Date June, 9th 2020

To: Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Re: 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.

COMMENTS OF THE ROCKY MOUNTAIN PROPANE ASSOCIATION

On behalf of the Rocky Mountain Propane Association (RMPA), which represents propane marketers and suppliers across Idaho, we appreciate the opportunity to submit comments in this proceeding. Like Intermountain Gas Company (Intermountain), our members provide clean-burning and critical energy to residential and commercial customers in the state. As a competing energy provider, the propane industry has a unique interest in Intermountain's application to revise policies governing the extension of natural gas mains and service lines.

When evaluating proposed changes to how and when Intermountain may extend mains and service lines to new customers, as is the case in docket INT-G-20-01, it is crucial that the Commission reject practices that are harmful to the utility's captive ratepayers and contrary to good ratemaking principles. Specifically, the Commission should reject policies that permit Intermountain to finance the extension of natural gas service to new customers by increasing rates on current customers to pay for it. Commissioners should ensure Intermountain's revised line extension policies properly protect energy consumers and prohibit the practice of forcing incumbent customers to subsidize new ones.

Intermountain should only engage in expansion projects that are truly economic and prudent investments from which the estimated revenues will cover the costs, including a profit for the utility in a reasonable time frame, without requiring financial subsidies from its captive customer base. Connecting new consumers to a utility's distribution system, to the financial benefit of the utility, is a different type of infrastructure investment than a pipeline placed into service for the purpose of increasing fuel reliability or system security, and it should be treated differently.

To be clear, we have no issue with the extension of gas service to new areas of the state so long as prospective customers pay their own way. And if that requires an applicant to pay a contribution in aid of construction (CIAC), then the CIAC levied should generate sufficient monies to cover all revenue deficiencies stemming from the uneconomic portion of the line extension. Captive customers should not be on the hook to cover any shortfall between the cost to provide new service and expected revenue generation. If a proposed line extension is not economically viable on its own, the project should not be undertaken. As such, the Commission-approved extension policies that result from this proceeding should guarantee that Intermountain expands its service territory only when the economics of a proposed line extension are cost justified and free of contributions from existing ratepayers.

An important principle of utility ratemaking is cost causation. This principle dictates that utility costs should be assigned to the customers who cause the utility to incur them. In other words, those who are responsible for the costs, should pay for them. Compelling captive gas customers to pay for line extensions to new ones unfairly shifts this cost burden and saddles existing ratepayers with higher energy bills even though they do not require an investment from the utility, nor are they responsible for it incurring a cost. Preferred rate design avoids subsidies and inter-customer cost shifting to ensure rates are fair, equitable and nondiscriminatory. The Commission should ensure the line extension policies under consideration in this proceeding reflect these goals and costs are appropriately assigned.

Forcing captive ratepayers, including households of limited means and those on fixed incomes to pay higher utility rates to finance the extension of gas mains and service lines to new customers is wrong. And since utilities operate as monopiles in defined geographic areas, energy consumers cannot shop around for competing service, which means they are forced to swallow price increases. Instead, extension infrastructure should be paid for by the party receiving new service and to the degree appropriate, the utility itself. To do otherwise sends improper price signals to consumers and distorts utility decision making. Notably, the issue of protecting Intermountain's customers from rate hikes due to revised line extension polices was also made by the Idaho Conversation League in their petition to intervene in this docket.[1]

Ratepayers are not the only parties harmed by subsidized gas expansion. This anti-competitive behavior is also detrimental to competing energy sources, including Idaho's propane marketers, who do not force current customers to finance the extension of service to new ones. Propane's delivery infrastructure is properly paid for by the industry and the customer receiving service. Given this, if it is uneconomic to bring service to a potential applicant, then it likely will not happen.

To reiterate, we have no objections to Intermountain bringing natural gas service to new customers or expanding its service territory. We do object to the use of ratepayer subsidies to accomplish it. These subsidies are unfair to the utility's captive customer base and distort the marketplace for competing energy providers. As the Commission evaluates modifications to the rules and regulations that govern Intermountain's line extension policy in this proceeding, we encourage them to closely scrutinize any proposals which would result in the subsidized extension of their gas delivery system to new applicants.

Thank you again for the opportunity to provide comment.

Respectfully submitted,

Tom Clark
Executive Director
Rocky Mountain Propane Association

P.O. Box 9362
Ogden, UT 84409
tom@rmpropane.org
Telephone: 801-725-1925

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1 https://puc.idaho.gov/Fileroom/PublicFiles/GAS/INT/INTG2001/Intervenor/ICL/20200310Petition%20to%20Intervene.pdf