# BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| **IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S 2015-2019 INTEGRATED RESOURCE PLAN** | ) ) ) ) | **CASE NO. INT-G-15-01** **ORDER NO. 33314** |

On January 13, 2015, Intermountain Gas Company (Company) filed its Integrated Resource Plan (IRP) for the years 2015-2019. The Company files an IRP every two years to describe its plans to meet its customers' future natural gas needs.

On February 24, 2015, the Commission issued a Notice of Filing and Notice of Modified Procedure that sought comments on the IRP. *See* Order No. 33234. Commission Staff and the Idaho Conservation League (ICL) filed timely comments in the case, and the Company filed reply comments.

Based on our review of the record, we issue this Order acknowledging that the Company has filed its 2015-2019 IRP.

## BACKGROUND

Commission Order No. 25342 initiated Integrated Resource Plan requirements for natural gas utilities in accordance with Section 303 of the Public Utility Regulatory Policies Act of 1978 (PURPA), 15.U.S.C. § 3202, as amended. In summary, an IRP is a planning document in which the Company takes into account many factors and variables as it looks at gas supply and demand in the coming years. The IRP is similar to an accounting balance sheet; it is a "freeze frame" look at the utility's ongoing, changing plans to adequately and reliably serve its customers at the lowest system cost. The Commission encourages the Company to prudently plan (and to prudently deviate from past plans when presented with opportunities to improve an IRP) by requiring the Company to file its IRP every two years, and to make it available for public inspection. Order No. 25342. Commission Order Nos. 25342, 27024, 27098, 30159, and 30643 discuss the elements the IRP should contain. These include:

- Demand Forecasting;
- Lost and Unaccounted For (LAUF) Gas;
- 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; and
- Public participation

The IRP is meant to demonstrate to the public that the Company has prepared for, and considered, many scenarios through a reasonable planning process. The Commission thus expects the utility to have vigorously tested the assumptions in its IRP to better ensure that the IRP accurately reflects changing markets and customer demand. *See* Order No. 30159. The Commission does not, however, "approve" the IRP when the utility files it. Rather, the Commission acknowledges that the utility filed the IRP in compliance with Section 303 of PURPA. *See* Order Nos. 24981 and 25342.

**THE 2015-2019 IRP**

In its 2015-2019 IRP, the Company explains that it regularly forecasts the demand of its growing customer base and determines how to best meet the load requirements brought on by that demand. The 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. *See* IRP, at 2.

The Company explains that it sells natural gas to two major markets: the residential/commercial market and the industrial market. In 2013, the Company served an average of 290,500 residential customers and 31,000 commercial customers, which is a 1.8% increase in average residential and commercial customers from 2008. 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 2013, industrial sales and transportation accounted for 44% of the throughput on Intermountain's system. *Id.* at 2-3.

The Company forecasts changes in its peak-day loads due to customer growth under baseline, high, and low growth scenarios. In this IRP, the Company forecasts a baseline growth scenario in which its total residential, commercial, and industrial peak-day loads increase each year for five years by an average of 2.32%. The Company says this increase in peak-day loads corresponds to expected growth in the Company's markets for residential and small commercial customers. The Company sees no peak-day delivery deficits over the next five years when it matches its forecasted peak-day delivery against its existing resources. *Id.* at 3- 4.

The Company also analyzes different geographic areas so it can plan to meet any projected deficits in those areas. In this IRP, the Company analyzed the Idaho Falls Lateral, the Sun Valley Lateral, the Canyon County Region, the State Street Lateral, and the Central Ada Area. *Id.* at 4.

The Company reports that 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 16% of the Company's customers and 14% of the Company's projected peak-day delivery for January 2015. The Company claims that matching the Idaho Falls Lateral's forecasted peak-day delivery against its existing peak-day capacity shows that the Company can meet this area's peak-day demands for the five-year IRP period. The Company also notes that the Company can use its portable liquefied natural gas (LNG) facility in Rexburg to reduce system peak loads and meet customer demand by supplementing firm capacity on the lateral during peak-day events. The Company plans to use the Rexburg LNG facility's additional capacity in 2017, 2018, and 2019. *Id.* at 5-6.

The Company explains that the Sun Valley Lateral serves about 4% of the Company's total customers and 4% of the Company's projected peak-day delivery for January 2015. The Company claims that matching the Sun Valley Lateral's forecasted peak-day delivery against its existing peak-day distribution capacity (202,000 therms) shows that the Company can meet this area's peak-day demands for the five-year IRP period. *Id.* at 6-7.

The Company notes that the Canyon County Lateral serves about 15% of the Company's total customers and 14% of the Company's projected peak-day delivery for January 2015. The Company claims that matching the Canyon County Lateral's forecasted peak-day delivery against its existing peak-day distribution capacity (790,000 therms) shows that the Company can meet this area's peak-day demands during the five-year IRP period. The IRP notes that this region's diverse industrial customer base currently lacks the ability to mitigate peak-day delivery by switching to alternative fuels. The Company is thus exploring other ways to enhance this area's distribution capability. *Id.* at 7-9.

The Company reports that the State Street Lateral in northwest Boise is 16.2 miles long. The State Street Lateral primarily serves residential and commercial customers that comprise about 14% of the Company's total customers and 12% of the Company's projected peak-day delivery for January 2015. The Company claims that matching the State Street Lateral's forecasted peak-day delivery against its existing peak-day distribution capacity (644,000 therms in 2016 and 695,000 therms in 2017) shows that the Company can meet this area's peak-day demands for the five-year IRP period. *Id.* at 9.

The Company notes that the Central Ada Area of Boise consists of 24 miles of high-pressure pipeline. In the Central Ada Area, the Company serves a diverse base of residential and commercial customers that comprise about 15% of the Company's total customers and 12% of the Company's projected peak-day delivery for January 2015. The Company claims that matching the Central Ada Area's forecasted peak-day delivery against its existing peak-day distribution capacity (625,000 therms in 2016 and 702,000 therms in 2017) shows that the Company can meet this area's peak-day demands during the five-year IRP period. *Id.* at 10.

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. The Company measured peak-day delivery under each customer growth scenario against the available natural gas delivery systems to project the magnitude and timing of delivery deficits on a total Company and regional perspective. The Company analyzed the resources needed to meet any projected deficits within a framework of options to help determine the most cost-effective means to manage the deficits. The Company reports that these options will enable its core market and firm transportation customers to rely on uninterrupted service now and for years to come. *Id.* at 11.

## THE COMMENTS

Commission Staff and ICL filed comments, and the Company filed a reply. The comments and reply are summarized below.

### *A. Staff Comments and Company Reply*

Staff reviewed the Company's IRP and confirms that the IRP discusses the required subjects. Staff thus recommended the Commission acknowledge the IRP. *See* Staff Comments at 3, 11. Staff does, however, encourage the Company to evaluate its DSM cost-effectiveness calculations to ensure they capture the costs of storage and distribution enhancements that could be avoided by lower cost DSM programs. *Id.* at 7-8. Staff also recommended that the Company's future IRPs: (1) describe the Company's maintenance and capacity improvement projects in detail, including the scope of work, estimated costs, and target completion dates for all projects in process, under evaluation, and planned; (2) summarize the scope, duration, and cost of the Company's research & development (R&D) projects; and (3) provide public participation details including invitation lists, public flyers, and number of attendees. *See* Staff Comments at 6, 8, 10-11; *see also* ICL Comments at 5 (criticizing public participation efforts).

In its reply, the Company agrees that its next IRP will summarize its R&D projects as suggested by Staff (Recommendation No. 2, above). The Company also agrees to provide more public participation details (Recommendation No. 3, above). Specifically, the Company notes that its IRP already includes a public meeting invitation letter, invitation list, meeting announcement from newspapers, and meeting handouts. But the IRP did not include the number of meeting attendees. The Company agrees that its future IRPs will specify how many persons attend the meeting. The Company disagrees, however, with Staff's recommendation that its future IRPs should include detailed project descriptions (Recommendation No. 1, above). The Company claims that requiring such detail would inappropriately convert the IRP from a strategic planning tool into a capital budget or construction plan. The Company notes that its current IRP does describe the Company's maintenance and improvement projects and their timing and costs. The Company nevertheless agrees to work with Staff to develop ways to more clearly direct readers to this project information in future IRPs. *See* Company Reply at 1-2; Staff Comments at 8.

### *B. ICL Comments and Company Reply*

ICL argues that the Commission should reject the IRP because the IRP is deficient in several ways. ICL's arguments and the Company's reply are summarized below.

#### 1. Demand Forecast

ICL claims the Company under-forecasts future gas demand by predicting a demand decline in 2019. In contrast, neither Idaho Power nor PacifiCorp forecast a decline. ICL warns that the Company's forecast may preclude the Company from having enough lead time to avoid, defer, or add resources or capacity expansions. *See* ICL Comments at 1-2.

The Company disagrees and maintains its forecast is sound even if its forecast differs from those of Idaho Power and PacifiCorp. The Company states that the IRP process ensures the Company has enough lead time to plan for resources, and that the Company refreshes its forecast at least biennially. Further, the Company needs much less lead-time to add new resources than a vertically integrated electric utility does. *See* Company Reply at 3.

**2. Natural Gas Supply Options**

ICL observes that recent pipeline expansions have helped move Rocky Mountain gas east and to California, and believes that these expansions increase the risk that gas prices for Idaho customers will increase. ICL complains that the Company's IRP nevertheless fails to discuss whether the Company plans to augment gas efficiency programs to protect customers from this risk. ICL Comments at 2.

In reply, the Company notes that the expansions are several years old, and the market and the Company's forecasts already capture their impact on gas prices. Additionally, the Company's receipt-point flexibility, gas supply contract diversity, and storage asset optimization effectively protect customers from gas price risks. For example, the Company can replace gas it currently receives at Sumas with lower-cost gas from Stanfield. The Company's contracts with multiple gas suppliers also enable the Company to access gas from different suppliers throughout the year. Moreover, the Company's 9.5 billion cubic feet of storage allow it to buy low-cost gas in the summer and deliver that gas to customers in the winter when gas prices are high. The Company notes that this storage is managed by an Asset Manager that has agreed to pay the Company for unused storage, and the Company passes the payment back to its customers. Company Reply at 3-5.

**3. DSM and Cost-Effectiveness**

ICL claims the IRP inadequately discusses DSM opportunities in a number of ways. First, while the IRP says new building and appliance standards have increased energy efficiency, and that the Company "is an active voice" for improving such standards, ICL notes that the IRP does not state how the Company advocates for those improvements. ICL suggests that the Company should at least work with the Idaho Building Code Collaborative and Division of Building Safety (DBS) to encourage Idaho to adopt the latest building and energy codes. *See* ICL Comments at 3.

In reply, the Company states that it regularly interacts with DBS, and that it welcomes the opportunity to participate in the Idaho Building Code Collaborative to the extent relevant to the Company's business and services. *See* Company Reply at 6.

Second, ICL notes that the Company's web site contains consumption and efficiency information. But the IRP does not confirm whether customers actually access and use that data. The IRP also does not discuss using new behavioral science-based methods to "push this information" to customers. *See* ICL Comments at 3-4.

In reply, the Company explains that most of its customer communications direct customers to the web site for all interaction and information, including conservation and efficiency information. Further, the Company sends an energy conservation brochure to customers each year. The Company notes that it did consider using a behavioral science-based program to get the information to customers, but ultimately declined to use the program because the program held no assurance of providing actual conservation. *See* Company Reply at 6.

Third, the IRP reveals that the Company has not assessed gas efficiency potential since 2012. ICL criticizes the 2012 assessment because the assessment is old and only looked at existing DSM programs offered by other utilities. ICL argues that the Company should update its demand-side data with a new DSM potential assessment that does not merely assess existing DSM programs. *See* ICL Comments at 3.

In reply, the Company notes that the IRP contains a typographical error that suggests DSM potential was last assessed in 2012. The Company explains, however, that it thoroughly reviewed DSM potential during the 2015 IRP process, and that it considered many DSM opportunities besides those offered by other utilities. The Company considered, for example: participating in efforts to update building and equipment standards; encouraging energy efficiency in new home construction; customer education; supporting Gas Technology Institute energy-efficiency research; supporting direct use of natural gas; continually monitoring LAUF gas; and ongoing review of DSM opportunities. *See* Company Reply at 6-7

Fourth, the IRP explains it will continue to not offer energy-efficiency programs because low gas costs render those programs cost-ineffective. But ICL questions the Company's cost-effectiveness assessments because: (1) the IRP lacks supporting calculations; and (2) the Company plans to expand its lateral line capacity but ignores the avoided costs that could arise if efficiency improvements allowed it to avoid these capacity expansions. *See* ICL Comments at 2-3, 4.

In reply, the Company explains that avoided costs from avoided capacity expansions do not affect the Company's DSM cost-effectiveness assessment because the expansions are driven by rapid customer growth and system integrity issues that DSM programs cannot address. *See* Company Reply at 6-7. The Company also notes that other gas utilities have found natural gas DSM programs to be cost-ineffective, and that the Commission even allowed Avista to suspend its gas DSM programs due to cost ineffectiveness. *Id.* at 5.

**4. Integration Demand and Resources**

ICL claims the Company's five-year planning horizon is too short to capture changes in market and customer trends and ensure robust long-term planning. ICL argues that the Company should use at least a ten-year planning horizon. *See* ICL Comments at 5.

In reply, the Company notes that the Commission has acknowledged the benefits of the Company's five-year planning horizon. *See* Company Reply at 3, *citing* Case No. INT-G-97-02 (in which the Commission found it reasonable to shorten the Company's IRP forecasting horizon from 20 years to five years to more closely align the IRP with current business planning practices).

## FINDINGS AND DISCUSSION

Intermountain Gas Company is a natural gas corporation and public utility. *See* *Idaho Code* §§ 61-116, -117, and -129. The Commission has jurisdiction over the Company and the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* § 61-501.

We have reviewed the record in this case, including the Company's IRP, the comments filed by Staff and ICL, and the Company's reply. Based on our review of the record, we find that the Company's IRP substantially satisfies the requirements set forth in the Commission's prior Orders. We thus acknowledge that the Company has filed its IRP. In doing so, we reiterate that an IRP is a working document that incorporates many assumptions and projections at a specific point in time. It is a plan, not a blueprint, and by issuing this Order we merely acknowledge *the Company's ongoing planning process*, not the conclusions or results reached through that process.[1] With this Order, we do not approve of the IRP or any resource acquisitions referenced in it, or endorse any particular element in it, and we offer no opinion on the prudency of the Company's election of its preferred resource portfolio. The appropriate place to determine the prudence of the IRP or the Company's decision to follow or not follow it,

[1] In its comments, ICL notes that it "is mindful the Commission's IRP review is limited to the process and not the substance of the plan." ICL Comments at 1. While the Commission's focus is on the IRP process, the Commission has ordered that the IRP plan must discuss certain subjects. By acknowledging this IRP, we are acknowledging that the Company has discussed those subjects.

and the validation of predicted performance under the IRP, will be a general rate case or other proceeding in which the issue is noticed. *See* Order Nos. 24981 and 25342.

The Commission also acknowledges the comments from its Staff and ICL. In particular, we find it reasonable that the Company's future IRPs should include more detail about how the Company calculates avoided costs and uses those calculations to determine whether natural gas DSM opportunities are or are not cost-effective. We appreciate the Company's agreement to provide more information about both its R&D projects and public participation in the IRP process. We encourage the Company to work with Staff to improve how the IRP directs readers to its discussion of improvement projects. Finally, we appreciate the Company's willingness to participate in the Idaho Building Code Collaborative to the extent that it is relevant to the Company's business and services.

## O R D E R

IT IS HEREBY ORDERED that the filing of the Company's 2015-2019 IRP is acknowledged.

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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 5th day of June 2015.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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