

DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSIONER KEMPTON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: MARCH 20, 2009

**SUBJECT: INTERMOUNTAIN GAS COMPANY'S APPLICATION TO CHANGE ITS
COMPOSITE DEPRECIATION RATE: CASE NO. INT-G-08-5.**

On November 21, 2008, Intermountain Gas Company filed an Application requesting approval to change its composite depreciation rate to 2.96%. Intermountain's currently effective depreciation rate of 3.35% (3.34% when the accrual rates per Order 29975 are weighted by 09/30/07 assets) was approved by the Commission in Order No. 29975, February 13, 2006. The Company asked that its new composite depreciation rates be effective January 1, 2009. The effect of the lower rate of 2.96% would be a decrease in the Company's annual depreciation accrual by \$1,462,205.

The Notice of Application and Notice of Intervention Deadline allows informal workshops "to attempt to resolve Intermountain's request by agreement." Order No. 30695. No petitions to intervene were filed. On March 4, 2009, the Staff and the Company convened an informal workshop to resolve any outstanding issues. On March 18, 2009, Intermountain Gas and Staff filed a Stipulation resolving the issues and proposing new depreciation rates for Intermountain Gas.

STAFF ANALYSIS

Staff conducted a detailed comparison of existing and requested depreciation components including useful life, Iowa curves, salvage values and the resulting depreciation accrual rate. The depreciation rates for other gas companies were also considered. At the informal workshop the various depreciation components were discussed for numerous accounts. From that

discussion many questions were resolved and the requested rates accepted. The remaining issues were resolved as set forth in the Stipulation.

For Account 376 (Mains), the large negative salvage is the primary issue. The 2007 removals substantially increased the negative salvage. Although the costs of removal in 2007 were actually incurred, Staff believed the type of removal was not normal. The Parties agree for the purposes of this Stipulation to exclude from consideration in Case No. INT-G-08-05 the 2007 removal activity included as part of account 376. The Parties further agree that the 2007 removal activity for account 376 will again be considered for inclusion at such time the Company files subsequent or follow-on depreciation studies as may be required by the Commission.

The LNG Plant account has maintenance and replacements that result in changes for each depreciation case and results in discussion on the proper rate. The rate has been accepted for this case. The rate is currently a composite rate rather than separate rates by components. If International Accounting is adopted in the United States or convergence of standards continues, the greater detail by component will be required. The parties agreed that additional review before the next depreciation case in three years will be helpful for future cases. The Company will provide to the Staff the sub-accounts that make up account 363 (LNG Plant). When this information is made available to the Staff, the Parties will evaluate the appropriate listing of LNG Plant related accounts for future separate and unique depreciation treatment.

The Parties further agree that a decrease in the composite rate to 2.90% is appropriate. The effect of the lower rate would decrease the Company's annual depreciation accrual by \$1,683,747 (an additional decrease of \$221,542 as compared to the Company's original Application). Attachment 1 shows the depreciation components and rates on an account-by-account basis and the composite rate.

STAFF RECOMMENDATION

Staff recommends the Stipulation be accepted. Staff recommends the depreciation rates be approved on an account-by-account basis with a composite rate of 2.90%. Staff also recommends these rates be effective January 1, 2009.

COMMISSION DECISION

Does the Commission accept the Stipulation as filed?

Does the Commission approve the account-by-account depreciation rates set out in Attachment 1 with the composite rate of 2.90%?

Does the Commission accept the effective date of January 1, 2009?

Terri Carlock

Terri Carlock

Attachment

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Morgan W. Richards, Jr.
ISB # 1913
804 East Pennsylvania Lane
Boise, Idaho 83706
Telephone (208) 345-8371

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IDAHO PUBLIC
UTILITIES COMMISSION

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) CASE NO. INT-G-08-05
EFFECT A CHANGE IN ITS COMPOSITE)
DEPRECIATION RATE) **STIPULATION**

This Stipulation ("Stipulation") is entered into by and among Intermountain Gas Company ("Company" or "Intermountain") and the Staff of the Idaho Public Utilities Commission ("Staff") also known collectively as the "Parties."

I. Background

1. On November 21, 2008, Intermountain Gas Company filed an Application as part of Case No. INT-G-08-05 requesting approval to change its composite depreciation rate. Intermountain's currently effective depreciation rate of 3.35% (3.34% when the accrual rates per Order 29975 are weighted by 09/30/07 assets) was approved by the Commission in February 2006. The Commission directed the Company to update its depreciation study and submit it to the Commission for review no later than three years from entry of the February 2006 Order. Intermountain subsequently retained a consultant to update its 2005 Depreciation Study. The consultant's study indicated a decrease in the composite rate from 3.34% to 2.96% is appropriate. The effect of the lower rate would be a decrease in the Company's annual depreciation accrual by \$1,462,205. The Company asked that its new composite depreciation rate be effective January 1, 2009.

2. Subsequent to the Company's initial filing in Case No. INT-G-08-05 the Commission, by way of Order No. 30695, established an intervention deadline of December 17, 2008. There were no interventions filed in this Case. The same Order No. 30695 directed the Staff and Company, following the intervention deadline, to "convene informal workshops to attempt to resolve Intermountain's request by agreement."

3. On March 4, 2009, the Staff and the Company convened an informal workshop to resolve any outstanding issues in the Case and stipulated to the following Agreements.

II. AGREEMENTS

4. The Parties agree for the purposes of this Stipulation to exclude from consideration in Case No. INT-G-08-05 the 2007 removal activity included as part of account 376 (Mains). The agreed upon net salvage based on the exclusion of 2007 removals is negative 55%. The resulting depreciation accrual rate for account 376 is 2.69%.

5. The Parties further agree that an explanation of the account activity that made up the removals during 2007 for account 376 has been provided to the Staff.

6. The Parties further agree that the 2007 removal activity for account 376 will again be considered for inclusion at such time the Company files subsequent or follow-on depreciation studies. The parties agree the next study will be conducted on the three-year cycle or as may be required by the Commission.

7. The Parties agree that, prior to the Company's next Application to modify its depreciation rates, the Company will provide to the Staff the sub-accounts that make up account 363 (LNG Plant). At such time this information is made known to the Staff, the Parties will evaluate the appropriate listing of LNG Plant related accounts for future separate and unique depreciation treatment.

8. The Parties further agree that, pursuant to the changes made as part of the above sub-paragraph 4, a decrease in the composite rate from 3.34% to 2.90% is appropriate. The effect of the lower rate would be a decrease in the Company's annual

depreciation accrual by \$1,683,747 (an additional decrease of \$221,542 as compared to the Company's original Application in Case No. INT-G-08-05). The applicable information by account supporting this adjustment are shown in Attachment No. 1

9. The Parties agree that, subject to the Commission's final approval in the matter, the Company should be authorized to record the decrease in the annual depreciation on an account-by-account basis effective January 1, 2009 as shown on Attachment No. 1.

Dated this 18th day of March 2009.

Intermountain Gas Company

Idaho Public Utilities Commission Staff

By Morgan W. Richards Jr.

By Weldon B. Stutzman

Morgan W. Richards Jr.
Attorney for Intermountain Gas Company

Weldon B. Stutzman
Deputy Attorney General

ATTACHMENT NO. 1

CASE NO. INT-G-08-5

INTERMOUNTAIN GAS COMPANY

(Revised Depreciation rates)

(2 pages)

Intermountain Gas Company
 Summary of Present and Proposed
 Depreciation Accrual Parameters and Expenses
 Study Date September 30, 2007

Net Change in Annual Accruals
 (Depreciation Life & Rate Procedures)

Line Number	Account Number	Study Category	Account Name	Investment Balance	Reserved Investment Balance	Percent Reserved (e)/(d)	Present		Proposed		Net Change (k)-(h)
							Annual Accrual Rate (g)	Annual Accruals (h)*(g)	Annual Accrual Rate (i)	Annual Accruals (j)*(i)	
1	363.00	LNG	LNG Plant	8,227,886	8,404,650	102.1%	1.61%	132,469	1.25%	102,849	(29,620)
2			Subtotal Storage Plant	8,227,886	8,404,650	102.1%	1.61%	132,469	1.25%	102,849	(29,620)
3	365.00	ROW	Right of Way	623,714	232,598	37.3%	2.10%	13,098	2.10%	13,098	0
5	366.00	TCS	Structures and Improvements	72,115	34,758	48.2%	3.61%	2,603	3.46%	2,495	(108)
4	367.00	TMN	Transmission Mains	41,445,968	27,602,413	66.6%	3.04%	1,259,957	2.97%	1,230,945	(29,012)
5	368.00	TCS	Compressor Equipment	0	(667,756)	0.0%	3.61%	0	0.00%	44,517	44,517
6	370.00	TCE	Communication Equipment	714,440	747,476	104.6%	0.53%	3,787	0.04%	286	(3,501)
7			Subtotal Transmission Plant	42,856,237	27,949,489	65.2%	2.99%	1,279,445	3.01%	1,291,341	11,896
8	374.00	LRT	Land Rights	376,467	213,652	56.8%	1.94%	7,303	1.86%	7,002	(301)
9	375.00	STR	Structures and Improvements	18,864	19,032	100.9%	0.82%	155	0.65%	123	(32)
10	376.00	MNS	Mains	130,318,740	73,578,887	56.5%	3.16%	4,118,072	2.69%	3,505,574	(612,498)
11	378.00	MRG	Regulator Station Equipment	3,840,979	1,966,826	51.2%	3.02%	115,998	3.11%	119,454	3,456
12	380.00	SVC	Services	118,434,015	62,867,338	53.1%	3.34%	3,955,696	2.86%	3,387,213	(568,483)
13	381.00	MTR	Meters	25,986,411	9,057,463	34.9%	2.86%	743,211	2.11%	548,313	(194,898)
14	381.20	ERT	ERT Units	8,512,747	2,473,299	29.1%	6.43%	547,370	6.45%	549,072	1,702
15	382.00	MTI	Meter Installations	8,909,576	3,587,245	40.3%	2.92%	260,160	1.97%	175,519	(84,641)
16	382.20	ERI	ERT Installations	1,509,464	438,706	29.1%	6.58%	99,323	6.39%	96,455	(2,868)
17	383.00	HRG	House Regulators	4,684,088	2,028,892	43.3%	2.64%	123,660	1.94%	90,871	(32,789)
18	384.00	HRI	House Regulators - Installation	4,819,317	1,182,981	24.5%	2.90%	139,760	2.18%	105,061	(34,699)
19	385.00	IMR	Regulator Station - Industrial	8,526,575	4,502,228	52.8%	3.72%	317,189	3.50%	298,430	(18,759)
20			Subtotal Distribution Plant	315,937,243	161,916,549	51.2%	3.30%	10,427,897	2.81%	8,883,087	(1,544,810)
21	390.00	GSI	Structures and Improvements	9,561,856	4,959,364	51.9%	2.65%	253,389	2.10%	200,799	(52,590)
22	392.00	GTR	Transportation Equipment	5,959,609	3,337,256	56.0%	11.00%	655,557	9.75%	581,062	(74,495)
23	396.00	GPE	Power Operated Equipment	917,564	463,303	50.5%	5.99%	54,962	6.63%	60,834	5,872
24			Subtotal General Plant	16,439,029	8,759,923	53.3%	5.86%	963,908	5.13%	842,695	(121,213)
25			Total Depreciable Plant	383,460,395	207,030,611	54.0%	3.34%	12,803,719	2.90%	11,119,972	(1,683,747)

Orig Depreciation Parameters

Intermountain Gas Company
 Summary of Present and Proposed
 Depreciation Accrual Parameters and Expenses
 Study Date September 30, 2007

Proposed Depreciation Rate Parameters (Depreciation Life & Rate Procedures)

Line Number	Account Number	Study Category	Account Name	Investment Balance	Reserved Investment Balance	Percent Reserved (e)/(d)	Retirement Dispensation	Projection Life (h)	Average Service Life (i)	Average Age (j)	Average Remaining Life (k)	Net Salvage (l)	Annual Accrual Rate (m) = (1-(l))/(k)	Annual Accruals (n) = (m)*(d)
1	363.00	LNG	LNG Plant	8,227,886	8,404,650	102.1%	R5.0	43.2	43.7	28.9	15.0	-20.80%	1.25%	102,849
2			Subtotal Storage Plant	8,227,886	8,404,650	102.1%			43.7	28.9	15.0	-20.80%	1.25%	102,849
3	365.00	ROW	Right of Way	623,714	232,598	37.3%	R5.0	41.4	41.5	11.7	29.8	0.00%	2.10%	13,098
5	366.00	TCS	Structures and Improvements	72,115	34,758	48.2%	R3.0	27.0	30.3	16.2	16.4	-5.00%	3.46%	2,495
4	367.00	TMN	Transmission Mains	41,445,968	27,602,413	66.6%	S5.0	48.7	49.8	23.2	27.1	-47.00%	2.97%	1,230,945
5	368.00	TCS	Compressor Equipment	0	(667,756)	0.0%	Amort	15.0	15.0	0.0	15.0	0.00%	0.00%	44,517
6	370.00	TCE	Communication Equipment	714,440	747,476	104.6%	R3.0	30.0	35.0	26.4	9.4	-5.00%	0.04%	286
7			Subtotal Transmission Plant	42,856,237	27,949,489	65.2%			49.3	23.1	26.7	-45.09%	3.01%	1,291,341
8	374.00	LRT	Land Rights	376,467	213,652	56.8%	R5.0	48.0	50.0	27.5	23.2	0.00%	1.86%	7,002
9	375.00	STR	Structures and Improvements	18,864	19,032	100.9%	R5.0	45.0	48.1	41.8	6.3	-5.00%	0.65%	123
10	376.00	MNS	Mains	130,318,740	73,578,887	56.5%	R4.0	54.0	55.0	18.8	36.6	-55.00%	2.69%	3,505,574
11	378.00	MRG	Regulator Station Equipment	3,840,979	1,966,826	51.2%	R3.0	32.0	34.9	17.8	18.9	-10.00%	3.11%	119,454
12	380.00	SVC	Services	118,434,015	62,867,338	53.1%	R2.0	46.0	48.5	14.4	34.9	-53.00%	2.86%	3,387,213
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