DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

RICK STERLING

LYNN ANDERSON

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:JUNE 19, 1997

SUBJECT:CASE NO. INT-G-97-2

On April 25, 1997, Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a revision to the Commission’s generic policy statement regarding Natural Gas Integrated Resource Planning.  Reference Energy Policy Act of 1992 (EPACT); Case No. GNR-G-93-2, Order No. 25342.

In the Commission’s letter dated May 15, 1996 acknowledging the filing of the Company’s 1996 Natural Gas Integrated Resource Plan, the Commission stated:

We encourage the Company to work with Staff as part of the next IRP cycle to jointly review and discuss IRP guidelines and propose recommended changes for Commission consideration, including the reasonableness of the twenty year planning horizon implicitly required by Order No. 25342.

 The Company contends that many of the planning requirements deemed prudent in a fully regulated environment have now been usurped by the pressures of a more open, competitive marketplace.  IGC seeks with its Application to amend the current Integrated Resource Planning guidelines in order to:

(1) More closely align the guidelines with IGC’s current business planning practices, thereby making the process a more meaningful and useful management tool,

(2) Continue to provide for public participation in the overall planning process, and

(3) Streamline the regulatory filing requirements of the process to eliminate costly overheads.

More specifically IGC requests that:

•The forecasting horizon for natural gas supply and demand be limited to a period of five (5) years to more closely align the Plan with current business planning practices.

•Public participation in the planning process continue on a biennial basis to allow for outside comment and validation of the Company’s plan for meeting the forecast demand for natural gas.

•The requirement for an evaluation of traditional demand side management (DSM) measures be eliminated from the guidelines.

The Company represents that the avoided gas costs associated with such programs have shown these traditional programs to be uneconomic in the competitive marketplace.  IGC states that it will instead continue to emphasize load management opportunities that benefit all or some customers without disadvantaging any customer.  IGC represents that it will continue its commitment and responsibility to encourage the efficient use of natural gas and to manage the load growth on its system in a cost effective manner.  The Company supports the efforts made by organizations such as American Gas Association and the Gas Research Institute that, on an industry wide basis, develop products and services designed to enhance and encourage the efficient use of natural gas.

•The filing requirements with the Commission be streamlined to simply include those supply and demand forecasting materials provided and reviewed through the public forum.

The Company requested that its Application be processed under Modified Procedure,  i.e., by written submission rather than by hearing (Reference IDAPA 31.01.01.201-204) and requested an effective date of June 1, 1997.  Noting the generic implications of the Company’s filing, the Commission in Order No. 26939 suspended the proposed effective date.  Reference Idaho Code § 61-622.

Notices of Application and Modified Procedure in Case No. INT-G-97-2 were issued by the Commission on May 28, 1997.  The deadline for filing written comments was June 18, 1997.  Timely comments were filed by The Washington Water Power Company (Water Power) and Commission Staff (attached).

Water Power supports the Company’s filing and recommends that it be approved.  Regarding its own natural gas operations Water Power notes:

…(1) Our Company uses a shorter time horizon for business planning than contemplated by the current IRP guidelines; (2) Water Power continues and will continue, to seek public involvement in our planning process as the industry continues on its evolution to greater competition; (3) Washington Water Power does review and make changes as necessary to the needed level for DSM and natural gas avoided cost “out of the IRP cycle”; and (4) Water Power continues to examine supply and demand forecasting techniques that allow the Company and our customers with accurate information to make supply decisions.  These actions are taken in the public interest and are intended to align business practices accordingly.

Commission Staff opposes that portion of the Company’s Application that requests the Commission to eliminate from its natural gas integrated resource planning guidelines any requirement that the Company in its planning process consider and evaluate Demand Side Management (DSM) measures.  With no requirement to evaluate DSM, Staff contends that some cost effective conservation savings could be lost.  Specifically Staff states its belief that evaluation of DSM was one the primary intentions of the Energy Policy Act of 1992 (EPACT) which amended the Public Utility Regulatory Policies Act (PURPA) requiring states to consider the adoption of new standards pertaining to Integrated Resource Planning and utility investment in conservation and Demand Side Management.  To abandon the foundation upon which IRP requirements were built would, in Staff’s opinion, be premature given the rate of change in the industry in the past several years.

Staff generally supports the remainder of the Company’s Application.  Regarding the Company’s request to streamline filing requirements, Staff agrees as long as the Company continues to prepare a sound, useful and informative plan.  Staff recommends that any relevant additional information relied upon by the Company and not contained in the IRP submitted to the Commission be identified and made available to Staff upon request.

Commission Decision

•Re: Reduction in planning horizon from 20 years to 5 years

•Re: Public participation

•Re: Streamlining of regulatory filing requirements?

•Re: Company proposal to eliminate DSM evaluation as part of its planning process?

•Should the Company’s Application be approved - with or without modification?

Scott Woodbury

cm\M:intg972.sw2