DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:MAY 8, 1996

RE:CASE NO.  INT-G-96-1

NATURAL GAS INTEGRATED RESOURCE PLAN

MODIFIED PROCEDURE-COMMENTS

Intermountain Gas Company (Intermountain Gas; Company; IGC) on January 30, 1996 filed its 1996 Natural Gas Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission).  The Company’s filing complies with the Commission’s direction in Order No. 24342, Case No. GNR-G-93-2 (Reference PURPA § 303(b)(3), Energy Policy Act of 1992).

In its prior Order in Case No. GNR-G-93-2, the Commission adopted the following statement of Commission policy regarding PURPA § 303(b)(3) and integrated resource planning for gas utilities:

 POLICIES ADDRESSING INTEGRATED RESOURCE PLANNING.

01.  Purpose and Process.  Each gas utility regulated by the Idaho Public Utilities Commission with retail sales of more than 10,000,000,000 cubic feet in a calendar year (except gas utilities doing business in Idaho that are regulated by contract with a regulatory commission of another State) has the responsibility to meet system demand at least cost to the utility and its ratepayers.  Therefore, an “integrated resource plan” shall be developed by each gas utility subject to this rule.

02.  Definition.  Integrated resource planning.  “Integrated resource planning” means planning by the use of any standard, regulation, practice, or policy to undertake a systematic comparison between demand-side management measures and the supply of gas by a gas utility to minimize life-cycle costs of adequate and reliable utility services to gas customers.  Integrated resource planning shall take into account necessary features for system operation such as diversity, reliability, dispatch ability, and other factors of risk and shall treat demand and supply to gas consumers on a consistent and integrated basis.

03.  Elements of Plan.  Each gas utility shall submit to the Commission on a biennial basis an integrated resource plan that shall include:

a.  A range of forecasts of future gas demand in firm and interruptible markets for each customer class for one, five, and twenty years using methods that examine the effect of economic forces on the consumption of gas and that address changes in the number, type and e­fficiency of gas end-uses.

b.  An assessment for each customer class of the technically feasible improvements in the efficient use of gas, including load management, as well as the policies and programs needed to obtain the efficiency improvements.

c.  An analysis for each customer class of gas supply options, including:  (1)  a projection of spot market versus long-term purchases for both firm and interruptible markets; (2)  an evaluation of the opportun­ities for using company-owned or contracted storage or pr­oduction; (3)  an analysis of prospects for company participation in a gas futures market; and (4)  an assessment of opportunities for access to multiple pipeline suppliers or direct purchases from producers.

d.  A comparative evaluation of gas purchasing options and improvements in the efficient use of gas based on a consistent method for calculating cost-effectiveness.

e.  The integration of the demand forecast and resource evaluations into a long-range (e.g., twenty-year) integrated resource plan describing the strategies designed to meet current and future needs at the lowest cost to the utility and its ratepayers.

f.  A short-term (e.g., two-year) plan outlining the specific actions to be taken by the utility in implementing the integrated resource plan.

04.  Relationship Between Plans.  All plans following the initial integrated resource plan shall include a progress report that relates the new plan to the previously filed plan.

05.  Plans to Be Considered in Rate Cases.  The integrated resource plan will be considered with other available information to evaluate the performance of the utility in rate proceedings before the Commission.

06.  Public Participation.  In formulating its plan, the gas utility must provide an opportunity for public partic­ipation and comment and must provide methods that will be available to the public of validating predicted performance.

07.  Legal Effect of Plan.  The plan constitutes the base line against which the utility's performance will ordinarily be measured.  The requirement for implementation of a plan does not mean that the plan must be followed without deviation.  The requirement of implementation of a plan means that a gas utility, having made an integrated resource plan to provide adequate and reliable service to its gas customers at the lowest system cost, may and should deviate from that plan when presented with responsible, reliable opportunities to further lower its planned system cost not anticipated or identified in existing or earlier plans and not undermining the utility's reliability.  In order to encou­rage prudent planning and prudent deviation from past pla­nning when presented with opportunities for improving upon a plan, a gas utility's plan must be on file with the Commission and available for public inspection.  But the filing of a plan does not constitute approval or disapproval of the plan having the force and effect of law, and deviation from the plan would not constitute violation of the Commission's Orders or rules.  The prudence of a utility's plan and the utility's prudence in following or not following a plan are matters that may be considered in a general rate proceeding or other proce­edings in which those issues have been noticed.

Order No. 24342

A Notice of Filing in Case No. INT-G-96-1 was issued by the Idaho Commission on February 21, 1996.  The Commission made the preliminary finding that the issues presented in the Application could be processed under Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201 et seq.

The deadline for filing written comments with respect to the Company’s 1996 Natural Gas Integrated Resource Plan and/or use of Modified Procedure in Case No. INT-G-96-1 was April 24, 1996.  The Commission Staff was the only party to file comments (attached).  Staff concludes that the Company’s 1996 natural gas IRP’s satisfies the requirements set forth by the Commission in Order No. 24342, with the exception of not including plans beyond 15 years.  Staff believes that evaluating contingent actions based on even 15 year forecasts of several variables requires a stretch of confidence in the reliability of the forecasts.  Staff states that it was unable to independently verify IGC’s forecast, but opines that the results appear to be within a range of reasonable expectation.  Staff recommends that the IRP be accepted as filed by the Company.  Staff also recommends that the Commission review the productivity of requiring long-range planning beyond ten years.

On May 7, 1996, Intermountain Gas Company filed a letter reply to Staff’s comments (attached).  IGC states that the Company is in favor of a ten-year planning horizon requirement.  IGC recommends that the Company and Staff jointly review and discuss the pertinence of the remaining IRP guidelines, and jointly draft updated IRP requirements for Commission consideration.  The Company requests that the proposal be considered as part of the next IRP cycle.

Commission Decision

Does the Commission wish to acknowledge receipt (filing) of the Company’s 1996 Natural Gas Integrated Resource Plan?  Does the Commission wish to acknowledge that the filed Plan satisfies the requirements set forth by the Commission in Order No. 24342?  Does the Commission wish to review the reasonableness of the 20-year planning horizon implicitly required by Order No. 24342?  The Company has limited its long-range plan to 15 years, Staff suggests that a ten year IRP may be more reasonable.

Does the Commission wish to direct IGC and Staff as part of the next IRP cycle, to jointly review and discuss IRP guidelines and propose recommended changes for Commission consideration?

Scott Woodbury

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