



Idaho Public Utilities Commission

P.O. Box 83720, Boise, ID 83720-0074

C.L. Butch Otter, Governor

Paul Kjellander, Commissioner

Mack A. Redford, Commissioner

Kristine Raper, Commissioner

Case No. INT-G-14-02, Order No. 33260

Contact: Gene Fadness (208) 334-0339, 890-2712

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PUC sets lower depreciation rate for Intermountain Gas

BOISE (April 2, 2015) – The Idaho Public Utilities Commission is approving a small reduction to Intermountain Gas Company's composite depreciation rate from 3.07% to 3.05%.

The company had originally requested an increase to 3.12%, but agreed with changes proposed by commission staff to slightly decrease the rate.

The commission did adopt the company's proposed increase to its total General Plant amortizations from \$1.75 million to \$2.6 million.

The changes will not impact rates for Intermountain Gas' 330,000 customers across southern Idaho.

Utilities are allowed a depreciation component in retail rates to help cover the costs to replace facilities. Intermountain Gas updates its depreciation rate every three years. It contracts with an outside vendor, AUS Consultants, to conduct the update study.

The AUS study determined Intermountain Gas is under-depreciating its assets. The study addressed, among other items, adjustments to the projected lives of Intermountain's electronic transmitters used to read meters, its distribution mains and service lines and improvements made to the company's Liquefied Natural Gas facility in Nampa.

Intermountain began using the electronic read transmitters (ERTs) in 2002. The units were expected to continue in service for 15 years. However, recent studies indicate that the devices will need to be replaced earlier than anticipated, resulting in a shortening of their remaining useful life. After discussion, commission staff and the company agreed to delay a change in the depreciation rate for the transmitters until after the company has replaced all ERTs. The resulting more precise expense can then be included in the next depreciation study.

Commission staff also made downward adjustments to the proposed depreciation rates for the company's distribution mains and for the equipment that regulates the pressure in the

pipelines. The commission did not accept the company's proposed depreciation rate increase from 2% to 2.55% for the Nampa Liquefied Natural Gas facility.

Depreciation, as applied to Intermountain Gas' plant, means the loss in service value not restored by maintenance or covered by insurance, but incurred in connection with wear and tear, decay, inadequacy, obsolescence and new requirements from public authorities, among other causes.

A copy of the commission's final order along with other documents related to the case can be accessed on the commission's website at www.puc.idaho.gov. Click on "Open Cases" under the "Natural Gas" heading and scroll down to Case No. INT-G-14-02.

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