Office of the Secretary
Service Date
July 17, 2013

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S 2013-2017 INTEGRATED RESOURCE PLAN	**CASE NO. INT-G-13-03** **ORDER NO. 32855**

On February 28, 2013, Intermountain Gas Company filed its Integrated Resource Plan ("IRP") for the years 2013-2017. The IRP describes the Company's plans to meet its customers' future natural gas needs.

On May 7, 2013, the Commission issued a Notice of Filing and Notice of Modified Procedure that sought comments on the IRP. *See* Order No. 32801. Commission Staff filed the only comments in the case, and recommended that the Commission acknowledge the IRP and accept it for filing.

Based on our review of the record, we issue this Order acknowledging the Company's 2013-2017 IRP and accepting it for filing. Further, as the Company has started using its IRP to discuss how it identifies Lost and Unaccounted for Gas, we alter the Company's LAUF gas reporting requirements as discussed below.

BACKGROUND

The Company files an IRP every two years pursuant to Commission Order No. 25342 and Section 303(b)(3) of the Public Utility Regulatory Policies Act (PURPA). The IRP must discuss the following subjects:

- 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 (2008 Plan to 2010 Plan)
- Public Participation.

See Order Nos. 25342, 27024 and 27098. The Commission reviews the IRP to ensure that it discusses these subjects and represents a diligent effort by the Company to plan for anticipated supply and demand for natural gas during 2013-2017. The Commission's acceptance of the IRP does not constitute approval of plan specifics or of any transaction undertaken as part of the plan.

SUMMARY OF THE COMPANY'S IRP

The Company's IRP explains that the Company regularly forecasts the demand of its growing customer base and determines how to best meet the load requirements brought on by this demand. The Company's IRP represents a snapshot in time of the Company's ongoing planning process; it describes the currently anticipated conditions over a five-year planning horizon, the anticipated resource selections, and the process for making resource decisions. IRP, p. 5.

The Company explains that it sells natural gas to two major markets: the residential/commercial market and the industrial market. In 2012, the Company served an average of 285,275 residential and 30,428 commercial customers, which is a 1% increase in average residential and commercial customers from 2011. Residential and commercial customers use natural gas primarily for space and water heating. The Company's industrial customers use natural gas for boiler and manufacturing applications. The IRP says the agricultural economy and the price of alternative fuels strongly influences industrial demand for natural gas. In 2012, industrial sales and transportation accounted for 49.8% of the throughput on Intermountain's system. *See* IRP at 5.

The Company further explains that its peak day loads (throughput during the projected coldest winter day) are growing at a slower rate than was forecast in the 2010 IRP. The Company says the economic downturn and its negative impact on housing and business growth resulted in a much reduced customer growth forecast in the years common to the 2010 and 2012 IRPs. *Id.* But the IRP does show peak day load growth, albeit at a slower rate, over the planning period. The Company attributes this to: (1) growth in its customer base, primarily residential and commercial, and (2) production-related growth occurring in its industrial firm transportation market. *Id.* at 5-6.

Forecast Peak Day Send-Out

The IRP says the Company analyzed several peak day send-out (delivery) studies to determine the magnitude and timing of future deficiencies in firm peak day delivery capabilities, looking at both a total interstate mainline perspective as well as geographic region specific perspectives. *Id.* at 6. Residential, commercial, and industrial customer peak day load send-out was matched against available resources to determine which combination of new resources would be needed to meet the company's future peak day delivery requirements in the most cost-effective manner. *Id.* The Company estimates that residential, commercial, and industrial peak day load growth over the five-year period will increase at an average annual rate of 1.03% under a base case scenario. The IRP indicates that there are no peak day delivery deficits when forecasted peak day send-out is matched against existing resources. *Id.* at 7.

Regional Studies

The IRP analyzes certain geographic regions within the Company's service territory based upon the anticipated or known need for distribution system upgrades within each specific region. The geographic regions are identified as the Idaho Falls Lateral Region, the Sun Valley Lateral Region, the Canyon County Region, the State Street Lateral Region and an All Other Region. *Id.* at 7.

The Idaho Falls Lateral is 104 miles long and serves cities between Pocatello and St. Anthony in eastern Idaho. The Idaho Falls Lateral serves about 17% of the Company's customers. *Id.* The 2010 IRP identified the potential for peak day delivery deficits on the Idaho Falls Lateral. To meet the projected growth requirements, the Company completed a 16″ pipeline loop around the city of Idaho Falls. With the completion of this project in the winter of 2012, the Idaho Falls Lateral's distribution system capacity increased from 810,000 therms to 990,000 therms, which ensures no potential peak day deficits during the IRP planning horizon. *Id.* at 8.

The Sun Valley Lateral serves about 4% of the Company's customers. The 2010 IRP revealed potential peak day deficits on the Sun Valley Lateral beginning as soon as 2011. To ensure adequate capacity on the lateral, the Company installed a compressor station during the winter of 2010/2011 to boost pressure. The compressor station increased the Sun Valley Lateral's capacity from 175,000 therms to 204,000 therms. The increased capacity ensures there will be no peak day delivery deficits during the IRP planning horizon. *Id.* at 9.

The Canyon County Lateral serves about 15% of the Company's customers. The IRP says that a matching of the existing peak day distribution with anticipated demand shows that there are no peak day delivery deficits during 2013-2017. *Id.* at 10.

The State Street Lateral serves about 14% of the Company's customers. There currently are no capacity constraints on the State Street Lateral, but the Company will continue to monitor the area as demand begins to approach design capacity. During the 2013-2017 timeframe, there are no capacity constraints for the State Street Lateral. *Id.* at 11.

Assessment of Potential DSM Programs

The IRP says that the Company reviewed traditional and non-traditional resource alternatives and potential DSM measures to mitigate potential constraint areas. *Id.* The Company noted that natural gas prices have continued to fall after the 2010 IRP was completed, and that its core customers have seen a 40% price reduction since 2008. Because of this, DSM programs that were previously considered for pilot programs no longer provide cost benefits. Further, the U.S. Department of Energy has set new rules mandating higher, region-based minimum efficiency standards for gas water heaters beginning in April 2015. The Company continues to offer a $200 rebate to customers who install a 90% or greater efficiency natural gas furnace when converting to natural gas. The Company also continues to promote high-efficiency homes and ENERGY STAR to the new construction market. *Id.* at 12.

Summary

In summary, the IRP analyzed residential, commercial and industrial customer growth and its impact on the Company's distribution system using design weather conditions under various scenarios for Idaho's economy. Peak day send-out under each of these customer growth scenarios was measured against the available natural gas delivery systems to project the magnitude and timing of delivery deficits, both from a total Company perspective and a regional perspective. The Company analyzed the resources needed to meet the projected deficits within a framework of options to help determine the most cost-effective means to manage the potential deficits. The Company says that these options allow its customers to rely on uninterrupted service in the years to come. *Id.*

STAFF COMMENTS

Staff recommended the Commission accept Intermountain's 2011-2015 IRP as fulfilling the requirements established by the Commission. However, Staff suggested that the Company (1) encourage greater public participation in future IRPs, and (2) change the way it reports on Lost and Unaccounted for Gas ("LAUF gas"). These two suggestions are summarized below.

Enhancing Public Participation

Staff opined that the Company "met the basic requirements to provide an opportunity for public participation and comment" but still "could do more to improve public participation and feedback in the IRP." Comments at 10. For example, Staff observed that the Company notified local officials about its Idaho Falls IRP but did not appear to have notified local Treasure Valley officials about the Company's Boise meeting. Staff stressed that the Company should have notified these key, Treasure Valley stakeholders and obtained their input, particularly when Company plans to add the Orchard-Farmway Loop to its Canyon County lateral in 2014 and has recently started selling LNG from its Nampa facility. *Id.* at 10-11. Staff also implied that the Company should hold more public meetings about its IRP; Avista Utilities, for example, held four public meetings about its IRP. *Id.* at 10.

New LAUF Gas Reporting Requirements

Staff noted that the Company has started to use its IRP to discuss the steps it takes to identify LAUF gas. Given this, Staff suggested changing the Company's LAUF gas reporting requirements.

By way of background, LAUF gas is the difference between volumes of natural gas delivered to the distribution system and volumes of natural gas billed to customers. Potential sources of LAUF gas vary, but it primarily is due to meter malfunctions that cause measurement error at the city gate or at customers' meters. LAUF gas may also occur if the Company's billing system is incorrectly programmed or if an industrial customer has changed its demand and, consequently, has an incorrect meter size. When known leaks and line breaks occur between the city gate and customers' meters, the Company completes a Gas Loss Report for each line break, which includes an estimate of total natural gas lost during the break. These reports are totaled at the end of the year and then subtracted from the annual LAUF gas statistics.

The Commission permits the Company to recover a maximum of 0.85% of its total throughput as LAUF gas. The Commission has ordered the Company to submit semi-annual reports outlining: (1) the Company's framework for how it has tested for, identified, and remediated equipment measurement errors or leaks; and (2) the business process for alleviating measurement errors through its financial accounting of nominations, scheduling, measurements, flow volume allocation, and billing. *See* Order Nos. 30649 and 30913. Staff believes dialogue with the Company on how to identify LAUF gas should continue. However, the Company has started using the IRP to discuss how it does this. Accordingly, Staff believes the Commission should discontinue the Company's semi-annual LAUF gas reporting requirement and replace it with LAUF gas discussions in the PGA and IRP. Specifically, Staff suggests that: (1) the statistical summary from the semi-annual reports be included in the Purchased Gas Adjustment ("PGA") filing as a separate exhibit; and (2) the Company be required to include a LAUF gas section in its IRP. Staff said this new reporting approach would enable Staff to annually monitor trends in the Company's LAUF gas while eliminating duplication between the semi-annual reports and the IRP. Staff believes that changing the LAUF gas reporting in this way will not harm customers and still allow Staff to adequately monitor the Company's LAUF gas trends. Staff Comments at 5-7, and 10.

DISCUSSION AND FINDINGS

Intermountain Gas is a natural gas utility as defined in *Idaho Code* §§ 61-116 and 61-117, and the Commission exercises jurisdiction over Intermountain pursuant to *Idaho Code* § 61-129 and the Commission's Rules of Procedure, IDAPA 31.01.01.000, *et seq*. An IRP is a planning document for the Company to consider many factors and variables that can arise as the Company looks at natural gas supply and demand in the next few years. The plan is not merely an academic or regulatory exercise but is intended to demonstrate 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 accurately reflect changing markets and customer demand.

Based upon our review of the Company's IRP and the written comments, the Commission finds that the Company's 2013-2017 IRP satisfies the requirements set forth in previous Commission Orders. Accordingly, the Commission accepts the Company's 2013-2017 IRP for filing. We also wish to address two points made by Staff.

First, although the Company obtained some public participation during the IRP process, we find that opportunities exist for the Company to improve such participation. For example, the Company could hold more public meetings and better notify key stakeholders about the opportunity to participate in these meetings.

Second, we find it reasonable for the Company to discontinue its semi-annual LAUF gas reports now that it is using its IRP to report on LAUF gas. However, the Company must comply with the following requirements: (1) the LAUF gas section in the Company's future IRPs must explain the Company's (a) framework for how it has tested for, identified, and remediated equipment measurement errors or leaks, and (b) business process for alleviating measurement errors through its financial accounting of nominations, scheduling, measurements, flow volume allocation, and billing; and (2) the Company's annual PGA filing must include an exhibit that summarizes the statistics that the Company otherwise would have reported in its LAUF gas semi-annual reports.

Lastly, we wish to commend the Company for using non-traditional supply resources, such as LNG, and its financial hedging and storage activities. These activities help guard against rate increases that might otherwise occur should natural gas prices rise to unusually high levels. We appreciate that the Company continues to look for opportunities to diversify and to protect its customers from market volatility.

ORDER

IT IS HEREBY ORDERED that the Commission accepts the Company's 2013-2017 IRP for filing. The Company shall continue to work to improve public participation in the IRP process.

IT IS FURTHER ORDERED that the Company shall discontinue its semi-annual LAUF gas reports. The Company shall include an exhibit in its PGA summarizing the statistics that have historically been reported in its LAUF gas semi-annual reports. Further, in future IRPs, the Company shall include a LAUF gas section that contains the information referenced above.

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 17th day of July 2013.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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