Idaho Public Utilities Commission
Case No. AVU-G-12-08, Order No. 32655
November 16, 2012
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Commission taking comments on Avista natural gas plan

A long-term planning document by Avista Utilities anticipates natural gas prices will remain low over the next several years due primarily to the continued development of shale gas. Demand from customers in northern Idaho will increase by only slightly more than 1 percent over the next 20 years, the company forecasts.

Electric and natural gas utilities are required by the Idaho Public Utilities Commission to file an Integrated Resources Plan (IRP) every two years that spells out how the utilities plan to meet customer demand during average load periods as well as under extreme weather conditions.

The commission is taking comments on Avista's natural gas plan through December 3. The plan is available on the commission's Website at www.puc.idaho.gov. Click on the natural gas icon, then on "Open Gas Cases," and scroll down to Case No. AVU-G-12-08. Comments can be submitted by clicking on the "Comments and Questions About a Case," icon on the commission's Website and filling in the above case number. They can also be mailed to 472 W. Washington St., Boise, ID, 83702 or faxed to 208-334-3762.

Avista does not anticipate any resource shortages over the next 20 years, due to increased production from shale and lower customer demand.

The report's Executive Summary states:

> *"Shale gas has changed the landscape for North American supply and turned the price of natural gas on its head. While shale is not new, the technological improvements for extraction, the value of natural gas liquids and the amount of gas associated with oil extraction have significantly impacted the volume and cost of the supply mix. Couple this with declining use per customer and stagnant customer growth due to the prolonged effect of the recession and you have a supply glut driving prices to lows not seen in the last decade."*

The IRP says Avista has a diversified portfolio of gas supply resources, including contracts to buy gas from several supply basins, stored gas and firm capacity rights on six pipelines.

Despite the low prices and ample supply, Avista continues to plan for a broad range of possibilities because of uncertainties including economic conditions; increasing exporting of liquefied natural gas which alters the price and flows of natural gas nationwide; and the growing market for natural gas vehicles. Because of higher oil prices and the desire to reduce reliance on foreign oil, forecasters believe there will be increased use for natural gas vehicles particularly in vehicle fleets that include long-haul trucking, public transportation, school buses and refuse trucks.

Avista's natural gas customers received an average 5 percent reduction in the PGA (Purchased Gas Cost Adjustment) portion of rates last month due to the factors cited above. However, the company is requesting about a 7.3 percent increase in base gas rates. Base rates cover fixed costs, while the PGA accounts for costs that vary from year to year, such as market prices for gas. Much of the requested base rate gas increase is due to increases in plant investment, operations and maintenance and administrative expenses. A decision on that request is not expected until next March.

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