

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS)
COMPANY'S 2009-2013 INTEGRATED) CASE NO. INT-G-08-02
RESOURCE PLAN.)
ORDER NO. 30643

On May 30, 2008, Intermountain Gas Company filed its 2008 Integrated Resource Plan (IRP) for the years 2009-2013. The IRP is intended to be a planning document for the Company that takes into account the many factors and variables that can arise as the Company looks at supply and demand in the coming years. On July 3, 2008, the Commission issued a Notice of Filing and solicited comments. Order No. 30590. The only comments received were submitted by Commission Staff. The Company filed reply comments on September 9, 2008. In this Order the Commission acknowledges that the IRP meets the requirements set forth in previous Commission Orders and accepts the Plan for filing.

BACKGROUND

Intermountain Gas filed its IRP pursuant to Order No. 25342 and the Public Utility Regulatory Policies Act (PURPA) § 303(b)(3). Order No. 25342 sets 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. In Order No. 27024 the Commission allowed natural gas utilities to shorten the planning horizon to five years to match the companies' planning horizons and available market products. Order No. 27098 removed the requirement that IRPs include a formal evaluation of the costs and benefits of potential demand-side management (DSM) programs. In the latter Order, the Commission stated that a general explanation of whether there were cost-effective DSM opportunities would be sufficient.

THE 2008 INTEGRATED RESOURCE PLAN

In its Executive Summary, the Company states that the IRP is meant to describe the currently anticipated condition from 2009-2013. It further states that the document is meant to describe conditions based on current expectations for various demand scenarios rather than be "a prescription for all future energy resource decisions." IRP at 1. The Company is the sole distributor of natural gas in southern Idaho, serving over 300,000 customers in 74 communities

during fiscal year 2008. Its system contains over 10,000 miles of transmission, distribution, and service lines. *Id.* In fiscal year 2007, over 421 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 large-volume, contract customer ("industrial") market. *Id.* Intermountain experienced an increase of 5% in average residential and commercial customers during the first half of fiscal year 2008. *Id.* Forty-three percent (43%) of the throughput on Intermountain's system during fiscal year 2007 was attributable to industrial sales and transportation. *Id.*

Forecast Peak Day "Send-Out"

Peak day "send-out" (delivery) studies and load duration curves were developed under design weather conditions¹ 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 delivery is matched against existing resources, there are no peak day delivery deficits. IRP at 3.

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 from the IFL represents approximately 16% of the total Company customers and 21% of the Company's total winter delivery during December of 2009. *Id.* When forecasted peak day delivery on the IFL is matched against the existing peak day distribution capacity of 1,000,000 therms, there are no peak day deficits throughout the five-year IRP Plan. *Id.* Intermountain believes that small, short-duration 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 extremely cold temperatures. IRP at 4. However, because there are no deficits, no industrial alternative fuel use is required.

¹ A "design" degree day is an estimation of the coldest temperatures that can be expected to occur for a given day. Design degree days are useful in estimating the highest level of customer demand that may occur, particularly during extremely cold or "peak" weather events. IRP at 22.

Sun Valley Lateral Region

The Company's residential, commercial, and industrial customers in the Sun Valley Lateral (SVL) Region account for 3.5% of the total customer base and 3.3% of the Company's total winter delivery during December of 2007. *Id.* When forecasted peak day delivery on the SVL is matched against the existing peak day distribution capacity, a peak day delivery deficit occurs during 2009 and increases thereafter. The primary industrial load on the SVL is tourism and medical services. Unfortunately, industrial customers on the SVL do not currently have the capability to switch to alternative fuels as a means of mitigating peak day consumption. However, the industrial peak day throughput is relatively small. IRP at 5. The optimization model indicated that the most cost-effective method to increase delivery capability on the SVL is the addition of a compressor station prior to FY11. While there are some small deficits in FY09 and FY10, the rebuilding of the primary gate station that serves the SVL and the use of "linepack"² should be able to cover small, short-duration deficits until the new capacity comes on line for the FY11 heating season. *Id.*

Canyon County Region

Fifteen percent (15%) 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 delivery during December of 2007. IRP at 6. When forecasted peak day delivery on the CCL is matched against the existing peak day distribution capacity, a peak day delivery deficit occurs during 2012 and increases thereafter. *Id.* The industrial customers in the CCL Region do not currently have the capability to switch to alternative fuels as a means of mitigating peak day consumption. However, the Company states that it is currently exploring optional means of enhancing the distribution capability in this region. *Id.* The Company believes that the best solution to this capacity deficit is a pipeline-looping project with an in-service of FY12.

² "Linepack" involves the ability of a natural gas pipeline to effectively "store" small quantities of gas on a short-term basis by increasing the operating pressure of the pipe. Most pipelines use linepack as a resource to help manage the load fluctuations on their systems, building up linepack during periods of decreased demand and drawing it down during periods of increased demand.

COMMENTS

Staff timely filed its comments on September 2, 2008. In accordance with PURPA and Commission Order Nos. 25342, 27024 and 27098, the Company submitted an IRP that addressed the following elements:

- Demand Forecasting
- Assessment of Efficiency Improvements (DSM Actions) & Avoided Costs
- Natural Gas Supply Options
- Natural Gas Purchasing Options and Cost Effectiveness
- Integration of Demand and Resources
- Relationship Between Consecutive Plans (2006 Plan to 2008 Plan)
- Public Participation

Staff's comments addressed each of these in turn. After a complete evaluation of the Company's IRP, its methodology and conclusions, Staff presented six recommendations to the Commission that focused on the Company's demand forecasting, DSM program and the necessity of a "two-year plan." The Company timely filed its reply comments on September 9, 2008. The Company's reply comments addressed each of the Staff's formal recommendations to the Commission.

Demand Forecasting

Intermountain's Demand Forecasting outlines three key components about how future load requirements are modeled for resource planning purposes over the next five years. The first component, "Residential and Commercial Customer Growth Forecast," provides the anticipated magnitude and direction of Intermountain's residential and small commercial customer growth by focus zones for Intermountain's current service territory. The second, "Heating Degree Days and Design Weather," captures the influence that changing temperature has on system loads given Intermountain's diverse geographic service territory." Finally, "Usage Per Customer" discusses the calculations of therm usage per customer. These results, when combined with the customer forecast and design degree days, are used to develop the IRP demand forecast.

Staff acknowledged the Company's efforts to improve its forecasting. Specifically, the Company cited different usage characteristics between peak and non-peak months, weekends and weekdays, and non-peak billing schedules. Staff also recognized the detail of Intermountain's forecasting and noted that "a detailed description of the Company's forecasting process clearly illustrates a modeling framework." Staff Comments, p. 5. Staff recommended

that the Company continue to closely monitor: (1) how accurately its “IGC Conversion Rate” and “IGC Commercial Multiplier Rate” predict growth in the number of customers and loads over time; and (2) the benefits of enhancing its ERT system technology for selected sampling given the associated costs. Staff recommended that, as more complete data is collected and potential ERT system enhancements reviewed, the next IRP include an evaluation of the Company’s current and future DSM programs. Finally, Staff urged the Company to continue to update and summarize the statistical significance of outcomes and decisions resulting from the Company’s more complete SVL and IFL total daily usage data.

In its response comments, Intermountain asserted that it does track the “IGC Conversion Rate” and “IGC Commercial Multiplier Rate” on an ongoing basis and will, in future IRPs, provide data representing the correlation between the projected and actual rates over time. Further, the Company acknowledged the value of enhanced ERT technology and data. While it expressed concerns about affecting the useful life of the ERT devices (with more frequent electronic interrogations), the Company stated that it is evaluating ways to improve access to the ERT data and is committed to report on its efforts. Finally, Intermountain hopes that the SVL and IFL daily usage data will soon provide statistically valid information to more accurately analyze daily usage patterns. The Company assured the Commission that it would include a detailed summary of updated SVL and IFL daily usage data in future IRPs.

Assessment of Efficiency Improvements (DSM Resource Options)

The Commission previously directed Intermountain Gas to address efficiency measures in its biennial IRP with a “general explanation with each IRP filing of whether there are cost effective DSM opportunities.” Order No. 27098. Staff noted that, in its present filing, the Company simply states that it hired Navigant as a consultant to identify DSM opportunities. Staff cited the importance of providing a detailed explanation of the cost-effective opportunities that Navigant identified, with various costs, design, deployment potential, peak savings, year-round gas savings, and implementation timelines. Staff reasoned that, while the programs identified by Navigant might not directly target Intermountain’s peak demand, they could provide some relief during the remainder of the year, enabling Intermountain’s customers to lower annual per-capita demand. Accordingly, Staff recommended that, within the next IRP, Intermountain evaluate DSM cost-effectiveness according to its effect on peak demand and year-round gas savings.

In its response, Intermountain stressed its belief that a primary objective of the IRP process is to plan for and ensure sufficient resources during an extreme weather event, i.e., peak day. However, the Company acknowledged that efficient use of natural gas provides year-round benefits. Intermountain agreed, for future IRPs, to better define the effectiveness of not only peak day, but also year-round, DSM opportunities.

Natural Gas Supply Options

Intermountain addressed commodity supply for both traditional and non-traditional supply resources. Staff noted that non-traditional supplies (e.g., fuel oil, coal, wood chips, propane, remote/portable LNG, biofuels) offer promising complementary solutions to reducing peak consumption, thereby providing relief to all customers. On that basis, Staff recommended that Intermountain continue to engage in negotiations with its IFL industrial customers capable of utilizing non-traditional supplies.

Overall, Staff found the Company's supply options to be diversified and adequately explained. Staff believed the Company sufficiently addressed supply-side options in the IRP.

Natural Gas Purchasing Options and Cost Effectiveness

Intermountain uses advanced allocation software to utilize its resources effectively over time given regional natural gas demand. The Company's strategies have not only ensured that adequate gas supplies are available to its customers, but also that the adverse impact of significant price movements in the natural gas commodity is mitigated, and the credit risk inherent in the implementation of certain price risk reducing strategies is minimized. Based on the Company's documentation of processes, procedures, and the evaluation of its resources, Staff considers this section of the IRP sufficiently addressed.

Integration of Demand and Resources

Staff expressed confidence about the Company's ability to allocate resources according to the magnitude of future deficits. Staff noted the Company specifically described and evaluated the types of additional supply resources that will be acquired, developed, or constructed to eliminate deficits. As a result, Staff believed the Company has fulfilled the necessary requirements for its IRP.

Two-Year Plan

In its 2006 IRP comments, Staff recommended that the Commission "consider striking the requirement for the Company to submit a two-year plan within the IRP." However,

no formal recommendation was made to the Commission. Thus, the Commission did not make a determination regarding the elimination of the two-year plan. In its 2008 comments, Staff noted that Intermountain did not include a two-year plan section.

Staff comments regarding Intermountain's 2008 IRP reiterated the previous recommendation for removal of the two-year plan within the IRP. Staff reasoned that the five-year plan should provide information that would adequately fulfill the two-year plan's purpose, and the inclusion of a two-year plan within the Company's five-year plan (filed every two years) results in duplicative information that does not further illuminate the overall plan.

In its reply, Intermountain agreed with Staff's recommendation to remove the two-year plan from future IRPs to eliminate the redundancy.

Relationship Between the Plans (2008 IRP vs. 2006 IRP)

Staff acknowledged that, in a comparative analysis between the 2006 IRP and the present IRP, the Company satisfied its IRP requirement by discussing several differences in the outcome of its key planning components. However, Staff noted that Intermountain's progress in methodology and program design was not clearly illustrated. Staff recommended that, within the next IRP, the Company focus on improvements or changes, specifically within the "Demand-Side Management" section.

In response to this recommendation, Intermountain agreed to provide a more detailed comparison between IRPs.

Public Participation

Staff believed that the Company met the requirement for public participation in the IRP process. Staff recommended that the Company continue to target developments in payment plans and energy payment assistance as utility rates increase. Staff noted that directly contributing to weatherization assistance programs and Community Action Partnership (CAP) agencies helps ensure the success of these payment assistance plans.

Legal Effect

The Staff had no comments on the legal effect of the IRP.

DISCUSSION

Pursuant to *Idaho Code* § 61-129 and the Rules of Procedure, IDAPA 31.01.01.000, *et seq.*, the Commission has jurisdiction over Intermountain Gas Company (a natural gas utility) and over the issues raised in this case. Specifically, an IRP is meant to be a planning document

for the Company that takes into account the many factors and variables that can arise as the Company looks at supply and demand in the coming years. The plan is not meant to be merely an academic or regulatory exercise but a showing to the public that the Company has considered, and prepared for, a multitude of scenarios. The Commission expects each company submitting an IRP to vigorously test each assumption used in its plan to better ensure that the results of its IRP reflect the changing markets and demand.

Based upon our review of the Company's IRP and Staff comments, the Commission finds that Intermountain Gas Company's 2008 Natural Gas IRP satisfies the requirements set forth in previous Commission Orders. This acknowledgement and acceptance of the Plan should not be interpreted as approval of the plan, or as a judgment of the prudence of any transactions undertaken as part of the plan.

Further, after considering Staff's recommendation regarding elimination of the two-year plan, and noting the Company's agreement, the Commission finds it appropriate to remove the requirement of a two-year plan analysis. Although the IRP is a five-year outlook and a more focused evaluation might seem beneficial, the IRP is filed every two years, which requires the Company to re-evaluate its five-year outlook on a biennial basis. Under these circumstances, the Commission finds that inclusion of a two-year plan is redundant.

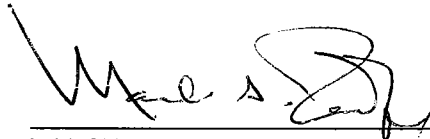
ORDER

IT IS HEREBY ORDERED that the Commission accepts the Intermountain Gas Company 2008 Natural Gas Integrated Resource Plan for filing.

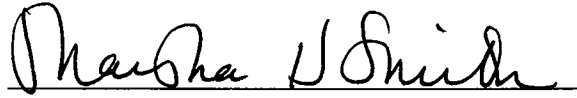
IT IS FURTHER ORDERED that, in future IRPs, the requirement of a two-year plan is eliminated.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of 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 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23rd
day of September 2008.



MACK A. REDFORD, PRESIDENT

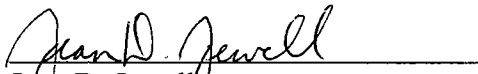


MARSHA H. SMITH, COMMISSIONER



JIM D. KEMPTON, COMMISSIONER

ATTEST:


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