

Preston N. Carter, ISB No. 8462
Givens Pursley LLP
601 W. Bannock St.
Boise, Idaho 83702
Telephone: (208) 388-1200
Facsimile: (208) 388-1300
prestoncarter@givenspursley.com

Attorneys for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF
INTERMOUNTAIN GAS
COMPANY'S 2019 – 2023
INTEGRATED RESOURCE PLAN**

CASE NO. INT-G-19-07

**INTERMOUNTAIN GAS COMPANY'S
REPLY COMMENTS**

Intermountain Gas Company (“Intermountain” or “Company”) respectfully submits the following Reply Comments in response to Comments filed by the Idaho Public Utilities Commission Staff (“Staff”) as well as Comments filed by the Idaho Conservation League and the Idaho Chapter Sierra Club, collectively referred to as the environmental groups.

BACKGROUND

On October 18, 2019 Intermountain company filed its biennial 2019 – 2023 Integrated Resource Plan (“IRP”). As noted by Staff, the purpose of a natural gas IRP is to “describe[] a company’s plans to meet its customers’ future natural gas needs.” Staff Comments at 2. The Commission requires natural gas IRPs to include seven components. Staff Comments at 2-3 (discussing Order Nos. 25342, 27024, 27098, and 32855). Intermountain believes that its IRP meets these requirements and provides a tool that is useful for the Company, the Commission, and other interested parties to ensure that Intermountain can and will provide cost-effective, safe, and reliable natural gas service throughout the year, and especially during an extreme cold weather event.

REPLY TO STAFF COMMENTS

Intermountain appreciates Staff's comments and agrees with Staff's recommendations. The Company looks forward to continuing several collaborative initiatives mentioned by Staff, including the Avoided Cost review, that will contribute to the improvement of future IRPs.

Although Intermountain considers a variety of alternatives to resolve identified deficits and determine the most cost-effective, least risk solutions, the Company did not include all of that analysis in the filed IRP document. Intermountain will include that analysis in future IRPs.

As Staff noted, Intermountain is in the process of installing a fixed network that will allow for daily reads of its meters. Through the end of 2019, Intermountain has completed 60% of the project. Unfortunately, the project has been stalled in 2020 due to staffing changes. The Company is hopeful it will be able to ramp the project back up throughout the rest of 2020 and make significant progress on the installation of its fixed network. In the meantime, the Company agrees that a sample from the portion of the fixed network that is completed could be used to validate the DNV GL Customer Management Module results as Staff suggests.

REPLY TO ENVIRONMENTAL GROUP COMMENTS

In Order No. 27024, the Commission shortened Intermountain's planning horizon from 20 years to 5 years. This planning horizon has proven adequate and useful. The five-year planning horizon pairs relatively accurate forecasts¹ with adequate time to act upon any capacity issues identified in the IRP. Large electric generation projects can take many years to permit, plan, and build. By contrast, natural gas projects take one year to plan, engineer, and permit and a second year to complete. The most complex projects may require two years for the initial phase with construction completed in the third year. But even the most complex natural gas distribution

¹ Of course, no forecast is entirely accurate. But a five-year forecast is inherently more accurate than a twenty-year one, particularly when forecasting issues related to a natural gas IRP.

system upgrade can be completed comfortably within the five-year planning horizon. As such, a five-year planning horizon provides adequate, actionable information and is appropriate for a natural gas IRP.

The environmental groups suggest extending the planning horizon to twenty years. However, twenty-year forecasts—particularly twenty-year forecasts of natural gas prices—are inherently less accurate than five-year forecasts. Twenty-year forecasts are also more expensive to conduct. And even if a twenty-year forecast estimated decreased demand growth towards the end of the timeline, the Company has a legal obligation to serve existing customers in a non-discriminatory manner. *See* Idaho Code § 61-302, § 61-315. Accordingly, the Company would be required to meet the five-year forecasted demand even in a twenty-year forecast. A twenty-year forecast is less accurate, more costly, and provides little or no actionable information beyond that contained in a five-year forecast. Intermountain suggests that there is no reason to move beyond the long-term status quo of a five-year forecast for purposes of the IRP.

The environmental groups request that Intermountain attempt, in the IRP, to assess the likelihood of carbon regulation and the hypothetical carbon regulation's impacts on customer behavior.² However, as noted above, the purpose of the IRP is to ensure that the Company can meet its customers' natural gas needs in a cost-effective manner. To that end, the IRP looks at a base case scenario, which represents the Company's most likely economic, customer growth and pricing forecasts. To provide a helpful risk assessment, however, the Company also looks at high growth and low growth scenarios. These alternate scenarios demonstrate the outcomes should a

² Idaho Conservation League has requested to attach portions of Intermountain's discovery responses to its comments. Intermountain does not object to the request, though it is not clear what point ICL attempts to make. Intermountain objected to certain discovery requests of ICL, but communicated and cooperated with ICL throughout the process and did provide responses, documents, and the location of publically available information responsive to the requests. Any issues surrounding ICL's request appear immaterial, though the Company would be willing to discuss or provide other information related to ICL's request if helpful.

wide variety of unknown risk factors affect the economy, customer growth, or natural gas pricing. The degree of change between the base case, high-growth, and low-growth scenarios is adequate to encompass the risk of a regulatory change during the forecast period. To take an example, an economic downturn related to COVID-19 is actually more realistic right now than a carbon tax in Idaho. By modeling a generic low-growth scenario rather than focusing on a single policy issue, the Company is better suited to nimbly respond to the change in demand created by whatever risks may materialize. Intermountain recognizes that the environmental groups have an institutional and advocacy interest in carbon regulation. But that does not mean that Intermountain can or should focus on that particular policy issue as opposed to low-growth, high-growth, and base-case economic scenarios.

In addition, trying to prognosticate the potential outcome of the current policy debate over greenhouse gas regulation would be speculative. Intermountain has no expertise in predicting if such regulation will occur; if so, when it will occur; what form it will take; the economic impact of any such regulation; or how customers will react. For example, it seems as likely (or more likely) that regulations in other states will continue to increase the importance of Renewable Natural Gas in reducing overall greenhouse gas emissions, which would increase customer demand for natural gas, as it is that Idaho will pass carbon legislation that would decrease carbon demand.

The environmental groups point to Avista's natural gas IRP as an example of accounting for carbon regulation. However, Avista's analysis regarding regulatory risk in Idaho reads, in its entirety, as follows:

Idaho Policy Considerations

Idaho does not regulate greenhouse gases. There is no indication Idaho is moving toward regulation of greenhouse gas emissions beyond federal regulations.

Consistent with Avista's assessment of Idaho's regulatory environment, Avista's 2018 IRP does not appear to use a carbon adder for Idaho operations. Avista 2018 IRP, AVU-G-18-15, at 130 ("The State or Idaho does not have a carbon adder as there is no current or proposed state or federal legislation associated with carbon in that jurisdiction."). Avista's use of a carbon adder for its Oregon operations is based on California's Cap-and-Trade Regulation, which in turn appears to be selected because Oregon proposed similar cap-and-trade regulations. *See* Avista 2018 IRP at 130 (carbon adder for Oregon operations); *id.* at 116-117 (discussing policy proposals in Oregon, including cap-and-trade legislation). Avista's use of a carbon adder in Washington is based on carbon legislation proposed by Governor Inslee. *Id.* at 130. All things told, Avista's consideration of carbon regulation in other states is driven by the regulatory environment, and potential regulatory requirements, of those other states. Intermountain respectfully submits that these Oregon- and Washington-specific analyses should not automatically be carried over to Idaho.

Intermountain based its gas price forecast on the best available data. The companies that provided the pricing inputs are some of the best in the business, but one of the requirements of using their data is confidentiality. While the environmental groups request that the forecast be based on publically available data, Intermountain does not believe using publically available data will result in a better forecast. It is not Intermountain's decision to make these data confidential; Intermountain chooses them because of their accuracy and abides by the companies' requirements to keep the data confidential. Intermountain believes its offer to facilitate a video call to review the model, as well as the open discussions facilitated by its stakeholder group, offer ample opportunity for public review and input on the Company's gas price forecast and reasonably balances the concerns of transparency with the requirement of accuracy.

Finally, Intermountain has decided that the most appropriate place to thoroughly vet the conservation resources that serve as an input to the IRP modeling is with its Energy Efficiency Stakeholder Group. The focus of this committee is to review Intermountain's growing Energy Efficiency program. The discipline of energy conservation can be highly technical, and it's important to spend the time necessary to educate the stakeholders on the topic so they can provide input. Intermountain hosted an Energy Efficiency Stakeholder Group meeting during the preparation of this IRP entirely dedicated to discussing the results of its first Conservation Potential Assessment. The conservation targets derived from that study served as inputs to the IRP. Questions and comments from that Stakeholder Group meeting helped inform the final version of the Conservation Potential Assessment.

CONCLUSION

In summary, Intermountain believes that its IRP meets Commission requirements, and that the IRP adequately plans to meet demand from 2019 through 2023. Intermountain also submits that the current requirements for its IRP result in a useful document that ensures the safe, reliable, affordable supply of natural gas to its current and future customers. Intermountain respectfully requests the Commission acknowledge the Company's 2019-2023 IRP as filed and accept the recommendations to improve future IRPs provided by Staff.

Dated: May 4, 2020

GIVENS PURSLEY LLP



Preston N. Carter
Givens Pursley LLP
Attorneys for Intermountain Gas Company

CERTIFICATE OF SERVICE

I certify that on May 4, 2020, a true and correct copy of INTERMOUNTAIN GAS COMPANY'S REPLY COMMENTS was served upon all parties of record in this proceeding via the manner indicated below:

Idaho Conservation League
Benjamin J. Otto
Matt Nykiel
710 N. 6th Street
Boise, ID 83702
botto@idahoconservation.org
mnykiel@idahoconservation.org

Electronic Mail

Commission Staff

Diane Hanian, Commission Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg. 8, Suite 201-A
Boise, ID 83714
Diane.Hanian@puc.idaho.gov

Electronic Mail

John R. Hammond, Jr.
Deputy Attorney General
Idaho Public Utilities Commission
11331 W. Chinden Blvd., Bldg. 8, Suite 201-A
Boise, ID 83714
john.hammond@puc.idaho.gov

Electronic Mail



Preston N. Carter