DECISION MEMORANDUM

TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: JUNE 24, 2008

SUBJECT: IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S 2009-2013 INTEGRATED RESOURCE PLAN, CASE NO. INT-G-08-02

On May 30, 2008, Intermountain Gas Company filed its 2008 Integrated Resource Plan (IRP) for the years 2009-2013. Intermountain Gas filed its IRP pursuant to Order No. 25342 and PURPA § 303(b)(3). 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. In Order No. 27024, the Commission allowed natural gas utilities to shorten the planning horizon to five years to match the company's planning horizon 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 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 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 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 off 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 extreme cold temperatures. IRP at 4. However, since there are no deficits, no industrial alternative fuel use is required.

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. No industrial customers on the SVL have the capability to switch to alternative fuels so using industrial fuel to mitigate peak day consumption is not an option. 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[1] 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 optimization model selected a pipeline-looping project with an in-service of FY12 as the best solution to this capacity deficit.

STAFF RECOMMENDATION

Staff recommends that the Company's filing be processed by Modified Procedure with a 60-day comment period. Staff does not anticipate that workshops will be needed.

COMMISSION DECISION

1. 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 201 through 204?

[1] Linepack – 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 line pack during periods of decreased demand and drawing it down during periods of increased demand.

2. Anything else?

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