

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

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IDAHO PUBLIC
UTILITIES COMMISSION

May 12, 2015

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington St.
P. O. Box 83720
Boise, ID 83720-0074

**RE: Intermountain Gas Company
Case No. INT-G-15-01**

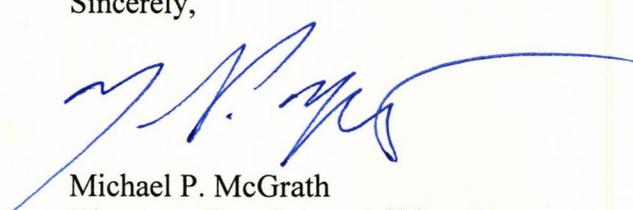
Dear Ms. Jewell:

Enclosed for filing with this Commission is an original and seven (7) copies of Intermountain Gas Company's Reply to Staff's and the Idaho Conservation Leagues Comments in the above referenced Case.

Please acknowledge receipt of these Reply Comments by returning a stamped copy of this letter for our Company files.

If you should have any questions or require additional information regarding the attached, please contact me at 377-6168.

Sincerely,



Michael P. McGrath
Director – Regulatory Affairs
Intermountain Gas Company

Enclosure

cc: Scott Madison
Ron Williams

Michael P. McGrath
Director – Regulatory Affairs
Intermountain Gas Company
555 S. Cole Rd.
Boise, Idaho 83709
Telephone: (208) 377-6000

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2015 MAY 12 PM 1:54
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF
INTERMOUNTAIN GAS
COMPANY'S
2015-2019 INTEGRATED RESOURCE
PLAN

Case No. INT-G-15-01
**REPLY OF
INTERMOUNTAIN GAS COMPANY**

Intermountain Gas Company ("Intermountain" or "Company"), hereby files its Reply to Comments filed by the Idaho Public Utilities Commission Staff ("Staff") and, separately, by the Idaho Conservation League ("ICL").

STAFF RECOMMENDATIONS

As in the past, the Staff expended considerable time and effort in reviewing the details of the Company's Application. In addition to the recommendation by the Staff that "...the Commission accept the Company's 2015-2019 IRP...", Staff also recommended three (3) specific follow-on recommendations for adoption by the Company. Intermountain takes exception with one of those three recommendations and would like to provide clarifying information pertinent to another.

RECOMENDATION #1:

"Include detailed descriptions of projects in process, under evaluation, and planned. This should include: scope of work, estimated costs, and target completion dates;"

COMPANY REPLY:

The Company is concerned that an interpretation of this recommendation might persuade the Commission to direct the Company in such a manner as to transform its Integrated Resource Plan ("IRP") into more of a Capital Budget or Construction Plan as compared to the strategic planning tool it currently is. The current form of the Company's IRP enables the Company to

evaluate projected demand against a myriad of resources and customer growth scenarios. Intermountain would also like to point out that a description of the projects under evaluation, as well as the timing and estimated costs associated with those projects, were indeed included within the filed IRP document. The Company would commit to working with the Staff in developing ways to more clearly direct the reader to those data points.

RECOMMENDATION #3:

“Provide public participation details including invitation lists, public flyers, and number of attendees.”

COMPANY REPLY:

Exhibit No. 9 of the Company’s filed Application included a public meeting invitation letter, invitation list, a copy of the Company’s meeting announcement published in various newspapers and meeting handout materials. That same Exhibit did not, however, include the number of attendees at each public meeting. As part of future IRP filings, Intermountain will include the number of attendees at each of its public meetings.

IDAHO CONSERVATION LEAGUE COMMENTS

Contrary to the recommendation by the Idaho Public Utilities Staff, the “ICL recommends, the Commission not accept Intermountain Gas Company’s 2015 IRP”. Endeavoring to support that recommendation, the ICL provides the Commission with several points of reference whereby the ICL purports that Intermountain’s efforts were contrary to certain IRP criteria established by this Commission. Intermountain Gas Company disagrees with that premise for the reasons more fully described below.

1. Intermountain’s Economic Forecasting is Sound.

The ICL, in their filed Comments, sought to discredit the economic forecast embodied within the Company’s IRP. As opposed to questioning specific economic parameters contained within the Company’s forecast, as explained within the Company’s IRP, the ICL instead chose to simply point out to the Commission that Intermountain’s forecast was different than two of the region’s electric utility forecasts. More specifically, Intermountain’s outlook for positive growth was less robust in 2019 as compared to the two other noted utilities. As delineated more fully in the

Company's IRP, one of Idaho's premier economists was retained by Intermountain to provide a population and household forecast for each and every county served by the Company. As more fully delineated within the Company's filed IRP, twenty-one (21) separate industry categories (job creators) for the state of Idaho were factored into that same forecast. Also, there were two (2) additional separate and distinct economic forecasts included within the IRP for evaluation by the Company – those being the Low and High customer growth scenarios. Intermountain stands by this most recent outlook for growth on its system.

The ICL also purports that the Company's economic forecast has the potential to cause "inadequate lead-time" when adding or avoiding certain resources. Intermountain's IRP process does indeed facilitate adequate lead-time when planning for future resources on its system. This fact is supported by two important considerations: 1) the Company refreshes its economic outlook at least bi-annually through the IRP process and, 2) the required lead-times to add new resources for a natural gas local distribution company ("LDC") are much shorter as compared to a vertically integrated electric utility (i.e. an LDC does not have to plan for and build generation and/or transmission plant which can take years to complete). The Commission acknowledged the benefits of a five-year IRP planning horizon for natural gas local distribution companies as part of Case No. INT-G-97-02.

2. Intermountain's Fuel Price Risks Are Well Managed.

ICL's argument that Intermountain is not doing enough to "insulate its customers from fuel price risk" is invalid. To the contrary, Intermountain has many effective tools which insulate its customers from fuel price risk. These same tools are utilized with an eye towards supply security, reliability, credit risk and price stability. Specifically, Intermountain's receipt point flexibility, gas supply contract term diversity, and storage asset optimization provide very effective means of protecting its customers from fuel price risk.

- a. *Receipt Point Flexibility:* Intermountain interconnects with Northwest Pipeline LLC ("Northwest"), the only interstate pipeline which interconnects to its distribution system. Over the years as Intermountain's market has grown, it has procured and put in place long-term firm transportation contracts on Northwest that provide supply diversity. The base firm transportation contracts on Northwest, held by Intermountain, are approximately 1/3 from the Sumas Receipt Point; 1/3 from the Stanfield Receipt Point

(providing access to the Aeco supply basin) and 1/3 from various Rocky Mountain Receipt Points. The combination of Intermountain's strategic location on the Northwest system together with the flexibility of receipt point use on the Northwest system, affords the ultimate in flexibility in securing the lowest cost gas supplies without degradation of firm service to Intermountain's customers.

Over the past years and for the foreseeable future, based on futures gas prices, the lowest cost gas supplies are from the Alberta supply basin (Aeco). Because of the transportation flexibility of the Northwest system, Intermountain has the ability to move virtually 100% of its Sumas Receipt Point to the Stanfield Receipt Point and thus provide the greatest firm access to these Alberta supplies. Thus, it is not appropriate to interpret from the Company's IRP that Intermountain is relying too heavily on these Stanfield delivered supplies and foregoing opportunities out of the Rockies, but rather the Company is employing the most prudent and reasonably low cost gas supply delivery to its customers, year in and year out.

Additionally, the somewhat recent pipeline expansions designed to move supplies from the Rockies to the east and west have been in place for several years now and, accordingly, the market has captured the pricing impact of these expansions and these prices are already, therefore, included in Intermountain's outlook for natural gas prices.

- b. *Gas Supply Contract Term Diversity:* Any prudent gas supply strategy should encourage diversity of gas supply as well as diversity of access to such supply to allow for the greatest flexibility in securing the lowest reasonably priced gas supplies. Intermountain purchases gas supplies from multiple suppliers under contracts of up to five years in length, one year in length, seasonal in length (i.e. winter only), monthly spot supplies and day gas purchases and sales to balance out its daily needs. These contracted supplies provide Intermountain, throughout each year, access to supplies from the Rocky Mountain region, British Columbia Canada (Sumas or Stanfield) and from Alberta Canada (Aeco or Stanfield).
- c. *Storage Utilization as a Natural Price Hedge and Additional Benefits to Customers:* Intermountain holds approximately 9.5 BCF of supply basin gas storage (8.4 BCF in Clay Basin in the Rockies supply basins and 1.1 BCF in Jackson Prairie in the Sumas or British Columbia supply basin) which is utilized to purchase lower cost gas supplies in the summer months for ultimate delivery to Intermountain's markets in the winter

months. These storage facilities are also under contract with an Asset Manager such that winter delivery of the lower cost gas supplies is guaranteed but the Asset Manager also pays Intermountain a fee for the right to use such storage assets when not in use by Intermountain. This fee is a direct pass back to Intermountain's customers. During the winter approximately 75% of Intermountain's firm transportation on Northwest out of the Rockies is used by the Asset Manager for delivery of the Clay Basin storage gas to Idaho.

3. Cost Effectiveness, Building Codes & Safety, Customer Education and DSM.

- a. *Intermountain is Committed to Cost Effective Service:* Contrary to the claims set forth in the ICL Comments, Intermountain has established a comprehensive review of all opportunities to participate in cost effective energy efficiency programs, including Demand Side Management ("DSM") as part of its ongoing IRP process. As noted in the 2015 IRP, Intermountain believes that even with plentiful supplies and lower, more stable prices, it remains vital that all natural gas customers use natural gas as wisely and as efficiently as possible. Rather than assuming costly programs are the answer to encouraging energy efficiency, however, Intermountain chooses to look at a much broader portfolio of opportunities to encourage the wise and efficient use of natural gas. The portfolio of options Intermountain considers in its ongoing energy efficiency review include: participation in efforts to continually review and update building and equipment standards; support for programs that encourage energy efficiency in new home construction; customer education; support for Gas Technology Institute ("GTI") energy efficiency research; support for the direct use of natural gas; continual lost and unaccounted for gas monitoring; and its ongoing review of DSM opportunities.

Intermountain's findings regarding the cost ineffectiveness of natural gas DSM programs are being replicated in the findings of other natural gas utilities throughout the region. Avista was given permission by the IPUC to suspend their DSM programs in Idaho because they were not cost effective. That decision was substantiated by the DSM program analysis completed as part of their recent IRP filing. The Energy Trust of Oregon ("ETO") has also scaled back the natural gas energy efficiency programs they are able to offer because programs are not meeting cost effectiveness tests. While natural gas DSM programs are not cost effective under current market conditions, the Company has observed a tendency by outside organizations to adopt different measuring sticks when

analyzing DSM programs. Intermountain contends that it is in the best interest of its customers to help keep natural gas prices as low as possible by not adding costly programs that can only be shown to be cost effective by using non-traditional measurement tools.

- b. *Building Codes and Safety*: Intermountain is fully committed to customer safety, interacts with the Division of Building Safety (“DBS”) regularly, and has recently provided significant funding assistance for DBS Carbon Monoxide radio safety messages throughout its service territory. Intermountain also welcomes the opportunity to participate in the Idaho Building Code Collaborative when and where participation is relevant to Intermountain’s business and services.
- c. *Customer Education*: The ICL also falsely contends that Intermountain’s educational programs are inadequate and that Intermountain does not undertake activities to encourage customers to use its website to access information. The majority of Intermountain’s customer communications, including billing envelopes and other materials, encourage customers to use the website for all forms of interaction and information, including conservation and efficiency information. In addition to information customers can access on the website, Intermountain sends out an energy conservation brochure annually to each of its over 327,000 customers as illustrated in the 2015 IRP filing¹.
- d. *DSM*: The ICL encourages the use of “.. behavioral science based programs such as OPower..”. OPower called on IGC to promote their peer comparison web tool. While it is interesting, and a tribute to the clever use of technology, it holds no assurance of providing any actual conservation, especially during a winter peak situation. If it is 20 degrees below zero, the average homeowner is far more likely to be concerned that his or her home is warm enough and safely protected from freeze damage, rather than worrying about how much gas their neighbor is using at the moment.

The ICL also notes that Intermountain has not assessed the potential for gas DSM since 2012. This is an unfortunate typo in Intermountain’s 2015 IRP document, as a thorough review was indeed conducted as part of the 2015 IRP process. The supporting workpapers for that analysis were provided to Staff during the recent IRP audit. As part

¹ Intermountain 2015 IRP at 81.

of the DSM review, Intermountain looked at a wide-range of DSM program opportunities, not just those offered by other Idaho utilities as ICL states.

Intermountain's capacity expansions outlined in the IRP are driven by rapid customer growth in certain areas of its system as well as system integrity issues. DSM programs work at the margins to help delay investments in pipeline infrastructure. The terms saved by participating customers help to reduce the average usage per customer in existing areas of a distribution system. They cannot address enhancements required due to customer growth or system integrity issues. The Cloverdale expansion mentioned by ICL is an instance where former farm ground is being rapidly turned into one of the biggest commercial centers in the state of Idaho. This is an example of new infrastructure that must be built to serve new customers in a rapidly growing area of Intermountain's system. The only DSM program that could address this situation would be one that is designed to eliminate customers or restrict the addition of new customers. A program that reduces existing customer usage would have no impact on this situation or others like it. Additionally, system expansions like Cloverdale serve to create reliability in a pipeline system through pipeline loops and bi-directional flow ability. The increased reliability helps to maintain customer service in the event of a line break, required maintenance or other abnormal operating condition that could otherwise cause a loss of service. For these reasons the costs of the Cloverdale expansion were not included in Intermountain's avoided cost calculation.

Also outlined in the Company's filing, the second tank planned for installation at the Rexburg LNG facility provides added security for the system. The tanks serve as supplementary short-term storage for natural gas, ensuring that there will be needed natural gas available should truck deliveries to Rexburg be impeded due to weather conditions or other unforeseen situations. The second tank provides redundancy and helps to ensure gas will flow on an extremely cold day. A DSM program has no bearing on system integrity issues. For these reasons, the costs of the second LNG tank were not included in Intermountain's avoided cost calculation.

In summary, Intermountain believes it has indeed provided the comprehensive review and analysis of potential energy efficiency options as required by the IRP process.

CONCLUSION

Based on the foregoing Reply Comments, Intermountain requests that this Commission:

1. Accept Intermountain's Integrated Resource Plan as filed in Case No. INT-G-15-01, acknowledging that the filing has fulfilled the requirements established by the Commission in prior Orders,
2. Accept Staff's recommendation #2 (include a summary of R&D projects in Intermountain's next IRP filing) and #3 (to provide public participation details that include the number of attendees),
3. Reject Staff's recommendation #1 (that future IRP filings include detailed descriptions of projects in process, under evaluation or planned). The Company would commit to working with the Staff in developing ways to more clearly direct the reader to those data points already existing as part of the Company's filed IRP,
4. Reject the recommendation of the Idaho Conservation League to "not accept" Intermountain's Integrated Resource Plan for the reasons outlined above.

Respectfully submitted this 12th day of May, 2015.

INTERMOUNTAIN GAS COMPANY

By: _____

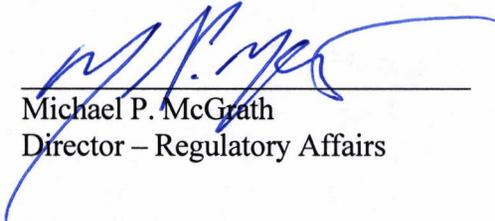

Michael P. McGrath
Director – Regulatory Affairs

CERTIFICATE OF MAILING

I HERBY CERTIFY that on this 12th day of May, 2015, I served a copy of Intermountain Gas Company's Reply Comments relating to Case No. INT-G-15-01 upon:

Benjamin J. Otto
c/o Idaho Conservation League
710 N 6th Street
Boise, ID 83701

by depositing a true copy thereof in the United States Mail, postage prepaid, in an envelope addressed to said person at the above address.



Michael P. McGrath
Director – Regulatory Affairs