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IDAHO PUBLIC  
UTILITIES COMMISSION

*Attorneys for Intermountain Gas Company*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF  
INTERMOUNTAIN GAS  
COMPANY'S APPLICATION FOR  
AUTHORITY TO REVISE ITS  
GENERAL SERVICE PROVISIONS  
RELATED TO THE INSTALLATION  
AND EXTENSION OF NATURAL  
GAS MAINS AND SERVICES**

**CASE NO. INT-G-20-01**

**INTERMOUNTAIN GAS COMPANY'S  
REPLY COMMENTS**

Intermountain Gas Company ("Intermountain" or "Company") respectfully submits the following Reply Comments in response to Comments filed by the Idaho Public Utilities Commission Staff ("Staff") the city of Boise City ("Boise City"), and the Idaho Conservation League ("ICL"), as well as limited Reply Comments to public comments filed by the Rocky Mountain Propane Association ("RMPA"), Chad Worth and Craig Smith.

**BACKGROUND**

Intermountain filed an application on January 27, 2020 requesting authority to revise the Company's General Service Provisions related to the installation and extension of natural gas mains and services ("Line Extension Policy"). On February 25, 2020, the Commission issued Order No. 34560 setting a March 11, 2020 intervention deadline and suspending the Company's proposed April 1, 2020 effective date for the tariff for 30 days plus 5 months, or until October 1, 2020.

The primary purpose of a Line Extension Policy as outlined in Staff comments, “is to assure equity between new and existing customers. A Line Extension Policy should assure that the costs of new interconnections are not unfairly shifted to existing customers, while also assuring that the new customers do not pay more for their interconnection than is necessary.” Staff Comments at 2.

#### **REPLY TO STAFF COMMENTS**

Intermountain appreciates Staff’s Comments and the thorough review and input on the Company’s proposed methodology in this case.

As Staff mentions, the Company has offered to make refunds for projects completed between the conclusion of the last rate case (INT-G-16-02) and the implementation of this tariff. Staff Comments at 8. Intermountain recognizes there are good arguments for and against issuing refunds and does not take a firm position on either side. However, Intermountain does not believe there is any justification for requiring the Company to book a refund below the line as a penalty in this situation. Intermountain was following the approved Line Extension Policy at the time these projects were completed, and as illustrated throughout Staff’s Comments, the Company has made a good faith effort to work through this complex revision with Staff in a timely manner. As such, Intermountain requests that the Commission either allow refunds without booking them as a penalty, or that the Commission disallow refunds.

Staff recommends an effective date of August 1, 2020. Intermountain respectfully requests that the effective date remain at the suspended effective date of October 1, 2020 that was established in Order No. 34560. Intermountain’s traditional construction season runs from spring through fall. While it is impossible to set a date that provides a completely seamless transition between the two tariffs, a date at the end of the construction season will result in less confusion for customers than a date in the middle of the construction season. An effective date of

October 1, 2020 will allow the Company to adequately communicate impending changes with developers, builders, and customers prior to the start of the 2021 construction season. In addition, the Company has been referencing the October 1, 2020 suspended effective date when discussing projects with customers to make sure those customers are informed that there will be a difference in the project costs if they wait to begin a project until after the new tariff is effective. The Company has also faced unexpected challenges in system development and training on the proposed tariff due to the challenges brought about by COVID-19. For these reasons, Intermountain believes that the October 1, 2020 effective date will avoid unnecessary confusion and requests an effective date of October 1, 2020 rather than August 1, 2020.

#### **REPLY TO BOISE CITY COMMENTS**

Intermountain agrees with Boise City regarding the important role natural gas plays in affordable housing, economic development, and the viability of reaching clean and renewable energy goals through the use of renewable natural gas.

Boise City raises several questions throughout their comments. Intermountain would welcome the opportunity to discuss these points with Boise City in an informal setting. In this Reply, Intermountain will point Boise City to sources of information within the case that may address the questions.

Boise City raises a question regarding the decrease in the allowable investment. As the Company's Application outlines beginning on Page 8, the proposed tariff will have varying impacts on the need for and amount of upfront payments from individual customers depending on whether the proposed project requires a service line only or if it is a combined main and service line extension.

Additional information is also requested for the construction overhead percentage. As Staff indicates in their Comments, the Company provided a detailed description and work papers

that outline the calculation of the construction overhead percentage in its response to Production Request Nos. 1-3. Staff Comments at 8. Intermountain has provided these materials to the City and would welcome the opportunity to discuss directly with the City.

Boise City also requests an explanation of why the Exhibit No. 3 Musgrove Engineering study (Musgrove) includes the use of 80% efficient furnaces instead of 95% efficient furnaces. As outlined on Exhibit No. 3, Page 2, Section 2, the study modeled both an 80% efficient and a 95% efficient furnace. The table "Load Factor Averaging Assumptions Per Climate Zone" on Page 6 of Exhibit No. 3 reports the weighting used between the two different furnace types. Although the Department of Energy submitted a proposal to raise the minimum efficiency level for furnaces from 80%, that rulemaking has received some challenges and is still making its way through the rulemaking process. There is not yet clear direction on whether the minimum efficiency level will be increased, and, if it is increased, to what level. Therefore, 80% furnaces are still being installed routinely in new construction and are thus appropriately included in Exhibit No. 3.

#### **REPLY TO ICL COMMENTS**

Intermountain appreciates the opportunity to address ICL's concerns that the proposed Line Extension Policy uses assumptions that may overstate methane consumption. The Company believes ICL's concerns are based on misinterpretations of the Musgrove study. The Musgrove study is based on the current new construction environment across the Company's service territory. As Staff indicates in their Comments, the Musgrove study was calibrated and validated using actual consumption data from homes constructed during the 2015 and 2016 calendar years. Staff Comments at 5. Thus, the Musgrove study does not assume that customers will build homes to meet minimum code levels or install minimally efficient appliances as ICL asserts. Rather, it assumes that some customers will build to code, but that others will go beyond code

and install energy efficiency upgrades as the actual building mix demonstrates.

ICL also states that the modeling assumes a full suite of gas appliances in the homes modeled. While the Musgrove study does include an analysis of non-heating as well as heating load, as noted on Exhibit No. 3, Page 6, “The non-heating appliance gas usage was separated from the overall building heating consumption.” This allowed for the development of the heating consumption factor of 0.234 (Exhibit No. 3, Page 6) as well as the non-heating appliance annual gas consumption found on Exhibit No. 3, Page 11. The modeling that resulted in the heating consumption factor, therefore, does not assume customers will install a full suite of gas appliances. Staff reviewed both calculations and found them to be reasonable. Staff Comments at 5 and 6.

Additionally, ICL expresses concern that the Company proposes the use of an average allowable investment across its system. While the Musgrove study did find differences in temperature, code, and building practices across the Company’s service territory, these differences were offsetting and thus produced results that were similar regardless of location. As noted in Staff Comments, “Although winter temperatures are generally cooler in Zone 6B than they are in Zone 5B, more stringent Zone 6B IECC building standards result in consumption that is similar in both zones.” Staff at 5. While Intermountain agrees that precision is important, when simple calculations result in a similar answer to extremely complex calculations, the simpler calculations generally result in a tariff that is easier to explain and understand. For this reason, Intermountain chose to use the simple, but accurate, allowable investment factor proposed in its application. Application at 5.

Finally, ICL argues that the line extension policy should encourage efficiency through a tiered cost methodology. Intermountain believes that its Energy Efficiency program is a better

mechanism to encourage customers to consider efficiency improvements than a complicated, punitive line extension policy.

#### **REPLY TO COMMENTS REGARDING EQUITY**

The Comments submitted by Boise City, ICL, RMPA, Chad Worth and Craig Smith all note the importance of equity in setting line extension policy. Boise City expresses concern that the proposed tariff may increase the costs of residential and commercial construction projects. Boise City at 2. Craig Smith states that the proposed tariff will “create an undue hardship on developers/builders and in return future homeowners.” Craig Smith at 1. Both Boise City and Craig Smith are concerned that the increase in costs from this proposal will impact housing prices and affordability.

On the other hand, ICL, RMPA, and Chad Worth raise concerns about the possibility of existing customers subsidizing line extensions to new customers by not imposing *enough* costs on new construction. RMPA encourages the Commission to “closely scrutinize any proposals which would result in the subsidized extension of their gas delivery system to new applicants.” RMPA Comments at 2. ICL recommends that, “the Commission direct Intermountain to develop a line extension policy that directly assigns all of the costs to the entity requesting new service.” ICL Comments at 2.

These comments illustrate the difficulty in balancing the dual objectives of ensuring that both existing and new customers are treated fairly. Because part of any customer’s monthly charges are designed to recover a portion of the distribution system required to serve them, it would be unfair to require new customers to pay the entire cost of a project up front and then pay for their distribution system again through their base rates. However, not charging a new customer enough up front will result in upward pressure on rates and existing customers subsidizing the costs of system expansion. As Staff Comments discuss, the embedded cost

methodology proposed by the Company appropriately balances the equities between new and existing customers. Staff Comments at 2.

### CONCLUSION

In summary, Intermountain believes its proposed Line Extension Policy strikes an appropriate balance of ensuring equity between new and existing customers, results in a tariff that is simpler and easier for customers to understand and includes important update provisions that will keep the tariff current. Intermountain respectfully requests the Commission:

- a) approve Intermountain's Line Extension Policy as filed,
- b) determine whether or not customer refunds are appropriate and if appropriate instruct Intermountain to make those refunds above the line,
- c) establish an October 1, 2020 effective date for the tariff.

Dated: June 25, 2020

GIVENS PURSLEY LLP



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**CERTIFICATE OF SERVICE**

I certify that on June 25, 2020, a true and correct copy of INTERMOUNTAIN GAS COMPANY'S REPLY COMMENTS was served upon all parties of record in this proceeding via the manner indicated below:

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