



August 6, 2024

Ms. Jan Noriyuki
Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

RE: Case No. INT-G-24-03

Dear Ms. Noriyuki:

Attached for consideration by this Commission is an electronic submission of Intermountain Gas Company's Application for Authority to Revise Rate Schedule EEC-RS – Residential Energy Efficiency Charge and the EEC-GS – Commercial Energy Efficiency Charge with prices proposed to be effective on October 1, 2024.

If you should have any questions regarding the attached, please don't hesitate to contact me at (208) 377-6015.

Sincerely,

/s/ Lori A. Blattner

Lori A. Blattner
Director, Regulatory Affairs
Intermountain Gas Company

Enclosure

cc: Mark Chiles
Preston Carter

INTERMOUNTAIN GAS COMPANY

CASE NO. INT-G-24-03

**APPLICATION,
EXHIBITS,
AND
WORKPAPERS**

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY
For Authority to Revise Rate Schedule EEC-RS – Residential Energy Efficiency
Charge and EEC-GS - Commercial Energy Efficiency Charge**

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY
for Authority to Revise Rate Schedule
EEC-RS – Residential Energy Efficiency
Charge and EEC-GS Commercial
Energy Efficiency Charge

Case No. INT-G-24-03
APPLICATION

Intermountain Gas Company (“Intermountain” or “Company”), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, pursuant to the Rules of Procedure of the Idaho Public Utilities Commission (“Commission”), requests an order: 1) authorizing a decrease in the Residential Energy Efficiency Charge, Rate Schedule EEC-RS, from \$0.015640 per therm to \$0.01149 per therm, effective October 1, 2024; and 2) authorizing a decrease in the Commercial Energy Efficiency Charge, Rate Schedule EEC-GS from \$0.00320 to zero.

Please address communications regarding this Application to:

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and

Lori A. Blattner
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Intermountain Gas Company
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In support of this Application, Intermountain alleges and states as follows.

I. INTRODUCTION

Intermountain is a gas utility, subject to the jurisdiction of the Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219, issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County - Arimo, Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelley;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glens Ferry, Hammett, and Mountain Home;
Fremont County - Parker and St. Anthony;
Gem County - Emmett;
Gooding County - Bliss, Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;
Owyhee County - Bruneau, Marsing, and Homedale;
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, liquefied natural gas storage facilities, compressor stations, distribution mains, services, meters and regulators, and general plant and equipment.

II. BACKGROUND

In Order No. 35539, Case No. INT-G-22-05, the Commission authorized the Company's current Residential Energy Efficiency Charge ("EEC-RS") of \$0.01564 on Rate Schedule EEC – RS. The EEC-RS allows the Company to fund its Residential Energy Efficiency Program ("EE-RS Program"). The current EEC-RS was based on a three-year average forecasted annual budget of \$4,129,712 of total annual program expenditures that included direct rebate expenses, personnel expenses, and program delivery.

In Order No. 34941, Case No. INT-G-20-04, the Commission authorized the Company's Commercial Energy Efficiency Charge ("EEC-GS") of \$0.00320 on Rate Schedule EEC – GS. The EEC- GS allows the Company to fund its Commercial Residential Energy Efficiency Program ("EE-GS Program"). The current EEC-GS was based on a forecasted annual budget of \$411,000 in total annual program expenditures that included direct rebate expenses, personnel expenses, and program delivery.

III. BALANCES

As of June 30, 2024, the Company had an over-collected EE-RS Program balance of \$1,919,667.40. The over-collected balance has two primary causes. First, actual therm sales were higher than the forecast used to calculate the current EEC-RS. Secondly, revisions to the Residential Energy Efficiency Program that were effective in April 2021, resulted in changes to the total dollars paid in rebates compared to the forecast.

As of June 30, 2024, the Company had an over-collected EE-GS Program balance of \$1,029,904. The over-collected balance is due to the slow uptake in the Commercial Energy Efficiency program by commercial customers.

IV. RESIDENTIAL PROPOSAL

To allow for participation in the program by all interested residential customers, while more accurately matching revenues with expenses and reducing the over collected deferral balance, the Company proposes to decrease the EEC-RS from \$0.01564 to \$0.01149. Exhibit No. 1, Page 1 shows the derivation of the proposed per therm EEC-RS, which is calculated by dividing the Average Forecast Annual Budget minus the Over Collected Balance Amortization by normalized therm sales for Rate Schedule RS, as determined in the Company's annual Purchased Gas Adjustment ("PGA") filing.

The proposed EEC-RS charge is based on estimated average annual program costs for the time period of 2024 through 2026 of approximately \$4,129,712. The estimated annual program costs are shown on Exhibit No. 1, Page 2, Line 6, Column (e). Forecast EE-RS Program expenses are comprised of labor, promotional and program delivery, and rebates paid directly to residential customers.

Labor is forecast to increase by 2% over the 2024-2026 time period. Promotional expenses are also forecast to increase by 2%. The three-year averages of the labor and promotional and program delivery expense categories are found on Exhibit No. 1, Page 2, Lines 3 and 4, Column (e).

The forecast rebate expenses are based the current rebate offering, past performance and a forecast of future rebate performance. Average forecasted rebate expenditures for 2024 thru 2026 are \$3.3 million as shown on Exhibit No. 1, Page 2, Line 5, Column (e).

The 2021 program revision increased incentives on some underperforming, cost-effective measures and reduced the incentives of other rebates like the new construction measures. To account for improvements in building energy code implemented in 2021, therm savings attributed to the whole home measure were reduced, which resulted in reducing the incentive from \$1,200 per home, to a two-tiered incentive of either \$900 or \$700 per home. Supply chain issues in obtaining the 97% annual fuel utilization efficiency (“AFUE”) furnace required for Whole Home Tier I, in addition to meeting the higher energy performance target of three air change per hour (“ACH”), resulted in low participation in the Whole Home Tier I rebate reducing rebate expenditures in the new construction category.

Introduction of the smart thermostat rebate and increased incentive amounts for water heating equipment have demonstrated upward trends in participation. While participation rates of these rebates are projected to grow, the total rebate is much lower than the pre-2021 amount for new construction. The Company believes the proposed reduction in the rate will eliminate the over collected balance while still allowing the program to grow.

V. COMMERCIAL PROPOSAL

While the EE-GS Program continues to grow, that growth has been on a slower trajectory that previously forecast. To reduce the over collected balance while still allowing for continued program growth, the Company proposes to decrease the EEC-GS from \$0.00320 to zero, suspending EEC-GS collections. Exhibit No. 2, Page 1 shows the derivation of the proposed per

therm EEC-GS, which is calculated by dividing the Average Forecast Annual Budget to be collected from commercial customers minus the Over Collected Balance Amortization by normalized therm sales for Rate Schedule GS. Reducing the rate to zero allows full participation in the program while reducing the deferral balance by approximately half by the end of 2026.

The proposed EEC-GS charge is based on estimated average annual program costs for the time period of 2024 through 2026 of approximately \$301,583. The estimated annual program costs are shown on Exhibit No. 2, Page 2, Line 6, Column (e). Forecast EE-GS Program expenses are comprised of labor, promotional and program delivery, and rebates paid directly to commercial customers.

Labor is forecast to increase by 2% over the 2024-2026 time period. Promotional expenses are also forecast to increase due to increased outreach and promotional expenses as well as a planned evaluation, measurement and verification (“EM&V”) study in 2025. The three-year averages of the labor and promotional and program delivery expense categories are found on Exhibit No. 2, Page 2, Lines 3 and 4, Column (e).

The forecast rebate expenses are based on the current rebate offering, past performance and a forecast of future rebate performance. The forecast includes implementing additional commercial measures as well as implementing custom energy efficiency commercial projects in 2026 which could have a dramatic impact on future rebate expenses. Average forecasted rebate expenditures for 2024 through 2026 are \$184,371 as shown on Exhibit No. 2, Page 2, Line 5, Column (e).

VI. REVENUE AND BILL IMPACTS

By reducing the EEC-RS going forward, the Company estimates the over collected deferral balance will be nearly eliminated by the end of 2026. The ending deferral balance, incorporating the proposed changes, is illustrated on Exhibit No. 1, Page 2, Line 8.

The proposed EEC-RS will decrease annual revenues by approximately \$1.23 million. A typical Residential customer of Intermountain would see a monthly decrease of \$0.27 or (0.53%) as a result of the reduction in the EEC-RS charge.

Through suspending collections of the EEC-GS, the Company estimates the over collected deferral balance will be reduced by approximately half by the end of 2026. Planned program changes may result in a more rapid elimination of the deferral balance. The ending

deferral balances, incorporating the proposed changes, is illustrated on Exhibit No. 2, Page 2, Line 8.

The proposed EEC-GS will decrease annual revenues by approximately \$464,000. A typical Commercial customer of Intermountain would see a monthly decrease of \$1.09 or (0.47%) as a result of the reduction in the EEC-GS charge.

VII. RATE SCHEDULES

The Company proposes to make the EEC-RS and EEC-GS reductions effective October 1, 2024, to coincide with the effective date of the price change related to the Company's annual PGA filing. Intermountain believes this timing will provide an accurate picture to customers of what to expect on their bills heading into winter.

Intermountain's current Rate Schedules EEC-RS and EEC-GS showing proposed changes in legislative format are attached as Exhibit No. 3. The Company's resulting proposed Rate Schedules EEC-RS and EEC-GS (clean versions) are attached as Exhibit No. 4. Exhibit Nos. 3 and 4 are incorporated by reference.

The proposed changes to the EEC-RS and EEC-GS Rate Schedules will also flow through to the Company's Rate Schedules RS and GS-1. Because those Rate Schedules will also be impacted by the Company's annual PGA filing, Intermountain is not filing proposed changes to Rate Schedules RS and GS-1 in this filing. The proposed EEC-RS and EEC-GS will be included in the Rate Schedules RS and GS-1 that are filed in the PGA filing. Any changes to the proposed rates in this proceeding would be made to Rate Schedules RS and GS-1 in a compliance filing.

VII. PRESS RELEASE AND CUSTOMER NOTICE

This Application will be brought to the attention of Intermountain's customers by including notice of this proposed rate change in the Company's PGA Customer Notice and Press Release sent to daily and weekly newspapers, and major radio and television stations in Intermountain's service area. The Press Release and Customer Notice will be included with the Company's PGA filing.

VIII. MODIFIED PROCEDURE

Intermountain requests that this matter be handled under modified procedure pursuant to Rules 201-204 of the Commission's Rules of Procedure. Intermountain stands ready for immediate consideration of this matter.

EXHIBIT NO. 3

CASE NO. INT-G-24-03

INTERMOUNTAIN GAS COMPANY

PROPOSED TARIFF

(Legislative Format)

(2 pages)

EXHIBIT NO. 4

CASE NO. INT-G-24-03

INTERMOUNTAIN GAS COMPANY

PROPOSED TARIFF

(Clean Format)

(2 pages)