

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF INTERMOUNTAIN ) CASE NO. INT-G-22-07**  
**GAS COMPANY’S APPLICATION FOR )**  
**AUTHORITY TO INCREASE ITS RATES )**  
**AND CHARGES FOR NATURAL GAS ) ORDER NO. 35836**  
**SERVICE IN THE STATE OF IDAHO )**  
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On December 1, 2022, Intermountain Gas Company (“Intermountain Gas” or “Company”), applied to the Idaho Public Utilities Commission (“Commission”) for authority to increase its rates and charges for natural gas service in the State of Idaho effective January 1, 2023. Application at 1. The Company’s current base rates and charges were approved by the Commission in Case No. INT-G-16-02 and thereafter decreased in Case No. GNR-U-18-01.<sup>1</sup> *Id.* at 3. The Company requested to increase the revenue collected through base rates by approximately \$11.3 million, representing a marginal revenue increase of 10.3 percent, or an overall revenue increase of 3.2 percent, and a 7.37 percent rate of return. *Id.* Overall, if approved, the Company asserted the average residential customer’s bill would increase by \$2.19 per month, or 4.41 percent, and the average commercial customer’s bill would increase by about \$3.43, or 1.5 percent. *See* Attachment 2 to the Application. The Company also proposed to increase the minimum monthly customer charge for several customer classes. *See* Exhibits 5 and 6 attached to the Direct Testimony of Lori A. Blattner.

On December 21, 2022, the Commission issued a Notice of Application, Notice of Suspension of Proposed Effective Date, and Notice of Intervention Deadline. Order No. 35640. Alliance of Western Energy Consumers (“AWEC”), Idaho Conservation League (“ICL”), and the City of Boise City (“Boise City”) (collectively “Intervenors”) intervened. Order Nos. 35632, 35653, and 35664.

On March 6, 2023, the Commission issued Order No. 35697 setting dates for public workshops and testimony deadlines.

On March 30-31, 2023, the Company, Intervenors, and Commission Staff (“Staff”), (collectively, “Parties”) participated in settlement negotiations and reached a proposed settlement agreement in principle.

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<sup>1</sup> Case No. GNR-U-18-01 was a generic docket to investigate the impact of the 2017 Tax Cuts and Jobs Act on Commission regulated utilities.

On April 3, 2023, Joint Notice of Settlement and Motion to Amend Scheduling Order was filed notifying the Commission of a proposed settlement and requesting several procedural adjustments to the schedule previously set for the case. The Commission vacated the existing deadlines for Staff and Intervenor testimony and deferred setting a procedural schedule until a proposed settlement was filed for the Commission’s review. Order No. 35746.

On May 4, 2023, the Company filed the proposed Settlement and Stipulation (“Settlement”), signed by the Company, Staff, AWEC, and ICL (“Signing Parties”).

The Commission set a May 17, 2023, deadline for Parties to file testimony in support of the proposed Settlement; a June 5, 2023, Customer Hearing; and a June 8, 2023, Technical Hearing and public comment deadline. Order No. 35780.

## **TERMS OF THE STIPULATION AND THE SETTLEMENT**

### ***1. Overview of Settlement and Revenue Requirement***

The proposed Settlement provides the Company with a \$3.05 million increase in its revenue requirement, reflecting an overall base rate increase of approximately 2.75 percent. Settlement at 3. The revenue requirement components include (1) a 9.5 percent Return on Equity; (2) a total rate base of \$385,288,577; and (3) amortization of rate case expenses of \$449,635, over a period of five years. *Id.*; *see also* Exhibit No. 1 to the Settlement. If the proposed Settlement is approved as filed, the average residential customer’s bill would increase by \$0.70 per month, or 1.21 percent, and the average commercial customer’s bill would increase by about \$0.96 or 0.35 percent. Exhibit No. 3 to the Settlement.

### ***2. Components of Revenue Requirement***

The proposed Settlement includes rate base reductions of \$17,580 for the renewable natural gas projects; \$50,679 for the Cloverdale Project; and \$197,715 for the Burley Land project (which will be moved to Account 121–Non-utility Property until it becomes used and useful). Settlement at 3.

### ***3. Cost of Service, Rate Design and Rate Spread***

The proposed Settlement agrees to an updated cost of service, rate design, and rate spread, including a \$8.00 monthly basic charge for residential customers<sup>2</sup> and updated customer and demand charges for the remaining classes. *Id.* at 3-4. The Signing Parties agree the rate design and

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<sup>2</sup> “The distribution rate will decrease as a result of increased recovery from the customer charge.” *Id.* at 3.

tariff charges will be consistent with the Company's agreed-upon revenue allocation in Exhibits 2 through 4 of the Settlement. *Id.*

#### **4. *Billing Determinants***

The Settlement incorporates the billing determinants as proposed by the Company in its Application and Testimony. *Id.* at 4.

#### **5. *Information Expected for the Company's Next General Rate Case***

For its next general rate case, Intermountain Gas agrees to provide information about the allocation of costs and expenses from its parent company, including testimony documenting and describing the methods used to allocate expense to the Company from its parent company or from any other affiliate. Prior to filing, Intermountain Gas and Staff agree to meet and discuss protocols for providing information about the Company's parent company, or any affiliate, as provided by *Idaho Code* § 61-610(1).

#### **6. *Agreed Upon Workshops***

Prior to filing its next general rate case, the Company and Staff agree to hold a workshop on methods for weather normalization.

#### **7. *The Company's Proposals for In-Person Pay Station Transaction Fees and Non-Utility Liquified Natural Gas Sales Credits***

The Signing Parties agree to accept the Company's position on in-person pay station transaction fees and non-utility liquified natural gas ("LNG") sales credits, as set forth in the Application and Testimony.

### **TESTIMONY AND COMMENTS OF PARTIES**

Intermountain Gas, Staff, and AWEC filed testimony supporting the Settlement.

#### **A. *Intermountain Gas Testimony***

Lori A. Blattner, Director of Regulatory Affairs for the Company, testified that, under the terms of the Settlement, Intermountain Gas would have a \$3.05 million increase to its revenue requirement, which is a marginal revenue increase of around 2.75 percent and an overall revenue increase of 0.73 percent, and a return on equity of 9.5 percent, effective on July 1, 2023. *See* Direct Testimony of Lori Blattner at 3. The Parties agreed to a five-year amortization of this proceeding's rate case and certain items from the 2017 rate case. *Id.*

Ms. Blattner stated the Settlement terms increased the monthly customer charge for residential customers to \$8.00 per month, with a decrease to the distribution rate. *Id.* The Company

describes the changes to the customer and demand charges in Exhibit 3 of the Settlement. *Id.*; *see also* Exhibit 3 to the Settlement. Ms. Blattner testified that the Signing Parties agreed to the Company's proposed billing determinants from its Application and Testimony. Direct Testimony of Lori Blattner at 3. The Company testified its in-person pay station transaction fees and non-utility sales credits, as described in its Application and Testimony, were accepted by the Signing Parties. *Id.*

Ms. Blattner stated the Company agreed to meet with Staff to discuss providing information for the Company's affiliates, including allocation factors of costs from its parent company and affiliates, prior to its next general rate case. *Id.* at 3-4. The Company agreed to a workshop on the weather normalization method for the next general rate case. *Id.* at 4.

### ***B. Staff Testimony***

Michael Louis, testifying on behalf of Staff in support of the Settlement, believed the proposed Settlement reflects a thoughtful alternative to a fully litigated technical hearing and, "is in the public interest, is fair, just, and reasonable; and should be approved by the Commission." *See* Direct Testimony of Michael Louis at 1-2.

Mr. Louis' testimony provided background on the Company's Application, the 2022 test year estimates with updated actuals, the Company's cost-of-service study ("COSS"), and the proposed monthly customer charges for Residential, Interruptible Residential Customer, General Service Customers; Interruptible General Service Customer, Large Volume and firm Transport Service Customers and Interruptible Transport Customers. *Id.* at 3-4. Mr. Louis stated the Company's proposed rate block threshold changes for Large Volume Customers correspond with historical usage patterns. *Id.* Mr. Louis stated that Staff and the Company met prior to the filing of this rate case to resolve identified issues with modeling of normalized consumption from the Company's last general rate case, and the Company resolved most of the issues in its Application. *Id.* at 12. Staff proposed a workshop on weather normalization after this case has concluded for additional improvements and accuracy. *Id.*

Mr. Louis testified that Staff identified adjustments to the Company's revenue requirement request and recommended adjustments to the amount and allocation of the revenue requirement and the rate design. *Id.* at 4-5. Mr. Louis stated the Parties' negotiations resulted in changes to the Company's proposal which are reflected in the proposed Settlement. *Id.* at 7.

Mr. Louis testified that the proposed Settlement reflects \$8.25 million in adjustments to the Company's initially proposed increase. *Id.* at 8-9. Mr. Louis stated the proposed Settlement's 9.5 percent return on equity ("ROE") "is a reduction of 80 basis points from the Company's proposed 10.3% ROE." *Id.* at 9. Mr. Louis noted that Staff agreed the overall Settlement was reasonable, and the "overall agreement was as good or better than what could be expected by fully litigating the case" and all intervening parties "agreed to support or not oppose the Settlement." *Id.* at 8.

Staff supported the Settlement's class allocation of the revenue requirement, as it moves toward the cost-of-service for the classes, and is reasonable because (1) the Application's COSS was based on a recent load study; (2) the COSS used accepted methods for assigning costs for each customer class to determine an equitable share; and (3) there was a balance between "making movements towards each class's cost of service while maintaining the Commission's past values of gradualism when changing rates." *Id.* at 13.

Mr. Louis also testified that the Settlement's changes to rate design were reasonable as customer charges should be based on fixed costs. *Id.* at 14. Although Mr. Louis acknowledged concerns that increasing the fixed customer charge could reduce energy efficiency incentives, he reasoned that these concerns are not as relevant to the Company's bifurcated rate structure and its recovery of short-term variable costs through the Purchased Gas Adjustment ("PGA") filing. *Id.* Mr. Louis testified that the increased customer charge benefits the Company by providing stable recovery throughout the year. *Id.* at 15. Mr. Louis explained Staff's support of changes to the Large Volume Customer rate block thresholds as reasonable because the new rate block thresholds reflect the class's current usage patterns; the current iteration of block thresholds are "irrelevant since none of the Large Volume Customers approach the threshold amounts in the current rate blocks . . . [.]" *Id.* at 15.

As for the remaining issues, Mr. Louis described the need to improve access to cost information and allocation for the parent company and its affiliates. *Id.* at 15-16. For the in-person pay station transaction fees, Mr. Louis opined it was reasonable to "embed in-person payment transaction fees in base rates in this filing and collect deferred fees from October 1, 2022, through February 1, 2023, through the PGA filing." *Id.* at 16. After reviewing the workpapers, Mr. Louis thought the adjustments to credit amount for LNG off-system sales were reasonable and protects

the Company's core customers by providing adequate recovery for costs caused by non-utility LNG customers. *Id.* at 16-17.

### **C. AWEC Testimony**

AWEC filed the testimony of Bradley G. Mullins in support of the Settlement. Mr. Mullins testified AWEC participated in settlement negotiations, and its revenue requirement proposal was provided for consideration. Settlement Testimony of Bradley G. Mullins at 2-3. Mr. Mullins summarized the Settlement's terms, and testified the Settlement included many of AWEC's adjustments and positions. Mullins at 1-2; 6-7.

For the agreed upon 9.5 percent ROE, Mr. Mullins testified the ROE results in fair, just, and reasonable rates in the overall context of the Settlement and considering factors unique to the Company. *Id.* at 5. Mr. Mullins also testified the Settlement's rate spread was a "more gradual shift towards parity" but acceptable given the challenge of high energy costs for all customers and the need to compromise. *Id.* at 5-6. Mr. Mullins testified the compromises, including decreasing the Company's proposed revenue requirement by around \$8.2 million from the initial filing, resulted in a Settlement that is in the public interest. *Id.* at 7.

Mr. Mullins testified that AWEC had concerns with "cross company cost allocations" and that the Settlement terms address these concerns by directing the Company to provide further information about the Company's cost allocation in its next general rate case. *Id.* at 6.

Mr. Mullins recommended the Settlement as a reasonable compromise of the issues involved and recommended approval of the Settlement without modification. *Id.* at 1-2; 6-8.

### **PUBLIC COMMENTS AND TESTIMONY**

There were eleven written public comments submitted and all opposed a rate increase. Customers described cost and inflation concerns, and some questioned whether the current commodity prices justified the requested increase. Two customers testified at the customer hearing—both customers shared concerns with the cost of their bills.

### **COMMISSION FINDINGS AND DECISION**

The Company is a gas corporation and public utility, and the Commission has jurisdiction over it and the issues in this case under Title 61 of the *Idaho Code*, and more specifically, *Idaho Code* §§ 61-117, 61-129, 61-307, 61-501, and 61-502. The Commission has the express statutory authority to investigate rates, charges, rules, regulations, practices, and contracts of public utilities

and to determine whether they are just, reasonable, preferential or discriminatory, or in violation of any provision of law, and may fix the same by Order. *Idaho Code* § 61-502 and 61-503.

The Commission's process for considering settlement stipulations is set forth in its Rules of Procedure 271-277, IDAPA 31.01.01.271-277. When a settlement is presented to the Commission, it "will prescribe the procedures appropriate to the nature of the settlement to consider the settlement." IDAPA 31.01.01.274. Here, the Commission convened both a technical hearing and customer hearing on the Settlement. IDAPA 31.01.01.274. Proponents of a proposed settlement must show "that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." IDAPA 31.01.01.275. Finally, the Commission is not bound by settlement agreements. IDAPA 31.01.01.276. Instead, the Commission "will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." *Id.*

The Commission has reviewed the record, including the Application, Settlement, testimony, and comments. The Parties built a detailed record through discovery, filings, negotiations, and participation in hearings setting forth their respective justifications for signing and supporting the Settlement. The Settlement incorporates input from different stakeholders and customers, and we appreciate the testimony filed in support of the Settlement. We appreciate and value the energy and investment the Parties invested in preparing the Settlement in this case.

The Settlement balances customers' desires for a smaller rate increase and provides the Company an opportunity to recover the costs it incurs to provide service to customers and to earn a fair rate of return. The Settlement reduces the Company's requested rate increase from \$11.3 million to \$3.05 million, a 2.75 percent increase. The Settlement also provides the Company the opportunity to earn an ROE of 9.5 percent opposed to the 10.3 percent it requested. We believe this allows the Company to operate sustainably while protecting customers from a large rate increase. The Settlement is a gradual, responsible approach to costs and rate design, while balancing the unique circumstances of the Company and the challenges that higher energy costs pose for customers. After reviewing the record, the Commission finds the Settlement is fair, just, and reasonable, in the public interest, and we approve it.

**ORDER**

IT IS HEREBY ORDERED that the Settlement is approved, as filed, effective July 1, 2023.

IT IS FURTHER ORDERED that prior to the filing of its next general rate case, Intermountain Gas and Staff will meet and discuss protocols for providing information about the Company's parent company, or any affiliate, as discussed in the Settlement.

IT IS FURTHER ORDERED that prior to filing its next general rate case, the Company and Staff agree to hold a workshop on methods for weather normalization.

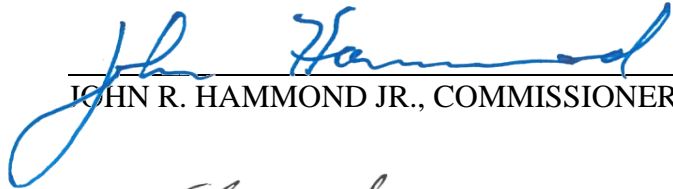
IT IS FURTHER ORDERED that the Company's position on in-person pay station transaction fees and non-utility liquified natural gas sales credits, is accepted.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30<sup>th</sup> day of June, 2023.



ERIC ANDERSON, PRESIDENT

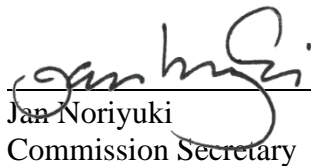


JOHN R. HAMMOND JR., COMMISSIONER



EDWARD LODGE, COMMISSIONER

ATTEST:

  
Jan Noriyuki  
Commission Secretary

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