

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

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IDAHO PUBLIC
UTILITIES COMMISSION

March 23, 2018

Ms. Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
P.O. Box 83720
Boise, ID 83720-0074

RE: Intermountain Gas Company
Case No. GNR-U-18-01

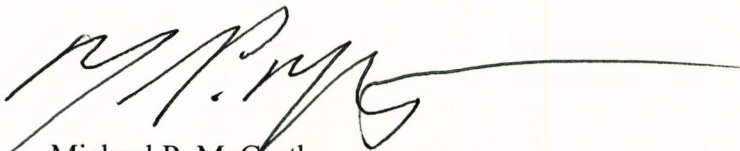
Dear Ms. Hanian:

Enclosed for filing with this Commission is an original and seven (7) copies of Intermountain Gas Company's Application seeking approval to place into effect a Decrease in Its Rates to Reflect the Impact of Tax Code Revisions.

Please acknowledge receipt of this filing by stamping and returning a copy of this Application cover letter to us.

Should you have any suggestions regarding the attached, please don't hesitate to contact me at (208) 377-6168.

Very truly yours,



Michael P. McGrath
Director, Regulatory Affairs
Intermountain Gas Company

Enclosure

cc: Mark Chiles

INTERMOUNTAIN GAS COMPANY

CASE NO. GNR-U-18-01

**APPLICATION,
EXHIBITS,
AND
WORKPAPERS**

**In the Matter of the Application of INTERMOUNTAIN GAS COMPANY
for Approval to Place into Effect
a Decrease in Its Rates to Reflect the Impact of Tax Code Revisions**

Morgan W. Richards, Jr. ISB 1913
Richards Law Office
P.O. Box 2076
Boise, Idaho 83701
Telephone: (208) 283-0334
Attorney for Intermountain Gas Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of
INTERMOUNTAIN GAS COMPANY for
Approval to Place into Effect a Decrease in
Its Rates to Reflect the Impact of Tax Code
Revisions

Case No. GNR-U-18-01
APPLICATION

COMES NOW, Intermountain Gas Company ("Intermountain" or "Company"), a subsidiary of MDU Resources Group, Inc. with general offices located at 555 South Cole Road, Boise, Idaho, pursuant to the Rules of Procedure of the Idaho Public Utilities Commission ("Commission"), hereby requests authority, pursuant to Idaho Code Sections 61-307 and 61-622, to place into effect April 1, 2018 new rate schedules which will decrease its annualized revenues by \$4,966,895. Because of changes in Intermountain's income tax related costs, as described more fully in this Application, Intermountain's earnings will not be impacted as a result of the proposed decreases in prices and revenue. Intermountain's current rate schedules showing proposed changes are attached hereto as Exhibit No. 1 and are incorporated herein by reference. Intermountain's proposed rate schedules are attached hereto as Exhibit No. 2 and are incorporated herein by reference.

Communications in reference to this Application should be addressed to:

Michael P. McGrath
Director – Regulatory Affairs
Intermountain Gas Company
Post Office Box 7608
Boise, ID 83707
and
Morgan W. Richards, Jr.
Richards Law Office
P.O. Box 2076
Boise, Idaho 83701

In support of this Application, Intermountain does allege and state as follows:

I.

Intermountain is a gas utility, subject to the jurisdiction of the Idaho Public Utilities Commission, engaged in the sale of and distribution of natural gas within the State of Idaho under authority of Commission Certificate No. 219 issued December 2, 1955, as amended and supplemented by Order No. 6564, dated October 3, 1962.

Intermountain provides natural gas service to the following Idaho communities and counties and adjoining areas:

Ada County - Boise, Eagle, Garden City, Kuna, Meridian, and Star;
Bannock County – Arimo, Chubbuck, Inkom, Lava Hot Springs, McCammon, and Pocatello;
Bear Lake County - Georgetown, and Montpelier;
Bingham County - Aberdeen, Basalt, Blackfoot, Firth, Fort Hall, Moreland/Riverside, and Shelley;
Blaine County - Bellevue, Hailey, Ketchum, and Sun Valley;
Bonneville County - Ammon, Idaho Falls, Iona, and Ucon;
Canyon County - Caldwell, Greenleaf, Middleton, Nampa, Parma, and Wilder;
Caribou County - Bancroft, Grace, and Soda Springs;
Cassia County - Burley, Declo, Malta, and Raft River;
Elmore County - Glens Ferry, Hammett, and Mountain Home;
Fremont County - Parker, and St. Anthony;
Gem County - Emmett;
Gooding County - Gooding, and Wendell;
Jefferson County - Lewisville, Menan, Rigby, and Ririe;
Jerome County - Jerome;
Lincoln County - Shoshone;
Madison County - Rexburg, and Sugar City;
Minidoka County - Heyburn, Paul, and Rupert;
Owyhee County – Bruneau, and Homedale;
Payette County - Fruitland, New Plymouth, and Payette;
Power County - American Falls;
Twin Falls County - Buhl, Filer, Hansen, Kimberly, Murtaugh, and Twin Falls;
Washington County - Weiser.

Intermountain's properties in these locations consist of transmission pipelines, a liquefied natural gas storage facility, distribution mains, services, meters and regulators, and general plant and equipment.

II.

Intermountain seeks with this Application to pass through to each of its customer classes a decrease in its rates to reflect the impact of tax code revisions at both the state and federal level.

III.

Intermountain's currently effective rates were approved by this Commission in Case No. INT-G-17-05 (October 1, 2017 Purchased Gas Cost Adjustment Filing), Order No. 33887, dated September 25, 2017. These same rates included the base rates established as part of Case No. INT-G-16-02, Order No. 33879.

IV.

As part of Case No. GNR-U-18-01, Order No. 33965, the Commission directed each rate-regulated utility (besides small water companies with less than 200 customers, and the small electric utility, Atlanta Power) to file, among other things, revised tariffs that reflect changes in the federal income tax code that resulted from the passage of the Tax Cuts and Jobs Act of 2017.

V.

Changes to the federal income tax code applicable to Intermountain Gas Company included: 1) A reduction in the tax rate from 35% to 21% and, 2) A requirement to remeasure regulatory deferred taxes representing the difference between the old and new federal tax rates.

VI.

Subsequent to Order No. 33965, on March 12, 2018, the Governor of the State of Idaho signed into law a decrease in the state corporate income tax rate from 7.4% to 6.925% retroactive to January 1, 2018.

VII.

The change in plant related deferred income taxes as promulgated by the new federal tax code, or "excess deferred tax", becomes a regulatory liability and is subsequently amortized over the life of the underlying plant in order to comply with income tax normalization as prescribed by the Internal Revenue Code. "Non-plant" deferred taxes are likewise remeasured, and the difference is included herein as a regulatory asset to be amortized over a proposed ten (10) year life.

VIII.

The rates included within this Application reflect: 1) A change in both the federal and state income tax rates and, 2) The amortization of the change in the Company's excess deferred income taxes as referred to in paragraph VII above.

IX.

The base rates of Intermountain Gas Company were established as part of Case No. INT-G-16-02, Order No. 33879. These same base rates reflected federal and state taxable income, as well as total tax expenses, as attached hereto on Exhibit No. 3 and as incorporated herein by reference.

X.

The re-measurement of the Company's excess deferred income taxes, both plant and non-plant, is included, and incorporated herein by reference, as Exhibit No. 4.

XI.

The new, and lower, federal and state income tax rates, along with the application of the amortization of the re-measured excess deferred income taxes, are applied to the Company's existing base rates as shown on Exhibit No. 5. After the application of these aforementioned changes, the resultant decrease to the Company's base rate revenues is \$4,966,895 as shown on Line 16, Col. (d) of Exhibit No. 5. Exhibit No. 5 is incorporated herein by reference.

XII.

Also included as part of Commission Order No. 33965 is a requirement to report 2017 taxes pre, and post, tax reform. Exhibit No. 6 provides this reporting on a normalized basis to include the removal of expense category items eliminated as part of Case No. INT-G-16-02, Order No. 33879. However, the remaining expenses included in O&M, book depreciation, and other expense items are included on Exhibit No. 6 at 2017 levels. These types of expense variances are not, and should not be, flowed through to the Company's base rates designed herein to capture only the impact of the change in federal and state income tax codes. Exhibit No. 6 is incorporated herein by reference.

XIII.

The \$4,966,895 shown on Line 16, Col. (d) of Exhibit No. 5 has been spread to the Company's customer classes in a manner identical to the Base Rate Revenue allocation included in Case No. INT-G-16-02, Order No. 33879. Exhibit No. 7 details that customer class allocation and is incorporated herein by reference.

XIV.

Also as part of Case No. GNR-U-18-01, Order No. 33965, the Commission required Intermountain to establish a regulatory liability, effective January 1, 2018, to capture an estimate of the difference in the Company's rates pre, and post, tax reform. Intermountain has established this regulatory liability and is hereby requesting that those same deferred customer benefits be included,

and audited by the Commission Staff, as part of the Company's 2018 PGA Application and be passed-back over the subsequent twelve (12) month PGA period.

XV.

Exhibit No. 8 is an analysis of the overall price reduction by class of customer. Exhibit No. 8 is attached hereto and incorporated herein by reference.

XVI.

The proposed price changes herein requested among the classes of service of Intermountain reflect a just, fair, and equitable pass-through of changes in federal and state income taxes to Intermountain's customers.

XVII.

This Application has been brought to the attention of Intermountain's customers through a Customer Notice and by a Press Release sent to daily and weekly newspapers, and major radio and television stations in Intermountain's service area. The Press Release and Customer Notice are attached hereto and incorporated herein by reference. Copies of this Application, its Exhibits, and Workpapers have been provided to those parties who have intervened in Intermountain's portion of this generic rate proceeding.

XVIII.

Intermountain requests that this matter be processed pursuant to Rules 201-204 under the Commission's Rules of Modified Procedure. Intermountain stands ready to respond to any requests for information in this matter.


WHEREFORE, Intermountain respectfully petitions this Commission for relief as follows:

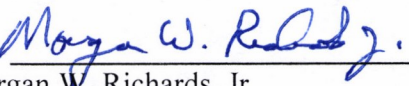
1. That the proposed rate schedules herewith submitted as Exhibit No. 2 be approved without suspension and made effective as of April 1, 2018 in the manner shown on Exhibit No. 2.
2. That this Application be heard and acted upon without hearing under modified procedure.
3. That Applicant be authorized to pass-back the regulatory liability established pursuant to Order No. 33965 as part of the Company's 2018 PGA Application, and
4. For such other relief as this Commission may determine proper herein.

DATED at Boise, Idaho, this 23rd day of March, 2018.

INTERMOUNTAIN GAS COMPANY

Richards Law Office

By 
Michael P. McGrath
Director – Regulatory Affairs

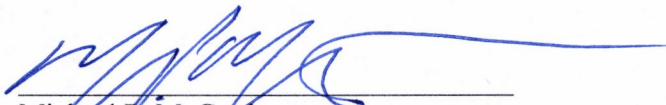
By 
Morgan W. Richards, Jr.
Attorney for Intermountain Gas Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 23rd day of March, 2018, I served a copy of the foregoing Case No. GNR-U-18-01 upon:

Ed Finklea
Northwest Industrial Gas Users
545 Grandview Drive
Ashland, OR 97520

by depositing true copies thereof in the United States Mail, postage prepaid, in envelopes addressed to said persons at the above addresses.



Michael P. McGrath
Director – Regulatory Affairs

EXHIBIT NO. 1

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

CURRENT TARIFFS

Showing Proposed Price Changes

(9 pages)

INTERMOUNTAIN GAS COMPANY
Comparison of Proposed April 1, 2018 Prices
To October 1, 2017 Prices

Line No.	Rate Class	October 1, 2017 Prices	Proposed Adjustment ⁽¹⁾	Proposed April 1, 2018 Prices
	(a)	(b)	(c)	(d)
1	RS	\$ 0.58775	\$ (0.01500)	\$ 0.57275
2	GS-1			
3	Block 1	0.59648	(0.01298)	0.58350
4	Block 2	0.57130	(0.01133)	0.55997
5	Block 3	0.54699	(0.00974)	0.53725
6	Block 4	0.47347	(0.00492)	0.46855
7	CNG Fuel			
8	Block 1	0.54699	(0.00974)	0.53725
9	Block 2	0.47347	(0.00492)	0.46855
10	IS-R ⁽²⁾	0.58408	(0.01500)	0.56908
11	IS-C ⁽³⁾			
12	Block 1	0.59648	(0.01298)	0.58350
13	Block 2	0.57130	(0.01133)	0.55997
14	Block 3	0.54699	(0.00974)	0.53725
15	Block 4	0.47347	(0.00492)	0.46855
16	LV-1			
17	Demand Charge	0.30000	-	0.30000
18	Block 1	0.37890	(0.00301)	0.37589
19	Block 2	0.35917	(0.00122)	0.35795
20	Block 3	0.26988	(0.00031)	0.26957
21	T-3			
22	Block 1	0.04019	(0.00226)	0.03793
23	Block 2	0.01599	(0.00092)	0.01507
24	Block 3	0.00549	(0.00034)	0.00515
25	T-4			
26	Demand Charge	0.28092	-	0.28092
27	Block 1	0.02713	(0.00309)	0.02404
28	Block 2	0.00959	(0.00109)	0.00850
29	Block 3	0.00294	(0.00033)	0.00261

⁽¹⁾ See Workpaper No. 2, Page 2, Column (d).

⁽²⁾ The IS-R price is based on the RS price excluding the EE charge.

⁽³⁾ The IS-C price is based on the GS-1 price.

I.P.U.C. Gas Tariff Rate Schedules Second Revised <u>Third</u>	Sheet No. 1 (Page 1 of 1)
Name of Utility	Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
~~Per O.N. 33870, 33887 & 33888~~
Diane M. Hanian Secretary

Rate Schedule RS RESIDENTIAL SERVICE

APPLICABILITY:

Applicable to any customer using natural gas for residential purposes.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$5.50 per bill
Per Therm Charge:	\$0.58775* <u>\$0.57275</u>

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.05425)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.19964
Distribution Cost:		\$0.47849 <u>\$0.16349</u>
EE Charge:		\$0.00367

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for the cost of purchased gas as provided for in Rate Schedule PGA. This adjustment is incorporated into the calculation of the Cost of Gas stated on customer bills.

ENERGY EFFICIENCY CHARGE ADJUSTMENT:

This tariff is subject to an adjustment for costs related to the Company's Energy Efficiency program as provided for in Rate Schedule EEC. The Energy Efficiency Charge is separately stated on customer bills.

SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Issued by: Intermountain Gas Company
By: Michael P. McGrath Title: Director – Regulatory Affairs
Effective: October 1, 2017 <u>April 1, 2018</u>

I.P.U.C. Gas Tariff Rate Schedules Fifty-Sixth Revised <u>Seventh</u>	Sheet No. 3 (Page 1 of 2)
Name of Utility	Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33870, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule GS-1
GENERAL SERVICE**

APPLICABILITY:

Applicable to customers whose requirements for natural gas do not exceed 2,000 therms per day, at any point on the Company's distribution system. Requirements in excess of 2,000 therms per day may be served under this rate schedule upon execution of a one-year written service contract.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$9.50 per bill			
Per Therm Charge:	Block One:	First	200 therms per bill @	\$0.59648 * <u>\$0.58350</u>
	Block Two:	Next	1,800 therms per bill @	\$0.57130 * <u>\$0.55997</u>
	Block Three:	Next	8,000 therms per bill @	\$0.54699 * <u>\$0.53725</u>
	Block Four:	Over	10,000 therms per bill @	\$0.47347 * <u>\$0.46855</u>

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.06300)		
	2) Weighted average cost of gas	\$0.26020		
	3) Gas transportation cost	\$0.20127		
Distribution Cost:	Block One:	First	200 therms per bill @	\$0.19804 <u>\$0.18503</u>
	Block Two:	Next	1,800 therms per bill @	\$0.17283 <u>\$0.16150</u>
	Block Three:	Next	8,000 therms per bill @	\$0.14852 <u>\$0.13878</u>
	Block Four:	Over	10,000 therms per bill @	\$0.07500 <u>\$0.07008</u>

Issued by: Intermountain Gas Company
By: Michael P. McGrath Title: Director – Regulatory Affairs
Effective: October 1, 2017 <u>April 1, 2018</u>

I.P.U.C. Gas Tariff Rate Schedules Fifty-Sixth Revised <u>Seventh</u>	Sheet No. 3 (Page 2 of 2)
Name of Utility	Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33879, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule GS-1
GENERAL SERVICE
(Continued)**

For separately metered deliveries of gas utilized solely as Compressed Natural Gas Fuel in vehicular internal combustion engines.

Customer Charge:	\$9.50 per bill		
Per Therm Charge:	Block One: First 10,000 therms per bill @	\$0.54699*	<u>\$0.53725</u>
	Block Two: Over 10,000 therms per bill @	\$0.47347*	<u>\$0.46855</u>
*Includes the following:			
Cost of Gas:	1) Temporary purchased gas cost adjustment		(\$0.06300)
	2) Weighted average cost of gas		\$0.26020
	3) Gas transportation cost		\$0.20127
Distribution Cost:	Block One: First 10,000 therms per bill @	\$0.14852	<u>\$0.13878</u>
	Block Two: Over 10,000 therms per bill @	\$0.07500	<u>\$0.07008</u>

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

- All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

BILLING ADJUSTMENTS:

- Any GS-1 customer who leaves the GS-1 service will pay to Intermountain Gas Company, upon exiting the GS-1 service, all gas and transportation related costs incurred to serve the customer during the GS-1 service period not paid by the customer during the time the customer was using GS-1 service. Any GS-1 customer who leaves the GS-1 service will have refunded to them, upon exiting the GS-1 service, any excess gas commodity or transportation payments made by the customer during the time they were a GS-1 customer.

Issued by: Intermountain Gas Company
By: Michael P. McGrath Title: Director – Regulatory Affairs
Effective: October 1, 2017 <u>April 1, 2018</u>

I.P.U.C. Gas Tariff Rate Schedules Thirteenth Revised <u>Fourteenth</u> Sheet No. 4 (Page 1 of 2)
Name of Utility Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33879, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule IS-R
RESIDENTIAL INTERRUPTIBLE SNOWMELT SERVICE**

APPLICABILITY:

Applicable to any residential customer otherwise eligible to receive service under Rate Schedule RS who has added natural gas snowmelt equipment after 6/1/2010. The intended use of the snowmelt equipment is to melt snow and/or ice on sidewalks, driveways or any other similar appurtenances. Any and all such applications meeting the above criteria will be subject to service under Rate Schedule IS-R and will be separately and individually metered. All service hereunder is interruptible at the sole discretion of the Company.

FACILITY REIMBURSEMENT CHARGE:

All new interruptible Snowmelt service customers are required to pay for the cost of the Snowmelt meter set and other related facility and equipment costs, prior to the installation of the meter set. Any request to alter the physical location of the meter set and related facilities from Company's initial design may be granted provided, however, the Company can reasonably accommodate said relocation and Customer agrees to pay all related costs.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$5.50 per bill
Per Therm Charge:	\$0.58408* <u>\$0.56908</u>

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.05425)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.19964
Distribution Cost:	\$0.17849	<u>\$0.16349</u>

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

Issued by: Intermountain Gas Company
By: Michael P. McGrath Title: Director – Regulatory Affairs
Effective: October 1, 2017 <u>April 1, 2018</u>

I.P.U.C. Gas Tariff Rate Schedules Thirteenth Revised <u>Fourteenth</u> Sheet No. 5 (Page 1 of 2)
Name of Utility Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33870, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule IS-C
SMALL COMMERCIAL INTERRUPTIBLE SNOWMELT SERVICE**

APPLICABILITY:

Applicable to any customer otherwise eligible to receive gas service under Rate Schedule GS-1 who has added natural gas snowmelt equipment after 6/1/2010. The intended use of the snowmelt equipment is to melt snow and/or ice on sidewalks, driveways or any other similar appurtenances. Any and all such applications meeting the above criteria will be subject to service under Rate Schedule IS-C and will be separately and individually metered. All service hereunder is interruptible at the sole discretion of the Company.

FACILITY REIMBURSEMENT CHARGE:

All new interruptible Snowmelt service customers are required to pay for the cost of the Snowmelt meter set and other related facility and equipment costs, prior to the installation of the meter set. Any request to alter the physical location of the meter set and related facilities from Company's initial design may be granted provided, however, the Company can reasonably accommodate said relocation and Customer agrees to pay all related costs.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$9.50 per bill		
Per Therm Charge:	Block One: First	200 therms per bill @	\$0.59648* <u>\$0.58350</u>
	Block Two: Next	1,800 therms per bill @	\$0.57130* <u>\$0.55997</u>
	Block Three: Next	8,000 therms per bill @	\$0.54699* <u>\$0.53725</u>
	Block Four: Over	10,000 therms per bill @	\$0.47347* <u>\$0.46855</u>

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.06300)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.20127

Distribution Charge:	Block One: First	200 therms per bill @	\$0.19804 <u>\$0.18503</u>
	Block Two: Next	1,800 therms per bill @	\$0.17283 <u>\$0.16150</u>
	Block Three: Next	8,000 therms per bill @	\$0.14852 <u>\$0.13878</u>
	Block Four: Over	10,000 therms per bill @	\$0.07566 <u>\$0.07008</u>

Issued by: Intermountain Gas Company By: Michael P. McGrath Title: Director – Regulatory Affairs Effective: October 1, 2017 <u>April 1, 2018</u>
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I.P.U.C. Gas Tariff Rate Schedules Sixty-Fourth Revised Fifth	Sheet No. 7 (Page 1 of 2)
Name of Utility	Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33879, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule LV-1
LARGE VOLUME FIRM SALES SERVICE**

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any existing customer receiving service under the Company's rate schedule LV-1 or any customer not previously served under this schedule whose usage does not exceed 500,000 therms annually, upon execution of a one-year minimum written service contract for firm sales service in excess of 200,000 therms per year.

MONTHLY RATE:

Demand Charge:	\$0.30000 per MDFQ therm		
Per Therm Charge:	Block One:	First	250,000 therms per bill @ \$0.37890* <u>\$0.37589</u>
	Block Two:	Next	500,000 therms per bill @ \$0.36947* <u>\$0.35795</u>
	Block Three:	Over	750,000 therms per bill @ \$0.26988* <u>\$0.26957</u>

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment		
	Block One and Two	(\$0.01984)	
	Block Three	\$0.00629	
	2) Weighted average cost of gas	\$0.26020	
	3) Gas transportation cost (Block One and Two only)	\$0.10545	
Distribution Cost:	Block One:	First	250,000 therms per bill @ \$0.03309 <u>\$0.03008</u>
	Block Two:	Next	500,000 therms per bill @ \$0.01336 <u>\$0.01214</u>
	Block Three:	Over	750,000 therms per bill @ \$0.00339 <u>\$0.00308</u>

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

- All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
- The customer shall negotiate with the Company, a mutually agreeable Maximum Daily Firm Quantity (MDFQ) amount, which will be stated in and will be in effect throughout the term of the service contract.

In the event the Customer requires daily usage in excess of the MDFQ, and subject to the availability of firm interstate transportation to serve Intermountain's system, all such excess usage will be billed under rate schedule LV-1. Additionally, all excess MDFQ above the customer's contracted MDFQ for the month will be billed at the monthly Demand Charge rate.

Issued by: Intermountain Gas Company	Title: Director – Regulatory Affairs
By: Michael P. McGrath	
Effective: October 1, 2017 <u>April 1, 2018</u>	

I.P.U.C. Gas Tariff Rate Schedules Fifteenth Revised <u>Sixteenth</u> Sheet No. 8 (Page 1 of 2)
Name of Utility Intermountain Gas Company

IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33879, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule T-3
INTERRUPTIBLE DISTRIBUTION TRANSPORTATION SERVICE**

AVAILABILITY:

Available at any point on the Company's distribution system to any customer upon execution of a one year minimum written service contract.

MONTHLY RATE:

Per Therm Charge:	Block One:	First	100,000 therms transported @ \$0.04049 * <u>\$0.03793</u>
	Block Two:	Next	50,000 therms transported @ \$0.01599 * <u>\$0.01507</u>
	Block Three:	Over	150,000 therms transported @ \$0.00549 * <u>\$0.00515</u>

*Includes temporary purchased gas cost adjustment of (\$0.00063)

ANNUAL MINIMUM BILL:

The customer shall be subject to the payment of an annual minimum bill of \$30,000 during each annual contract period, unless a higher minimum is required under the service contract to cover special conditions.

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

1. The Company, in its sole discretion, shall determine whether or not it has adequate capacity to accommodate transportation of the customer's gas supply on the Company's distribution system.
2. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
3. Interruptible Distribution Transportation Service may be made firm by a written agreement between the parties if the customer has a dedicated line.
4. If requested by the Company, the customer expressly agrees to immediately curtail or interrupt its operations during periods of capacity constraints on the Company's distribution system.
5. This service does not include the cost of the customer's gas supply or the interstate pipeline capacity. The customer is responsible for procuring its own supply of natural gas and transportation to Intermountain's distribution system under this rate.
6. The customer understands and agrees that the Company is not responsible to deliver gas supplies to the customer which have not been nominated and accepted for delivery by the interstate pipeline.
7. An existing T-4 customer electing this schedule may concurrently utilize Rate Schedule T-3 on the same or contiguous property.

Issued by: Intermountain Gas Company By: Michael P. McGrath Title: Director – Regulatory Affairs Effective: October 1, 2017 <u>April 1, 2018</u>
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I.P.U.C. Gas Tariff Rate Schedules Fourteenth Revised <u>Fifteenth</u> Name of Utility	Sheet No. 9 (Page 1 of 2) Intermountain Gas Company
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IDAHO PUBLIC UTILITIES COMMISSION
Approved Sept. 27, 2017 Effective Oct. 1, 2017
Per O.N. ~~33879, 33887 & 33888~~
Diane M. Hanian Secretary

**Rate Schedule T-4
FIRM DISTRIBUTION ONLY TRANSPORTATION SERVICE**

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any customer upon execution of a one year minimum written service contract for firm distribution transportation service in excess of 200,000 therms per year.

MONTHLY RATE:

Demand Charge: \$0.28092 per MDFQ therm*

Per Therm Charge:	Block One: First	250,000 therms transported @ \$0.02743 <u>\$0.02404</u>
	Block Two: Next	500,000 therms transported @ \$0.00959 <u>\$0.00850</u>
	Block Three: Over	750,000 therms transported @ \$0.00294 <u>\$0.00261</u>

*Includes temporary purchased gas cost adjustment of (\$0.01908)

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

1. This service excludes the service and cost of firm interstate pipeline charges.
2. The customer is responsible for procuring its own supply of natural gas and interstate transportation under this Rate Schedule. The customer understands and agrees that the Company is not responsible to deliver gas supplies to the customer which have not been nominated, scheduled, and delivered by the interstate pipeline to the designated city gate.
3. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
4. The customer shall negotiate with the Company, a mutually agreeable Maximum Daily Firm Quantity (MDFQ), which will be stated in and in effect throughout the term of the service contract.
5. The monthly demand charge will be equal to the MDFQ times the demand charge rate. Demand charge relief will be afforded to those T-4 customers when circumstances impacted by force majeure events prevent the Company from delivering natural gas to the customer's meter.
6. An existing LV-1 or T-3 customer electing this schedule may concurrently utilize Rate Schedule T-4 on the customer's same or contiguous property.

Issued by: Intermountain Gas Company By: Michael P. McGrath Title: Director – Regulatory Affairs Effective: October 1, 2017 <u>April 1, 2018</u>
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EXHIBIT NO. 2

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

PROPOSED TARIFFS

(8 pages)

Name
of Utility **Intermountain Gas Company**

Rate Schedule RS RESIDENTIAL SERVICE

APPLICABILITY:

Applicable to any customer using natural gas for residential purposes.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge: \$5.50 per bill

Per Therm Charge: \$0.57275*

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.05425)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.19964
Distribution Cost:		\$0.16349
EE Charge:		\$0.00367

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for the cost of purchased gas as provided for in Rate Schedule PGA. This adjustment is incorporated into the calculation of the Cost of Gas stated on customer bills.

ENERGY EFFICIENCY CHARGE ADJUSTMENT:

This tariff is subject to an adjustment for costs related to the Company's Energy Efficiency program as provided for in Rate Schedule EEC. The Energy Efficiency Charge is separately stated on customer bills.

SERVICE CONDITIONS:

All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

Name
of Utility

Intermountain Gas Company

Rate Schedule GS-1 GENERAL SERVICE

APPLICABILITY:

Applicable to customers whose requirements for natural gas do not exceed 2,000 therms per day, at any point on the Company's distribution system. Requirements in excess of 2,000 therms per day may be served under this rate schedule upon execution of a one-year written service contract.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$9.50 per bill			
Per Therm Charge:	Block One:	First	200 therms per bill @	\$0.58350*
	Block Two:	Next	1,800 therms per bill @	\$0.55997*
	Block Three:	Next	8,000 therms per bill @	\$0.53725*
	Block Four:	Over	10,000 therms per bill @	\$0.46855*

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.06300)		
	2) Weighted average cost of gas	\$0.26020		
	3) Gas transportation cost	\$0.20127		
Distribution Cost:	Block One:	First	200 therms per bill @	\$0.18503
	Block Two:	Next	1,800 therms per bill @	\$0.16150
	Block Three:	Next	8,000 therms per bill @	\$0.13878
	Block Four:	Over	10,000 therms per bill @	\$0.07008

Issued by: **Intermountain Gas Company**

By: Michael P. McGrath
Effective: April 1, 2018

Title: Director – Regulatory Affairs

Name of Utility **Intermountain Gas Company**

**Rate Schedule GS-1
GENERAL SERVICE
(Continued)**

For separately metered deliveries of gas utilized solely as Compressed Natural Gas Fuel in vehicular internal combustion engines.

Customer Charge:	\$9.50 per bill	
Per Therm Charge:	Block One: First 10,000 therms per bill @	\$0.53725*
	Block Two: Over 10,000 therms per bill @	\$0.46855*
*Includes the following:		
Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.06300)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.20127
Distribution Cost:	Block One: First 10,000 therms per bill @	\$0.13878
	Block Two: Over 10,000 therms per bill @	\$0.07008

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

1. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this rate schedule is a part.

BILLING ADJUSTMENTS:

1. Any GS-1 customer who leaves the GS-1 service will pay to Intermountain Gas Company, upon exiting the GS-1 service, all gas and transportation related costs incurred to serve the customer during the GS-1 service period not paid by the customer during the time the customer was using GS-1 service. Any GS-1 customer who leaves the GS-1 service will have refunded to them, upon exiting the GS-1 service, any excess gas commodity or transportation payments made by the customer during the time they were a GS-1 customer.

**Rate Schedule IS-R
RESIDENTIAL INTERRUPTIBLE SNOWMELT SERVICE**

APPLICABILITY:

Applicable to any residential customer otherwise eligible to receive service under Rate Schedule RS who has added natural gas snowmelt equipment after 6/1/2010. The intended use of the snowmelt equipment is to melt snow and/or ice on sidewalks, driveways or any other similar appurtenances. Any and all such applications meeting the above criteria will be subject to service under Rate Schedule IS-R and will be separately and individually metered. All service hereunder is interruptible at the sole discretion of the Company.

FACILITY REIMBURSEMENT CHARGE:

All new interruptible Snowmelt service customers are required to pay for the cost of the Snowmelt meter set and other related facility and equipment costs, prior to the installation of the meter set. Any request to alter the physical location of the meter set and related facilities from Company's initial design may be granted provided, however, the Company can reasonably accommodate said relocation and Customer agrees to pay all related costs.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$5.50 per bill
Per Therm Charge:	\$0.56908*

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.05425)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.19964
Distribution Cost:		\$0.16349

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

**Rate Schedule IS-C
SMALL COMMERCIAL INTERRUPTIBLE SNOWMELT SERVICE**

APPLICABILITY:

Applicable to any customer otherwise eligible to receive gas service under Rate Schedule GS-1 who has added natural gas snowmelt equipment after 6/1/2010. The intended use of the snowmelt equipment is to melt snow and/or ice on sidewalks, driveways or any other similar appurtenances. Any and all such applications meeting the above criteria will be subject to service under Rate Schedule IS-C and will be separately and individually metered. All service hereunder is interruptible at the sole discretion of the Company.

FACILITY REIMBURSEMENT CHARGE:

All new interruptible Snowmelt service customers are required to pay for the cost of the Snowmelt meter set and other related facility and equipment costs, prior to the installation of the meter set. Any request to alter the physical location of the meter set and related facilities from Company's initial design may be granted provided, however, the Company can reasonably accommodate said relocation and Customer agrees to pay all related costs.

RATE:

Monthly minimum charge is the Customer Charge.

Customer Charge:	\$9.50 per bill																
Per Therm Charge:	<table> <tr> <td>Block One:</td> <td>First</td> <td>200 therms per bill @</td> <td>\$0.58350*</td> </tr> <tr> <td>Block Two:</td> <td>Next</td> <td>1,800 therms per bill @</td> <td>\$0.55997*</td> </tr> <tr> <td>Block Three:</td> <td>Next</td> <td>8,000 therms per bill @</td> <td>\$0.53725*</td> </tr> <tr> <td>Block Four:</td> <td>Over</td> <td>10,000 therms per bill @</td> <td>\$0.46855*</td> </tr> </table>	Block One:	First	200 therms per bill @	\$0.58350*	Block Two:	Next	1,800 therms per bill @	\$0.55997*	Block Three:	Next	8,000 therms per bill @	\$0.53725*	Block Four:	Over	10,000 therms per bill @	\$0.46855*
Block One:	First	200 therms per bill @	\$0.58350*														
Block Two:	Next	1,800 therms per bill @	\$0.55997*														
Block Three:	Next	8,000 therms per bill @	\$0.53725*														
Block Four:	Over	10,000 therms per bill @	\$0.46855*														

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment	(\$0.06300)
	2) Weighted average cost of gas	\$0.26020
	3) Gas transportation cost	\$0.20127

Distribution Charge:	Block One:	First	200 therms per bill @	\$0.18503
	Block Two:	Next	1,800 therms per bill @	\$0.16150
	Block Three:	Next	8,000 therms per bill @	\$0.13878
	Block Four:	Over	10,000 therms per bill @	\$0.07008

Name of Utility **Intermountain Gas Company**

**Rate Schedule LV-1
 LARGE VOLUME FIRM SALES SERVICE**

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any existing customer receiving service under the Company's rate schedule LV-1 or any customer not previously served under this schedule whose usage does not exceed 500,000 therms annually, upon execution of a one-year minimum written service contract for firm sales service in excess of 200,000 therms per year.

MONTHLY RATE:

Demand Charge:	\$0.30000 per MDFQ therm		
Per Therm Charge:	Block One:	First	250,000 therms per bill @ \$0.37589*
	Block Two:	Next	500,000 therms per bill @ \$0.35795*
	Block Three:	Over	750,000 therms per bill @ \$0.26957*

*Includes the following:

Cost of Gas:	1) Temporary purchased gas cost adjustment		
	Block One and Two		(\$0.01984)
	Block Three		\$0.00629
	2) Weighted average cost of gas		\$0.26020
	3) Gas transportation cost (Block One and Two only)		\$0.10545
Distribution Cost:	Block One:	First	250,000 therms per bill @ \$0.03008
	Block Two:	Next	500,000 therms per bill @ \$0.01214
	Block Three:	Over	750,000 therms per bill @ \$0.00308

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

- All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
- The customer shall negotiate with the Company, a mutually agreeable Maximum Daily Firm Quantity (MDFQ) amount, which will be stated in and will be in effect throughout the term of the service contract.

In the event the Customer requires daily usage in excess of the MDFQ, and subject to the availability of firm interstate transportation to serve Intermountain's system, all such excess usage will be billed under rate schedule LV-1. Additionally, all excess MDFQ above the customer's contracted MDFQ for the month will be billed at the monthly Demand Charge rate.

Name
of Utility

Intermountain Gas Company

Rate Schedule T-3 INTERRUPTIBLE DISTRIBUTION TRANSPORTATION SERVICE

AVAILABILITY:

Available at any point on the Company's distribution system to any customer upon execution of a one year minimum written service contract.

MONTHLY RATE:

Per Therm Charge:	Block One:	First	100,000 therms transported @ \$0.03793*
	Block Two:	Next	50,000 therms transported @ \$0.01507*
	Block Three:	Over	150,000 therms transported @ \$0.00515*

*Includes temporary purchased gas cost adjustment of (\$0.00063)

ANNUAL MINIMUM BILL:

The customer shall be subject to the payment of an annual minimum bill of \$30,000 during each annual contract period, unless a higher minimum is required under the service contract to cover special conditions.

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

1. The Company, in its sole discretion, shall determine whether or not it has adequate capacity to accommodate transportation of the customer's gas supply on the Company's distribution system.
2. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
3. Interruptible Distribution Transportation Service may be made firm by a written agreement between the parties if the customer has a dedicated line.
4. If requested by the Company, the customer expressly agrees to immediately curtail or interrupt its operations during periods of capacity constraints on the Company's distribution system.
5. This service does not include the cost of the customer's gas supply or the interstate pipeline capacity. The customer is responsible for procuring its own supply of natural gas and transportation to Intermountain's distribution system under this rate.
6. The customer understands and agrees that the Company is not responsible to deliver gas supplies to the customer which have not been nominated and accepted for delivery by the interstate pipeline.
7. An existing T-4 customer electing this schedule may concurrently utilize Rate Schedule T-3 on the same or contiguous property.

Issued by: **Intermountain Gas Company**

By: Michael P. McGrath

Title: Director – Regulatory Affairs

Effective: April 1, 2018

Name
of Utility **Intermountain Gas Company**

**Rate Schedule T-4
FIRM DISTRIBUTION ONLY TRANSPORTATION SERVICE**

AVAILABILITY:

Available at any mutually agreeable delivery point on the Company's distribution system to any customer upon execution of a one year minimum written service contract for firm distribution transportation service in excess of 200,000 therms per year.

MONTHLY RATE:

Demand Charge: \$0.28092 per MDFQ therm*

Per Therm Charge:

Block One:	First	250,000 therms transported @ \$0.02404
Block Two:	Next	500,000 therms transported @ \$0.00850
Block Three:	Over	750,000 therms transported @ \$0.00261

*Includes temporary purchased gas cost adjustment of (\$0.01908)

PURCHASED GAS COST ADJUSTMENT:

This tariff is subject to an adjustment for cost of purchased gas as provided for in the Company's Purchased Gas Cost Adjustment Schedule.

SERVICE CONDITIONS:

1. This service excludes the service and cost of firm interstate pipeline charges.
2. The customer is responsible for procuring its own supply of natural gas and interstate transportation under this Rate Schedule. The customer understands and agrees that the Company is not responsible to deliver gas supplies to the customer which have not been nominated, scheduled, and delivered by the interstate pipeline to the designated city gate.
3. All natural gas service hereunder is subject to the General Service Provisions of the Company's Tariff, of which this Rate Schedule is a part.
4. The customer shall negotiate with the Company, a mutually agreeable Maximum Daily Firm Quantity (MDFQ), which will be stated in and in effect throughout the term of the service contract.
5. The monthly demand charge will be equal to the MDFQ times the demand charge rate. Demand charge relief will be afforded to those T-4 customers when circumstances impacted by force majeure events prevent the Company from delivering natural gas to the customer's meter.
6. An existing LV-1 or T-3 customer electing this schedule may concurrently utilize Rate Schedule T-4 on the customer's same or contiguous property.

Issued by: **Intermountain Gas Company**
By: Michael P. McGrath Title: Director – Regulatory Affairs
Effective: April 1, 2018

EXHIBIT NO. 3

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

TOTAL TAX EXPENSE PER IPUC ORDER NO. 33879

(2 pages)

Intermountain Gas Company
2016 Total Tax Expense Per IPUC Order No. 33879

Line No.	Description (a)	Amount (b)
1	Federal Taxable Income	\$ 19,642,572 ⁽¹⁾
2	Nonconforming Bonus Depreciation Adjustment	<u>(5,580,075) ⁽²⁾</u>
3	State Taxable Income	\$ 14,062,497
4	State Income Tax	\$ 1,040,625 ⁽³⁾
5	Misc. Credits and Adj. (Idaho Bldg Fund)	<u>10 ⁽⁴⁾</u>
6	Total State Income Tax Expense	\$ 1,040,635
7	Federal Income Tax	\$ 6,874,900 ⁽⁵⁾
8	Deduction for State Income Taxes	(364,222) ⁽⁶⁾
9	Deferred Income Taxes - Non-Plant	(240,459) ⁽⁷⁾
10	Deferred Income Taxes - Plant	(247,030) ⁽⁸⁾
11	Amortization of ITC	<u>(179,903) ⁽⁹⁾</u>
12	Total Federal Income Tax Expense	\$ 5,843,286
13	Total Income Tax Expense	<u><u>\$ 6,883,921</u> ⁽¹⁰⁾</u>

⁽¹⁾ Exhibit No. 3, p. 2, Line 13, Column (b).

⁽²⁾ Workpaper No. 1, p. 1, Line 37, Column (d).

⁽³⁾ Line 3 times 7.4%.

⁽⁴⁾ Workpaper No. 1, p. 1, Line 42, Column (d).

⁽⁵⁾ Line 1 times 35%.

⁽⁶⁾ Line 6 times 35%.

⁽⁷⁾ Workpaper No. 1, p. 2, Line 68, Column (d).

⁽⁸⁾ Workpaper No. 1, p. 2, Line 74, Column (d).

⁽⁹⁾ Workpaper No. 1, p. 2, Line 77, Column (d).

⁽¹⁰⁾ Line 6 plus Line 12.

Intermountain Gas Company
2016 Federal Taxable Income per IPUC Order No. 33879

Line No.	Description (a)	Amount (b)
1	Federal Taxable Income	\$ 11,032,555 ⁽¹⁾
2	<u>Commission Adjustments</u>	
3	Incentive Compensation	703,617 ⁽²⁾
4	Affiliated Expenses	1,381,000 ⁽³⁾
5	Profit Sharing	90,106 ⁽⁴⁾
6	Customer Service Center	9,620 ⁽⁵⁾
7	Miscellaneous Expenses	208,394 ⁽⁶⁾
8	Injuries and Damages	107,239 ⁽⁷⁾
9	Normalization	2,013,515 ⁽⁸⁾
10	Stipulation and Settlement	(2,308,484) ⁽⁹⁾
11	Final Revenue Requirement per IPUC Order No. 33879	6,440,245 ⁽¹⁰⁾
12	Commission Fees and Uncollectibles Expenses	(35,235) ⁽¹¹⁾
13	2016 Federal Taxable Income per Order No. 33879	<u>\$ 19,642,572</u>

⁽¹⁾ Workpaper No. 1, p. 1, Line 34, Column (d).

⁽²⁾ Workpaper No. 1, p. 3-4. See also Workpaper No. 1, p. 5, Column (b), the sum of Lines 5-6.

⁽³⁾ Workpaper No. 1, p. 6-7.

⁽⁴⁾ Workpaper No. 1, p. 9, Column 5, Line 3 less Line 22.

⁽⁵⁾ Workpaper No. 1, p. 9, Column 6, Line 3 less Line 22.

⁽⁶⁾ Workpaper No. 1, p. 9, Column 7, Line 3 less Line 22, less \$1,598 as discussed on Workpaper No. 1, p. 8, footnote 5.

⁽⁷⁾ Workpaper No. 1, p. 9, Column 8, Line 3 less Line 22.

⁽⁸⁾ Workpaper No. 1, p. 9, Column 9, Line 3 less Line 22.

⁽⁹⁾ Workpaper No. 1, p. 10, Column (f), Line 3 less Line 22.

⁽¹⁰⁾ Workpaper No. 1, p. 10, Line 43, Column (g).

⁽¹¹⁾ Commission fee and uncollectibles expenses on the additional revenue requirement of \$6.4M. Line 11 times \$0.005471 (see Exhibit No. 5, p. 1, Column (d), the sum of Lines 19-20).

EXHIBIT NO. 4

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

EXCESS DEFERRED INCOME TAXES AND AMORTIZATIONS

(4 pages)

Intermountain Gas Company
Excess Deferred Income Tax Amortization - 2018 Forecast

Line No.	Description (a)	Total Excess DIT (b)	2018 Amortization (c)	Remaining Excess DIT (d)
1	Excess DIT Amortization - Plant	\$ 19,812,401 ⁽¹⁾	\$ (1,189,021) ⁽²⁾	\$ 18,623,380
2	Excess DIT Amortization - Non-Plant Rate Base	(1,183,612) ⁽³⁾	118,361 ⁽⁴⁾	(1,065,251)
3	Excess DIT Amortization - Non-Plant Other	(361,817) ⁽⁵⁾	36,182 ⁽⁶⁾	(325,635)
4	Excess DIT Amortization - Idaho ITC	(474,817) ⁽⁷⁾	47,482 ⁽⁸⁾	(427,335)
5	Total	<u>\$ 17,792,155</u>	<u>\$ (986,996)</u>	<u>\$ 16,805,159</u>

⁽¹⁾ Exhibit No. 4, p. 2, Line 13, Column (b).

⁽²⁾ Exhibit No. 4, p. 3, Line 21, Column (e).

⁽³⁾ Exhibit No. 4, p. 4, Line 5, Column (b).

⁽⁴⁾ Exhibit No. 4, p. 4, Line 5, Column (c).

⁽⁵⁾ Exhibit No. 4, p. 4, Line 16, Column (b).

⁽⁶⁾ Exhibit No. 4, p. 4, Line 16, Column (c).

⁽⁷⁾ Exhibit No. 4, p. 4, Line 19, Column (b).

⁽⁸⁾ Exhibit No. 4, p. 4, Line 19, Column (c).

Intermountain Gas Company
Excess Deferred Income Taxes - Plant

Line No.	Description (a)	Amount (b)
1	Plant - Fed	\$ 21,162,093
2	Plant - State	(1,191,068)
3	AFUDC Debt - Capitalized	(364,563)
4	AFUDC Debt - Incurred - Fed	323,030
5	AFUDC Equity - Capitalized	(292,447)
6	AFUDC Equity - Incurred - Fed	290,281
7	CIAC - Capitalized	652,359
8	CIAC - Incurred	(767,683)
9	CPI - Capitalized	77,144
10	CPI - Incurred	(76,745)
11	Plant R&D Capitalized	(2,664,818)
12	Plant R&D Incurred	2,664,818
13	Total	<u>\$ 19,812,401</u>

Intermountain Gas Company
2018 Excess Deferred Income Tax Amortization - Plant

Line No.	Description (a)	Beginning Difference (b)	Provision (c)	Reversal (d)	Rate Differential ⁽¹⁾ (e)
1	2017 Vintage	\$ 301,621	\$ 1,773,126	\$ 27,019	\$ 3,783
2	2016 Vintage	3,838,303	1,783,357	(345)	(48)
3	2015 Vintage	26,973,451	1,460,807	(2,112,556)	(295,758)
4	2014 Vintage	15,788,765	879	(544,465)	(76,225)
5	2013 Vintage	12,237,673	57	(615,852)	(86,219)
6	2012 Vintage	16,647,883	2,595	(879,536)	(123,135)
7	2011 Vintage	8,287,638	61	(684,673)	(95,854)
8	2010 Vintage	3,681,881	3,845	(452,540)	(63,356)
9	2009 Vintage	3,750,383	599	(416,792)	(58,351)
10	2008 Vintage	8,163,338	64,353	(181,610)	(25,425)
11	2007 Vintage	6,260,130	372,986	23,949	3,353
12	2006 Vintage	8,234,113	446,562	23,473	3,286
13	2005 Vintage	5,613,765	198,285	(2,182)	(306)
14	2004 Vintage	4,115,569	851	(183,981)	(25,757)
15	2003 Vintage	8,264,814	169	(166,716)	(23,340)
16	2002 Vintage	4,937,404	88	(99,310)	(13,903)
17	2001 Vintage	1,778,716	64,444	55,746	7,804
18	2000 Vintage	2,567,861	70,997	(57,358)	(8,030)
19	1959-1999 Vintage	11,549,538	6,236	(2,399,624)	(335,947)
20	Exclude AFUDC	(1,835,043)	-	174,343	24,408
21	Total	<u>\$ 151,157,805</u>	<u>\$ 6,250,299</u>	<u>\$ (8,493,009)</u>	<u>\$ (1,189,021)</u>

⁽¹⁾ Column (d) times 14%.

Intermountain Gas Company
Excess Deferred Income Taxes - Non-Plant

Line No.	Description (a)	Amount (b)	Annual Amortization ⁽¹⁾ (c)
1	<u>Excess Deferred Income Taxes - Non-Plant Rate Base</u>		
2	Unamortized Loss on Reacquired Debt	\$ 7,223	\$ (722)
3	Uniform Capitalization	(144,488)	14,449
4	Customer Advances	(1,046,347)	104,635
5	Total	<u>\$ (1,183,612)</u>	<u>\$ 118,361</u>
6	<u>Excess Deferred Income Taxes - Non-Plant Other</u>		
7	Deferred Postretirement Benefit Costs - Reg Asset	\$ 60,257	\$ (6,026)
8	Prepaid Expenses	51,683	(5,168)
9	Deferred Rate Case Costs	45,961	(4,596)
10	Deferred Medicare Part D	(2,332)	233
11	Accrued 401K Pension	(14,674)	1,467
12	Bad Debts Expense	(37,641)	3,764
13	Intercompany Deferred Employee Benefit Costs - Reg Asset	(56,353)	5,635
14	Vacation Pay	(173,455)	17,346
15	Postretirement Benefit Costs	(235,262)	23,526
16	Total	<u>\$ (361,817)</u>	<u>\$ 36,182</u>
17	<u>Excess Deferred Income Taxes - Idaho ITC</u>		
18	Deferred ITC - State	\$ (474,817)	\$ 47,482
19	Total	<u>\$ (474,817)</u>	<u>\$ 47,482</u>

⁽¹⁾ The Company proposes to amortize the Non-Plant excess deferred income taxes over 10 years.

EXHIBIT NO. 5

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

REVENUE REQUIREMENT IMPACT OF TAX REFORM

(1 page)

Intermountain Gas Company
2016 Revenue Requirement Impact of Tax Reform

Line No.	Description (a)	IPUC Order No. 33879 ⁽¹⁾ (b)	Tax Reform Adjustments (c)	Adjusted for Tax Reform (d)
1	Federal Taxable Income	\$ 19,642,572	\$ 45,000 ⁽²⁾	\$ 19,687,572
2	Nonconforming Bonus Depreciation Adjustment	(5,580,075)	-	(5,580,075)
3	State Taxable Income	\$ 14,062,497	\$ 45,000	\$ 14,107,497
4	State Income Tax	\$ 1,040,625	\$ (63,681) ⁽³⁾	\$ 976,944 ⁽⁴⁾
5	Misc. Credits and Adj. (Idaho Bldg Fund)	10	-	10
6	Total State Income Tax Expense	\$ 1,040,635	\$ (63,681)	\$ 976,954
7	Federal Income Tax	\$ 6,874,900	\$ (2,740,510) ⁽⁵⁾	\$ 4,134,390 ⁽⁶⁾
8	Deduction for State Income Taxes	(364,222)	159,062 ⁽⁵⁾	(205,160) ⁽⁷⁾
9	Deferred Income Taxes - Non-Plant	(240,459)	154,543 ^{(8), (9)}	(85,916)
10	Deferred Income Taxes - Plant	(247,030)	(1,189,021) ^{(8), (10)}	(1,436,051)
11	Amortization of ITC	(179,903)	47,482 ^{(8), (11)}	(132,421)
12	Total Federal Income Tax Expense	\$ 5,843,286	\$ (3,568,444)	2,274,842
13	Total Income Tax Expense	<u>\$ 6,883,921</u>		<u>\$ 3,251,796</u> ⁽¹²⁾
14	Income Tax Expense Increase (Decrease)			\$ (3,632,125) ⁽¹³⁾
15	Gross Revenue Conversion Factor			<u>1.36749</u>
16	Revenue Requirement Adjustment			<u>\$ (4,966,895)</u> ⁽¹⁴⁾
17	<u>Gross Revenue Conversion Factor Calculation</u>			
18	Operating Revenues (without add-on taxes)			1.000000
19	Commission Fees			0.001877 ⁽¹⁵⁾
20	Uncollectibles Expense			0.003594 ⁽¹⁶⁾
21	State Taxable Income			0.994529
22	State Income Tax			0.068870 ⁽¹⁷⁾
23	Income Before Federal Income Tax			0.925659
24	Federal Income Tax			0.194390 ⁽¹⁸⁾
25	Operating Income After Taxes			0.731269
26	Gross Revenue Conversion Factor			<u>1.367490</u> ⁽¹⁹⁾

⁽¹⁾ Exhibit No. 3, p. 1, Column (b).

⁽²⁾ The \$45,000 is an estimate of the amount of entertainment expenses that would be nondeductible due to the new tax reform.

⁽³⁾ Change in tax expense due to the reduction in the Idaho corporate tax rate.

⁽⁴⁾ Line 3 times 6.925%.

⁽⁵⁾ Change in tax expense due to the reduction in the Federal corporate tax rate.

⁽⁶⁾ Line 1 times 21%.

⁽⁷⁾ Line 6 times 21%.

⁽⁸⁾ Change in tax expense due to excess deferred income tax amortization.

⁽⁹⁾ Exhibit No. 4, p. 1, Column (c), the sum of Lines 2-3.

⁽¹⁰⁾ Exhibit No. 4, p. 1, Line 1, Column (c).

⁽¹¹⁾ Exhibit No. 4, p. 1, Line 4, Column (c).

⁽¹²⁾ Line 6 plus Line 12.

⁽¹³⁾ Line 13, Column (d) less Column (b).

⁽¹⁴⁾ Required change in base rate revenues due to tax reform.

⁽¹⁵⁾ Workpaper No. 1, p. 11, Line 2, Column (c).

⁽¹⁶⁾ Workpaper No. 1, p. 11, Line 3, Column (c).

⁽¹⁷⁾ Line 21 multiplied by 6.925%.

⁽¹⁸⁾ Line 23 multiplied by 21%.

⁽¹⁹⁾ 1 divided by Line 25.

EXHIBIT NO. 6

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

REPORTING OF 2017 PRE, AND POST, TAX REFORM

(5 pages)

Intermountain Gas Company
2017 Tax Provision

Line No.	Description (a)	2017 GAAP Tax Provision		2017 GAAP Tax Provision - Normalized	
		Prior Law (b)	With Tax Reform (c)	Prior Law (d)	With Tax Reform (e)
1	<u>Federal Taxable Income</u>	\$ 26,392,776 ⁽¹⁾	\$ 26,392,776 ⁽¹⁾	\$ 20,456,994 ⁽²⁾	\$ 20,456,994 ⁽²⁾
2	Tax Cuts and Jobs Act of 2017 Changes:				
3	Executive Compensation Adjustment	N/A	164,481	N/A	N/A ⁽³⁾
4	Meals & Entertainment	N/A	42,740	N/A	42,740
5	Total Changes	-	207,221	-	42,740
6	Adjusted Federal Taxable Income	<u>\$ 26,392,776 ⁽⁴⁾</u>	<u>\$ 26,599,997 ⁽⁴⁾</u>	<u>\$ 20,456,994 ⁽⁴⁾</u>	<u>\$ 20,499,734 ⁽⁴⁾</u>
7	<u>State</u>				
8	Nonconforming Bonus Depreciation Adjustment	\$ (4,411,563)	\$ (4,411,563)	\$ (4,411,563)	\$ (4,411,563)
9	State Taxable Income	21,981,213 ⁽⁵⁾	22,188,434 ⁽⁵⁾	16,045,431 ⁽⁵⁾	16,088,171 ⁽⁵⁾
10	State Income Tax	1,626,610 ⁽⁶⁾	1,536,549 ⁽⁷⁾	1,187,362 ⁽⁶⁾	1,114,106 ⁽⁷⁾
11	Miscellaneous Credits and Adjustments	(29,174)	(29,174)	(29,174)	(29,174)
12	Total State Income Tax Expense	<u>\$ 1,597,436</u>	<u>\$ 1,507,375</u>	<u>\$ 1,158,188</u>	<u>\$ 1,084,932</u>
13	<u>Federal</u>				
14	Federal Income Tax	\$ 9,237,472 ⁽⁸⁾	\$ 5,585,999 ⁽⁹⁾	\$ 7,159,948 ⁽⁸⁾	\$ 4,304,944 ⁽⁹⁾
15	Deduction for State Income Taxes	(559,103) ⁽¹⁰⁾	(316,549) ⁽¹¹⁾	(405,366) ⁽¹⁰⁾	(227,836) ⁽¹¹⁾
16	Deferred Income Taxes - Non-Plant	(1,101,366) ⁽¹²⁾	(1,101,366) ⁽¹²⁾	(1,151,183) ⁽¹³⁾	(1,151,183) ⁽¹³⁾
17	Deferred Income Taxes - Plant	(58,208) ⁽¹⁴⁾	(58,208) ⁽¹⁴⁾	(58,208) ⁽¹⁴⁾	(58,208) ⁽¹⁴⁾
18	Amortization of ITC	(139,394) ⁽¹⁵⁾	(139,394) ⁽¹⁵⁾	(139,394) ⁽¹⁵⁾	(139,394) ⁽¹⁵⁾
19	Miscellaneous Credits and Adjustments	(139,122)	(139,122)	(139,122)	(139,122)
20	Total Federal Income Tax Expense	<u>\$ 7,240,279</u>	<u>\$ 3,831,360</u>	<u>\$ 5,266,675</u>	<u>\$ 2,589,201</u>
21	Total Income Tax Expense	<u>\$ 8,837,715 ⁽¹⁶⁾</u>	<u>\$ 5,338,735 ⁽¹⁶⁾</u>	<u>\$ 6,424,863 ⁽¹⁶⁾</u>	<u>\$ 3,674,133 ⁽¹⁶⁾</u>
22	Income Tax Expense Increase (Decrease) Before Excess DIT Amortization		\$ (3,498,980) ⁽¹⁷⁾		\$ (2,750,730) ⁽¹⁸⁾
23	Excess DIT Amortization - Plant		(1,189,021) ⁽¹⁹⁾		(1,189,021) ⁽¹⁹⁾
24	Excess DIT Amortization - Non-Plant		154,543 ⁽²⁰⁾		154,543 ⁽²⁰⁾
25	Excess DIT Amortization - ITC		47,482 ⁽²¹⁾		47,482 ⁽²¹⁾
26	Total Excess DIT Amortization		<u>(986,996)</u>		<u>(986,996)</u>
27	Total Income Tax Expense Increase (Decrease)		\$ (4,485,976) ⁽²²⁾		\$ (3,737,726) ⁽²²⁾
28	Gross Revenue Conversion Factor		1,36749 ⁽²³⁾		1,36749 ⁽²³⁾
29	Revenue Requirement Adjustment		<u>\$ (6,134,527)</u>		<u>\$ (5,111,303)</u>

⁽¹⁾ Exhibit No. 6, p. 2, Line 40, Column (b).

⁽²⁾ Exhibit No. 6, p. 2, Line 40, Column (d).

⁽³⁾ This adjustment is eliminated because executive incentive compensation is removed from taxable income.

⁽⁴⁾ Line 1 plus Line 5.

⁽⁵⁾ Line 6 plus Line 8.

⁽⁶⁾ Line 9 times 7.4%.

⁽⁷⁾ Line 9 times 6.925%.

⁽⁸⁾ Line 6 times 35%.

⁽⁹⁾ Line 6 times 21%.

⁽¹⁰⁾ Line 12 times 35%.

⁽¹¹⁾ Line 12 times 21%.

⁽¹²⁾ Exhibit No. 6, p. 3, Line 51, Column (b).

⁽¹³⁾ Exhibit No. 6, p. 3, Line 51, Column (d).

⁽¹⁴⁾ Exhibit No. 6, p. 4, Line 18, Column (b).

⁽¹⁵⁾ Exhibit No. 6, p. 5, Line 4, Column (b).

⁽¹⁶⁾ Line 12 plus Line 20.

⁽¹⁷⁾ Line 21, Column (c) less Column (b).

⁽¹⁸⁾ Line 21, Column (e) less Column (d).

⁽¹⁹⁾ Exhibit No. 4, p. 1, Line 1, Column (c).

⁽²⁰⁾ Exhibit No. 4, p. 1, Column (c), the sum of Lines 2-3.

⁽²¹⁾ Exhibit No. 4, p. 1, Line 4, Column (c).

⁽²²⁾ Line 22 plus Line 26.

⁽²³⁾ Exhibit No. 5, p. 1, Line 26, Column (d).

Intermountain Gas Company
2017 Taxable Income

Line No.	Description (a)	Amount (b)	Adjustments (c)	Normalized Amount (d)
1	Pre-Tax Income	\$ 23,167,399	\$ -	\$ 23,167,399
2	Normalization	-	(8,865,000) ⁽¹⁾	(8,865,000)
3	Nonutility Sales	-	(519,000) ⁽²⁾	(519,000)
4	Executive/non-executive Incentive Comp & Affiliate Charges	-	2,190,000 ⁽²⁾	2,190,000
5	Adjusted Pre-Tax Income	\$ 23,167,399	\$ (7,194,000)	\$ 15,973,399
6	<u>Permanent Tax Adjustments</u>			
7	50% Meals and Entertainment	\$ 81,344	\$ -	\$ 81,344
8	Lobbying Expenses	59,352	-	59,352
9	Club Dues	2,895	-	2,895
10	Performance Share Program	(147,338)	147,338 ⁽³⁾	-
11	Total Permanent Tax Adjustments	\$ (3,747)	\$ 147,338	\$ 143,591
12	<u>Temporary Tax Adjustments</u>			
13	Uniform Capitalization	\$ 822,582	\$ -	\$ 822,582
14	Accrued 401K Pension	15,537	-	15,537
15	Bad Debt Expenses	6,631	-	6,631
16	Incentive Compensation	(1,105,130)	552,565 ⁽³⁾	(552,565)
17	Payroll Taxes - Incentive Compensation	(115,559)	57,780 ⁽³⁾	(57,780)
18	Vacation Pay	(26,204)	-	(26,204)
19	Customer Advances	(861,919)	-	(861,919)
20	Prepaid Expenses	(142,300)	-	(142,300)
21	SISP/SERP Expense - Current	994	(994) ⁽³⁾	-
22	Deferred Rate Case Costs	52,587	-	52,587
23	LNG Sales Deferred Revenue	(243,286)	243,286 ⁽³⁾	-
24	Postretirement Benefit Costs	(80,023)	-	(80,023)
25	Deferred Compensation - Officers	(178,513)	-	(178,513)
26	Unamortized Loss on Reacquired Debt	72,216	-	72,216
27	SISP/SERP Expense Officers	(81,469)	81,469 ⁽³⁾	-
28	SISP/SERP Expense Officers - PBO	(176,775)	176,775 ⁽³⁾	-
29	Intercompany Deferred Employee Benefit Costs - Reg Asset	24,910	-	24,910
30	Deferred Postretirement Benefit Costs - Reg Asset	4,419,811	-	4,419,811
31	Deferred Medicare Part D	(4,174)	-	(4,174)
32	AFUDC Equity - Federal	(1,835,043)	-	(1,835,043)
33	AFUDC Debt - CWIP	(41,756)	-	(41,756)
34	AFUDC Equity - CWIP	34,750	-	34,750
35	Contribution in aid of construction - CWIP	33,794	-	33,794
36	Capitalized Interest - CWIP	709,841	-	709,841
37	Plant Temporary Differences Federal	1,927,621	-	1,927,621
38	Total Temporary Tax Adjustments	\$ 3,229,123	\$ 1,110,880	\$ 4,340,003
39	Total Tax Adjustments	\$ 3,225,376 ⁽⁴⁾	\$ 1,258,218 ⁽⁴⁾	\$ 4,483,594 ⁽⁴⁾
40	Federal Taxable Income	\$ 26,392,776 ⁽⁵⁾	\$ (5,935,782) ⁽⁵⁾	\$ 20,456,994 ⁽⁵⁾

⁽¹⁾ Sales variance times margin.

⁽²⁾ These adjustments are based on expense category items eliminated as a part of Case No. INT-G-16-02.

⁽³⁾ These adjustments remove the permanent and timing differences related to Column (c), lines 2-4 above.

⁽⁴⁾ Line 11 plus Line 38.

⁽⁵⁾ Line 5 plus Line 39.

Intermountain Gas Company
2017 Deferred Income Tax Expense - Non-Plant

Line No.	Description (a)	Amount (b)	Adjustments ⁽¹⁾ (c)	Normalized Amount (d)
1	<u>Deferred Income Taxes - Non-Plant</u>			
2	Deferred Compensation - Officers	\$ (61,940)	\$ 61,940	\$ -
3	LNG Sales Deferred Revenue - Capital Replacement *New*	(50,718)	50,718	-
4	SISP/SERP Expense - Officers	6,029	(6,029)	-
5	SISP/SERP Expense - Officers PBO	(480,484)	480,484	-
6	Total For Account 1900.864	<u>\$ (587,114)</u>	<u>\$ 587,114</u>	<u>\$ -</u>
7	Charitable Contributions	\$ (23,493)	\$ -	\$ (23,493)
8	SISP/SERP Expense - Current	(36,537)	36,537	-
9	Total For Account 1900.874	<u>\$ (60,030)</u>	<u>\$ 36,537</u>	<u>\$ (23,493)</u>
10	Deferred Compensation - Officers	\$ 16,218	\$ (16,218)	\$ -
11	LNG Sales Deferred Revenue - Capital Replacement	104,439	(104,439)	-
12	LNG Sales Deferred Revenue - Capital Replacement *New*	(222,131)	222,131	-
13	SISP/SERP Expense - Officers	26,404	(26,404)	-
14	SISP/SERP Expense - Officers PBO	145,541	(145,541)	-
15	Total For Account 1900.964	<u>\$ 70,471</u>	<u>\$ (70,471)</u>	<u>\$ -</u>
16	Customer Advances	\$ 3,536	\$ -	\$ 3,536
17	Deferred Medicare Part D	1,461	-	1,461
18	Intercompany Deferred Employee Benefit Costs - Reg Asset	(8,719)	-	(8,719)
19	Postretirement Benefit Costs	7,918	-	7,918
20	R&D Tax Credit Carryforward	155,346	-	155,346
21	Total For Account 1900.965	<u>\$ 159,542</u>	<u>\$ -</u>	<u>\$ 159,542</u>
22	Charitable Contributions	\$ 47,908	\$ -	\$ 47,908
23	SISP/SERP Expense - Current	12,440	(12,440)	-
24	Total For Account 1900.974	<u>\$ 60,348</u>	<u>\$ (12,440)</u>	<u>\$ 47,908</u>
25	Accrued 401K Pension	\$ (12,775)	\$ -	\$ (12,775)
26	Bad Debts Expense	383,579	-	383,579
27	Incentive Compensation	582,023	(291,011)	291,011
28	Payroll Taxes - Incentive Compensation	49,114	(24,557)	24,557
29	Uniform Capitalization	222,801	-	222,801
30	Vacation Pay	(31,293)	-	(31,293)
31	Total For Account 1900.975	<u>\$ 1,193,448</u>	<u>\$ (315,568)</u>	<u>\$ 877,880</u>
32	Customer Advances	\$ 298,136	\$ -	\$ 298,136
33	Deferred Compensation - Officers	67,940	(67,940)	-
34	Deferred Postretirement Benefit Costs - Reg Asset	(1,546,934)	-	(1,546,934)
35	Deferred Rate Case Costs	(18,405)	-	(18,405)
36	LNG Sales Deferred Revenue - Capital Replacement	220,594	(220,594)	-
37	Postretirement Benefit Costs	20,090	-	20,090
38	SISP/SERP Expense - Officers PBO	84,501	(84,501)	-
39	Unamortized Loss On Reacquired Debt	(25,276)	-	(25,276)
40	Total For Account 2830.965	<u>\$ (899,354)</u>	<u>\$ (373,034)</u>	<u>\$ (1,272,389)</u>
41	Accrued 401K Pension	\$ 7,338	\$ -	\$ 7,338
42	Bad Debts Expense	(385,900)	-	(385,900)
43	Charitable Contributions	(39,685)	-	(39,685)
44	Incentive Compensation	(195,227)	97,614	(97,614)
45	Payroll Taxes - Incentive Compensation	(8,668)	4,334	(4,334)
46	Performance Share Program S/T	3,901	(3,901)	-
47	Prepaid Expenses	49,805	-	49,805
48	Uniform Capitalization	(510,705)	-	(510,705)
49	Vacation Pay	40,464	-	40,464
50	Total For Account 2830.975	<u>\$ (1,038,677)</u>	<u>\$ 98,046</u>	<u>\$ (940,630)</u>
51	Total Deferred Income Taxes - Non-Plant	<u>\$ (1,101,366)</u>	<u>\$ (49,817)</u>	<u>\$ (1,151,183)</u>

⁽¹⁾ These adjustments are based on expense category items eliminated as a part of Case No. INT-G-16-02.

Intermountain Gas Company
2017 Deferred Income Tax Expense - Plant

Line No.	Description (a)	Amount (b)
1	<u>Deferred Income Taxes - Plant</u>	
2	AFUDC Debt - Capitalized	\$ (54,304)
3	AFUDC Debt - Incurred - Fed	23,482
4	CIAC - Capitalized	605,404
5	CIAC - Incurred	(28,090)
6	CPI - Capitalized	(75,871)
7	CPI - Incurred	(97)
8	Plant - Fed	(592,074)
9	Total For Account 2820.96301	<u>\$ (121,552)</u>
10	AFUDC Debt - Capitalized	\$ (28,644)
11	AFUDC Debt - Incurred - Fed	24,734
12	CIAC - Capitalized	431,765
13	CIAC - Incurred	(979,378)
14	CPI - Capitalized	31,266
15	CPI - Incurred	(25,504)
16	Plant - Fed	609,103
17	Total For Account 2820.965	<u>\$ 63,344</u>
18	Total Deferred Income Taxes - Plant	<u><u>\$ (58,208)</u></u>

Intermountain Gas Company
2017 Deferred Income Tax Expense - Amortization of ITC

Line No.	Description (a)	Amount (b)
1	<u>Deferred Income Taxes - Amortization of ITC</u>	
2	Amortization of ITC	\$ (214,452)
3	Deferred ITC - State - Idaho	75,058
4	Total Amortization of ITC	<u>\$ (139,394)</u>

EXHIBIT NO. 7

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

COST OF SERVICE ALLOCATION OF TAX REFORM BENEFITS

(1 page)

INTERMOUNTAIN GAS COMPANY
Proposed Base Rate Revenue Requirement Adjustment

Line No.	Class	Commission Ordered Base Revenue Requirement Order No. 33757	Commission Ordered Base Rate Revenue on Reconsideration Order No. 33879	Percent of Total	Proposed Base Rate Revenue Adjustment GNR-U-18-01	Proposed Base Rate Revenue GNR-U-18-01	Percent Change in Base Rate Revenue (g)
		(b)	(c)	(d)	(e)	(f)	(g)
1	RS	\$ 57,675,297	\$ 58,462,061	64.53%	\$ (3,205,181)	\$ 55,256,880	-5.5%
2	GS-1	22,067,934	22,368,969	24.69%	(1,226,378)	21,142,591	-5.5%
3	LV-1	339,403	344,033	0.38%	(18,862)	325,171	-5.5%
4	T-3	532,754	540,021	0.60%	(29,607)	510,414	-5.5%
5	T-4	8,760,876	8,880,385	9.80%	(486,867)	8,393,518	-5.5%
6	Total	\$ 89,376,264	\$ 90,595,469	100.00%	\$ (4,966,895)	\$ 85,628,574	-5.5%

EXHIBIT NO. 8

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

ANALYSIS OF RATE REDUCTION BY CUTOMER CLASS

(1 pages)

INTERMOUNTAIN GAS COMPANY
Analysis of Annualized Price Change by Class of Service
Normalized Volumes from Case No. INT-G-16-02 Order No. 33879

Line No.	Description (a)	Average Prices Effective		Proposed Adjustments Effective		Proposed Average Prices Effective		Percent Change (i)	
		per Case Nos. INT-G-16-02, INT-G-17-03, INT-G-17-05 Commission Order Nos. 33879, 33888, 33887	4/1/2018	4/1/2018	4/1/2018	4/1/2018	4/1/2018		
		Annual Therms/CD Vols. (b)	Revenue (c)	\$/Therm (d)	Revenue (e)	\$/Therm (f)	Revenue (g)	\$/Therm (h)	
1	Gas Sales:								
2	RS Residential	213,576,738	\$ 145,869,960	\$ 0.68299	\$ (3,205,181)	\$ (0.01500)	\$ 142,664,779	\$ 0.66799	-2.20%
3	GS-1 General Service	108,995,227	65,800,548	0.60370	(1,226,378)	(0.01125)	64,574,170	0.59245	-1.86%
4	LV-1 Large Volume	6,317,560	2,528,831	0.40029	(18,862)	(0.00301)	2,509,969	0.39728	-0.75%
5	Total Gas Sales	<u>328,889,525</u>	<u>214,199,339</u>	<u>0.65128</u>	<u>(4,450,421)</u>	<u>(0.01353)</u>	<u>209,748,918</u>	<u>0.63775</u>	<u>-2.08%</u>
6	T-3 Transportation	39,909,287	514,782	0.01290	(29,607)	(0.00075)	485,175	0.01215	-5.81%
7	T-4 Transportation	284,412,832	8,588,163	0.03020	(486,867)	(0.00171)	8,101,296	0.02848	-5.68%
8	Total Transportation	<u>324,322,119</u>	<u>9,102,945</u>	<u>0.02807</u>	<u>(516,474)</u>	<u>(0.00159)</u>	<u>8,586,471</u>	<u>0.02648</u>	<u>-5.66%</u>
9	Total	<u>653,211,644</u>	<u>\$ 223,302,284</u>	<u>\$ 0.34185</u>	<u>\$ (4,966,895)</u>	<u>\$ (0.00760)</u>	<u>\$ 218,335,389</u>	<u>\$ 0.33425</u>	<u>-2.22%</u>

NEWS RELEASE

and

CUSTOMER NOTICE

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

(2 pages)



Intermountain Gas Company files decrease in prices due to federal and state tax relief

BOISE, IDAHO – March 23, 2018 – Intermountain Gas Company filed an application with the Idaho Public Utilities Commission (IPUC) to reduce its base rates by an overall average of 5.5 percent or approximately \$4.97 million. The proposed decrease to Intermountain’s base rate is a result of the recent federal and state reductions in the corporate tax rate. If approved, the decrease would be effective April 1, 2018.

If the proposed reduction is approved, residential customers of the company will see an average decrease of 2.2 percent for the total price of their natural gas service or \$10.40 per year based on average weather and usage. Commercial customers, on average, would see a decrease of 1.9 percent; an annual savings of approximately \$38.17.

Even with this proposed price decrease, Intermountain continues to urge all its customers to use energy wisely. Intermountain has recently launched a new Energy Efficiency Program offering rebates for installing high efficiency gas appliances. Details on this program as well as conservation tips, budget payment plans and low-income heating assistance programs, can be found at the company’s website www.intgas.com.

The request is subject to public review and approval by the IPUC. A copy of the application is available for review at the commission, the company’s website at www.intgas.com as well as the IPUC website at www.puc.idaho.gov. Written comments regarding the application may be filed with the commission. Customers may also subscribe to the commission’s RSS feed to receive periodic updates via email.

Intermountain Gas Company is a natural gas distribution company serving approximately 355,000 residential, commercial and industrial customers in 74 communities in southern Idaho. Intermountain is a subsidiary of MDU Resources Group, Inc., which provides essential products and services through its regulated energy delivery and construction materials and services businesses. It is traded on the New York Stock Exchange as “MDU.” For more information about MDU Resources, visit the company’s website at www.mdu.com. For more information about Intermountain, visit www.intgas.com.

Media Contact: Cheryl Imlach, Manager Energy Utilization, 208-377-6179



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WORKPAPER NO. 1

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

PERTINENT EXCERPTS FROM CASE NO. INT-G-16-02

(11 pages)

Intermountain Gas Company
Income Tax Calculation
For the Test Year Ending December 31, 2016¹¹

Line No.	Description	September Update ¹¹	Company Adjustments	Proforma Amount
	(a)	(b)	(c)	(d)
1	Total Operating Revenue	\$ 255,394,111	\$ -	\$ 255,394,111
2	Total Operating Expenses Before Interest Expense and Income Taxes ¹²	240,496,356	(569,684)	239,926,672
3	Interest Charges ¹³	5,880,829	936	5,881,765
4	Pre-Tax Income	9,036,926	568,748	9,605,674
5	Permanent Tax Adjustments:			
6	401K Dividend Deduction	(123,189)	-	(123,189)
7	50% Meals and Entertainment	74,546	-	74,546
8	Club Dues	-	-	-
9	Lobbying Expenses	-	-	-
10	Total Permanent	(48,643)	-	(48,643)
11	Temporary Tax Adjustments:			
12	Accrued 401K Pension	(5,508)	-	(5,508)
13	Bad Debt Expenses	(39,018)	-	(39,018)
14	Charitable Contributions	-	-	-
15	Customer Advances	(428,577)	-	(428,577)
16	Deferred Compensation - Officers	-	-	-
17	Incentive Compensation	652,655	-	652,655
18	LNG Sales Deferred Revenue	-	-	-
19	Payroll Taxes - Incentive Compensation	37,236	-	37,236
20	Postretirement Benefit Costs	(235,697)	-	(235,697)
21	SISP/SERP Expense - Current	-	-	-
22	SISP/SERP Expense Officers	-	-	-
23	SISP/SERP Expense Officers - PBO	-	-	-
24	Unamortized Loss on Recaptured Debt	72,216	-	72,216
25	Uniform Capitalization	595,027	-	595,027
26	Vacation Pay	38,692	-	38,692
27	AFUDC Debt - CWIP	-	-	-
28	AFUDC Equity - CWIP	-	-	-
29	Capitalized Interest - CWIP	-	-	-
30	Contribution in aid of construction - CWIP	-	-	-
31	Plant Temporary Differences Federal ¹⁴	1,358,182	(569,684)	788,498
32	Total Temporary	2,045,208	(569,684)	1,475,524
33	Total Tax Adjustments	1,996,565	(569,684)	1,426,881
34	Taxable Income before state income taxes	11,033,491	(936)	11,032,555
35	State Current Income Tax Calculation:			
36	Taxable income before state income taxes	11,033,491	(936)	11,032,555
37	Bonus Modification	(5,580,075)	-	(5,580,075)
38	State taxable income	5,453,416	(936)	5,452,480
39	State tax rate	7.40%	7.40%	7.40%
40	State income tax (expense)/benefit before adjustments	(403,553)	69	(403,484)
41	State Net Operating Loss	-	-	-
42	State Tax Credits	-	-	-
42	Permanent Building Fund	(10)	-	(10)
42	Investment tax credit recapture ¹⁵	(18,856)	18,856	-
43	Investment tax credit ¹⁶	201,777	(201,777)	-
44	Return and other adjustments	-	-	-
45	Total State Current Income Taxes (expense)/benefit	(220,642)	(182,852)	(403,494)

Intermountain Gas Company
Income Tax Calculation
For the Test Year Ending December 31, 2016^[1]

Line No.	Description	Forecasted	Adjustments	Proforma Amount
	(a)	(b)	(c)	(d)
46	State Deferred Income Tax Calculation			
47	Deferred Gas Cost and SERP timing differences	-	-	-
48	State deferred tax rate	7.40%	7.40%	7.40%
49	State NOL	-	-	-
50	State Deferred Income Taxes (expense)/benefit	-	-	-
51	Total State Income Taxes (expense)/benefit	<u>(220,642)</u>	<u>(182,852)</u>	<u>(403,494)</u>
52	Federal Current Income Tax Calculation:			
53	Taxable Income before state income taxes	11,033,491	(936)	11,032,555
54	State income tax - Current year	<u>(220,642)</u>	<u>(182,852)</u>	<u>(403,494)</u>
55	Federal taxable income	10,812,849	(183,788)	10,629,061
56	Federal tax rate	<u>35.00%</u>	<u>35.00%</u>	<u>35.00%</u>
57	Federal Income Tax (expense)/benefit before adjustments	(3,784,497)	64,326	(3,720,171)
58	Federal Net Operating Loss	-	-	-
59	State Net Operating Loss	-	-	-
60	Federal Tax Credits	-	-	-
61	State Tax Credits	-	-	-
62	FIN 48 Adjustments	-	-	-
63	Return and other adjustments	-	-	-
64	Total Federal Current Income Taxes (expense)/benefit	<u>(3,784,497)</u>	<u>64,326</u>	<u>(3,720,171)</u>
65	Federal Deferred Income Tax Calculation			
66	Non fixed asset & CWP timing differences	687,026	-	687,026
67	Federal deferred tax rate	<u>35.00%</u>	<u>35.00%</u>	<u>35.00%</u>
68	Deferred taxes	<u>240,459</u>	<u>-</u>	<u>240,459</u>
69	Deferred Gas Cost & SERP timing differences	-	-	-
70	Federal deferred tax rate	<u>32.41%</u>	<u>32.41%</u>	<u>32.41%</u>
71	Deferred taxes	<u>-</u>	<u>-</u>	<u>-</u>
72	Utility fixed asset timing differences	1,358,182	(569,684)	788,498
73	Federal deferred tax rate	<u>31.33%</u>	<u>31.33%</u>	<u>31.33%</u>
74	Deferred taxes	<u>425,508</u>	<u>(178,478)</u>	<u>247,030</u>
75	Federal Deferred Income Taxes (expense)/benefit	665,967	(178,478)	487,489
76	Total Federal Income Taxes (expense)/benefit	<u>(3,118,530)</u>	<u>(114,152)</u>	<u>(3,232,682)</u>
77	ITC Amortization ^[5]	306,187	(126,284)	179,903
78	Total tax (expense)/benefit	<u>\$ (3,032,985)</u>	<u>\$ (423,288)</u>	<u>\$ (3,456,273)</u>

NOTES

[1] These amounts match the Company's updated rate base and revenue requirement which was filed in response to IPUC Staff Production Request No. 178.

[2] This adjustment corrects for an accounting error pertaining to the Commission approved depreciable lives for the following asset classes: 391 - Office Furniture and Equipment, 394 - Tools, Shop, Garage Equipment, and 397 - Communication Equipment. The error originated in January 2015, was discovered in late October 2016 and was corrected in December 2016. The adjustment to depreciation expense reflects only that amount of overstated depreciation that occurred during the test year of 2016.

[3] Interest expense is calculated by multiplying total rate base by the weighted average cost of debt. This adjustment is the result of the Retirement Adjustment explained in footnote [2] above.

[4] In the creation of this tax schedule, the Company inadvertently included the effect of Idaho Investment Tax Credits ("ITCs") in the calculation of its state current income tax expense. This adjustment removes the effect of Idaho ITCs to match the Company's correct accounting treatment on its books and records.

[5] This adjustment updates the estimated ITC amortization to reflect actual ITC amortization, net of recapture amortization and federal tax effect.

B. Disputed Expense Adjustments

(1) Incentive Compensation

Intermountain requested \$704,000 in Non-Executive Incentive Compensation Plan funds because, it argued, the compensation is attributed to Intermountain employees meeting metrics for net income, cost control and customer satisfaction. Tr. at 255-256. Intermountain removed the portion of compensation expense related to achieving a target level of income, because it did not consider this metric related to customer benefits. Tr. at 1524. On the other hand, it sought recovery of incentive compensation expense metrics related to cost control and customer service because, they were “designed to benefit the Company’s customers by incentivizing Company employees to control costs while maintaining a safe, reliable system and a high level of customer satisfaction.” *Id.* at 257.

Intermountain stated that the individual employee effort of each MDU subsidiary combine to benefit customers because, for example, if Intermountain met cost control goals by underspending, customers benefit through decreased cost recovery. Tr. at 1522. Further, customer satisfaction is measured through inclusion of MDU Resources in the top 35 companies in the JD Power Gas Utility Customer Satisfaction Study, benefiting customers because each utility works diligently to achieve the highest level of customer satisfaction. *Id.*

Intermountain further argued that the Commission has allowed incentive compensation for other utilities that show a direct benefit to customers or show a sufficient link to operational efficiency, customer service, and safety. *Id.* at 1524.

NIGU

NIGU argued that Intermountain’s adjusted incentive compensation is measured against the combined results achieved by all utility subsidiaries of MDU Resources spread across eight states, and that there is no proof that specific employee performance resulting in customer benefits or employee safety is tied to Intermountain’s stated customer benefits. Rather than help ratepayers, the benefits inure to shareholders through enhanced stock valuation, earnings growth and reduced investment risk. Tr. at 713-716.

Commission Findings

We find that Intermountain has not met its burden of showing that Intermountain’s customers directly benefit from MDU’s incentive compensation plans related to cost control and customer satisfaction. Intermountain must attempt to make a showing that these expenses

directly relate to improving service or reducing costs to Intermountain customers. Intermountain cited several cases to show that the Commission has allowed other utilities to recover employee incentive compensation. These cases are, however, distinguishable. Here, the incentive compensation metrics for Intermountain are inextricably linked to MDU. Accordingly, we decline to include incentive compensation related to cost control and customer satisfaction in the revenue requirement for this case.

(2) Salary Expenses

Staff testified that Intermountain's labor cost, as a percent of revenue, is higher than Avista Gas: 7.05% versus 4.75%. Tr. at 1086. Staff used a weighted average of three salary studies, including the Occupational Employment Survey (OES) used by the Bureau of Labor Statistics, which was double weighted in Staff's analysis. *Id.* at 1087. Staff believes that the labor surveys utilized by Intermountain minimize the effects of regional markets on salaries, where BLS data provides an analytical component related to regional pricing. *Id.* at 1087-1090. As a result, Staff proposed a \$214,296 reduction of salary expense in revenue requirement. *Id.*

Intermountain

Intermountain disagreed with Staff's analysis. Tr. at 1831-1836. Intermountain maintained that the OES encompasses too many organizations, too broad of job descriptions, does not take into account rural areas with lower salaries, and uses out-of-date data. *Id.* Intermountain contended that its use of more current market survey data is sound and consistent with the practices of other utilities. *Id.* at 1837.

To develop its salary expenses analysis, Intermountain used its own in-house survey as well as contracting with independent consultants to review compensation. *Id.* at 1837-1844. Intermountain claims that its 2013 independent survey, contracted through Aon Hewitt, showed its compensation programs were well-designed and aligned well with other utilities, with Intermountain paying slightly below market. *Id.* at 1840. Intermountain stated that it will conduct another independent review in 2017. *Id.* at 1839.

Commission Findings

The Commission finds the Company's salary expenses to be reasonable and appropriate. Intermountain's salary expense analytical approach is sound overall. While Staff's analysis may be reasonable when specific studies are not available, we are inclined to use the most current, specific studies.

Intermountain Gas Company
Non-Executive Incentive Compensation Expense Adjustment
For the Test Year Ending December 31, 2016^[1]

Line No.	Description (a)	Amount (b)
1	<u>Test Year</u>	
2	Incentive Compensation Expense	\$ 1,038,672
3	Payroll Tax Expense	70,942
4	<u>Pro Forma</u>	
5	Incentive Compensation Expense ^[2]	665,403
6	Payroll Tax Expense ^[3]	38,214
7	<u>Adjustment</u>	
8	Incentive Compensation Expense	(373,269)
9	Payroll Tax Expense	(32,728)
10	Total Incentive Compensation Adjustment	<u>\$ (405,997)</u>
11	Adjustment to Transmission	\$ (3,297)
12	Adjustment to Distribution	(118,581)
13	Adjustment to Customer Accounts	(111,430)
14	Adjustment to Sales	(26,782)
15	Adjustment to Administrative and General	(113,179)
16	Adjustment to Payroll Taxes	(32,728)
17	Total Incentive Compensation Adjustment	<u>\$ (405,997)</u>

PURPOSE OF ADJUSTMENT

To remove the earnings metric from the Company's non-executive incentive compensation expense.

NOTES

[1] Test Year ending December 31, 2016 is composed of actual financial data from January 1 - June 30, 2016 and forecasted financial data from July 1, 2016 - December 31, 2016.

[2] See Exhibit No. 15, Page 18, Column (f), Line 6.

[3] See Exhibit No. 15, Page 18, Column (g), Line 6.

(3) Affiliate Expenses

NIGU argued that affiliate transaction costs, which are costs directly or indirectly charged to the Company by affiliated companies, should be reduced to the five-year average level experienced during 2011 through 2015, or by \$1,381,000 in the test year, because insufficient explanation or justification was provided for the Company's forecast. Tr. at 712-713.

Intermountain

Intermountain proposed including affiliated transaction costs related to the provision of service to and between subsidiary companies of MDU Resources, such as payroll, procurement, Enterprise, and General and Administrative Services. Tr. at 219. In response to NIGU's argument, Intermountain updated its affiliate costs and showed that its test year forecasted affiliate costs were \$15.55 million. The Company argued these costs are reasonable, because they were only \$52,500 (0.34%) lower than actuals. Tr. at 1519. Because the Company's actual updated data is more accurate than the previously-submitted forecasted data that NIGU rejected, Intermountain asked that its updated level of affiliate costs be accepted. *Id.*

Commission Findings

The Commission finds that Intermountain failed to prove the reasonableness of its affiliated transaction costs. Normally, a utility can establish a prima facie case of reasonableness simply by showing it actually incurred the expenses through arms-length bargaining with another company. *See Boise Water Corporation v. Idaho Public Utilities Commission*, 97 Idaho 832, 838, 555 P.2d 163, 169 (1976). Payments to affiliates, on the other hand, do "not establish a prima facie case of reasonableness," and it is not enough for the utility to argue it has incurred the expense or that the affiliate provided the goods or services "at cost." *Id.* at 836-837. Rather, the burden of affirmatively proving the reasonableness of expenses incurred between affiliates falls upon the utility. *General Telephone Company v. Idaho Public Utilities Commission*, 109 Idaho 942, 950, 712 P.2d 643, 651 (1986). The Idaho Supreme Court provides the rationale for applying a more rigorous standard to affiliated transactions, stating that the:

desire of public utility management, evidenced by various methods, to secure the highest possible return to the ultimate owners is incompatible with the semi-public nature of the utility business, which the management directs. It therefore follows that the [C]ommission should scrutinize carefully charges by affiliates, as inflated charges to [the] operating company may be a means to improperly increase the allowable revenue and raise the cost to consumers of

utility service as well as the unwarranted source of profit to the ultimate holding company.

Id. (citing *Solar Electric Company v. Pennsylvania PUC*, 137 Pa. Super. 325, 9 A.2d 447, 473 (1939)). The Commission may in its discretion find that it was unpersuaded by a utility's evidence concerning the reasonableness of its expenses. *Id.*

Here, the Commission finds the Company failed to prove that its proposed affiliated transaction expenses are reasonable. A showing of costs is not enough to overcome the burden of proving reasonableness with regard to affiliates. However, we acknowledge that some allocation is reasonable and appropriate. In the absence of other proposals, and based on our review of the extensive record in this case, we find NIGU's proposal to be a fair and reasonable alternative. When test year expenses are abnormal, higher or lower, it is common to use an average. Therefore, we approve affiliate expenses based on the five-year average experienced from 2011 through 2015, which amounts to a reduction of \$1,381,000 in test year expenses.

(4) Miscellaneous Expense Adjustments

Staff argued that expenses to enhance a utility's image, including donations to charities or sponsorships of charitable events or golf tournaments, do not directly benefit ratepayers. Also, ratepayers should not be forced to support organizations whose ideology may not agree with theirs. Tr. at 1059-1060, *and see Re Intermountain Gas Co.* (1978) Order No. 14141. Staff thus recommended that the Commission disallow the Company's expense related to the following events and activities, because those expenses are not safety related and do not directly benefit customers: (1) Chamber of Commerce (Chamber) and Rotary and Lions Club, Tr. at 1062; (2) \$32,765 from the 2016 test year actual expenses for monies spent on golf-related activities and sponsorships, *Id.* at 1060-1061; and (3) \$53,566 from test year actual expenses for payments made in donations or contribution to charities. *Id.* Staff's adjustments, above, included adjusting the forecast expenses based on actuals.

Intermountain

Intermountain accepted Staff's recommended adjustments for management expenses, injuries and damages and "other proposed adjustments in Staff Exhibit No. 101." These adjustments are reflected in the Commission's approved revenue requirement, as illustrated by Attachment A to this Order. Tr. at 1524. On the other hand, Intermountain did not accept Staff's adjustments for: (1) Chamber of Commerce (Chamber) expenses; (2) Rotary and Lions Club

dues; (3) certain expenses which were duplicated;⁵ (4) a refunded expense; and (5) Staff's determination of disallowed expenses in the forecast period. Tr. at 1525.

Intermountain stated that Chamber fees (\$18,150) should be allowed because Intermountain faces competition from electricity and other heating fuels and Chambers "help the Company compete in the marketplace thereby enabling it to offer its customers more and lower-priced options for energy." Tr. at 1530-1531. Intermountain stated that the Commission has allowed Chamber expense recovery in other cases before it. *Id.* However, at hearing, Intermountain admitted that in past cases cited by the Company, Chamber expenses were grouped together with expenses related to several groups and organizations, including Edison Electric Institute, (Order No. 29505) and, therefore, were only partially allowed. In another case, Chamber expenses were totally disallowed (AVU-E-04-01). *Id.* at 1538-1539.

Intermountain further argued that the networking advantages provided as a result of its participation in the Rotary Club of Idaho Falls and Twin Falls Lions Club (\$275) directly benefit customers by providing opportunities to network with the Company's customers and help strengthen the communities in which they live. *Id.* at 1532.

Intermountain also argued that Staff should recalculate its disallowed expense adjustment because certain expenses, specifically golf sponsorships and the American Heart Association Heart Walk sponsorship, do not occur in the last three months of the year and should be adjusted. Tr. at 1534. Intermountain argued that Staff used relative percentages of its proposed disallowed expenses "to the total expenses for the period January through September of 2016 and applied that percentage to the forecast period October through December of 2016." *Id.* Therefore, the Company argued that its proposed recalculated adjustment, with these expenses removed, should be used. See Exhibit 32, Page 1, Line 26.

Commission Findings

We continue to follow our well-established precedent as it relates to the disallowance of expenses related to lobbying, enhancing the Company's image in the community, and maximizing shareholder value. Therefore, we find it just and reasonable to disallow the Company's claimed expenses related to the Chamber or service clubs, charitable sponsorships,

⁵ At hearing, Staff also noted that there were two expenses in Staff Witness Romano's exhibits that were double counted and one expense that was not removed that was later reimbursed. Tr. at 1053-1054. Staff's proposed adjustments were amended by \$1,598 to reflect these mistakes.

Line No.	Description	Column/Adjustment Number										Staff Proposal
		1	2	3	4	5	6	7	8	9	10	
	Company Direct	Actual Results to Sept with updated Forecast PR #178	Overall Rate of Return	Remove Cash Working Capital	Salary Adj Non Union	Remove 1% Profit Sharing Based on Target Profitability	Remove Customer Service Center Held for Future Use	Staff Wellness Romano Adjustments	Injures and Damages Adjustment	Normalization Adjustment		
1	Gas Operating Revenues	\$ 251,900,147	\$ 530,595							\$ 4,531,743	\$ 256,982,485	
2	Other Revenues	2,900,363	83,006								2,983,369	
3	Total Operating Revenue	254,800,510	593,601							4,531,743	259,925,854	
4	Operating Expenses											
5	Cost of Gas	168,822,659	364,389							2,518,228	171,705,276	
6	Operation & Maintenance											
7	Production	46,565	35,254								82,819	
8	Natural Gas Storage, Terminating, and Processing	1,383,094	(17,180)								1,205,914	
9	Transmission	462,741	(37,813)								454,928	
10	Distribution	18,736,256	180,560			(37,028)		(3,659)			18,876,119	
11	Customer Accounts	9,267,200	275,429			(2,894)					9,538,945	
12	Customer Service and Informational	202,610	(7,131)			(9,670)		(17,681)			185,809	
13	Sales	1,236,871	(19,143)			(8,135)		(186,542)			1,191,912	
14	Administrative and General	13,819,684	(406,147)		(213,123)	(32,589)		(107,239)			12,871,944	
15	Other	21,707,112	(288,482)			(9,620)					20,858,316	
16	Depreciation	1,841,942	7,670								1,849,612	
17	Payroll Taxes	3,196,871	(7,645)								3,191,226	
18	Property Taxes											
19	Franchise Taxes											
20	Interest Expense											
21	Total Operating Expense											
22	Before Income Taxes	240,555,605	(59,249)		(213,123)	(80,106)	(9,820)	(209,992)	(107,239)	2,518,228	241,014,820	
23	Income Taxes	2,750,218	282,767		84,844	35,871	3,830	83,596	42,682	801,580	4,506,688	
24	Total Operating Expenses	243,305,823	223,516		(128,279)	(54,235)	(5,790)	(126,394)	(64,547)	3,319,808	246,323,508	
25	Net Operating Income	\$ 11,494,687	\$ 370,083		\$ 128,279	\$ 54,235	\$ 5,790	\$ 126,384	\$ 64,547	\$ 1,211,935	\$ 13,802,346	
26	Gas Plant in Service:											
27	Original Cost	\$ 595,065,559	(1,216,587)				(647,626)				594,058,317	
28	Less Accumulated Depreciation	(308,450,846)	1,308,526								(306,953,230)	
29	Net Gas Plant in Service	287,614,713	91,939				(847,626)				287,105,087	
30	Materials & Supplies Inventory	3,149,131	46,160								3,195,291	
31	Gas Storage Inventory	3,195,613	29,731								3,225,344	
32	Cash Working Capital	1,032,688	105,055		(1,137,743)						0	
33	Accumulated Deferred Income Taxes	(50,172,477)	210,485								(49,876,423)	
34	Advances in Aid of Construction	(7,893,171)	(129,341)								(8,022,511)	
35	Rate Base	\$ 236,926,497	\$ 354,029		\$ (1,137,743)	\$ (90,602)	\$ (647,626)	\$ -	\$ -	\$ -	\$ 235,526,788	
36	Rate Base	\$ 236,926,497	\$ 354,029		\$ (1,137,743)	\$ (90,602)	\$ (647,626)	\$ -	\$ -	\$ -	\$ 235,526,788	
37	Operating Income at Present Rates	11,494,687	370,083		128,279	54,235	5,790	126,384	64,547	1,211,935	13,802,346	
38	Earned Rate of Return	4.852%										
39	Cost of Capital	7.420%										
40	Operating Income at Proposed Rates	17,575,946	26,269				(45,981)				7,100%	
41	Operating Income Deficiency	6,085,259	(343,814)				(51,772)				(1,211,935)	
42	Gross Revenue Conversion Factor	1.67055	1.67055		1.67055	1.67055	1.67055	1.67055	1.67055	1.67055	1.67055	
43	Deficiency in Operating Revenue	\$ 10,165,700	(574,214)		(214,296)	(90,602)	(66,487)	(211,148)	(107,829)	(2,024,597)	\$ 5,212,325	
44	Percent Increase	4.0356%	-0.2280%		-0.0851%	-0.0360%	-0.1034%	-0.0839%	-0.0429%	-0.8037%	2.0692%	
45	Capital Structure											
46	Total Debt	50.00%										
47	Cost of Debt	4.94%										
48	Total Equity	50.00%										
49	Return on Equity	9.90%										
51	Total Cost of Capital	7.42%										

50.00%	50.00%
4.94%	2.50%
50.00%	50.00%
9.90%	4.60%
	7.10%

Revised Commission Order Revenue Requirement Summary - Attachment A

Line No.	Description (a)	Company Direct (b)	Commission Order (c)	Stipulation and Settlement			Total (g)
				NWIGU (d)	Staff (e)	Total (f)	
1	Gas Operating Revenues	\$ 251,900,147	\$ 256,962,485	\$ -	\$ (3,742,387)	\$ (3,742,387)	\$ 253,220,098
2	Other Revenues	2,900,363	2,963,369	-	-	-	2,963,369
3	Total Operating Revenue	254,800,510	259,925,854	-	(3,742,387)	(3,742,387)	256,183,467
4	Operating Expenses						
5	Cost of Gas	\$ 168,822,659	\$ 171,705,276	\$ -	\$ (2,640,403)	\$ (2,640,403)	\$ 169,064,873
6	Operation & Maintenance						
7	Production	46,565	82,580	-	-	-	82,580
8	Natural Gas Storage, Terminating, and Processing	1,383,094	1,124,985	-	-	-	1,124,985
9	Transmission	492,741	433,579	-	-	-	433,579
10	Distribution	18,736,256	18,305,396	-	-	-	18,305,396
11	Customer Accounts	9,267,200	9,084,125	-	-	-	9,084,125
12	Customer Service and Informational	202,610	171,769	-	-	-	171,769
13	Sales	1,236,871	1,131,006	-	-	-	1,131,006
14	Administrative and General	13,819,684	12,244,268	1,206,500	-	1,206,500	13,450,768
15	Other	-	-	-	-	-	-
16	Depreciation	21,707,112	20,859,316	-	-	-	20,859,316
17	Payroll Taxes	1,641,942	1,611,398	-	-	-	1,611,398
18	Property Taxes	3,198,871	3,191,226	-	-	-	3,191,226
19	Franchise Taxes	-	-	-	-	-	-
20	Interest Expense	-	-	-	-	-	-
21	Total Operating Expense						
22	Before Income Tax	\$ 240,555,605	\$ 239,944,924	\$ 1,206,500	\$ (2,640,403)	\$ (1,433,903)	\$ 238,511,021
23	Income Taxes	2,750,218	5,253,094	(480,308)	(438,700)	(919,007)	4,334,087
24	Total Operating Expenses	\$ 243,305,823	\$ 245,198,018	\$ 726,192	\$ (3,079,103)	\$ (2,352,910)	\$ 242,845,108
25	Net Operating Income	\$ 11,494,687	\$ 14,727,836	\$ (726,192)	\$ (663,284)	\$ (1,389,477)	\$ 13,338,359
26	Gas Plant in Service:						
27	Original Cost	\$ 596,065,559	\$ 594,058,317	\$ -	\$ -	\$ -	\$ 594,058,317
28	Less Accumulated Depreciation	(308,450,846)	(306,953,230)	-	-	-	(306,953,230)
29	Net Gas Plant in Service	287,614,713	287,105,087	-	-	-	287,105,087
30	Materials & Supplies Inventory	3,149,131	3,195,291	-	-	-	3,195,291
31	Gas Storage Inventory	3,195,613	3,225,344	-	-	-	3,225,344
32	Cash Working Capital	1,032,688	-	-	-	-	-
33	Accumulated Deferred Income Taxes	(50,172,477)	(49,976,423)	-	-	-	-49,976,423
34	Advances in Aid of Construction	(7,893,171)	(8,022,511)	-	-	-	-8,022,511
35	Rate Base	236,926,497	235,526,788	-	-	-	235,526,788
36	Rate Base	236,926,497	235,526,788	-	-	-	235,526,788
37	Operating Income at Present Rates	\$ 11,494,687	\$ 14,727,836	\$ (726,192)	\$ (663,284)	\$ (1,389,477)	\$ 13,338,359
38	Earned Rate of Return	4.85%					
39	Cost of Capital	7.420%	7.300%	7.300%	7.300%	7.300%	7.300%
40	Operating Income at Proposed Rates	17,579,946	17,193,456	-	-	-	17,193,456
41	Operating Income Deficiency	6,085,259	2,465,620	726,192	663,284	1,389,477	3,855,097
42	Gross Revenue Conversion Factor	1.67055	1.67055	1.67055	1.67055	1.67055	1.67055
43	Deficiency in Operating Revenue	\$ 10,165,700	\$ 4,119,055	\$ 1,213,141	\$ 1,108,049	\$ 2,321,190	\$ 6,440,245
44	Total Revenue Requirement	\$ 264,966,210	\$ 264,044,909	\$ 1,213,141	\$ (2,634,338)	\$ (1,421,197)	\$ 262,623,712
45	Base Rate Revenue Requirement	\$ 93,243,188	\$ 89,376,264	\$ 1,213,141	\$ 6,065	\$ 1,219,206	\$ 90,595,470

Intermountain Gas Company
 Gross Revenue Conversion Factor
 For the Test Year Ending December 31, 2016^[1]

Line No.	Description	Rate	Gross Revenue Conversion Factor
	(a)	(b)	(c)
1	Operating Revenues (without add-on taxes)		1.00000
2	Commission Fees ^[2]	0.1877%	0.00188
3	Uncollectibles Expense	0.3594%	0.00359
4	State Taxable Income ^[3]		0.99453
5	State Income Tax ^[4]	7.40%	0.07360
6	Income Before Federal Income Tax ^[5]		0.92093
7	Federal Income Tax ^[6]	35.00%	0.32233
8	Operating Income After Taxes ^[7]		0.59861
9	Gross Revenue Conversion Factor ^[8]		1.67055

NOTES

[1] Test Year ending December 31, 2016 is composed of actual financial data from January 1 - June 30, 2016 and forecasted financial data from July 1, 2016 - December 31, 2016.

[2] Per Commission Order 33498.

[3] Line 1 - Line 2 - Line 3.

[4] Line 4 x Column (b), Line 5.

[5] Line 4 - Line 5.

[6] Line 6 x Column (b), Line 7.

[7] Line 6 - Line 7.

[8] 1 / Line 8.

WORKPAPER NO. 2

CASE NO. GNR-U-18-01

INTERMOUNTAIN GAS COMPANY

DISTRIBUTION COST CALCULATION AND REVENUE PROOF

(2 pages)

INTERMOUNTAIN GAS COMPANY
Distribution Cost Calculation and Revenue Proof

Line No.	Class	Billing Determinates ⁽¹⁾	Proposed Revised Rate	Proposed Revised Revenue
	(a)	(b)	(c)	(d)
1	RS			
2	Annual Bills	3,697,216	\$ 5.50	\$ 20,334,688
3	Therms	213,439,341	0.16349	34,895,198
4	RS Total			55,229,886
5	IS-R			
6	Annual Bills	1,008	5.50	5,544
7	Therms	137,397	0.16349	22,463
8	IS-R Total			28,007
9	RS & IS-R (Residential) Total			\$ 55,257,893
10	GS-1			
11	Annual Bills	385,416	9.50	\$ 3,661,452
12	Therms - Block 1	31,302,760	0.18503	5,791,950
13	Therms - Block 2	51,760,307	0.16150	8,359,290
14	Therms - Block 3	21,983,924	0.13878	3,050,929
15	Therms - Block 4	3,932,226	0.07008	275,570
16	Total Therms	108,979,217		17,477,739
17	GS-1 Total			\$ 21,139,191
18	IS-C			
19	Annual Bills	102	9.50	\$ 969
20	Therms - Block 1	5,911	0.18503	1,094
21	Therms - Block 2	6,823	0.16150	1,102
22	Therms - Block 3	3,276	0.13878	455
23	Therms - Block 4	-	0.07008	-
24	Total Therms	16,010		2,650
25	IS-C Total			\$ 3,619
26	GS-1 & IS-C (General Service) Total			\$ 21,142,810
27	LV-1			
28	MDFQ	450,360	0.30000	\$ 135,108
29	Therms - Block 1	6,317,560	0.03008	190,032
30	Therms - Block 2	-	0.01214	-
31	Therms - Block 3	-	0.00308	-
32	Total Therms	6,317,560		190,032
33	LV-1 Total			\$ 325,140
34	T-3			
35	Therms - Block 1	7,613,251	0.03856	\$ 293,567
36	Therms - Block 2	3,000,000	0.01570	47,100
37	Therms - Block 3	29,296,036	0.00578	169,331
38	Total Therms	39,909,287		509,998
39	T-3 Total			\$ 509,998
40	T-4			
41	MDFQ	15,321,300	0.30000	\$ 4,596,390
42	Therms - Block 1	115,948,332	0.02404	2,787,398
43	Therms - Block 2	96,712,653	0.00850	822,058
44	Therms - Block 3	71,751,847	0.00261	187,272
45	Total Therms	284,412,832		3,796,728
46	T-4 Total			\$ 8,393,118
47	Total (excludes gas costs)			\$ 85,628,959
48	Target Revenue Requirement			85,628,574 ⁽²⁾
49	Difference (Line 47 minus Line 48)			\$ 385

⁽¹⁾ Billing determinants from Case No. INT-G-16-02, Order No. 33879.

⁽²⁾ See Exhibit No. 7, Line 6, Column (f).

INTERMOUNTAIN GAS COMPANY
Proposed Distribution Cost Change

Line No.	Class	Proposed Revised Rate ⁽¹⁾	Currently Effective Rate	Proposed Rate Change
	(a)	(b)	(c)	(d)
1	RS			
2	Customer Charge	\$ 5.50	\$ 5.50	\$ -
3	Distribution Cost	0.16349	0.17849	(0.01500)
4	IS-R			
5	Customer Charge	5.50	5.50	-
6	Distribution Cost	0.16349	0.17849	(0.01500)
7	GS-1			
8	Customer Charge	9.50	9.50	-
9	Distribution Cost - Block 1	0.18503	0.19801	(0.01298)
10	Distribution Cost - Block 2	0.16150	0.17283	(0.01133)
11	Distribution Cost - Block 3	0.13878	0.14852	(0.00974)
12	Distribution Cost - Block 4	0.07008	0.07500	(0.00492)
13	IS-C			
14	Customer Charge	9.50	9.50	-
15	Distribution Cost - Block 1	0.18503	0.19801	(0.01298)
16	Distribution Cost - Block 2	0.16150	0.17283	(0.01133)
17	Distribution Cost - Block 3	0.13878	0.14852	(0.00974)
18	Distribution Cost - Block 4	0.07008	0.07500	(0.00492)
19	LV-1			
20	Demand Charge	0.30000	0.30000	-
21	Distribution Cost - Block 1	0.03008	0.03309	(0.00301)
22	Distribution Cost - Block 2	0.01214	0.01336	(0.00122)
23	Distribution Cost - Block 3	0.00308	0.00339	(0.00031)
24	T-3			
25	Distribution Cost - Block 1	0.03856	0.04082	(0.00226)
26	Distribution Cost - Block 2	0.01570	0.01662	(0.00092)
27	Distribution Cost - Block 3	0.00578	0.00612	(0.00034)
28	T-4			
29	Demand Charge	0.30000	0.30000	-
30	Distribution Cost - Block 1	0.02404	0.02713	(0.00309)
31	Distribution Cost - Block 2	0.00850	0.00959	(0.00109)
32	Distribution Cost - Block 3	0.00261	0.00294	(0.00033)

⁽¹⁾ See Workpaper No. 2, Page 1, Column (c).