

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: MATT HUNTER  
DEPUTY ATTORNEY GENERAL**

**DATE: MAY 8, 2020**

**SUBJECT: IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S  
APPLICATION FOR AUTHORITY TO FACILITATE RENEWABLE  
NATURAL GAS ACCESS; CASE NO. INT-G-20-03.**

On May 4, 2020, Intermountain Gas Company ("Intermountain" or "Company") applied to the Commission for authority to facilitate access for Renewable Natural Gas ("RNG") producers to the Company's distribution system for the purpose of moving RNG to their end-use customers. Application at 2. Intermountain requests its Application be processed under Modified Procedure, and that that the authority be granted by June 15, 2020. *Id.* at 9-10.

### BACKGROUND

RNG is pipeline-quality biomethane produced from biogas. *Id.* at 4. Increasingly in Idaho, livestock operations are using animal waste to produce biogas which is then cleaned to produce RNG for the burgeoning RNG market. *Id.* A number of nearby states subsidize RNG production or mandate the use of renewable energy sources. *Id.* at 5. These policies make RNG production profitable. *Id.*

In order to move RNG to its end-user customer, an RNG producer needs access to the local gas utility's distribution system. So far, Intermountain has executed contracts with three RNG producers to facilitate access, but the Company seeks Commission approval of an RNG facilitation plan that will guide all future distribution system access by RNG producers. *Id.* at 9-10. Once the RNG facilitation plan is approved by the Commission, the Company plans to make all subsequent RNG agreements consistent with it. *Id.* at 9.

## THE APPLICATION

### Monthly fee

Intermountain intends to “completely insulate utility customers from all potential impacts of RNG production.” *Id.* at 5. Intermountain proposes a monthly fee for access to the Company’s distribution system. *Id.* Also, if Intermountain must incur startup or extraordinary O&M expenses at an RNG facility, “the producer will be billed for the actual additional expenses incurred by Intermountain.” *Id.* at 6.

The monthly fee will have two components: a Maintenance Fee and an Access Fee. *Id.* at 5. The Maintenance Fee will cover Intermountain’s monthly expenses to provide service to RNG producers. *Id.* The Company’s anticipated maintenance expenses include “a) labor for inspection of meters, regulators, reliefs, odorizers, valves, etc., b) odorant, c) gas chromatograph, including calibration gas and helium, d) SCADA equipment, e) other utility costs which may include electricity and telephone, f) direct general administrative costs, g) direct contractor costs, h) an overhead loading rate, i) material replacement costs, j) [and] such other costs as may be necessary to provide service.” *Id.* at 5-6. Based on the current average of monthly costs, the Company anticipates the monthly Maintenance Fee will be \$2,500. *Id.* at 6.

The other component of the monthly fee is the Access Fee, which provides a return to Intermountain for granting access to its distribution facilities. *Id.* The Company states the Access Fee “will be recorded as non-utility revenue for Intermountain.” *Id.*

The Company plans to update the Maintenance Fee annually. *Id.* The new fee will be calculated each September based on actual expenses for the September 1 through August 31 time period. *Id.* at 7. To align with the Company’s PGA price changes, the new fee will take effect October 1 of each year. *Id.*

### Computing Intermountain’s proportionate regulatory fee assessment

In order to compute Intermountain’s proportionate regulatory fee assessment to the Commission, the Company will include all revenues from RNG access service in its gross operating revenues. *Id.*; see *Idaho Code* §§ 61-1001 through 61-1008.

### Traditional natural gas service to RNG producers

RNG producers often use natural gas in their operations and receive natural gas delivery from Intermountain. *See Id.* at 5. The Company states that natural gas service to RNG producers will be billed at Intermountain’s standard tariffed rates. Application at 5. “All

monthly billing will happen exactly as it would for any other Intermountain customer based upon the tariff selected.” *Id.*

Income tax gross up

Consistent with its intent that utility customers not bear any of the cost associated with providing RNG producers access to its distribution system, Intermountain requests it be permitted to gross up an RNG producer’s Contribution In Aid of Construction (“CIAC”) to cover additional income tax generated by a CIAC payment. *Id.* at 8. The Company plans to include all capital costs related to an RNG production project in rate base and then offset the capital costs with the CIAC payment from the RNG producer. *Id.* However, the Company points out that under Commission Order No. 21933, “Intermountain is not permitted to gross up CIACs to cover the additional income tax generated by the CIAC payment.” *Id.* Intermountain requests it be permitted to gross up CIACs from RNG producers, which will then “be booked as utility revenue to offset the additional income taxes and ensure zero financial impact on utility customers.” *Id.*

Other matters

The Company states its RNG agreements “will include safety provisions to protect the safety and reliability of service for utility customers.” *Id.*


Intermountain asserts it will issue notice of its Application during the week of May 4, 2020 to RNG producers who may be affected by it. *Id.* at 9, Attachment 1.

**STAFF RECOMMENDATION**

Staff recommends the Commission issue a Notice of Modified Procedure, setting a May 29, 2020 comment deadline and a June 4, 2020 reply comment deadline. This schedule is supported by all parties.

**COMMISSION DECISION**

Does the Commission wish to issue a Notice of Modified Procedure, setting a May 29, 2020 comment deadline and a June 4, 2020 reply comment deadline?

  
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Matt Hunter  
Deputy Attorney General