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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
AN EXTENSION OF THE
ACCOUNTING ORDER
AUTHORIZING A REGULATORY
ASSET FOR THE COSTS
ASSOCIATED WITH CUSTOMER
PAYMENT TRANSACTIONS
HANDLED BY WESTERN UNION**

CASE NO. INT-G-21-02

**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").

BACKGROUND

Intermountain filed an application on February 19, 2021 requesting the Commission extend authorization of the regulatory asset established in Order No. 34099 to capture the costs associated with in-person customer pay station transactions handled by Western Union.

On April 15, 2021, Staff filed Comments in the case. Pursuant to the Notice of Modified Procedure issued by the Commission in Order No. 34965, Intermountain submits its Reply Comments.

REPLY TO STAFF COMMENTS

1. Areas of agreement

While the Company disagrees with Staff's ultimate recommendation, the Company agrees with Staff in a few key areas. First, Intermountain appreciates, and agrees with, Staff's position that ultimately recovery of the costs associated with Western Union pay station transactions should be embedded in base rates. Intermountain does not disagree with the premise, but only with the timing.

As the Company noted in its Application, the Covid-19 pandemic has caused disruption to many normal business processes. Because a 2020 test year would be challenging to normalize, the Company decided not to file a general rate case prior to the expiration of the Accounting Order on February 1, 2021. Granting an extension of the Accounting Order would recognize Intermountain's good-faith efforts to remove a barrier to timely payments that unfairly impact low-income and under-banked customers. It would also acknowledge the unusual circumstances that surround 2020. Intermountain agrees that when it files a general rate case, in-person customer pay station transactions should be included in base rates.

Second, Intermountain agrees with Staff's observations that some customers that use payments types that incur fees are low-income customers that may not be able to afford the transaction fees. Concern regarding these customers is what motivated Intermountain's original application to pay the pay-station transaction fees at issue in this case and have them accrue as a regulatory asset. Concern regarding these customers is also what motivates Intermountain to continue that treatment during the disruption of 2020 and what appears to be an economic recovery in 2021. Intermountain shares Staff's concern regarding these customers but disagrees that compelling Intermountain to absorb these fees is the correct solution.

2. Additional details regarding the Company's efforts, and the Commission's statements, regarding convenience fees.

Staff Comments provide a review of the timeline of the cases surrounding the issue of convenience fees. To complete the record Intermountain adds the following important details to that timeline.

The Commission issued a summons to Intermountain in Case No. INT-G-17-02 on March 30, 2017. The issue of convenience fees was raised as part of that case, which dealt primarily with the timing of AutoPay withdrawals.

The Commission issued Order No. 33757, Case No. INT-G-16-02 on May 10, 2017—*after* the summons was issued in Case No. INT-G-17-02. In Order No. 33757 the Commission “encouraged the Company to explore the possibility of removing these fees in the future to keep pace with what appears to be an emerging industry standard.” Order No. 33757 at 38 and 39.

Staff's Comments state, “The Company did not act on the Commission's encouragement in Order No. 33757.” Staff Comments at 2. To the extent this statement refers to the Company's actions between Case No. INT-G-16-02 and INT-G-17-02, the Company notes that INT-G-17-02 started before Order No. 33757 was issued. The Company did not disregard the Commission Order, but simply had not had time to act.

At the conclusion of INT-G-17-02, on June 30, 2017 the Commission issued Order No. 33805, which stated:

We recently addressed Ms. Rothenberger's concern about convenience fees charged for paying bills with debit or credit cards. In Order No. 33757, the Commission declined to eliminate the fees "at this time," but encouraged the Company "to explore the possibility of removing these fees in the future to keep pace with what appears to be an emerging industry standard." Order No. 33757 at 38 and 39. This issue is not up for reconsideration in Case No. INT-G-16-02. Consequently, the Company is directed to meet with

Staff within 60 days after this Order issues, to develop a proposed action plan that more closely aligns with the industry standard.

Order No. 33805 at 4.

Following the issuance of Order No. 33805, the Company and members of Staff had several phone calls and met on September 12, 2017 to discuss the issue of convenience fees. INT-G-18-01 Application at 3. The Company began to pay the costs associated with customer payment transactions handled by Western Union on February 1, 2018. In Order No. 34099, the Commission “approved the creation of a regulatory asset to capture the costs associated with in-person pay station transactions handled by Western Union.” The Commission further authorized the Company to “seek recovery of those costs in the Company’s PGA beginning in 2019 until February 1, 2021, or until the Company files a general rate case, whichever comes first.” In that Order, the Commission also encouraged the Company and Staff to “continue to collaborate on how to best address transaction fees.” Order No. 34099 at 3.

Following the issuance of Order No. 34099, the Company and Staff continued to meet regarding the remaining transaction fees. As those meetings were in process, the Commission issued Order No. 34405 in Suez Water Idaho Inc.’s Case No. SUZ-W-19-01. Although the Commission approved Suez’s request to assume responsibility for the transaction costs, the Commission noted:

The Commission approves this request with some trepidation, however, as it continues to adhere to the principles of cost causation. We also expect cost reductions in other areas to offset at least a portion if not all of these transaction costs. While we have approved similar requests in the past, we are increasingly concerned that making all ratepayers bear the cost of transaction fees they might have otherwise avoided by using a different payment method is inconsistent with the principles of cost causation to which we adhere. In this particular case, we are willing to approve Suez’s

request because the projected cost to Suez for bearing the transaction costs is fairly small (and thus will not significantly affect rates), and because we have granted similar requests in the past. We continue to evaluate, however, whether socializing transaction costs is consistent with cost causation principles.

Order No. 34405 at 5.

Taking all the facts into account, including the guidance from Order No. 34405, the Company considered whether to eliminate the remaining transaction fees. In December 2019, the Company filed a letter explaining the results of its analysis. As stated in the letter:

Given this guidance from the Commission, Intermountain agrees that it is not in the best interest of its customers to socialize the remaining transaction fees. Intermountain is committed to continuing to pay the transaction fees for customers that pay their bill in-person through Western Union's Convenience Pay locations. This addresses the concern that convenience fees unfairly impact low-income and under-banked customers. Allowing customers to pay their bills in-person without incurring additional fees benefits all customers by encouraging timely payments and thus minimizing uncollectible expenses.

The remaining transaction fees, however, are for discretionary credit/debit card use to make bill payments over the phone or online, which is the most expensive payment option for Intermountain's customers. There are several payment options available to customers that do not incur additional fees for them or the Company, including paying online using a checking or savings account withdrawal or paying by mail.

Intermountain has observed that as other utilities removed the transaction fee for credit/debit card payment options, there has been a steady increase in the use of these payment options that incur a fee. This growth is driven in large part by customers that were previously using a fee-free payment option. In 2018, 72% of Intermountain's customers paid their bill using an electronic payment method. Of the 72% that used on electronic payment method, 4% incurred a transaction fee. If transaction fees for credit/debit card payments were

removed, Intermountain would expect to see a significant portion of its customers that pay electronically begin to use their credit cards as a way to take advantage of credit card opportunities for points or cash back. Removing the true cost of the payment option removes the incentive for customers to choose the least-cost bill payment option. Accurate cost signals will continue to help keep Intermountain's prices low for all customers.

Based on the above analysis, Intermountain does not plan on filing an application to request its customers bear the cost of the remaining credit/debit card transaction costs at this time.

Intermountain letter filed 12/13/19 in Case No. INT-G-18-01, attached as Exhibit 1.

Staff Comments note that “The Company has yet to submit a plan to eliminate convenience fees associated with debit and credit card transactions.” Staff Comments at 2. It is true that the Company has not submitted a plan to *eliminate* all convenience fees. But the Commission never directed the Company to submit such a plan—it directed the Company to “explore the possibility of removing these fees.” Order No. 33805. The Letter submitted in response to Order No. 33805, explains the Company's conclusions after it explored the possibility of removing the remaining transaction fees. It is not that the Company disregarded the Commission's order; the Company did as it was ordered to do. It just came to a different conclusion – based in part on the Commission's statement in Order No. 34405 – than Staff reaches in its comments in this case.

The Staff Comments make several statements in opposition to continuing accrual as a regulatory asset. Staff notes that, in recent years, customers have increased the use of credit and debit cards such that use of credit and debit cards is “routine.” Staff Comments at 3. Intermountain acknowledges that, in recent years, many retail outlets have chosen to roll the convenience fees into the cost of their products. However, Intermountain submits that many retailers make this choice, at least in part, for the convenience of their customers. Some retailers,

such as Winco, have chosen not to roll fees into their product prices in an effort to keep prices low for consumers. In addition, government agencies such as the Department of Motor Vehicles and the Idaho Department of Fish and Game, have decided to pass along to the customer any transaction fees that are incurred rather than increase prices or socialize the transaction fees by paying the costs with tax dollars. Accordingly, while usage of credit and debit cards has increased, cost-conscious private and public entities still recognize the high costs associated with these payment types, and either refuse to accept this high-cost form of payment or place the costs with the customer that selects that method of payment.

It should be noted that this proceeding does not address all fees for payment, such as credit and debit cards, but rather only the fees related to in-person payment. As such, Intermountain submits that the Commission does not have to—and should not—address the larger universe of transaction costs in this case. Intermountain offers these comments about the use of credit and debit cards only in response to Staff’s comments, which raise these issues although they are outside the issues raised in this proceeding.

3. Intermountain respectfully submits that the Western Union fees should continue to accrue as a regulatory asset until all issues surrounding convenience fees can be addressed in a general rate case.

For the reasons expressed above, and set forth in its application, Intermountain submits that the regulatory asset should continue to accrue and be collected through the PGA until all issues surrounding convenience fees can be addressed in a general rate case.

Staff Comments spent a considerable amount of time discussing the potential removal of credit and debit card transaction fees which are not at issue in this case. Staff, the City of Boise, and Intermountain all agree on the importance of the Company continuing to pay the fee for customers that pay their bills using a Western Union pay station. As previously discussed, this addresses the concern that convenience fees unfairly impact low-income and under-banked

customers by providing a method of payment that does not impose the fees back on consumers. At the same time, this solution avoids the problem of incenting customers to use high-cost payment methods when those costs could be avoided.

In light of all the circumstances, Intermountain submits that it is fair, just, and reasonable to extend the current treatment of costs associated with customer payment transactions handled by Western Union until all issues regarding transaction fees can be addressed in a general rate case.

Dated: April 29, 2021

GIVENS PURSLEY LLP



Preston N. Carter
Givens Pursley LLP
Attorneys for Intermountain Gas Company

CERTIFICATE OF SERVICE

I certify that on April 29, 2021, 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:

Commission Staff

Jan Noriyuki, Commission Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg. 8, Suite 201-A
Boise, ID 83714

Matt Hunter
Deputy Attorney General
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Preston N. Carter

EXHIBIT 1

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INTERMOUNTAIN GAS COMPANY

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IDAHO PUBLIC
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December 13, 2019

Ms. Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

RE: Idaho Public Utilities Commission Order No. 34099 (Case No. INT-G-18-01)

Dear Ms. Hanian:

Following a collaborative process with the Idaho Public Utilities Commission Staff, Intermountain began paying the Convenience Pay transaction fees for customers that pay their bills in-person through Western Union effective February 1, 2018. In Order No. 34099, issued on July 2, 2018 in Case No. INT-G-18-01 the Commission authorized Intermountain to create a regulatory asset to defer the costs associated with the Company payment of these in-person customer transactions. As part of that Order, the Commission encouraged the Company and Staff to “continue to collaborate on how to best address transaction fees”. *Id.* at 3

During the time that Staff and the Company were meeting on the remaining transaction fees, the Commission issued Order No. 34405 in Suez Water Idaho Inc’s Case No. SUZ-W-19-01. Although the Commission approved Suez’s request to assume responsibility for the transaction costs, they noted:

“The Commission approves this request with some trepidation, however, as it continues to adhere to the principles of cost causation. We also expect cost reductions in other areas to offset at least a portion if not all of these transaction costs. While we have approved similar requests in the past, we are increasingly concerned that making all ratepayers bear the cost of transaction fees they might have otherwise avoided by using a different payment method is inconsistent with the principles of cost causation to which we adhere. In this particular case, we are willing to approve Suez’s request because the projected cost to Suez for bearing the transaction costs is fairly small (and thus will not significantly affect rates), and because we have granted similar requests in the past. We continue to evaluate, however, whether socializing transaction costs is consistent with cost causation principles” *Id.* at 5

Given this guidance from the Commission, Intermountain agrees that it is not in the best interest of its customers to socialize the remaining transaction fees. Intermountain is committed to continuing to pay the transaction fees for customers that pay their bill in-person through Western Union’s

INTERMOUNTAIN GAS COMPANY

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Convenience Pay locations. This addresses the concern that convenience fees unfairly impact low-income and under-banked customers. Allowing customers to pay their bills in-person without incurring additional fees benefits all customers by encouraging timely payments and thus minimizing uncollectible expenses.

The remaining transaction fees, however, are for discretionary credit/debit card use to make bill payments over the phone or online, which is the most expensive payment option for Intermountain's customers. There are several payment options available to customers that do not incur additional fees for them or the Company, including paying online using a checking or savings account withdrawal or paying by mail.

Intermountain has observed that as other utilities removed the transaction fee for credit/debit card payment options, there has been a steady increase in the use of these payment options that incur a fee. This growth is driven in large part by customers that were previously using a fee-free payment option. In 2018, 72% of Intermountain's customers payed their bill using an electronic payment method. Of the 72% that used on electronic payment method, 4% incurred a transaction fee. If transaction fees for credit/debit card payments were removed, Intermountain would expect to see a significant portion of its customers that pay electronically begin to use their credit cards as a way to take advantage of credit card opportunities for points or cash back. Removing the true cost of the payment option removes the incentive for customers to choose the least-cost bill payment option. Accurate cost signals will continue to help keep Intermountain's prices low for all customers.

Based on the above analysis, Intermountain does not plan on filing an application to request its customers bear the cost of the remaining credit/debit card transaction costs at this time. However, as technology and market conditions change, the Company is committed to continue discussions with Staff on this issue. Should you have any questions, please don't hesitate to contact me at (208) 377-6015.

Sincerely,



Lori A. Blattner
Director, Regulatory Affairs
Intermountain Gas Company

Cc: Mark Chiles