

NATURAL GAS

Consumption and prices increased in FY2022¹

In Idaho, natural gas is supplied to customers by Avista Corporation, Dominion Energy, and Intermountain Gas Company. Idaho is fortuitous to be located between two large natural gas producing basins: The Rocky Mountain Basin (Rockies) and the Western Canadian Sedimentary Basin (WCSB).

These basins are connected through the Williams Northwest Pipeline and TransCanada's GTN pipelines allowing the natural gas utility companies serving Idaho to take advantage of capacity and of pricing at both basins.

Individual Idaho Gas Utility Profiles

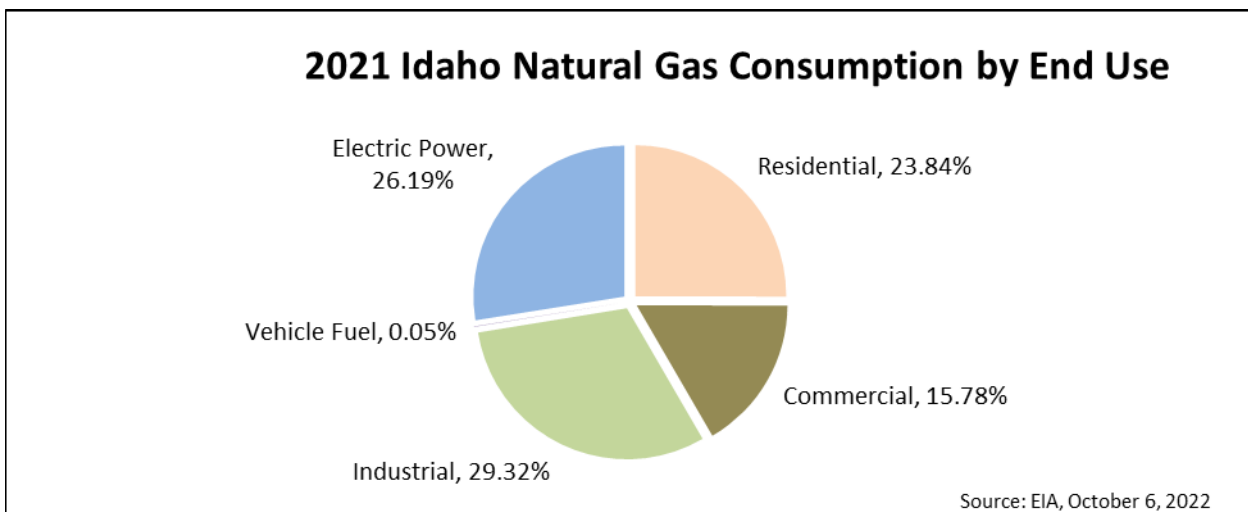
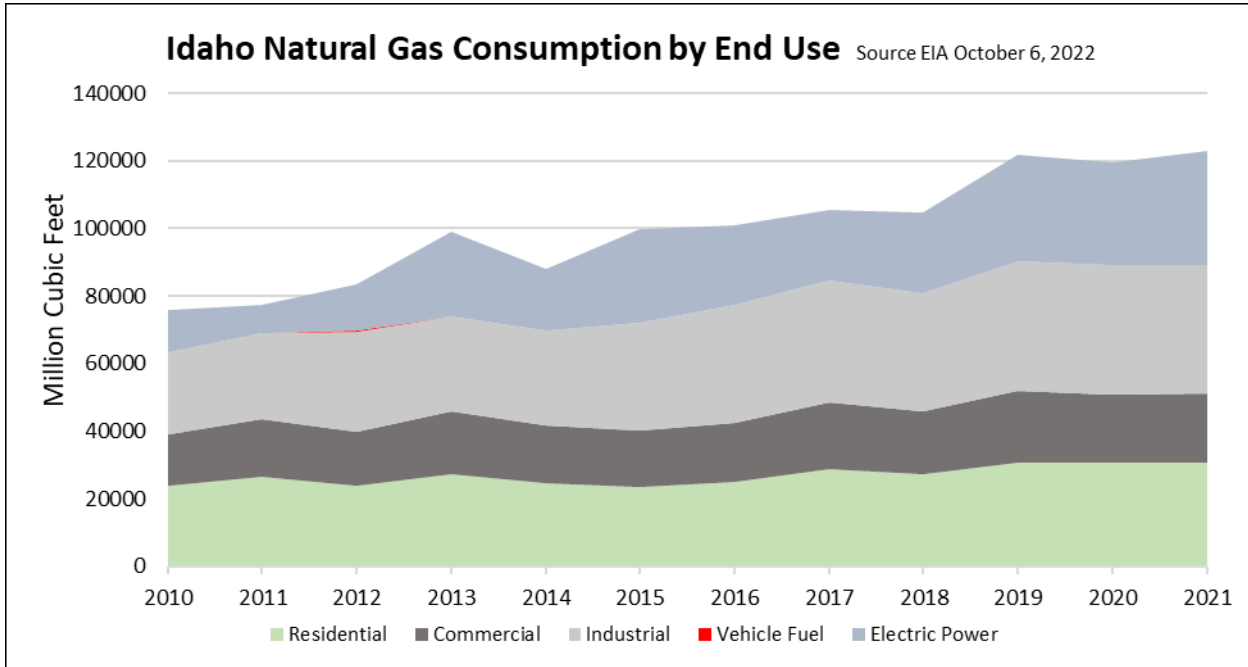
| FY 2022 Statistics | Total | Residential | Commercial | Industrial | Transportation ² |
|-----------------------------|----------|-------------|------------|------------|-----------------------------|
| Avista Corporation | | | | | |
| Customers | 91,543 | 82,007 | 9,459 | 69 | 8 |
| % of Total | 100% | 89.58% | 10.33% | .08% | .01% |
| Therms (millions) | 153.33 | 60.18 | 33.86 | 2.23 | 57.07 |
| % of Total | 100% | 39.25% | 22.08% | 1.45% | 37.22% |
| Revenue (millions) | \$76.7 | \$52.08 | \$22.84 | \$1.18 | \$0.59 |
| % of Total | 100% | 67.91% | 29.78% | 1.54% | 0.78% |
| Dominion Questar Gas | | | | | |
| Customers | 2,460 | 2,197 | 261 | 0 | 2 |
| % of Total | 100% | 89.31% | 10.61% | - | .08% |
| Therms (millions) | 2.94 | 1.67 | 1.11 | - | 0.16 |
| % of Total | 100% | 56.72% | 37.91% | - | 5.36% |
| Revenue (millions) | \$2.43 | \$1.55 | \$0.88 | - | \$0.003 |
| % of Total | 100% | 63.82% | 36.07% | - | 0.11% |
| Intermountain Gas | | | | | |
| Customers | 403,825 | 368,503 | 35,180 | 33 | 109 |
| % of Total | 100% | 91.25% | 8.71% | 0.01% | 0.03% |
| Therms (millions) | 808.28 | 284.35 | 140.13 | 12.48 | 371.32 |
| % of Total | 100% | 35.18% | 17.34% | 1.54% | 45.94% |
| Revenue (millions) | \$291.05 | \$192.57 | \$84.16 | \$4.85 | \$9.47 |
| % of Total | 100% | 66.16% | 28.92% | 1.67% | 3.25% |

¹ The Idaho Public Utilities Commission's fiscal year is July 1st through June 30th.

² Transportation is nonutility owned gas transported for another party under contractual agreement.

Consumption

In 2021, overall consumption of natural gas in Idaho increased approximately 2.3 percent. Residential customers consumed roughly 0.3 percent more and commercial customers consumed roughly 2 percent more natural gas than the previous year. Industrial consumption decreased approximately 1.3 percent and consumption of gas for electric generation increased just under 10 percent. Use of natural gas as a vehicle fuel increased slightly and remains less than 1 percent of overall consumption in the state.



Demand

The Northwest Gas Association (“NWGA”) forecasts demand for natural gas in the Northwest to grow at a rate of approximately 0.2 percent per year.³ Forecast demand growth is 1 percent in the residential and 1.4 percent commercial sectors, while industrial demand growth is relatively flat at 0.2 percent per year growth. Demand for natural gas to generate electricity is forecast to drop -1.7 percent per year primarily due to policy mandates.

Several factors could impact demand for natural gas:

- Geopolitical issues and worldwide market demands.
- LNG and petrochemical production and exports.
- Energy policies, regulations, and legislation.

Prices

Over the last decade, the commodity price of natural gas has continued to decline (see Figure 1). However, near-term volatility resulted in higher prices in 2021. Regional natural gas spot prices are projected to remain below \$5/dekatherm (“Dth”) through at least 2040; depending on the source, some prices are forecast to remain below \$4/Dth through 2050.

³ Northwest Gas Association 2022 Pacific Northwest Gas Market Outlook

FIGURE 1. Idaho Historical Natural Gas Price

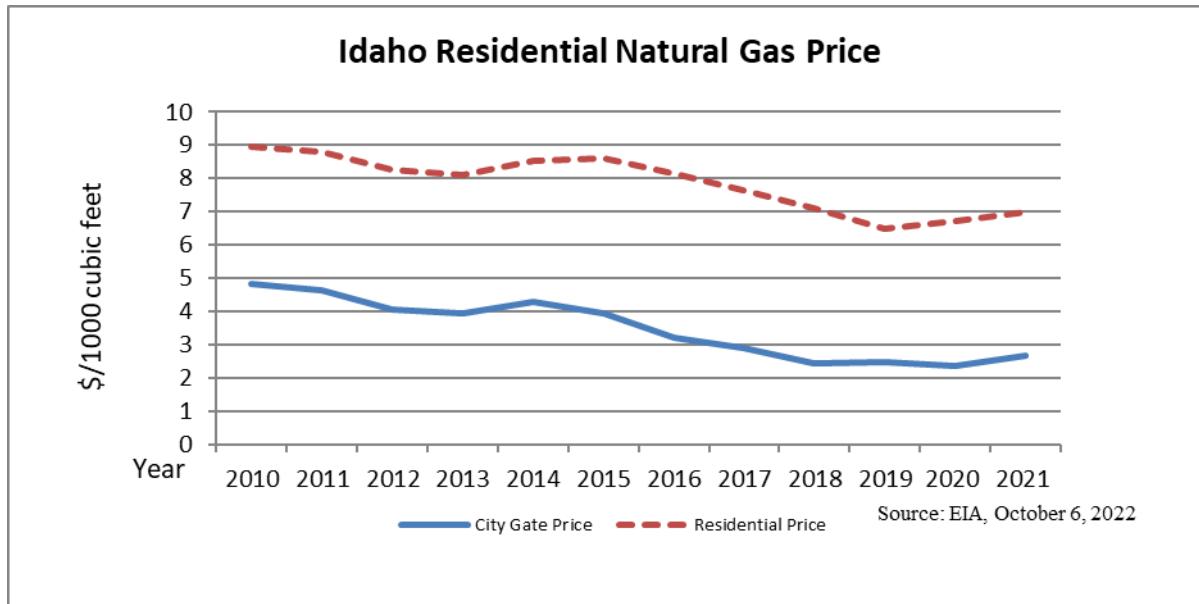
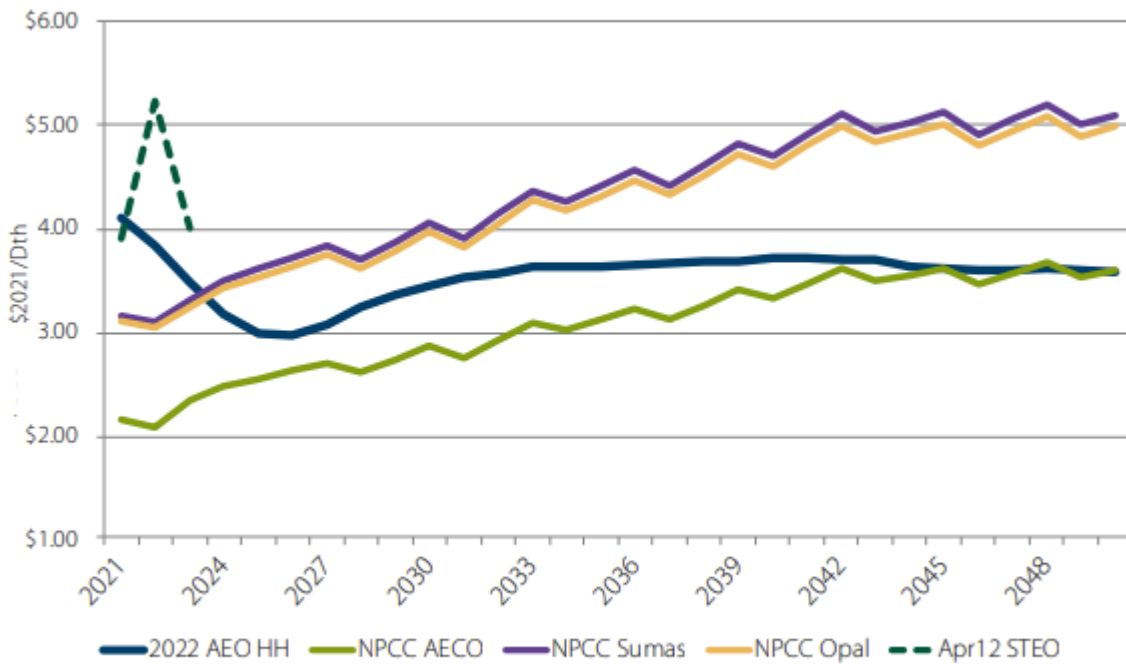


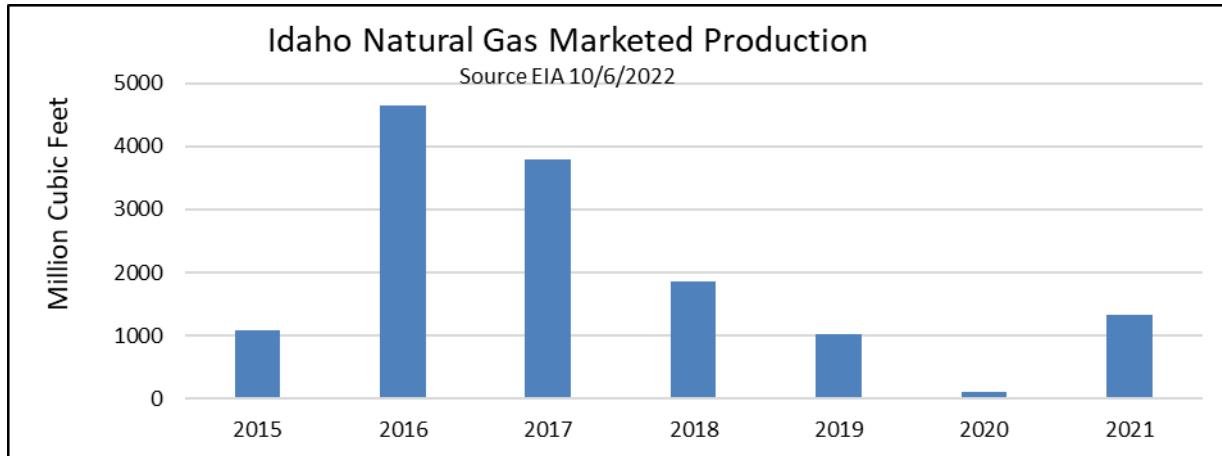
FIGURE P2. Natural Gas Price Forecast Comparisons



Sources: EIA 2022 Annual Energy Outlook, Table 13; NPCC, 2021 Power Plan Fuel Price Forecast; EIA Short-Term Energy Outlook, April 2022

Production

There was approximately 1331 Mcf of natural gas produced by the Snake River Oil and Gas Group in Idaho in 2021.⁴ In years prior to 2019, gas was produced by Alta Mesa/High Mesa. Snake River Oil and Gas Group purchased Alta Mesa/High Mesa wells and production facilities in December 2019.



Renewable Natural Gas (RNG)

RNG is pipeline-quality biomethane produced from biogas. Biogas is the mixture of gases produced by the breakdown of organic matter in the absence of oxygen (anaerobically), primarily consisting of methane and carbon dioxide. It can be produced from raw materials such as agricultural waste, manure, municipal waste, plant material, sewage, or food waste. It is interchangeable with natural gas and compatible with the U.S. natural gas infrastructure. In the past, RNG projects in the state consumed gas produced in their operations or used the gas to generate electricity. A number of biomass operations in the state have capabilities to produce sufficient volumes of RNG for export onto pipeline infrastructure. On a per therm basis, RNG is more expensive to produce than traditional natural gas. Given current State and Federal Government policies and programs some RNG projects have the potential to achieve profitability.

Some natural gas utility companies in the state are facilitating the transportation of RNG and the growth of the RNG industry. Producers contract to use the utility's distribution system to move RNG from the producers to their end use customers. The utilities are monitoring RNG production activity and government policies as they continue to look for opportunities to participate in the development and expansion of this resource.

⁴ Source EIA Natural Gas Summary https://www.eia.gov/dnav/ng/ng_sum_lsum_dcw_sid_a.htm

Summary

Idaho residential, commercial, industrial, and transportation users of natural gas realized benefits from availability of natural gas and relatively low prices, this fiscal year. Price volatility and lower than average natural gas inventories are contributing to market fluctuations. It is anticipated that domestic natural gas production will outpace LNG exports in the second calendar quarter of 2022 reducing volatility and putting downward pressure on prices.

-by Kevin Keyt, IPUC Staff Analyst

THE FOLLOWING ARE PRESS RELEASES FROM THE COMMISSION FOR FISCAL YEAR 2022

Intermountain Gas Company

Commission approves Intermountain Gas application to increase rates for residential and commercial customers

On July 29, 2022, the Idaho Public Utilities Commission approved new Intermountain Gas Company rate schedules through an interim Purchased Gas Cost Adjustment (PGA) that increases rates for natural gas service for residential customers by approximately 24.1 percent and rates for commercial customers by approximately 27 percent.

The rate increases started on Aug. 1, 2022. Residential customers' monthly bills will increase by an average of \$10.55 and commercial customers' bills will increase by an average of \$51.87, depending on the amount of natural gas they use. In total, annualized revenues for the Company will increase by \$67 million. The customer rate increases will not increase the Company's earnings.

The PGA is a Commission-approved mechanism that adjusts rates up or down to reflect changes in the costs for the Company to buy natural gas from suppliers – including changes in transportation, storage and other costs. Intermountain Gas defers those costs into its purchased gas cost adjustment account, then passes the costs on to customers through a rate increase or decrease.

Intermountain Gas asked for permission to pass through to each of its customer classes changes in gas-related costs resulting from an increase in its weighted average cost of gas, and received approval to increase the cost from \$0.26000 per therm to \$0.42405 per therm. Intermountain Gas said the primary drivers of the proposed increase include macroeconomic forces and geopolitical events that are increasing the price of wholesale natural gas.

Intermountain Gas also asked for permission to increase its line break rate increase from \$0.42443 per therm to \$0.58848 per therm for parties responsible for damage that causes a gas leak.

Staff with the Idaho Public Utilities Commission reviewed the application and recommended that the Commission approve it.

Although the Commission approved Intermountain Gas's requested PGA rate increases, it encouraged the Company to explore all options to reduce future increases.

For additional information on the application, please visit <https://puc.idaho.gov/case/Details/6863>.