from LNG technology) and liquid natural gas for larger users such as school buses, trucks and farm machinery.

Detailed piping and instrumentation diagrams of the proposed facilities, including the LNG storage tank, vaporizer, glycol heater, and town distribution system, are included with the Application.  The total estimated cost to install the proposed LNG storage, vaporization system and natural gas distribution system is $1,500,000.  This includes $793,700 for a town-wide distribution system; $498,800 for the LNG storage and vaporizer facilities; and $207,500 for customer conversions, incentives, and start-up costs.  Star Valley Energy will provide $300,000 in capital from the corporation with the remaining project costs being financed through either industrial revenue municipal bonds, small business administration loans, or with conventional business loans through local financial institutions.

Anticipated annual operating revenues and expenses for the proposed project are as follows and are based on anticipated sales volumes of 180,950 mmbtu/year:

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| Gross operating revenue  Fuel cost  Transportation costs  Operating and maintenance expenses | $1,435,000  600,000  220,000  490,000 |

The following is a summary of the expected all-in component costs of the proposed LNG project for Salmon:

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| Gas supply  Transportation  Distribution system    (includes LNG tank/vaporizer)  Customer conversion costs  Profit and overhead | $3.30 to $3.40/mmbtu  $1.20 to $1.28/mmbtu  $2.67/mmbtu  $0.06/mmbtu  $0.45/mmbtu |

The distribution system cost includes all needed capital facilities in Salmon, as well as depreciation, operation and maintenance, and taxes.  As proposed by the Company, natural gas service rates will be $7.90/mmbtu for Residential customers and $7.50/mmbtu for Commercial customers.  Dependent upon the receipt of appropriate regulatory approval, the Company estimates that construction will begin in the summer of 1995 with estimated completion before the 1995-1996 winter heating season.

YOU ARE FURTHER NOTIFIED that the Commission has made no findings regarding the Company’s Application.  Commission Staff has indicated that it will need a minimum of 60 days to obtain information, perform an analysis and file comments.

NOTICE OF INTERVENTION DEADLINE

YOU ARE FURTHER NOTIFIED that any person desiring to intervene in this case for the purpose of becoming a party, i.e., to acquire the right of cross-examination, to participate in settlement or negotiation conferences, and to make and argue motions, must file a Petition to Intervene with the Commission Secretary on or before Friday, May 5, 1995.  IDAPA 31.01.01.072.  The Commission Secretary will then issue a Notice of Parties listing.

NOTICE OF INITIAL COMMENT DEADLINE

YOU ARE FURTHER NOTIFIED that the deadline for filing initial comments with respect to the Company’s Application in Case No. SVE-G-95-1 is Thursday, May 18, 1995.  Intervenors shall serve their comments, if any, on the parties reflected in the Notice of Parties and the Commission Secretary.  Written comments or protests concerning this Application should be mailed to:

Commission Secretary

Idaho Public Utilities Commission

PO Box 83720

Boise, ID 83720-0074

Street address for express mail:

472 West Washington Street

Boise, ID 83702-5983.

All comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that 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 to the parties.

YOU ARE FURTHER NOTIFIED that after receipt of initial comments the Commission will consider and assess the Company’s Application and filngs of record and will establish further procedure.

YOU ARE FURTHER NOTIFIED that the Company’s Application for a Certificate of Public Convenience and Necessity in Case No. SVE-G-95-1 together with attachments has been filed with the Commission and is available for public inspection during regular business hours at the Commission office, 472 West Washington, Boise, Idaho and at the Idaho offices of Star Valley Energy, Inc.

YOU ARE FURTHER NOTIFIED that the Commission has jurisdiction in this matter pursuant to Title 61 of the Idaho Code and specifically Idaho Code §§ 61-526, -527, and -528.

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.

DATED at Boise, Idaho this                  day of  March 1995.

Myrna J. Walters

Commission Secretary

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