

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATER OF INTERMOUNTAIN GAS)
COMPANY’S 2019-2023 INTEGRATED) CASE NO. INT-G-19-07
RESOURCE PLAN)
)
)
) **ORDER NO. 34742**
)

On October 18, 2019, Intermountain Gas Company (“Intermountain” or “Company”) filed its Integrated Resource Plan (“IRP”) for 2019-2023. Intermountain files an IRP every two years describing the Company’s plans to meet its customers’ future natural gas needs. The IRP must discuss the subjects required by Commission Order Nos. 25342, 27024, 27098, 32855, 33314, 33997, and section 303(b)(3) of the Public Utility Regulatory Policies Act (“PURPA”), 15 U.S.C. § 3202. The Commission reviews the IRP to ensure it discusses these subjects and shows the Company has diligently planned for the anticipated supply and demand for natural gas.

On December 3, 2019, the Commission issued its Notice of Filing, Notice of Intervention Deadline, and Order. *See* Order No. 34497. The Idaho Conservation League (“ICL”) was granted intervention into the case. *See* Order No. 34522. The Commission issued its Notice of Parties on January 8, 2020. On January 31, 2020, the Commission issued its Notice of Modified Procedure setting a comment deadline of April 23, 2020, for interested persons and parties to submit comments on Intermountain’s IRP and a May 4, 2020, reply comment deadline for the Company. The Commission Staff (“Staff”) and ICL filed comments. The Company filed reply comments on May 4, 2020.

The Commission now issues this Order acknowledging the IRP.

BACKGROUND

A natural gas IRP describes a company’s plans to meet its customers’ future natural gas needs. In Order No. 25342, the Commission adopted IRP requirements for local gas distribution companies in response to amended Section 303 of PURPA. In Order No. 27024, the Commission shortened the IRP’s planning horizon from 20 to 5 years. Order No. 27098 removed any requirement that IRPs formally evaluate potential demand-side management (“DSM”) programs, and instead directed the companies to explain whether cost-effective DSM opportunities exist. In summary, these orders direct the Company to file an IRP every two years that includes:

1. A forecast of future gas demand in firm and interruptible markets for each customer class, which includes the number, type, and efficiency of gas end-users as well as effects from economic forces on gas consumption;
2. An analysis of gas supply options for each customer class, which includes a projection of spot market versus long-term purchases for both firm and interruptible markets, an evaluation of the opportunities for using company-owned or contracted storage or production, an analysis of prospects for company participation in a gas futures market, and an assessment of opportunities for access to multiple pipeline suppliers or direct purchases from producers;
3. A comparative analysis of gas purchasing options and improvements in the efficient use of gas, and an explanation of whether there are cost-effective DSM opportunities;
4. The integration of the demand forecast and resource evaluations into a long-range (at least a five-year) plan describing the strategies designed to meet current and future needs at the lowest cost to the utility and its ratepayers;
5. A short-term (e.g., two-year) plan outlining the specific actions to be taken by the utility in implementing the IRP;
6. A progress report that relates the new plan to the previously filed plan; and
7. Public participation.

Additionally, in Order No. 32855 the Commission: 1) directed the Company to continue to improve public participation in the IRP process; and 2) allowed the Company to stop filing semi-annual lost and unaccounted for gas (“LAUF Gas”) reports. Order No. 32855. The IRP’s LAUF Gas section must explain the Company’s: (a) framework for how it has tested for, identified, and remediated equipment measurement errors or leaks; and (b) business process for alleviating measurement errors through its financial accounting of nominations, scheduling, measurements, flow volume allocation, and billing. *See* Order No. 32855 at 5-6.

In Order No. 33314 the Commission directed the Company to include more detail in future IRPs about how the Company calculates avoided costs and uses those calculations to determine whether natural gas DSM opportunities are cost-effective. *See* Order No. 33314 at 9.

Last, in Order No. 33997 the Commission found it reasonable that the Company should convene an IRP advisory group and work with it to develop future IRPs that comprehensively and transparently consider demand, existing resources, and potential supply and demand-side options for meeting any deficits. *See* Order No. 33997 at 8.

INTERMOUNTAIN'S IRP FILING

The Company regularly forecasts the demand of its growing customer base and determines how to best meet load requirements brought by this demand. *IRP* at 1-2. Intermountain's IRP is a snapshot in time of the Company's ongoing planning process; it describes expected conditions over a five-year planning horizon, the anticipated resource selections, and the process for making resource decisions. *Id.* at 1-2. The Company represented it sells natural gas to two major markets: the residential/commercial market and the large volume market. *Id.* at 1 and 6. In 2018, the Company served 364,512 customers, 330,000 of those are residential customers. *Id.* at 1. Residential and commercial customers primarily use natural gas for space and water heating. *Id.* Industrial customers use natural gas for boiler and manufacturing applications. *Id.* at 1-2. The agricultural economy and price of alternative fuels strongly influences large volume demand for natural gas. *Id.* at 2. In 2018, industrial sales and transportation accounted for 50% of the throughput on the Company's system. *Id.*

The Company forecasts changes in its peak-day loads due to customer growth under base, high, and low case growth economic scenarios. *Id.* In this IRP, the Company forecasts a base case growth scenario where its total residential, commercial, and industrial peak-day loads increase each year for five years by an average of 2.08%. *Id.* at 95. The Company asserted this increase in peak-day loads corresponds to expected growth in the Company's markets for residential and small commercial customers. *Id.* at 3-4. 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.

To enhance the IRP, the Company established the Intermountain Gas Resource Advisory Committee ("IGRAC"). *Id.* at 3; *See also* Order No. 33997 at 8. The IGRAC is a forum where public participation can occur as the IRP is developed. *Id.* Advisory committee members were solicited from across the Company's service territory. *Id.* The Company represented it held meetings across its service territory to ensure travel would not impact the ability of committee members and the public to participate. *Id.* The Company stated a comment period was provided after each meeting to ensure feedback was timely and incorporated into the IRP. *Id.*

The Company represented it also analyzes different geographic areas in its service territory ("AOI" or "AOIs") so it can plan to meet projected deficits in those AOIs. *Id.* at 8. In this IRP, the Company analyzed the Idaho Falls Lateral, the Sun Valley Lateral, Canyon County Area, the State Street Lateral, Central Ada County, and the All Other segment. *Id.*

The Company represented the Idaho Falls Lateral (“IFL”) is 104 miles long and serves cities between Pocatello and St. Anthony in eastern Idaho. *Id.* at 128. In the base case scenario, customers in the IFL are expected to increase by 7,772 (a 2.92% annualized growth rate) over the IRP period. *Id.* at 91. The Company claimed earlier system enhancements give it the capacity to serve the IFL for the next five years. *Id.* at 129. During this IRP period, the Company will add a second liquefied natural gas (“LNG”) storage tank at the Rexburg LNG Facility in 2022. *Id.* The Company asserted the second tank will increase total storage at this facility, as potential vaporization flow requirements increase. *Id.*

The Company represented the Sun Valley Lateral (“SVL”) is 68 miles long with the majority of demand at its far end. *Id.* at 129. The base case scenario projects customers in the SVL will increase by 1,304 (a 2.26% annualized growth rate) over the IRP period. *Id.* at 91. With continued demand growth, the Company has selected a second compressor station to enhance the SVL further downstream from the Jerome Compressor. *Id.* at 129. The Company asserted it will complete the second station in 2021, which will increase capacity beyond this IRP’s remaining five-year growth outlook. *Id.*

The Company asserted the Canyon County Area (“CCA”) consists of an interconnected system of high-pressure pipelines that serve communities from Star Road west to Highway 95. *Id.* at 127. In the base case scenario, the Company expects customers in the CCA to increase by 14,854 (a 5.75% annualized growth rate) over the IRP period. *Id.* at 91. The Company represented three enhancement projects are needed to meet projected growth demands in the CCA. *Id.* at 127. First, in 2020 the Company would complete the 5-inch Orchard Avenue Extension project that will extend 4.5 miles into a significant growth area not currently supported by a nearby high-pressure pipeline. *Id.* Second, in 2021 the Company would complete the second phase of the 12-inch Ustick/Caldwell enhancement to extend the existing 2018 pipeline 2 more miles to the east. *Id.* at 127-128. Last, in 2022 the Company would build the 8-inch Happy Valley enhancement to extend the high-pressure pipeline 2 miles further into south Nampa. *Id.* at 128.

The Company represented the State Street Lateral (“SSL”) in northwest Boise is 16.2 miles long. *Id.* at 125. It primarily serves residential and commercial customers. *Id.* In the base case scenario, the Company expects SSL customers to increase by 7,055 customers (a 2.69% annualized growth rate) for the IRP period. *Id.* at 91. The Company asserted this area is suited for a pipeline retest to establish a higher maximum allowable operating pressure and allow the Company to maximize its existing facilities’ potential before investing in new infrastructure. *Id.*

at 125. The Company can retest the pipeline in phases over multiple years, which will increase capacity as growth is experienced while minimizing the length of pipe that must be taken out of service at one time. *Id.*

The Company asserted the Central Ada County area (“CAC”) in Boise consists of multiple high-pressure and intermediate pressure pipeline systems. *Id.* at 126. In the base case scenario, the Company expects CAC customers to increase by 6,622 (a 2.49% annualized growth rate) during the IRP period. *Id.* at 91. The Company stated that, like the SSL, the existing, large-diameter pipeline on Victory Road could be retested to increase its maximum allowable operating pressure and resulting flow capacity. *Id.* at 126. The Company represented this increased operating pressure is designed to match the Chinden and Cloverdale operating pressure, and the retest is an initial step to create a consistent, connected system between the pipelines. *Id.* at 126. The Company expects to complete phase one of the retest in 2021. *Id.* at 126-127. The retest begins at the Meridian gate station and extends roughly 2.5 miles. *Id.* at 127.

In summary, the Company stated 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. *Id.* at 3. The Company asserted it 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. *Id.* The Company stated it 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. *Id.* The Company stated these options allow its core market and firm transportation customers to rely on uninterrupted service now and for years to come. *Id.*

COMMENTS

1. Staff Comments.

Staff believed the Company’s IRP is reasonable and should be acknowledged, but also identified areas for improvement for future IRPs. *Staff Comments* at 3.

Staff believed the Company’s methodology for estimating future demand is adequate but could be improved in future IRPs. *Id.* Although Staff appreciated the Company’s detailed explanation of its customer growth and peak weather forecasting methodologies it was concerned that the models relating per-customer consumption to extreme weather events may not be sufficiently granular to accurately estimate per-customer consumption for a peaking event. *Id.* at

3-4. Staff also believed the use of individual models and weather data for each customer to be appropriate; however, Staff still was concerned the aggregated monthly data used to create the model did not match the daily or hourly estimates obtained from the model used to estimate peak consumption. *Id.* at 5. The Company provided no evidence that the weather sensitive heat load obtained using monthly aggregated data will provide an accurate estimate of consumption over a short duration peaking event. *Id.* Staff believes that the Company should validate the accuracy of peak estimates obtained from these models during the next IRP cycles. *Id.* Staff asserted that validation could be performed by comparing the output of individual customer models to actual data obtained from these customers' Advanced Metering Infrastructure ("AMI") meters. *Id.* Staff believed the Company should also validate the peak consumption estimates obtained from DNV GL's Customer Management Module using actual peak information from the Company's AMI meters. *Id.* Staff also asserted that the Company should quantify the effects of new building codes and the Company's energy efficiency ("EE") programs and incorporate estimates into its per-customer usage models. *Id.*

Staff noted that over the IRP planning period, the Company shows deficits are projected in five key parts of its service territory 1) the IFL, 2) SVL, 3) CCA, 4) SSL, and 5) the CAC during the 2019 – 2023 IRP period. *Id.* at 95 – 97. Staff recognized that in previous IRPs, the Company included future enhancements as existing peak firm day delivery capability. *Id.* at 6. Staff believed this method obscured the magnitude and timing of potential capacity deficits and did not provide a transparent and robust method to evaluate deficit resolution. *Id.* In this IRP, the Company provided capacity analysis, identified when deficits will occur, and described enhancements to resolve identified deficits. *Id.* However, in some areas it was not clear what alternatives the Company considered and why it selected the enhancement(s) it did to resolve deficits. *Id.* In the future, Staff would like to see the alternatives considered by the Company to resolve all identified deficits and an analysis that demonstrates selection of least cost, least risk solutions. *Id.* Staff recommended that the Company conduct a robust analysis of supply and demand-side alternatives to resolve the deficits in a least cost, least risk manner. *Id.* Staff stated without this analysis, Staff cannot evaluate the reasonableness of the Company's planned resources. *Id.* Staff asserted that requiring this level of analysis from the Company would align it with the IRP standards for Avista Corporation's natural gas service territory, and all the Idaho-regulated electric utilities. *Id.* Additionally, Staff recommended that the Company include documentation that shows all analysis conducted to determine least cost, least risk alternatives. *Id.*

In certain AOIs Staff raised concerns about proposed enhancements. In the SVL, although Staff believes that the proposed compressor station and associated improvements can meet the predicted load growth along it, Staff has not conducted a prudency review to determine if these improvements are the least costly way to meet demand in this AOI. *Id.* at 8. In the CCA although the Orchard Avenue Extension and Happy Valley pipeline installations should meet projected demand, the Company did not conduct a robust analysis of other supply and demand-side options that may have met these needs at lesser cost and risk. *Id.*

Staff noted that the Company has acted on Staff’s recommendations to strengthen its DSM analysis and contracted with Dunskey Energy Consulting to perform a Conservation Potential Assessment (“CPA”). Exhibit 4. *Id.* at 11. Staff believed that the Company in cooperation with its EE stakeholder group is addressing concerns Staff detailed in previous IRPs and is actively pursuing compliance with Commission orders. *Id.*

Staff also pointed out improvements the Company has made in this IRP. Upon initial analysis of EE and avoided cost content in the 2019 IRP, Staff believes that the Company considered DSM/EE in its IRP modeling, specifically in its optimization model. However, Staff is concerned the Company’s avoided cost methodology inappropriately includes base rate embedded distribution costs in avoided cost computations. Staff also believed the Company’s forecast of avoided commodity costs is unreasonably high.

Staff noted that the Company established the IGRAC to foster public participation in the IRP’s development. *Id.* at 11. Staff members attended each IGRAC meeting in 2020. Staff recognized the Company’s efforts to enhance public participation, appreciates the opportunity to participate in the IGRAC, and looks forward to increased public involvement in future IRPs. *Id.* at 11-12.

Last, Staff recognized the Company’s improvement with LAUF Gas and believes the Commission requirements were satisfied in this filing. *Id.* at 12. Staff scrutinizes LAUF Gas in the Company’s annual Purchased Gas Adjustment filings. *Id.*

Staff believed the Company’s IRP has met the Commission requirements and recommended the Commission acknowledge the Company’s 2019-2023 IRP. *Id.* at 13. To improve future IRPs, Staff also recommended that the Company:

- 1) Include an analysis of all options the Company considered to resolve identified deficits and achieve the most cost-effective least risk solutions; and

2) Validate the peak consumption estimates obtained from DNV GL's Customer Management Module using actual peak information from the Company's AMI meters.

2. ICL Comments.

ICL commended the Company for forming IGRAC but claimed Intermountain failed to inform and involve a representative group of stakeholders. *Id.* at 1-2. ICL asserted that for the IGRAC to be more beneficial, the group should be more diverse. *Id.*

ICL also asserted that the Company's IRP should evaluate the costs and risks to customers associated with greenhouse gas emissions and related policy issues, and claimed other public utilities have recognized and evaluated these matters in their IRPs. *Id.* ICL requested that the Company provide the public with a discussion of these economic and policy considerations in its IRP. *Id.* at 3. ICL asserted that without this discussion the IRP is not a full evaluation of the least cost and risk plans to meet customer needs. *Id.* ICL also contended these matters should require the Company to revise its forecasts to a longer period because these issues are increasing the uncertainty of the economics of fossil fuel-dependent industries. *Id.* at 2-3. ICL also claimed customers are concerned about the impacts of fossil fuels on climate change and their health. *Id.* at 3-4.

ICL also claimed the Company's analysis of gas price forecasts is not public and requested that the Commission direct Intermountain to model gas price forecasts in this IRP and future IRPs using only publicly available models and information. *Id.* at 4.

In conclusion, ICL recommended that the Commission not acknowledge the Company's IRP and direct the Company to supplement it with the recommendations it has made. *Id.* at 5.

3. Company Reply Comments.

The Company agreed with Staff's recommendations to include additional matters in the IRP. *Id.* at 2. The Company also represented that it considers alternatives to resolve deficits and determine the most cost-effective, least risk solutions, but that the Company did not include all that analysis in the filed IRP document. *Id.* The Company stated it will provide that analysis in future IRPs. *Id.* As Staff noted, Intermountain is installing a fixed network that will allow for daily reads of its meters. Through the end of 2019, Intermountain has installed 60% of this fixed network. Unfortunately, this project stalled in 2020 due to staffing changes. *Id.* The Company hopes to ramp the project back up throughout the rest of 2020. *Id.* The Company also agreed that

it could use a sample from the completed portion of the fixed network to validate the DNV GL Customer Management Module results as Staff suggested. *Id.*

In response to ICL's comments and Sierra Club's public comments the Company asserted that the five-year planning horizon pairs relatively accurate forecasts with adequate time to act upon any capacity issues identified in the IRP. *Id.* The Company also claimed that a five-year forecast is more accurate than a twenty-year one, particularly when forecasting issues related to a natural gas IRP. *Id.* at 3. The Company also argued that twenty-year forecasts are more expensive to conduct. *Id.* Last, the Company asserted that a twenty-year forecast would provide little or no actionable information beyond that contained in a five-year forecast. *Id.*

The Company represented the IRP's purpose is to ensure the Company can meet its customers' natural gas needs in a cost-effective manner. The Company asserted that the alternate scenarios in the IRP address a wide variety of unknown risk factors and are adequate to encompass the risk of a regulatory change alleged by ICL during the forecast period. *Id.* at 3-4.

Last the Company represented that the most appropriate place to evaluate conservation resources that serve as an input to the IRP modeling is with its EE stakeholder group. *Id.* at 5-6.

Based on the foregoing, the Company believes that its IRP meets Commission requirements, and that the IRP shows the Company has adequate plans to meet demand from 2019 through 2023. *Id.* at 6. 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. *Id.* The Company requested that the Commission acknowledge the Company's 2019-2023 IRP as filed and accept the recommendations to improve future IRPs made by Staff. *Id.*

PUBLIC COMMENTS

1. Sierra Club.

The Sierra Club claimed the five-year forecast in the IRP is insufficient to show whether the Company's plans are consistent with the public's interest. *Sierra Club Public Comments* at 1. The Sierra Club also asserted that the IRP should consider the potential for a carbon charge. *Id.* The Sierra Club is concerned that without this analysis the public interest is at risk of incurring unnecessary costs in the form of wasteful future investments. *Id.*

The Sierra Club requested that the Commission advise the Company to make the following changes in its next IRP:

1. Separate wholesale and retail market projections.
2. Retain the 5-year term for analysis of wholesale market accessed supply adequacy but analyze demand over a 20-year period.
3. Include demand analyses in the IRP that reflect the effects of carbon charges on the demand of various customer classes.
4. Identify locations within its service territory where projected distribution system upgrades are likely to be needed to serve peak winter natural gas loads.

COMMISSION FINDINGS AND DECISION

The 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.*

The Commission has reviewed the record, including the Company's IRP, the comments of the parties and the public comment. Based on our review, the Commission finds that Intermountain's IRP substantially complies with the Commission's prior orders. The Commission thus acknowledges 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. 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 prudence 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, 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 Staff's comments and recommendations. In particular, we find it reasonable that the Company include an analysis of all options the Company considered to resolve identified deficits and achieve the most cost-effective, least risk solutions; and validate the peak consumption estimates obtained from DNV GL's Customer Management Module using actual peak information from the Company's AMI meters. Finally, we commend the Company on forming and operating the IGRAC and we recognize that this new group will evolve. In that evolution, we encourage the Company to seek, inform, share scenario analyses, and allow diverse stakeholders to participate in the IGRAC.

ORDER

IT IS HEREBY ORDERED that the filing of the Company's 2019-2023 IRP is acknowledged.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in 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 31st day of July 2020.



PAUL KJELLANDER, PRESIDENT

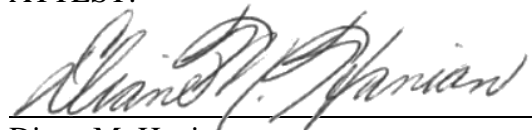


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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