



Case No. INT-G-16-02, Notice of Public Hearing
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Commission sets March 2 public and telephonic hearing regarding Intermountain Gas' rate increase request

BOISE (February 8, 2017) – Customers of Intermountain Gas Company will be able to testify in person or over the telephone at a public hearing on Thursday, March 2, regarding the utility's request for an average 4 percent rate increase.

The hearing will begin at 7 p.m. in the commission hearing at 472 W. Washington St. in Boise. Customers who want to testify over the telephone or just listen to the hearing may call toll-free at **1-800-920-7487** and, when prompted, enter the participant code, which is **76373262#**.

Those wishing to testify over the telephone should call in between 6:45 and 7 p.m. so that names of those wanting to testify can be taken. When it is your turn to testify, your name will be called. After testifying, callers can still stay on the line to listen to the rest of the hearing.

The commission is conducting the hearing both in-person and by telephone in an effort to make it easier for more people throughout southern Idaho to participate. The commission may consider scheduling more in-person hearings in other parts of the state if customers submit written comments requesting such a hearing. The comments should explain why the current in-person and telephonic hearing is not sufficient.

On Aug. 12, 2016, Intermountain Gas filed an application to increase its annual revenue by \$10.2 million. This is the first time since 1985 that Intermountain Gas has requested a base rate increase.

The commission, by state law, cannot accept or deny the requested increase without first considering the evidence. State law requires that regulated utilities be allowed to recover their prudently incurred expenses and earn a reasonable rate of return, which is also established by the commission. The burden of proof is on the utility to demonstrate that its additional capital investment is necessary to serve customers and if those expenses are prudently incurred. Commission decisions can be appealed to the state Supreme Court by either the utility or customer groups.

While the company is requesting a 4 percent increase, commission staff is recommending a 1.94 percent increase. If the commission staff recommendation were adopted, the company's annual revenue would increase by \$4.88 million rather than the requested \$10.2 million. Intermountain Gas is requesting a 9.9 percent return on equity, while commission staff recommends a 9.25 percent ROE. Intermountain Gas is seeking an overall rate of return of 7.42 percent, while staff recommends 7.1 percent.

The commission staff operates independently of the three commissioners who will decide the case. The commissioners may accept or reject any or all of the company request or staff recommendation.

If Intermountain Gas' full base rate request were granted, a residential customer who uses the company's average of 747 therms per year and uses natural gas for space and water heating, would experience an increase of about \$2.31 per month. A residential customer who uses natural gas only for space heating would see an increase of about \$1.16 per month. Commercial customers' monthly increase would be about \$12.16. The company is requesting an effective date of April 1.

Intermountain Gas, which serves about 334,650 customers in 75 communities across southern Idaho, says the base rate increase is needed because of increased operating costs to meet customer growth, the need to replace customer service information and technology systems, and increased costs related to pipeline safety regulations and compliance.

Since its last rate case in 1985, the number of Intermountain Gas residential customers has increased from 85,400 to more than 300,000. In the same period, the number of commercial customers has increased from 13,300 to nearly 32,000. While more customers increase sales revenue, they also require more investment in non-revenue generating infrastructure such as pipeline expansion and replacement and customer care systems and information technology, Intermountain Gas claims. The amount of capital plant in-service has grown in the past 30 years from \$117 million to \$600 million.

Another issue in the case is Intermountain Gas' proposal to create demand side management (DSM) programs to help customers reduce natural gas consumption. The programs proposed by the company promote the use of high-efficiency natural gas equipment through rebates to customers.

Natural gas utilities, like electric utilities, are sometimes discouraged from enacting programs to help customers reduce consumption because they depend on sales to meet their fixed costs of operating. In recent years, more efficient building code standards and appliances have resulted in customers using less natural gas, thus reducing the margin the company relies on to pay for fixed costs such as expanding or replacing its pipeline distribution system.

To address the financial disincentive to encourage conservation and the reduced fixed cost recovery, Intermountain Gas is proposing to implement a Fixed Cost Collection Mechanism (FCCM) – similar to Idaho Power's Fixed Cost Adjustment – that ensures stability in revenues

regardless of how much natural gas customers use. The company claims the yearly rate adjustment would allow Intermountain Gas to effectively promote DSM programs without the financial disincentives that currently exist.

Commission staff maintains the company has not justified its proposed FCCM at this time, stating that the company has not experienced significant revenue loss from DSM programs or ongoing customer consumption decline.

Customers can track the progress of the case from the commission's website. Click on "Open Cases," under the Natural Gas heading and scroll down to Case No. INT-G-16-02. The company's application and supporting testimony is available. Testimony from intervening parties and commission staff and customer comments will be added as the case progresses.

Anyone with questions about how to participate in the hearing may call the commission at 1-800-432-0369 or 208-334-0339.