

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: CECELIA A. GASSNER

DATE: JUNE 24, 2006

SUBJECT: IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S 2006
INTEGRATED RESOURCE PLAN, CASE NO. INT-G-06-3

On May 1, 2006, Intermountain Gas Company ("Intermountain" or "Company") filed its 2006 Integrated Resource Plan (IRP) for the years 2007-2011 with the Commission. This filing is pursuant to the directives in Order No. 25342, Case No. GNR-G-93-2 (PURPA § 303(b)(3), Energy Policy Act of 1992). Order No. 25342 set forth the original requirements for IRPs for local gas distribution companies in accordance with amended Section 303 of PURPA. The Commission has twice modified the requirements for natural gas IRPs: Order No. 27024 allowed natural gas utilities to shorten the planning horizon to five years to match the company's planning horizon and available market products; and Order No. 27098 removed the requirement that IRPs include a formal evaluation of the costs and benefits of potential demand side management (DSM) programs, stating that a general explanation of whether there are cost-effective DSM opportunities will be sufficient.

THE INTEGRATED RESOURCE PLAN

In the Executive Summary of the Company's IRP, the Company states that the IRP is meant to describe the currently anticipated conditions from 2007-2011. It further states that the document is meant to present strong guidelines rather than be "a prescription for all future energy resources." IRP at 1. The Company is the sole distributor of natural gas in southern Idaho, serving 275,800 customers in 74 communities during the first half of fiscal year 2006. Its system contains over 10,000 miles of transmission, distribution and service lines. *Id.* In fiscal year 2005, over 446 miles of distribution and service lines were added in response to new customer additions and to maintain service for the growing customer base. *Id.*

Intermountain's two major markets are the residential/commercial market (the "core market") and the industrial market. *Id.* Intermountain saw an increase of 5% in average residential and commercial customers during the first half of fiscal year 2006. *Id.* Forty-four percent (44%) of the throughput on Intermountain's system during fiscal year 2005 was attributable to industrial sales and transportation. *Id.*

Forecast Peak Day Send-Out

Peak day send-out studies and load duration curves were developed under design weather conditions to determine the magnitude and timing of future deficiencies in firm peak day delivery capability. Residential, commercial and industrial peak day load growth on the Company's system is forecast to grow at an annual average rate of 4% over the next five years. The Company calculated the growth for the system as a whole as well as for the separate regions in which the Company operates. When forecasted peak day send-out is matched against existing resources, a peak day delivery deficit occurs during January 2007 and increases at a rate of 38%. According to the Company's calculations, a deficit of firm capacity begins to occur near the peak day beginning in the winter of 2009. IRP at 4.

Idaho Falls Lateral Region

The Idaho Falls Lateral (IFL) region serves many cities between Pocatello to the south and St. Anthony to the north. The residential, commercial and industrial load served off the IFL represents approximately 15% of the total Company customers and 18% of the Company's total winter send-out during December of 2005. *Id.* When forecasted peak day send-out on the IFL is matched against the existing peak day distribution capacity, a peak day delivery deficit occurs during 2007 and increases thereafter. *Id.* Intermountain believes that small, short direction peak day distribution delivery deficits in the future can be mitigated by working with customers who have the potential to cut their peak day consumption by switching to fuel oil during extreme cold temperatures. IRP at 5. However, the Company states that the projected delivery deficits are of such magnitude that "looping" of the existing system is warranted to add necessary firm delivery capability to the area.

Sun Valley Lateral Region

The Company's residential, commercial and industrial customers in the Sun Valley Lateral (SVL) region account for 4% of the total customer base and 4% of the Company's total winter send-out during December of 2005. *Id.* When forecasted peak day send-out on the SVL

is matched against the existing peak day distribution capacity, a peak day delivery deficit occurs during 2009 and increases thereafter. The tourism industry-related industrial load on the SVL is limited in size and does not currently have the capability to switch to alternative fuels in order to mitigate peak day send-out. IRP at 6. The Company believes that the growth in the SVL will warrant future upgrades to the existing pipeline system, and the Company plans to increase the delivery capability and capacity on the SVL through a series of cost-effective system upgrades.
Id.

Canyon County Region

Fourteen percent (14%) of the Company's residential, commercial and industrial load is served off the Canyon County Lateral (CCL) region, and it accounted for 13% of the Company's total winter send-out during December of 2005. *Id.* When forecasted peak day send-out on the CCL is matched against the existing peak day distribution capacity, a peak day delivery deficit occurs during 2007 and increases thereafter. *Id.* The industrial customer base in the CCL region does not currently have the capability to switch to alternative fuels as a means of mitigating peak day send-out and the Company states that it is currently exploring optional means of enhancing the distribution capability in this region. IRP at 7.

STAFF RECOMMENDATION

Staff recommends that the Company's Application be processed by Modified Procedure with a 60-day comment period. This should allow sufficient time for interested parties to review the Company's Application and file their comments with the Commission. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-.204. Staff does not anticipate that workshops will be needed.

COMMISSION DECISION

Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented in this case, and that this case is appropriate for Modified Procedure pursuant to Commission Rules of Procedure 201 through 204?



Cecelia A. Gassner

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