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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF INTERMOUNTAIN GAS )  
COMPANY'S APPLICATION FOR APPROVAL ) CASE NO. INT-G-21-01  
TO CHANGE DEPRECIATION AND )  
AMORTIZATION RATES ) SETTLEMENT COMMENTS OF  
THE COMMISSION STAFF  
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**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its attorney of record, Dayn Hardie, Deputy Attorney General, and in response to the Notice of Proposed Settlement and Notice of Amended Deadlines issued in Order No. 35070 on June 14, 2021, in Case No. INT-G-21-01. Staff hereby submits the following comments.

**BACKGROUND**

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 percent to 2.55 percent.

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.

Subsequently, Staff and the Company (individually, “Party” or collectively, “Parties”) entered settlement negotiations. Staff and the Company attended two settlement conferences.

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.

At the June 8, 2021, decision meeting, Staff recommended issuing a Notice of Proposed Settlement and vacating the public comment deadline and issuing a Notice of Amended Public Comment Deadline. At the meeting, the Commission discussed Staff’s recommendation to vacate the public comment deadline and decided to allow more time for public comment and the Company’s reply than was recommended by Staff.

On June 14, 2021, the Commission issued the Notice of Proposed Settlement and Notice of Amended Comment Deadlines.

The Parties agreed to 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 percent. *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.

## STAFF ANALYSIS

Staff recommends the Commission accept the filed Settlement. Staff believes the Settlement better reflects the average service life estimate, rate of projected retirements, and net salvage percent when compared to the Company's original study.

Staff fully reviewed the Company's request to change depreciation and amortization rates. Staff analyzed in part, 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 indicate a difference in the accounts' average service life estimate and rate of projected retirements compared to the study. For depreciation, these characteristics in accounts having differing ages or vintages of assets are expressed in a system of curves known as the Iowa curves. Staff also reviewed and analyzed the historical net salvage percentages for the Company's asset accounts to determine reasonable net salvage values going forward until the next depreciation case. Staff believes the referenced Settlement now better reflects the average service life estimate, rate of projected retirements, and net salvage for these six accounts (See table below).

ACCOUNT NUMBER	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 effect on customers, and the earnings impact on the Company. The change in booking these depreciation rates 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.

**STAFF RECOMMENDATIONS**

Staff recommends the Commission accept the filed Settlement.

Respectfully submitted this 28<sup>th</sup> day of June 2021.



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Dayn Hardie  
Deputy Attorney General

Technical Staff: Terri Carlock

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 28<sup>TH</sup> DAY OF JUNE 2021, SERVED THE FOREGOING **SETTLEMENT COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. INT-G-21-01, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY