

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN)	
GAS COMPANY'S APPLICATION FOR AN)	CASE NO. INT-G-15-03
ACCOUNTING ORDER REGARDING THE)	
TREATMENT OF CERTAIN REGULATORY)	ORDER NO. 33432
EXPENSES.)	

On October 9, 2015, Intermountain Gas Company filed an Application for an Accounting Order. With the Application, the Company seeks authority to defer and record, as a regulatory asset, the expenses it incurs to prepare and present its next general rate case. The Company asks that the proposed accounting treatment take effect as of November 1, 2015.¹

On October 28, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure setting a November 17, 2015, deadline for interested persons to file comments, and a November 24, 2015, deadline for the Company to file a reply. *See* Order No. 33406. Commission Staff filed the only comments in the case and supported the Company's Application. The Company did not reply.

Having reviewed the record, we issue this Order approving the Company's Application as described below.

THE APPLICATION

In the Application, the Company noted that it filed its last general rate case in 1985 (*see* Case No. U-1034-122), and that it no longer has the necessary staff to prepare and present such a case. The Company stated that it expects to file a new general rate case in the next 12 months, and that it will need to retain outside consultants to help it prepare and present the case. The Company thus seeks authority to record its consultant-related costs as a deferred, regulatory asset to preserve its ability to later argue that the Commission allow it to recover those costs through rates. The Company acknowledged that the Commission would determine any rate treatment for the regulatory asset as part of a future rate proceeding.

¹ The Application does not propose to change the Company's rates or rules, but merely requests an Accounting Order that would authorize the Company to record certain costs on its books as a deferred asset. There was, therefore, no need for the Commission to suspend the proposed November 1, 2015 effective date under Rule 123 of the Commission's Rules of Procedure even though the Commission's Order is issuing after that date. *See* IDAPA 31.01.01.123 (Proposed Changes to Rates or Rules – Effective Date – Notice of Application – Suspension). For booking purposes, the Commission may issue an Order approving an accounting treatment with an earlier effective date at any time within the Company's financial reporting quarter.

The Company noted that rate case expenses qualify for regulatory asset consideration under the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 980 – Regulated Operations (a utility may properly record rate case expenses as a regulatory asset if they will generate and be covered by at least an equal amount of revenue). The Company stated that the Commission's Order approving the creation of the requested regulatory asset will reasonably assure the Company's auditors that the asset exists.

STAFF COMMENTS

Staff reviewed the Company's Application, along with similar requests and cases previously filed by other utilities. Based on its analysis, Staff believes the Company's request satisfies ASB 980. Staff thus recommended the Commission authorize the Company to defer its consultant-related rate case expenses, incurred on or after November 1, 2015, into a regulatory asset with the final ratemaking treatment to be determined in the general rate case that the Company plans to file in the next 12 months. Staff cautioned, however, that the Company should not be allowed to defer these rate case expenses beyond the time that the Company needs to prepare and process that case, and recommended the deferrals should stop if the Company has not filed its next general rate case by January 1, 2017.

Staff stated the Company's estimated deferred expenses are less than \$400,000, and would include expenses related to: outside legal counsel, working capital analysis, revenue requirement studies, cost of capital, cost of service model and associated studies, rate design, contract computer programming, intervenor funding, climatological studies and customer awareness. Staff stated these types of expenses may be appropriately deferred, but should not include the costs of salaries and other usual and recurring costs incurred in operating the utility, or unnecessary or imprudent expenditures specifically promoting the pending rate case. Staff noted that the Commission ultimately will determine the appropriate ratemaking treatment for the regulatory asset when the Commission issues its Order in the expected general rate case.

DISCUSSION AND FINDINGS

The Commission has reviewed the record in this case, including the Application and comments. Based on that review, we find that the Company is a public utility, and that the Commission has jurisdiction over it and the issues in this case under Title 61 of the Idaho Code, and more specifically, *Idaho Code* §§ 61-501 and 61-524. We further find it is fair, just, and reasonable to authorize the Company to establish a regulatory asset, effective November 1, 2015,

for purposes of deferring the Company's consultant-related costs related to the onset, continuance and completion of the general rate case that the Company plans to file within the next 12 months. Such a deferral is appropriate because the Company has not filed a rate case since 1985 and presently lacks the personnel to process such a case, and the deferral complies with ASB 980. Further, deferral will afford the Company an opportunity to argue for the recovery of its consultant-related costs in its next rate case, and is consistent with the regulatory treatment of other Idaho utilities to include reasonable rate case costs in base rates.

In authorizing this deferral, we are allowing the Company to defer external rate case costs such as costs to retain outside legal counsel or consultants relating to working capital analysis, revenue requirement, cost of capital studies, cost of service modeling and associated studies, rate design, contract computer programming, intervenor funding, climatological studies and customer awareness. The deferred costs may not, however, include usual and recurring operating costs, such as salaries, or unnecessary or imprudent expenditures specifically promoting the pending rate case. Further, to ensure the Company is not deferring rate case costs for an extended time period and only defers expenses needed to prepare and process the rate case it expects to file in the next 12 months, we find it reasonable that the authorized deferrals should stop if the Company has not filed that case by January 1, 2017.

In issuing this Accounting Order, we are not determining the prudence of any expenses or precluding Staff from auditing and ultimately challenging the appropriateness, reasonableness and prudence of any deferred costs. When the Company ultimately asks to recover these costs in its next general rate case, it will need to submit detailed documentation supporting them, and evidence of prudence.

ORDER


IT IS HEREBY ORDERED that, effective November 1, 2015, the Company may establish a regulatory asset to defer external rate case costs associated with the rate case the Company expects to file within the next 12 months.

IT IS FURTHER ORDERED that the Company shall stop deferring these rate case expenses if the Company has not filed a general rate case by January 1, 2017.

IT IS FURTHER ORDERED that the Company shall maintain detailed documentation with which to support all deferred rate case expenses that the Company expects to claim in the next general rate case.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of 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.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8th day of December 2015.



PAUL KJELLANDER, PRESIDENT

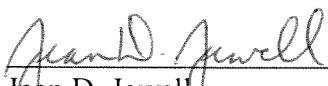


MARSHA H. SMITH, COMMISSIONER



KRISTINE RAPER, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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