

# Idaho Natural Gas Utilities

## Improving economy and increased demand are leading to higher natural gas prices

The commodity cost of natural gas has increased over the last year but prices continue to be at some of the lowest levels in a decade. The improving economy, a forecast of more-normal weather conditions and storage levels lower than last year's have all contributed to higher prices.

Other factors that may be contributing to higher prices include increased gas-fired electric generation due to aggressive regulation of carbon emissions from coal plants; increased demand from natural gas fleet vehicles; flattening production compared to 2012; increased demand for exports of LNG; and increased demand from gas-to-liquid projects.

The Northwest Gas Association (NWGA) 2013 Gas Outlook lists the Boardman, Oregon and Centralia, Washington coal plants as examples of two regional coal plants directly impacted by environmental regulations. Both plants will close and may be replaced with natural gas-fired generation. The NWGA also believes natural gas-fired generation will be necessary to meet demand and balance load given the large investments in intermittent wind resources in Oregon and Washington.



Heavy duty trucks and fleet vehicles also add to the demand for natural gas. For instance, a number of potential customers approached Intermountain Gas Company expressing interest in LNG service. Consequently, in January, Intermountain Gas Company requested that the Commission grant authority to sell excess liquid natural gas (LNG) from its Nampa facility. In April, the Commission approved the service allowing the Company to maximize the facility while maintaining peak-use capability for sale service customers. Now the facility's off-loading capabilities will continue benefiting the utility's standard service customers while also being used to sell LNG to non-utility customers at market-based rates.

Nationally, the Energy Information Administration (EIA) expects overall natural gas consumption in 2014 to decrease

slightly from 70.13 bcf per day in 2013 to 69.60 bcf per day in 2014.<sup>1</sup>

Industrial consumption is expected to increase in 2014, but the demand for natural gas by the other sectors is expected to decrease. Conversely, the Northwest Gas Association expects overall demand in eastern Washington and northern Idaho to increase during 2013-2014.<sup>2</sup>

NWGA expects residential and commercial consumption to decrease, but industrial and electric power consumption to increase. Overall demand in southern Idaho is also expected to increase during 2013-2014. NWGA expects electric power consumption to stay the same during 2013-2014, but increase in the other sectors. The Northwest Power and Conservation Council (NPCC) also anticipates slightly higher demand in 2014 compared to last year, and consequently, expects slightly higher prices.

North American natural gas resources are now estimated at 100 years or more of supply at current consumption rates. Production continues to increase in spite of modest economic growth and low natural gas prices, in part, because natural gas is oftentimes a byproduct of the more profitable production of oil and natural gas liquids (e.g. propane, butane, ethane, condensate).

Supply in the Northwest is primarily split between two basins, the Western Canadian Sedimentary Basin (WCSB) and the U.S.

Rocky Mountain Basin. The WCSB includes the Canadian provinces of B.C. and Alberta and provides about 60 percent of the natural gas consumed in the Northwest. Gas is transported from Canada to Northwest Pipeline by utilizing capacity on Gas Transmission Northwest (GTN), TransCanada's Foothills Pipeline system (Foothills), and its Alberta system known as Nova Gas Transmission (NOVA).

Northwest Pipeline and its shippers, which included Idaho's local distribution companies, settled Northwest Pipeline's recent rate case filing resulting in about a 9 percent price increase effective Jan. 1, 2013.

*--by Matt Elam  
IPUC staff analyst*

---

<sup>1</sup> See EIA, Short-Term Energy Outlook, November 2013, US Natural Gas Summary.

<sup>2</sup> See Northwest Power Conservation Council, Seventh Power Plan Fuel Price Forecast, July 2013.

**Individual Utility Idaho Statistics – 9/30/2011 to 9/30/2012**

**Intermountain Gas Company**

	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Transportation</b>	<b>Total</b>
<b>Customers</b>	283,228	30,114	11	110	313,463
<b>% of Total</b>	90.35%	9.61%	0.00%	0.04%	100.00%
<b>2011 Customers</b>	280,072	29,836	10	107	310,025
<b>Therms (millions)</b>	202.29	100.97	3.46	277.13	583.85
<b>% of Total</b>	34.65%	17.29%	0.59%	47.47%	100.00%
<b>2011 Therms (millions)</b>	216.00	109.05	2.87	233.70	561.62
<b>Revenue (millions)</b>	\$162.14	\$73.33	\$1.80	\$8.49	\$245.76
<b>% of Total</b>	65.97%	29.84%	0.73%	3.45%	100.00%
<b>2011 Revenue (millions)</b>	\$184.30	\$87.52	\$1.64	\$8.26	\$281.72

**Avista Utilities**

	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Transportation</b>	<b>Total</b>
<b>Customers</b>	66,731	8,489	94	8	75,322
<b>% of Total</b>	88.59%	11.27%	0.12%	0.01%	100.00%
<b>2011 Customers</b>	66,200	8,421	96	8	74,725
<b>Therms (millions)</b>	46.17	26.63	2.29	43.47	118.56
<b>% of Total</b>	38.94%	22.46%	1.93%	36.66%	100.00%
<b>2011 Therms (millions)</b>	48.16	27.92	2.04	45.56	123.68
<b>Revenue (millions)</b>	\$45.42	\$21.75	\$1.54	\$0.41	\$69.12
<b>% of Total</b>	65.71%	31.47%	2.23%	0.59%	100.00%
<b>2011 Revenue (millions)</b>	\$48.06	\$23.57	\$1.51	\$0.44	\$73.58

**Questar Gas**

	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Transportation</b>	<b>Total</b>
<b>Customers</b>	1,773	227	0	0	2,000
<b>% of Total</b>	88.65%	11.35%	0.00%	0.00%	100.00%
<b>2011 Customers</b>	1,767	227	0	0	1,994
<b>Therms (millions)</b>	1.26	0.78	0.00	0.00	2.04
<b>% of Total</b>	61.79%	38.21%	0.00%	0.00%	100.00%
<b>2011 Therms (millions)</b>	1.35	0.81	0.00	0.00	2.17
<b>Revenue (millions)</b>	\$1.02	\$0.53	\$0.00	\$0.00	\$1.54
<b>% of Total</b>	65.94%	34.06%	0.00%	0.00%	100.00%
<b>2011 Revenue (millions)</b>	\$1.13	\$0.58	\$0.00	\$0.00	\$1.71

## Intermountain Gas increase is first in five years

**Case No. INT-G-13-05, Order No. 32897**  
**September 25, 2013**

For the first time in five years, customers of Intermountain Gas Company will be receiving an increase in the variable portion of rates they pay for natural gas.

The annual Purchased Gas Cost Adjustment (PGA) mechanism adjusts rates up or down to account for the always changing costs of natural gas supply, transportation and storage.

The Idaho Public Utilities Commission approved the company's application to increase rates an average 4.15 percent effective Oct. 1.

For a customer who uses natural gas for space and water heating the increase is about \$1.85 per month and for customers who use natural gas for space heating only the average monthly increase is 68 cents. For commercial customers, the increase is about \$14.18 per month.

The money Intermountain Gas collects for the surcharge can go only toward meeting gas supply and related expense. The surcharge does not increase company earnings.

It's the first time since 2008 the PGA has been an increase. In 2012, the decrease was 7.1 percent; in 2011, 5.3 percent; in 2010,

1.6 percent and in 2009, 22.2 percent. The PGA surcharge or credit lasts one year and is updated typically Oct. 1. There can be other adjustments during the year if costs change significantly.

The increase this year is primarily due to an increase in transportation costs billed the company by the Northwest Pipeline and an increase in the weighted average cost of gas. Recent improvements in the economy and increased use of natural gas-fired electric generation have increased demand and driven up costs for natural gas, despite increased production from shale gas reserves. Even with the increase, the PGA portion of gas rates are still 49 percent lower than in 2005.

About half of a customer's monthly bill is the variable, PGA portion of rates that change due to wholesale market, transportation and storage costs.

With the increase effective Oct. 1, customers who use natural gas for both space and water heating will pay 73 cents per therm in April through November and 69.8 cents from December through March. Of that amount, 37.3 cents is the variable portion, or weighted average cost of gas.

Intermountain Gas serves about 320,000 customers in 74 communities throughout southern Idaho.

## Avista's PGA is about 6.8 percent increase

**Case No. AVU-G-13-01, Order No. 32898**

Avista Utilities' residential and small commercial customers will be paying about 6.8 percent more for natural gas as a result of adjustments approved by the Idaho Public Utilities Commission.

The increases in rates, which are effective Oct. 1, do not increase Avista earnings.

The gas increase is Avista's annual Purchased Gas Cost Adjustment (PGA), which is adjusted up or down at least annually to reflect that portion of gas rates that change from year to year, due to changing market prices and fuel and transportation costs.

In recent years, lower demand for natural gas, higher production rates and record

high storage levels, drove prices to the lowest they've been in a decade.

However, for most of 2013, prices began an upward trend, caused primarily by the late, colder-than-normal winter. Consequently, Avista must increase that portion of rates that accounts for variable changes from 33.3 cents per therm to 37.4 cents.

The variable portion of rates accounts for more than half of the total rate of 63.37 cents per therm paid by Avista natural gas customers.

To protect customers from wholesale market swings in gas prices, Avista engages in "hedging," or buying gas while prices are lower and storing it for use during higher-priced periods. Avista said it will hedge about 38 percent of its estimated annual load requirements for the next PGA year.

## Intermountain Gas customers to benefit from surplus LNG sales

**Case No. INT-G-13-02, Order No. 32793  
April 22, 2013**

Intermountain Gas Company's liquefied natural gas facility has more than enough LNG to meet the needs of its customers so state regulators have approved a plan submitted by Intermountain to allow it to sell the surplus to non-utility customers and share the proceeds with customers.

In its application to the Idaho Public Utilities Commission, Intermountain Gas said it would share half the revenue it earns with customers, applying it against the annual Purchased Gas Cost Adjustment (PGA). The commission modified that request to allow a 50-50 share for sales up to \$1.5 million per year but a 70 percent customer share of revenues for sales beyond that amount.

Intermountain Gas, a natural gas distribution company serving about 315,000 southern Idaho customers, expects to have excess capacity at its Nampa LNG facility for the next few years. It proposes to sell that excess until system growth requires it to use all its LNG to meet peak-day needs for its customers.

Intermountain will use all stored LNG to first satisfy utility customer demand. It will assess non-utility customers 2.5 cents for each gallon sold to meet any operations and maintenance costs resulting from non-utility sales. The company's original application provided for that 2.5-cent charge going to the company, but the commission order directs that amount to be

directed to Intermountain Gas customers instead. Non-utility customers will also pay another 2.5 cents per gallon to meet any capital expenditures or increased maintenance costs to the Nampa plant.

Non-utility customers will be required to sign a contract protecting utility customers from financial risk as well as risks to the company after the LNG is transferred to a non-utility customer. Intermountain Gas will accept all financial risk and will insulate utility customers from any costs associated with non-utility sales by separately accounting for and tracking all related costs independent of utility costs. Those results will be filed quarterly at the commission.

## PUC accepts gas utility's long-range plan

**Case No. INT-G-13-03, Order No. 32855  
July 19, 2013**

The Idaho Public Utilities Commission praised southern Idaho's natural gas utility for finding nontraditional sources of gas supply to keep price volatility for its customers at a minimum.

The commission accepted Intermountain Gas Company's Integrated Resource Plan (IRP), which must be filed every two years. The plan outlines future structural improvements that need to be made to get gas to customers and identifies the sources from which the company anticipates getting its natural gas supply.

Traditional sources of natural gas for Intermountain Gas are from large gas-

producing regions in Alberta and northeastern British Columbia and from the Rockies production basins in Wyoming, Colorado and Utah. Intermountain's traditional supply forecasts predict growing supplies because of shale gas production.

However, the utility has also been acquiring natural gas from nontraditional sources such as fuel oil, coal, wood chips and propane to reduce natural gas use by the industrial customers. The company has also been using portable liquefied natural gas equipment in the Rexburg area to meet growing demand.

Other nontraditional sources of supply include distribution system capacity upgrades to improve the ability to flow gas during periods of peak demand and market

“hedges,” the practice of buying natural gas on the market when prices are low and then storing it for later use when prices are higher.

“These activities help guard against rate increases that might otherwise occur should natural gas prices rise to unusually high levels,” the commission said. “We appreciate that the company continues to look for opportunities to diversify and protect its customers from market volatility.”

The commission said Intermountain Gas needs to make greater efforts to get more input from the public and key stakeholders as it prepares its Integrated Resource Plan. Intermountain conducted two public meetings in Idaho Falls and Boise. While mayors, council members and city leaders were invited to the Idaho Falls meetings, the company did not appear to notify city officials of its Boise meeting. Commission staff said involving local officials in its western Idaho region is important particularly because the company plans to add a nearly 8-mile Orchard-Farmway pipeline loop to its Canyon County lateral.

Except for some regions, Intermountain Gas is experiencing a reduced rate of growth due to the economic downturn. Because of that, the utility expects to meet its peak-day loads over the next five years without significant capital additions.

Two years ago, the company’s IRP showed capacity deficits on its Idaho Falls and Sun Valley laterals. Since then, Intermountain

Gas has taken steps to address those deficits resulting in no projected capacity deficits in its territory even though it anticipates annual load growth of about 1 percent.

To meet projected deficits along the Idaho Falls lateral, which serves cities from Pocatello to St. Anthony, the company completed a 16-inch pipeline loop around Idaho Falls. That project, completed last winter, increased the distribution capacity from 810,000 therms to 990,000 therms. Seventeen percent of the company’s customers are served by the approximate 104-mile Idaho Falls Lateral.

The 2010 plan also showed projected deficits on the 70-mile Sun Valley Lateral. In response, the company installed a compressor station to boost pressure. The compressor increased the lateral’s capacity from 175,000 therms to 204,000 therms. The Sun Valley Lateral serves 4 percent of Intermountain Gas’ customers.

The two other major laterals that extend from the main Williams Northwest pipeline that follows the Snake River throughout southern Idaho are the Canyon County and State Street Laterals. The 16-mile State Street lateral serves customers from Caldwell along State Street into northwest Boise. Intermountain reports that demand on the State Street lateral is increasing and will need monitoring but is not expected to meet capacity in the next five years. Fourteen percent of Intermountain Gas customers are served by the State Street Lateral.