

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

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IDAHO PUBLIC
UTILITIES COMMISSION

December 19, 2008

Ms. Jean Jewell
Idaho Public Utilities Commission
472 W. Washington Street
P.O. Box 83720
Boise, ID 83720-0074

RE: Reply Comments
Case No. GNR-U-08-1

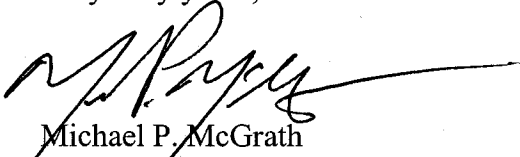
Dear Ms. Jewell:

Enclosed for filing with this Commission are an original and seven (7) copies of Intermountain Gas Company's Reply Comments in Case No. GNR-U-08-1.

Please acknowledge receipt of this filing by stamping and returning a copy of this Application cover letter to us.

If you have any questions or require additional information regarding the attached, please contact me at 377-6168

Very truly yours,


Michael P. McGrath
Director
Gas Supply and Regulatory Affairs

CC: K. F. Morehouse
E. N Book
S. W. Madison

MPM/sc

The Staff of the Idaho Public Utilities has provided a forum, through its Energy Affordability Workshops, to discuss issues germane to "energy affordability" in Idaho. Intermountain welcomed the opportunity to review and discuss many issues applicable to energy affordability during these workshops and, in that regard, does hereby submit for consideration by the Commission several key issues and Company Responses. Intermountain believes are important to the subject of energy affordability.

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Managing Intermountain's energy affordability is fundamental in helping to ensure a quality low cost service to our customers and, in that regard, Intermountain wishes to share with the Commission some of its basic philosophy regarding energy affordability.

The cornerstone of Intermountain's credit and collection philosophy, and ultimately the building block of its credit management policies, is that every customer is and must be accountable for paying their bill in a responsible and timely manner. Intermountain believes the best utilization of its credit and collection resources is to focus on facilitating and assisting those customers who intend to pay their bill but who require some additional assistance and help to do so. Working within the guidelines of the Commission's rules and regulations governing customer relations, Intermountain continues to use its available credit and collection resources in a manner that includes facilitating and accommodating those customers who wish to pay their bill but need additional assistance to do so. Intermountain is finding, however, that its staff is increasingly devoting a larger proportion of their time to customers who have no intention of paying their bill, thereby distracting from our focus in working with customers that request and require additional bill paying accommodations.

Intermountain contends that the strict application of strong credit and collection rules and policies when applied in a customary and businesslike manner, are the key ingredients in resolving unacceptably high levels of credit write-offs. Further, Intermountain believes that a key driver of a higher than acceptable level of write-offs are customers who simply choose not to pay (vs. those that have difficulty paying) for the services they receive. It is the vast majority of customers who faithfully pay for their services who ultimately lose and have to pay for those customers who choose not to pay, or have been granted the privilege of not paying.

Intermountain believes that if discussions and follow-on resolutions can be achieved with the Staff pertaining to energy affordability matters those discussion should 1) help Intermountain regain and realign its focus in working with those customers who choose to pay their bill, but require additional accommodations to do so and, 2) appreciably mitigate the level of uncollectible accounts thereby lessening the cross-subsidies born by the remaining bill paying customers.

Staff believes that a LIRAP program would be beneficial for Idaho low-income utility customers. Staff recommends that the Commission support legislation to allow it to consider adoption of such a program.

Company Response –

As stated on page v. of the NARUC Natural Gas Information Tool Kit “Subsidies, for example, can harm the financial condition of a utility or raise rates to most consumers, lead to economic inefficiencies, and encourage subsidized consumers to overuse natural gas. Experiences with subsidies across a wide array of sectors have shown that they tend to continue even when conditions change and the need for the subsidies no longer exists.” If LIRAP legislation were to occur, Intermountain believes that any such legislation should recognize and acknowledge the need for cross-subsidization from the remaining other customer classes, by way of higher utility bills, in order to support, or subsidize, the lower rates for the newly designed low-income customer class.

Staff encourages all utilities to increase awareness of and funding for nonprofit fuel funds.

Company Response –

Intermountain Gas Company believes it is meeting its corporate responsibility in this area. Intermountain currently distributes six (6) separate bill inserts each year which are relevant to the above. In the past, the Intermountain Industries Foundation has provided funding each year to both Project Share and Project Warmth. Intermountain has promoted a bill program whereby customers can pledge dollars on their monthly statements for the separate fuel funds Project Share, Project Warmth and Keep Kids Warm, along with administrative support. Intermountain partners with SEICCA each July to raise awareness and funds for the Project Warmth program. Intermountain started a partnership with KIZN Radio in 2007 and continued in 2008 to promote the Keep Kids Warm fund thru an auction held each December. Intermountain provides media coverage for these funds several times a year, including our most recent Season of Hope campaign with Channel 7 and Idaho Power, started in December 2007.

Staff recommends that a dialogue be initiated with Idaho's Congressional delegation regarding increased awareness of LIHEAP's value and the critical need for additional program funding. Staff also recommends that the utilities, Commission Staff, and other interested parties partner with CAPAI to identify ways in which to further leverage existing federal LIHEAP funding.

Company Response –

Intermountain Gas Company supports this recommendation and would like to point out that it has, and will be, an active participant in supporting the need for increased LIHEAP funding.

Staff recommends that additional funding for weatherization and energy conservation education programs be addressed in future rate cases. Staff recommends that utilities develop energy conservation education programs targeted to low-income customers. Staff further recommends that utilities examine their incentive programs regarding higher efficiency appliances, including consideration of no interest/low interest loans for customers to purchase higher efficiency

appliances and encourage the Northwest Energy Efficiency Alliance to include multi-family and manufactured homes in the Energy Star Home Program.

Company Response -

Intermountain is presently exploring ideas and programs for low income weatherization for customers who may not have the means to manage such weatherization on their own. Intermountain is slated to have a list of potential programs and/or activities by March 2009. Many weatherization measures are low in initial cost and can pay for themselves in savings on the energy bills in just a few short months. Several ideas and suggestions are listed on the Intermountain Gas website and most of Intermountain's media commercials discuss ways to conserve energy and use it wisely. Intermountain has not included no/low-interest financing in that listing since we had done that in the past, and had terminated those financing programs for lack of use. But, Intermountain would consider renewing such a loan program for high-efficiency gas appliances.

As part of consumer outreach in the wake of the Fall 2008 price increases, Intermountain's field personnel in Boise, Nampa, Twin Falls, Hailey, Pocatello, and Idaho Falls have made over 75 presentations to various groups regarding natural gas pricing and efficiency/conservation measures and practices. The groups have included HVAC dealer organizations, builder associations, Community Action Agencies, Civic Groups, Chambers of Commerce, Municipal Offices, and ISU classes.

Staff encourages utilities to actively advocate for adoption and implementation of energy efficient construction standards, including provisions for single family rental, multifamily, and manufactured homes.

Company Response -

Intermountain Gas Company has been an Energy Star Partner since 2007. Intermountain encourages, promotes, and supports high building and energy efficient standards in all construction. In 2008, Intermountain received the ENERGY STAR for Homes Leadership in Housing Award presented by the U.S. Environmental Protection Agency for sponsoring more than 250 ENERGY STAR qualified homes. We support and encourage minimum ENERGY STAR standards in all residential living units including multi-family.

Staff recommends that utilities and the Commission consider tiered rates for residential customers within the context of future rate cases.

Company Response -

Intermountain Gas Company believes that tiered rates, as they pertain to higher prices for each increment of usage, are applicable in helping to avoid, or otherwise delay, the construction of incremental electric generation but have limited benefits in the natural gas industry. Tiered rates would also serve to further exacerbate the ability of low-income customers to pay their natural gas utility bill.

Staff recommends that utilities offer more flexibility in negotiating payment arrangements. Staff further recommends that Staff and utilities further investigate payment arrangement alternatives.

Company Response -

Intermountain Gas Company believes payment plans should be set in order to repay arrears in a timely manner and foster on-time payment of future bills. When negotiating payment arrangements, the Company strives to enter into mutually beneficial plan that meets the needs of the customer, while examining factors such as recent payment history, time on service and the amount owed.

Staff recommends more investigation and discussion among all interested parties regarding how convenience fees can be eliminated or reduced.

Company Response -

Responding to a growing demand for convenience, Intermountain Gas Company has expanded several locales and methods whereby customers can make monthly natural gas bill payments. Many of these payment methods are administered by third parties who assess a convenience fee as part of that particular payment vehicle. These fees are directly collected by the vendor and Intermountain receives no additional funds as a result of these payments. Several low cost and no cost payment options remain for customers that are concerned with the cost of the associated convenience fee.

Staff recommends more investigation and discussion among all interested parties regarding the circumstances, if any, under which reconnection and interest charges could be eliminated.

Company Response -

Intermountain Gas Company believes reconnection fees and late interest charges are a fundamental aspect of the billing process in helping to promote responsible payment habits. Reconnection fees help recover costs incurred by the utility in order to restore service. If these fees were eliminated, these reconnection related costs would then need to be passed on to, or subsidized, by the remaining bill paying customers. Eliminating late interest charges would encourage late paying customers to forego or delay the timely payment of their energy bill in lieu of paying other outstanding debts that have higher fees and consequences. Additionally, billed interest charges help to offset the carrying charges borne by the company. Forgiving these offsets would create the need for further subsidy by the remaining "on-time" bill paying customers.

Staff recommends further discussion of alternatives to existing deposit policies, including an increase in installment payment plan timelines. Staff also recommends that one or more of the utilities conduct a study of the effectiveness of collecting residential deposits.

Company Response -

Intermountain Gas Company believes that obtaining financial security from at risk customers is an essential practice in mitigating bad debt losses and in controlling potential rate increases to all customers. Realizing that an additional cash deposit can be difficult for struggling customers, Intermountain continues to offer alternative security solutions, such as a guarantor, where no cash transaction is needed to satisfy the deposit request. The administrative costs associated with deposits are, by far, outweighed by the potential bad debt losses that are prevented through the Company's deposit practices. Deposit polices act in the interest of all ratepayers because these customers are the ones that ultimately bear the burden of higher rates when bad debt losses are not controlled. Intermountain's deposit practices were a focal point of a recent credit and collections audit conducted by the Idaho Public Utilities Commission. The findings of that audit concluded that Intermountain was not sufficiently mitigating potential bad debt with its current deposit structure and recommended strengthening financial security measures.

Staff recommends that utilities adopt new policies whereby lower risk applicants be permitted to payoff old bills in installments while receiving new service.

Company Response -

Intermountain Gas Company does not support this recommendation. Risk is inherent with the existence of a prior outstanding bill by the customer. To further delay payment would jeopardize both the old debt as well as any new debt created from the establishment of a new service. Intermountain carries out extensive measures to contact customers following disconnection of service in attempts to make arrangements on any outstanding balance. While there are some customers that are surprised by an old outstanding bill when they apply for new service, the vast majority of potential applicants with outstanding amounts owed are aware of the past amounts due and have disregarded numerous communication attempts for requests for payment.

Staff recommends that all energy utilities develop arrearage forgiveness plans.

Company Response -

Intermountain Gas Company is supportive of any effort that can help a customer pay, or become current, with their energy utility bill in a responsible fashion. To "forgive" a customer's obligation to pay for the energy that they have consumed and benefited from creates upward price pressure on the remaining customers of the utility.

Staff recommends that all utilities implement case management programs if they have not already done so.

Company Response -

Intermountain Gas Company is in full support of case management and empowers all employees to make decisions that can provide solutions and service for customers having difficulty paying their bill in full. Intermountain continues to expand its case management

processes and has implemented a program that provides specialized help for customers with extenuating circumstances. The key to any good case management program is contingent upon the customer taking the initiative to contact the utility. Intermountain relentlessly looks for ways to encourage customers to contact the utility prior to service disconnection. The earlier the utility is contacted by the customer, the more likely it becomes that a case manager can help the customer in making payment arrangements and/or securing outside funding options, if necessary.