

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN)	CASE NO. INT-G-21-01
GAS COMPANY’S APPLICATION FOR)	
APPROVAL TO CHANGE DEPRECIATION)	ORDER NO. 35134
AND AMORTIZATION RATES)	

On January 12, 2021, Intermountain Gas Company (“Company”) applied to the Commission requesting authority to decrease its depreciation and amortization rates from a combined 2.97% to 2.55%.

On February 8, 2021, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 34914. No one petitioned to intervene.

On March 18, 2021, the Commission issued a Notice of Modified Procedure setting a June 8, 2021 public comment deadline and a June 22, 2021 Company reply deadline. Order No. 34960. Subsequently, Staff and the Company entered into settlement negotiations. Staff and the Company attended two settlement conferences which resulted in settlement.

On June 3, 2021, the Company filed a settlement and stipulation (“Settlement”) and a Motion for Approval of Stipulation and Settlement requesting Commission approval of the Settlement.

On June 14, 2021, the Commission issued a Notice of Proposed Settlement and Notice of Amended Comment Deadlines. Order No. 35070. Staff and the Company filed comments in support of the Settlement. No other comments were received.

Based on our review of the record, we now issue this Order approving the Settlement

THE APPLICATION

The Company’s Application requested an order approving changes to its depreciation rates. The Company requested authority to decrease its depreciation and amortization rates from a combined 2.97% (when weighted by December 31, 2019 assets) to 2.55%. The aggregate effect of the proposal would be a decrease to the Company’s annual depreciation and amortization expense by \$2,858,965.

The Company’s Application proposed changes to selected accounts are summarized in the following table:¹

¹ The full list of proposed changes is included in Exhibit No.1 to the Application.

Account #	Description	Proposed Change(s)	Change to Depreciation or Amortization
367	Transmission Mains	Slightly longer service life	(\$556,929)
376	Distribution Mains	Slightly longer service life and -50% net salvage value	(\$203,036)
380	Services	Longer service life (56 years) and R3 Iowa Curve	(\$1,079,992)
381.2	ERT Units	Slightly shorter service life (15 years) and R3 Iowa Curve	\$318,215
397	Communication Equipment	Change amortization rate from 33.64% to 9.93% and extend the service life to ten years	(\$590,840)

The Company proposed to combine Accounts 381 and 382 into Account 381–Meters; Accounts 381.2 and 382.2 into Account 381.2–ERT Units; and Accounts 383 and 384 into Account 383–Regulators. This would cause proposed Accounts 381, 381.2, and 383 to be handled like the rest of the Company’s plant accounts. This change would not affect depreciation. According to the Company, this change would increase efficiency and lower administrative costs.

The Company also proposed to separate the depreciation parameters for Account 361–Structures and Improvements; Account 362–Gas Holders; and Account 363–Measure & Regulating Equipment for its Nampa and Rexburg Liquefied Natural Gas facilities.

THE SETTLEMENT

As a result of settlement negotiations, the Parties agreed to modified terms to update the Company’s depreciation and amortization rates. The Parties agreed as follows:

1. The Parties agree to the depreciation and amortization rates as set forth on Settlement Exhibit No. 1, Col. (o).
2. Settlement Exhibit Nos. 2 and 3 provide supporting calculations, including the retirement rate analysis and detailed depreciation calculations, for the plant accounts that changed from the original Application as a result of this Settlement, including: Account 363 (including all the subaccounts listed in Settlement Exhibit No. 3, Pages 2-6), Account 367, Account 376, Account 378, Account 380, and Account 390. The Parties agree that the depreciation and amortization rates for all other plant accounts should be approved as set forth in the Application.
3. If approved by the Commission, the rates would reflect an effective combined depreciation and amortization rate of 2.41%. *See* Settlement Exhibit No. 1, Line 41, Col. (o).
4. The Parties agree that the rates reflected on Settlement Exhibit No. 1, Col. (o), if

approved by the Commission, will be effective as of January 1, 2021.

5. The Parties agree that the reduction in accruals, as reflected on Settlement Exhibit No. 1, Col. (q) shall be deferred starting on July 1, 2023, unless the reduction in depreciation rates have previously been incorporated into base rates through an Order from this Commission.

THE COMMENTS

Staff and the Company filed comments in support of the Settlement. No other comments were received.

Staff Comments

Staff recommended the Commission accept the Settlement. Staff stated the Settlement best reflects the average service life estimates, rates of projected retirements, and net salvage percentages when compared to the Company’s original study.

Staff reviewed the Company’s request to change depreciation and amortization rates. Staff’s analysis focused on the study’s estimation of service lives using plant historical data for six of the largest asset accounts. Staff’s analysis for these accounts indicates a difference in the accounts’ average service life estimate and rate of projected retirements when compared with the study. Staff also reviewed the historical net salvage percentages for the Company’s asset accounts to determine reasonable net salvage values to use until the next depreciation case. Staff believed the Settlement best reflects the average service life estimates, rates of projected retirements, and net salvage percentages for the following accounts:

ACCOUNT #	DESCRIPTION	ORIGINAL COST	COMPANY IOWA CURVE	STIPULATION IOWA CURVE	NET SALVAGE PERCENTAGE
363	MEASURE AND REGULATOR EQUIPMENT - NAMPA	\$15,371,800	37-R2.5	47-S4	-17%
367	TRANSMISSION - MAINS	\$69,500,532	58-R3	63-R4	-35%
376	DISTRIBUTION - MAINS	\$212,220,651	68-R4	70-R3.5	-48%
378	MEASURE AND REGULATOR STATION EQUIPMENT	\$13,035,034	42-R1.5	43-R1.5	-25%
380	SERVICES	\$182,314,583	56-R3	58-R3	-74%
390	STRUCTURES & IMPROVEMENTS	\$26,670,225	42-R2	50-R2	5%

Staff analyzed the effective date, the impact on customers, and the earnings impact on the Company. Staff recommended the depreciation rates stipulated to in the Settlement should be effective January 1, 2021. The reduction in depreciation accruals should be deferred beginning

July 1, 2023, unless previously reflected in customer base rates. Staff believed these dates are reasonable.

Company Comments

The Company filed reply comments and recommended the Commission adopt the Settlement as filed, without modification, and authorize the terms of the Settlement with rates effective January 1, 2021. The Company stated it believed the Settlement represents a reasonable compromise on the average service life estimates, rate of projected retirements, and net salvage percentages included in the case. The Company believed the depreciation and amortization rates agreed to in the Settlement appropriately reflect the cost of the Company's assets over time. Additionally, the Company believed the Settlement is a reasonable resolution of the issues and is in the public interest.

COMMISSION FINDINGS AND DECISION

The Company is a gas corporation under *Idaho Code* § 61-117, and a public utility under *Idaho Code* §61-129. The Commission has jurisdiction over the issues in this case under Title 61 of the Idaho Code, including *Idaho Code* §§ 61-501 and 61-503.

The Commission has reviewed the record including the Company's Application, the Settlement, Staff's comments, and the Company's reply. The Commission appreciates the parties working together to reasonably settle the depreciation and amortization rates as more fully described in the Settlement. The Commission accepts and approves the Settlement as filed.


ORDER

IT IS HEREBY ORDERED that the Settlement is approved as filed, effective January 1, 2021.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 18th day
of August 2021.



PAUL KJELLANDER, PRESIDENT

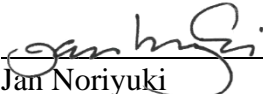


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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