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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF INTERMOUNTAIN GAS)
COMPANY'S APPLICATION FOR AN) CASE NO. INT-G-21-02
EXTENSION OF THE ACCOUNTING ORDER)
AUTHORIZING A REGULATORY ASSET FOR)
THE COSTS ASSOCIATED WITH CUSTOMER) COMMENTS OF THE
PAYMENT TRANSACTIONS HANDLED BY) COMMISSION STAFF
WESTERN UNION)**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Edward J. Jewell, Deputy Attorney General, and in response to the Notice of Modified Procedure issued in Order No. 34965 on March 19, 2021, in Case No. INT-G-21-02, submits the following comments.

BACKGROUND

On February 19, 2021, Intermountain Gas Company ("Company") requested 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. The Commission authorized the Company to defer costs into the regulatory asset for recovery in the Company's annual Purchase Gas Cost Adjustment ("PGA") mechanism beginning in 2019 until February 1, 2021, or until the Company files a general rate case, whichever comes first. The Company requested that the Application be processed by Modified Procedure and the effective date of the extension be retroactive to February 1, 2021.

The Company states that Order No. 34099 anticipated a general rate case prior to February 1, 2021 but did not anticipate the disruption caused by the worldwide Covid-19 pandemic. Application at 3. The Company further claims that due to the pandemic, 2020 revenues and expenses upon which a general rate case would be based are far from normal, and therefore the Company is not planning to file a general rate case based on a 2020 test year. *Id.* Due to these unforeseen circumstances, the Company is requesting an extension of Order No. 34099, which would allow the Company to continue to defer the costs associated with in-person customer pay station transactions handled by Western Union and to seek recovery of those costs in the PGA until such time the Company is able to file a general rate case.

STAFF REVIEW

Staff reviewed the Company's Application and recommends the Commission deny the Company's request for an extension of the regulatory asset to capture the costs associated with customer payment transactions handled by Western Union at authorized pay stations. Staff recommends the Company expense these costs in the period in which they are incurred, and recovery of any transaction costs should be embedded in base rates during the Company's next general case.

In INT-G-16-02, the Commission declined to implement Staff's free payment proposal because adequate cost estimates and benefit analyses were not provided. 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 38-39. The Company did not act on the Commission's encouragement in Order No. 33757.

On March 30, 2017, following a formal complaint by a customer who objected to the \$1.99 convenience fee charged to customers who use a debit or credit cards to pay their Intermountain Gas bill, a summons was issued to the Company initiating Case No. INT-G-17-02. In the ensuing Order No. 33805, the Commission directed the Company to meet with Staff within 60 days of the issue date of the Order (June 30, 2017) to discuss alternatives to convenience fees. As a result of those discussions, the Company filed an Application in Case No. INT-G-18-01 requesting an Accounting Order allowing the Company to pay, and defer, the costs associated with customer pay station transactions processed by Western Union. The Company has yet to submit a plan to eliminate convenience fees associated with debit and credit card transactions. In Order No. 34099, the Commission approved the Application and accepted the Company's

proposal that the deferral should expire in three years (February 1, 2021) or until such time as the Company files a general rate case, whichever comes first.

In its comments filed in Case No. INT-G-18-01, Staff expressed general support for the creation and deferral of a regulatory asset for future recovery if: (1) the expenses are beyond the Company's control; (2) mandated by a regulatory authority; and (3) significant enough in magnitude as to incur financial hardship for the Company. Staff further stated:

Staff does not believe that the Company's payment of transaction fees to Western Union would cause a significant financial burden to the Company and does not warrant deferral treatment. However, because Staff continues to work with the Company toward the elimination of all transaction fees, Staff believes creating a regulatory asset now for later recovery is a fair compromise.

Staff Comments, INT-G-18-01, at 6. The amount recorded to the regulatory asset and recovered in the PGA in 2019 was \$93,211. In 2020, an additional \$66,565 was deferred and recovered through the PGA. These amounts are on the lower end of the estimates provided by the Company in Case No. INT-G-18-01, and Staff maintains that they are not significant in magnitude as to cause financial hardship. On the Company's 2019 FERC Form 2, the Company reported net earnings of \$16,046,721. The amounts deferred in 2018-2020 are approximately 0.5% of the Company's net earnings.

Additionally, Staff's support for the creation of the regulatory asset in INT-G-18-01 was contingent upon the Company's efforts to eliminate transaction fees for its customers. Staff has not been provided any evidence that the Company has made any attempts to do so.

Industry Standards and Impact of Convenience Fees on Customers

In the past, the customers who used debit or credit cards to pay utility bills paid for the privilege of using such service. This was because debit and credit card use was viewed as a convenience rather than a necessity, and utility companies were reluctant to absorb the cost of handling these transactions.

However, in recent years, these past practices have changed. According to the 2019 Federal Reserve's Payment Study, there has been a significant growth in the use of debit and credit card for the payment of goods and services by consumers. This growth far exceeded the usage of the paper check, which used to be the commonly used non-cash payment system. Using a debit or credit card to pay for goods and services is now a routine practice, and most businesses

and service providers, especially in the retail sector, no longer charge convenience fees. As more customers come to rely on payment by debit and credit cards, they become frustrated by and object to paying an extra charge to pay utility bills using their preferred method.

More importantly, convenience fees have significant impact on society's most vulnerable population, including low-income individuals who struggle to meet the basic necessities of daily living. Many low-income people are unbanked, lacking access to a checking or savings account. While other low-income people are underbanked, relying on costly alternative financial services even though they may have a checking or savings account. Both unbanked and underbanked households rely on non-bank financial services for an array of products such as check cashing services, payday loans, tax refund advance loans, rent-to-own services, pawn shop loans and auto title loans, all of which charge high interest rates. They may use credit and prepaid debit cards to pay their bills. Unbanked households have limited options to avoid paying a convenience fee since most fee free payment options require readily available cash.

Staff acknowledges that all financial mediums for payment of utility services have transaction costs. These costs have always been a prudent cost of doing business. Staff believes it is inappropriate to charge some individuals for their method of payment, while embedding the costs associated with other methods into rates. Provided that the Company is prudent in its selection criteria of a third-party vendor and minimizes its costs, the transaction costs associated with receiving payment for services should be included in base rates.

CUSTOMER COMMENTS

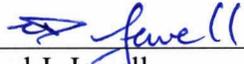
The City of Boise was the only customer to file comments in this case. The City supports Intermountain Gas's application for continued deferral of Western Union customer payment transactions costs granted in Order No. 34099. The City cited concerns about the increase in unbanked and underbanked customers relying on costly alternative financial services and the unprecedented economic situation due to COVID-19. The City recommended that in-person bill payments at Western Union pay stations continue uninterrupted until costs can be assessed during Intermountain Gas's next rate case.

STAFF RECOMMENDATIONS

Staff recommends the Commission deny the Company's Application and beginning February 1, 2021, order the Company to expense the Western Union transaction fees in the

period in which they are incurred. Similar to other operating costs, the Company can request to recover costs associated with processing Western Union customer payment transactions in its next general rate case.

Respectfully submitted this 15th day of April 2021.



Edward J. Jewell
Deputy Attorney General

Technical Staff: Johan Kalala-Kasanda
Kevin Keyt
Curtis Thaden

i:umisc/comments/intg21.2ejkkkct comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15th DAY OF APRIL 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-21-02, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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