

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: DONOVAN E. WALKER

DATE: NOVEMBER 18, 2005

SUBJECT: INTERMOUNTAIN GAS COMPANY'S APPLICATION FOR A CHANGE
IN ITS COMPOSITE DEPRECIATION RATE – CASE NO. INT-G-05-3

On October 28, 2005, Intermountain Gas Company (Intermountain Gas, Company) filed an Application to change its composite depreciation rate with the Commission. The Company requests that its Application be processed by Modified Procedure.

THE APPLICATION

The Commission set Intermountain Gas Company's current composite depreciation rate at 3.93% in Case No. INT-G-02-4. Order No. 29187. The Company was directed to submit an updated depreciation study three years from entry of that Order. *Id.* The Company states it has contracted the services of AUS Consultants to perform an update to the 2002 depreciation study. According to the Application, the results of this study indicate that the current composite rate is over depreciating the Company's assets. Consequently, Intermountain Gas is requesting a decrease in its composite depreciation rate from 3.93% to 3.37%. This would decrease Intermountain Gas's annual depreciation accrual by \$1,998,923. The Company does not seek to change its prices as a result of this Application.

The Company states that the current study addresses, among other things, the lengthening of its mains and services depreciation lives and the corresponding adjustment to net salvage of that same plant. The Application states that the continued use of plastic in the Company's mains and services, coupled with the increasing evidence of the benefits of plastic's longer service life and lower costs vs. steel, necessitates the proposed change in mains and services.

The Company states that the study update was based upon the books and records of the Company as of September 30, 2004. The Company requests that the decrease in annual composite depreciation rate be made effective at the beginning of its fiscal year, on October 1, 2005. The Company attached a summary of the study as Exhibit 1 to its Application. The Company states that a copy of the current depreciation study working papers, which is voluminous, is available for inspection at the Company's general business office.

STAFF RECOMMENDATION

Staff recommends that the Company's Application be processed by Modified Procedure. However, Staff recommends a comment period of 60 days to allow sufficient time to review the voluminous working papers associated with the depreciation study.

COMMISSION DECISION

Does the Commission preliminarily find that the public interest may not require a hearing to consider the issues presented, and that this proceeding may be processed under Modified Procedure as requested by the Company and recommended by Staff?



DONOVAN E. WALKER