Office of the Secretary
Service Date
August 15, 2023

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR AUTHORITY TO UPDATE THE RENEWABLE NATURAL GAS FACILIATION PLAN	**CASE NO. INT-G-23-03** **ORDER NO. 35891**

On June 9, 2023, Intermountain Gas Company ("Intermountain" or "Company") applied to the Commission for authority to modify its Renewable Natural Gas ("RNG") Facilitation Plan in three ways: (1) by instituting a new maintenance fee applicable to RNG producers requiring facilities to export natural gas to an interstate pipeline; (2) by establishing a method for calculating monthly access fees; and (3) by clarifying that the Interruptible Distribution Transportation Service ("Schedule T-3") tariff rate will apply to the transport of RNG using the Company's distribution system to any interconnection point with Northwest Pipeline. The Company's application included several supporting exhibits and requested an effective date of July 1, 2023.

On June 28, 2023, the Commission issued a Notice of Application and Modified Procedure and Notice of Suspension of Proposed Effective Date, setting a July 1, 2023 comment deadline and an August 2, 2023, reply comment deadline. Order No. 35830. In Order No. 35830 the Commission also suspended the Company's proposed effective date until September 1, 2023, unless an earlier order issued. Commission Staff, the Company, and Shell USA filed comments. No other comments were received.

The Commission now issues this Order approving the Company's Application as discussed below.

BACKGROUND

In Case No. INT-G-20-03, the Commission granted the Company authority to facilitate RNG producers accessing the Company's distribution system. Order No. 34693. The Company's approved Facilitation Plan includes monthly fees—consisting of a monthly maintenance fee and monthly access fee. The Company anticipated annual updates to the maintenance fee to ensure RNG producers cover necessary costs for operating and maintaining required RNG facilities while the intent of the access fee was to provide a return to the Company as non-utility revenue. Despite approving monthly fees for RNG producers that include an access fee component, the final order in Case No. INT-G-20-03 did not set the amount of the access fee or adopt a method for calculating it.

Since approval and implementation of the Facilitation Plan, the Company has received requests from RNG producers to access interstate markets using the Northwest Pipeline. According to the Company, facilitating these requests requires a new compressor station and related facilities. In its Application, the Company seeks to defray these costs and obtain a rate of return for delivering RNG to interstate markets via the Company's distribution system while insulating general retail customers from the costs of transporting RNG. Because RNG producers have expressed interest in accessing the interstate markets, the Company indicated it plans to apply to the Federal Energy Regulatory Commission ("FERC") for authorization to transport RNG across state lines following a final order in this case.

THE APPLICATION

I. Access Fee Methodology

As stated, the Company's approved Facilitation Plan authorizes the imposition of a monthly access fee without fixing the amount of the fee or a method for its calculation. The Company's proposed method for calculating the access fee focuses on Return on Equity ("ROE") value. The proposed method compares the ROE calculated under FERC methodology[1] and the ROE derived from a utility ROE method to get a risk premium percentage. The risk premium would be multiplied by the cost of an RNG facility to determine a risk factor amount, which is then grossed-up for any applicable charges to determine the access charge. In its Application, the Company used an ROE from recent FERC Staff testimony[2] for the FERC methodology ROE and the 9.5 percent ROE from the Stipulated Settlement of its current general rate case[3] for the utility ROE, generating a proposed access charge of $8,000 a month.

II. Export Facility Maintenance Fee

Currently, RNG producers deliver RNG to a point in the Company's distribution system, and it is consumed in Idaho. To insulate the Company's retail utility customers in Idaho from the costs of facilitating requests to transport RNG to the Northwest Pipeline, the Company seeks to expand the existing Facilitation Plan with an additional Export Facility Maintenance Fee

[1] *See* FERC Docket No. PL19-4-000, issued May 21, 2020.
[2] *See* FERC Docket No. RP22-1033-000, FERC Staff Witness Alexander Gill, p. 7.
[3] *See* Stipulation and Settlement submitted May 4, 2023, Case No. INT-G-22-07.

("EFMF") for certain RNG producers. Specifically, the Company proposes imposing an EFMF of $5,400 upon only RNG producers located in areas within the Company's distribution system where retail load is insufficient to absorb produced RNG. The EFMF will be charged in addition to Maintenance, Access, Startup and Extraordinary Operation & Maintenance fees that RNG producers already pay.

The proposed EFMF would be updated annually to recover the actual cost from the previous twelve months using a method like that used to update the maintenance fee that RNG producers already pay. The proposed update methodology would divide the total expenses incurred in operating export facilities over a given twelve-month period by twelve to determine the next year's monthly EFMF. The new EFMF would be subject to an adjustment up or down equal the average difference between the actual expenses incurred operating Export Facilities and the revenue generated by the EFMF over the same period. The Company proposed calculating the new EFMF based upon expenses and revenue generated between September 1st and August 31st with the new EFMF taking effect October 1st of each year.

III. Schedule T-3 Tariff Rate

End-use customers pay a tariffed distribution rate for any RNG consumed on the Company's system. However, the Facilitation Plan approved in Case No. INT-G-20-03 does not include provisions allowing the Company to charge RNG producers a tariffed rate for using the Company's system to transport RNG to the Northwest Pipeline. The Company sought to revise its Rate Schedule T-3 so that gas produced at an RNG facility and exported to the Northwest Pipeline is assessed at Rate Schedule T-3 monthly rates. Revenue generated from RNG producers paying this tariff rate will be treated as an offsetting revenue credit in the Company's next general rate case.

IV. Income Tax Gross Up

In Case No. INT-G-20-03, the Commission issued the Company a limited waiver to Order No. 21933, which prohibits the Company from grossing up a Contribution in Aid of Construction ("CIAC") to cover the additional income tax generated by CIAC payments from RNG producers. The income tax gross up is booked as utility revenue to offset additional income tax from CIAC revenue and avert financial impact to utility customers. The Company proposes continuing this treatment of CIAC revenue and extending it to CIAC payments related to export facilities required to inject RNG into the Northwest Pipeline.

STAFF COMMENTS

Staff's major objectives in reviewing the Company's proposed modifications to the Facilitation Plan were protecting the Company's retail customers and ensuring RNG producers cover the cost of transporting RNG. Staff Comments at 3. Based upon a review of the Company's Application and discovery responses and independent research, Staff concluded the Company's proposed modifications would protect core retail customers by ensuring that RNG producers would cover all production and transport costs related to gas they produce.

However, Staff did express concern regarding a proposed revision of Schedule T-3. Despite generally supporting application of Schedule T-3 tariff rates to RNG producers exporting gas to the Northwest Pipeline, Staff expressed concern with proposed language related to an annual minimum bill for RNG production facilities proposed in the Company's Application. The proposed change to Schedule T-3 indicated that "[a]n annual minimum bill may not apply if the customer is a renewable natural gas production facility . . . ." *See* Application Exhibit No. 4. In response to Staff's Production Request No. 12, inquiring when the minimum bill would apply, the Company proposed modifying the language to indicate that "[a]n annual minimum bill may not apply if the customer is a renewable natural gas production facility." Staff supported the Company's proposed update to Schedule T-3 but recommended the use of the language proposed in the Company's response to Production Request No. 12 as Staff believed no minimum bill for RNG facilities is reasonable as such facilities are covering their system costs through other charges and fees. With the recommended revision to Schedule T-3, Staff concluded the Company's proposed modifications to the Facilitation Plan were reasonable.

COMMISSION FINDINGS AND DECISION

The Commission has jurisdiction over this matter under *Idaho Code* § 61-501. The Commission has broad authority to regulate the practices and operations of public utilities and may prescribe rules and regulations. *Idaho Code* §§ 61-501 and 61-507. Notably, the Commission is authorized to set quality, safety, and service standards, and may regulate a public utility's accounting practices. *Idaho Code* §§ 61-520 and 61-524. The Company is a Commission-regulated public utility under *Idaho Code* § 61-129 and a gas corporation under *Idaho Code* § 61-117. As a public utility, the Company must provide service that is "in all respects adequate, efficient, just and reasonable," and at rates that are just and reasonable. *See Idaho Code* §§ 61-301 and 61-302.

The Commission has reviewed the record, including the Application and the comments of Staff, the Company, and the Shell USA. We find the Company's proposed modifications to the Facilitation Plan with Staff's recommended language to the Schedule T-3 tariff reasonable. The Company's proposed updates to the Facilitation Plan adequately address how the Company intends to insulate utility customers from risks associated with facilitating the requests of RNG producers to access the Northwest Pipeline. We are confident the updated Facilitation Plan's proposed fees and accounting mechanisms are structured to protect retail utility customers from bearing the cost of RNG producer access to the Northwest Pipeline. Likewise, the Company has acceptable standards for ensuring the continued quality and safety of its utility service.

We also find it reasonable to allow the Company to gross up CIAC payments from RNG producers to cover the income tax generated by such payments, including those made for export facilities delivering RNG to the Northwest Pipeline. The income tax liability from a CIAC payment should be borne by the RNG producer, not utility customers. Therefore, the limited waiver of Order No. 21933 granted in Order No. 34693 for purposes of grossing upon CIAC payments for RNG production is continued and extended to cover CIAC payments made for export facilities required to deliver RNG to the Northwest Pipeline.

The fast-growing RNG market remains a phenomenon sustained by the incentives and policies of numerous states. We continue to believe the Company's RNG Facilitation Plan satisfactorily protects Intermountain and its utility customers from sudden shifts in the RNG production industry which may occur as the new industry matures. Therefore, we direct Intermountain to continue conforming future RNG producer contracts to its Facilitation Plan.

ORDER

IT IS HEREBY ORDERED that the Company's request for authority to update its RNG Facilitation Plan is approved as described above, effective on the service date upon this Order.

IT IS FURTHER ORDERED that the Company is authorized to update the Schedule T-3 tariff rate as proposed in its Application with Staff's additional recommended language.

IT IS FURTHER ORDERED that the Company shall submit a compliance filing with the updated language to Schedule T-3 within 14 days of receiving final tariff sheets in the Company's most recent general rates case (Case No. INT-G-22-07).

IT IS FURTHER ORDERED that the Company shall gross up each CIAC payment from RNG producers, including those made for export facilities necessary to transport RNG to the Northwest Pipeline, to cover the income tax generated by the CIAC payment.

IT IS FURTHER ORDERED that the Company shall make all future RNG producer contracts consistent with its updated Facilitation Plan. This directive also applies to renewals of RNG producer contracts already in effect.

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 about 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 15th day of August 2023.

ERIC ANDERSON, PRESIDENT

JOHN R. HAMMOND, COMMISSIONER

EDWARD LODGE, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

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