

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. INT-G-19-05
OF INTERMOUNTAIN GAS COMPANY)	
FOR AUTHORITY TO REVISE RATE)	
SCHEDULE EEC – ENERGY EFFICIENCY)	ORDER NO. 34454
CHARGE)	
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On August 15, 2019, Intermountain Gas Company, a subsidiary of MDU Resources Group, Inc. (“Intermountain Gas” or the “Company”) applied to the Commission for an order authorizing an increase in the Energy Efficiency Charge (the “EEC”), from \$0.00367 per therm to \$0.02093 per therm. *Application* at 1. The Company asserts the EEC must be increased to recover deferred Residential Energy Efficiency Rebate Program (“EE Program”) expenses due to customer demand and to fund forecasted future EE Program growth. *Id.* At 3-4. The Company requested its Application be processed under Modified Procedure, and that the proposed change to the EEC take effect on October 1, 2019. *Id.* at 5-6.

On August 29, 2019, the Commission issued its Notice of Application, Notice of Modified Procedure and Order. Order No. 34431.

On September 9, 2019, the Commission Staff filed written comments containing its review and recommendations on Intermountain Gas’s Application. The Company did not file reply comments, and one customer of the Company submitted written comments regarding its Application.

BACKGROUND

On April 28, 2016, the Commission authorized Intermountain Gas to establish the EE Program for its residential customers. Order No. 33757 at 37 (Case No. INT-G-16-02).¹ The purpose of the EE Program “is to encourage upgrades to, or use of, high efficiency natural gas equipment.” Rate Schedule EE, Intermountain Gas Company I.P.U.C. Gas Tariff, Sheet No. 16 at

¹ In its Application in Case No. INT-G-16-02 the Company represented the EE Program “would help customers decrease their need for gas through conservation, and thus decrease the amount of gas the Company would have to buy from a natural gas wholesaler to supply those needs.” Order No. 33757 at 3.

1; *see also Energy Efficiency 2018 Annual Report* at 1, attached as Exhibit 1 to the Application in Case No. INT-G-19-04. On September 25, 2017, the Commission approved Intermountain Gas's funding mechanism for the EE Program and the EEC that would be charged to the Company's residential customers. Order No. 33888 at 1, (Case No. INT-G-17-03). In Order No. 33888 the Commission found that the proposed charge of \$0.00367 per therm for the EEC was reasonable and appropriate. Order No. 33888 at 3; *see also Rate Schedule EE, Intermountain Gas Company I.P.U.C. Gas Tariff, Sheet No. 17* at 1 and *Application* at 3-4.

THE APPLICATION

Intermountain Gas asserts that the EEC is currently \$0.00367 per therm and was based on a budget of \$777,000 for total annual EE Program expenditures "that included direct rebate expenses, personnel expenses, program delivery, and ramp-up expenses." *Application* at 3. The Company alleges that due to customer growth on its system the EEC is currently collecting approximately \$935,000 per year based on actual collections from July 2018 through June 2019. *Id.* at 3-4.

Intermountain Gas asserted that from the start of the EE Program on October 1, 2017, through June 30, 2019, it has collected \$1,712,654 from customers through the EEC and incurred \$2,810,560 in EE Program expenses. *Id.* at 4. The Company stated \$2.2 million of these expenses or 77% were rebates paid directly to customers. *Id.* The Company alleged that because of the "positive customer response to the new EE Program, expenses outpaced revenues resulting in a deferred balance through June 2019 of \$1,097,907." *Id.* The Company requested that it be allowed to recover this deferred balance from customers. *Id.*²

Intermountain Gas also asserted that to allow for participation in the EE Program for all interested residential customers and to grow it, the Company anticipated annual costs of approximately \$3,944,642 going forward. *Id.* The Company asserts the proposed increase of \$3.2 million over the previously established annual budget of \$777,000 is based on the overwhelming success of the EE Program. *Id.* The Company estimates \$3,300,000 or 84% of these future expenses will be customer rebates and \$644,642 will be for EE Program delivery and administration. *Id.*

² In its Application, the Company also stated that it had recently applied to the Commission for a determination that EE Program expenses from the start of the EE Program on October 1, 2017, through the program year ended December 31, 2018, were prudently incurred. *Application* at 4; *see also* Case No. INT-G-19-04.

Intermountain Gas states that adding deferred EE Program expenses, \$1,097,907, to the anticipated future annual expenses for it of \$3,944,642, results in the total amount to be collected from residential customers during a 12-month period is \$5,042,549. *Id.* at 5. Based on these actual and anticipated costs the Company proposes to increase the EEC from \$0.00367 to \$0.02093 per therm. *Id.* The Company asserted that a typical residential customer would see a monthly increase in their bill of \$1.07 if this proposal is approved by the Commission. *Id.*

Intermountain Gas states its Application has been brought to the attention of its customers through a Customer Notice and by a Press Release sent to daily and weekly newspapers, and major radio and television stations in the Company's service area. *Id.* at 5-6.

STAFF COMMENTS

Staff reviewed the Application and supports the Company's request to increase the EEC. Staff noted that the proposed EEC increase is significant, but the Company has reported strong demand for its EE Program. *Staff Comments* at 2. Staff believed the proposed, increased EEC will better align the revenue for EE Program with its expenditures. *Id.* Staff also recommended that the funds collected and expended through the EEC and EE Program should be subject to review in future prudency cases. *Id.*

Staff noted that the increased EEC would be four (4%) percent of the Company's per therm charge for residential customers which is similar to other demand-side management ("DSM") charges for other utilities operating in Idaho. *Id.* at 3.

Finally, Staff stated that the Company represented it would have a \$100,000 estimated expense for an Evaluation, Measurement and Verification ("EM&V") study for the EE Program. Staff asserted that studies like these are crucial to showing the efficiency and efficacy of energy efficiency programs. *Id.* at 3.

COMMISSION DISCUSSION AND FINDINGS

The Commission has jurisdiction and authority over Intermountain Gas, a gas utility, and the issues raised in Case No. INT-G-19-05, pursuant to Title 61 of the Idaho Code, including but not limited to, *Idaho Code* §§ 61-116, 61-117, 61-129, 61-307, 61-502 and 61-503 and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

In Order No. 33757 containing Commission authorization for the Company's EE Program we found:

DSM, as both a least-cost resource and an important element of promoting energy efficiency, is an important part of any utility's provision of service. Accordingly, we find it reasonable to authorize the Company to implement its proposed DSM program, recognizing that the Company represents that this program will be used as a starting point from which to develop more robust DSM offerings.

Order No. 33757 at 37.

Having thoroughly reviewed the record in this case we find the Company's proposed EEC of \$0.02093 just and reasonable. Setting the EEC at this level will allow the Company to collect the deferred balance of EE Program expenses that were incurred in furtherance of its goals. Further, the Commission finds that setting the EEC at this level will allow for the continued operation and growth of the EE Program. The Commission is encouraged by the positive response to the Company's EE Program which according to Intermountain Gas has achieved an estimated first-year savings of 283,067 therms, exceeding its initial goals significantly. *See Application* at 5 (Case No. INT-G-19-04).

The Commission commends the Company for meeting and exceeding its initial goals for the EE Program and encourages Intermountain Gas's customers to take advantage of the opportunities presented by the Company to conserve natural gas resources. However, the Commission does not make any finding or determination regarding the reasonableness or prudence of any of the Company's individual DSM activities or expenses in this case, which will be subject to review and approval in a separate case. Further, we also remind the Company to monitor, assess and evaluate the ongoing cost-effectiveness of the EE Program. We expect that the Company shall timely advise the Commission of any changes to the cost-effectiveness of the EE Program.

ORDER

IT IS HEREBY ORDERED that the Company's Application proposing an increase to its Energy Efficiency Charge is approved. The Company is authorized to implement an Energy Efficiency Charge of \$0.02093 per therm and the Company's proposed Rate Schedule RS RESIDENTIAL SERVICE and Rate Schedule EEC ENERGY EFFICIENCY CHARGE are approved, to be effective October 1, 2019. The Company shall file conforming tariffs with the Commission within ten (10) days of the service date of this Order.

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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 with regard to 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.

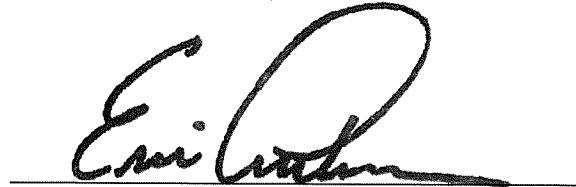
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *1st* day of October 2019.



PAUL KJELLANDER, PRESIDENT

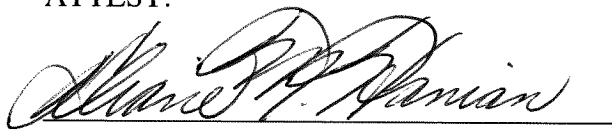


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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