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UTILITIES COMMISSION

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Attorney for Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

In the Matter of the Application of  
INTERMOUNTAIN GAS COMPANY for  
Approval to Place into Effect a Change in  
Its Depreciation and Amortization Rates

Case No. INT-G-17-06

**STIPULATION AND  
SETTLEMENT**

This Stipulation is entered into by Intermountain Gas Company ("Intermountain") and the Staff of the Idaho Public Utilities Commission ("Staff") collectively referred to herein as the "Settling Parties". The Settling Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission ("IPUC" or the "Commission").

## **I. INTRODUCTION**

1. The terms and conditions of this Stipulation are set forth herein. The Settling Parties agree that this Stipulation represents a fair, just and reasonable compromise of all the issues raised in the proceeding, is in the public interest and its acceptance by the Commission represents a reasonable resolution of the multiple issues identified by the Settling Parties in this case. The Settling Parties, therefore, recommend that the Commission approve the Stipulation and all of its terms and conditions without material change or condition.

## **II. BACKGROUND**

2. On October 27, 2017, Intermountain filed an Application with the Commission seeking approval to place into effect a change in its Composite Depreciation and Amortization Rates. Intermountain's currently effective composite depreciation rate of 3.05% was approved by this Commission in Case No. INT-G-14-02, Order No. 33260, dated March 26, 2015. Intermountain has traditionally reviewed and filed an update to its depreciation rates with this Commission every three years. The present Application, Case INT-G-17-06, reflected an update to Intermountain's last study. In the Application, Intermountain stated the results of this more recent study indicated that Intermountain's current composite rate was under-depreciating its assets. Therefore, Intermountain requested an increase in its composite depreciation rate from 3.05% (3.09% when the accrual rates per Order No. 33260 are weighted by December 31, 2016 assets) to 3.18%. This increase was required in order to accrue the proper dollars over the remaining life of Intermountain's depreciable assets. The effect of the higher rate would be to increase Intermountain's annual depreciation accrual by \$451,824. Also within Case No. INT-G-17-06, Intermountain requested a decrease to the total General Plant account amortizations from \$2,066,577 to \$1,648,415, or an annual decrease of \$418,162.

3. Intermountain did not seek a change in its prices as a result of the requested change in depreciation and amortization.

4. There are no intervening parties to Case No. INT-G-17-06.

5. A settlement conference was noticed and held in the Commission offices on January 10, 2018, and subsequently on January 30, 2018 and was attended by the Settling Parties in this case. As a compromise of the positions in this case, and for other consideration as set forth below, the Settling Parties agree to the following terms:

### **III. TERMS OF THE STIPULATION AND SETTLEMENT**

6. Intermountain, as part of Case No. INT-G-17-06, requested an increase in depreciation for Account 380, Services, of \$3,408,604 which incorporated negative net salvage of 121%. The Settling Parties agree to mitigate the impact of this same negative net salvage by spreading its impact on depreciation expense over the next three (3) depreciation study periods. In so doing, the resultant change to Intermountain's Account 380 depreciation expense would be a decrease of \$2,180,278 to that expense as compared to Intermountain's original filing and as outlined on Attachment A to this Stipulation. Attachment A reflects the agreed-upon depreciation rates, updating pages 1 through 3 of Exhibit No. 1 in Intermountain's original filing. As noted on Attachment A, page 1, as a result of this treatment of negative net salvage, the depreciation rate for Account 380, Services, would change from Intermountain's original filing of 4.89% to a much lower 3.47%. Reflecting this same change, and as noted on page 1 of Attachment A, Intermountain's overall depreciation rate would change from the originally proposed 3.18% to 2.78%.

7. The Settling Parties recommend acceptance of all other depreciation account accruals shown in the Application's Exhibits in Case No. INT-G-17-06.

8. The Settling Parties recommend acceptance of the changes in amortization expenses shown in the Application's Exhibits in Case No. INT-G-17-06.

9. The Settling Parties agree to continue to convene after the final ruling in this case to discuss and adopt an accounting structure that would accommodate an additional breakout of the assets associated with Intermountain's liquid natural gas ("LNG") plants at Nampa and Rexburg, Idaho. The Settling Parties agree that such an accounting breakout would facilitate more refined depreciation parameters in subsequent depreciation studies.

10. The Settling parties agree, after Intermountain files its next depreciation and amortization study, to address the need for an ongoing three (3) year study cycle vs. some other pre-determined cycle period.

### **IV. GENERAL PROVISIONS**

11. The Settling Parties agree that this Stipulation represents a compromise of the positions of the Settling Parties in this case. As provided in RP 272, other than any testimony or comments filed in support of the approval of this Stipulation, and except to the extent necessary for a Settling Party to explain before the Commission its own statements and positions with respect to the Stipulation, all

statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding.

12. The Settling Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Settling Parties shall support this Stipulation before the Commission, and no Settling Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Settling Parties reserve the right to file testimony, cross-examine witnesses, and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement terms embodied in this Stipulation. Notwithstanding this reservation of rights, the Settling Parties agree they will continue to support the Commission's adoption of the terms of this Stipulation.

13. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each Settling Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Settling Party shall be bound or prejudiced by the terms of this Stipulation, and each Settling Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate.

14. The Settling Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

15. No Settling Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Settling Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgement by any Settling Party of the validity or invalidity of any particular method, methodology, theory or principle of regulation or cost recovery. No Settling Party shall be deemed to have agreed that any method, methodology, theory, or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.



16. The obligations of the Settling Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

17. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED at Boise, Idaho, this 12<sup>th</sup> day of February, 2018.

INTERMOUNTAIN GAS COMPANY

By Ron Williams  
Ron Williams  
Attorney for Intermountain Gas Company

IDAHO PUBLIC UTILITIES  
COMMISSION STAFF

By Camille Christen  
Camille Christen  
Deputy Attorney General for IPUC Staff

**ATTACHMENT A**

**CASE NO. INT-G-17-06**

**STIPULATION AND SETTLEMENT**

**(Depreciation Study)**

**(3 pages)**

Intermountain Gas Company  
Summary of Present and Proposed  
Depreciation Accrual Parameters and Expenses  
Study Date : As of December 31, 2016

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

Line Number	Account Number	Study Category	Account Name	Current Study 12-31-2016			Present		Proposed		Net Change \$/year (k) (j)-(h)
				Investment Balance \$s (d)	Reserved Balance \$s (e)	Percent Reserved % (f) (e)/(d)	Annual Accrual Rate %/year (g)	Annual Accruals \$/year (h) (d)*(g)	Annual Accrual Rate %/year (i)	Annual Accruals \$/year (j) (d)*(i)	
1	361.00	LNG	LNG Facilities - Nampa	20,321,751	8,113,593	39.9%	2.00%	406,435	3.56%	723,454	317,019
2	363.60	LNG	LNG Facilities - Rexburg	5,022,981	3,556,890	70.8%	6.84%	343,572	3.67%	184,343	(159,229)
3			Subtotal LNG Facilities Plant	25,344,732	11,670,483			750,007		907,797	157,790
4	365.00	ROW	Right of Way	782,865	371,103	47.4%	2.17%	16,988	2.16%	16,910	(78)
5	366.00	TCS	Structures and Improvements	77,152	35,679	46.2%	6.21%	4,791	6.26%	4,830	39
6	367.00	TMN	Transmission Mains	69,508,685	41,220,065	59.3%	2.68%	1,862,833	2.27%	1,577,847	(284,986)
7	368.00	TCS	Compressor Equipment	1,730,359	(31,034)	-1.8%	6.71%	116,107	6.72%	116,280	173
8	370.00	TCE	Communication Equipment	714,440	751,894	105.2%	-0.03%	(214)	-0.02%	(143)	71
9			Subtotal Transmission Plant	72,813,501	42,347,707	58.2%	2.75%	2,000,505	2.36%	1,715,724	(284,781)
10	374.00	LRT	Land Rights	646,118	286,723	44.4%	1.72%	11,113	1.85%	11,953	840
11	375.00	STR	Structures and Improvements	18,864	19,849	105.2%	0.11%	21	-0.08%	(15)	(36)
12	376.00	MNS	Mains	169,530,614	101,709,107	60.0%	2.25%	3,814,439	1.91%	3,238,035	(576,404)
13	378.00	MRG	Regulator Station Equipment	9,528,631	2,761,074	29.0%	3.07%	292,529	2.99%	284,906	(7,623)
14	380.00	SVC	Services	153,540,714	91,006,870	59.3%	2.67%	4,099,537	3.47%	5,327,863	1,228,326
15	381.00	MTR	Meters	24,891,624	12,794,948	51.4%	1.89%	470,452	1.88%	467,963	(2,489)
16	381.20	ERT	Electronic Meter Reading Transmitter (ERT) Units	18,659,645	4,550,779	24.4%	14.22%	2,653,402	5.14%	959,106	(1,694,296)
17	382.00	MTI	Meter Installations	9,584,602	5,163,047	53.9%	2.31%	221,404	1.92%	184,024	(37,380)
18	382.20	ERI	ERT Installations	5,200,132	198,589	3.8%	11.88%	617,776	6.76%	351,529	(266,247)
19	383.00	HRG	House Regulators	6,510,137	2,965,948	45.6%	1.96%	127,599	2.07%	134,760	7,161
20	384.00	HRI	House Regulators - Installation	7,511,153	2,348,181	31.3%	2.17%	162,992	2.25%	169,001	6,009
21	385.00	IMR	Regulator Station - Industrial	11,375,621	5,968,302	52.5%	2.69%	306,004	2.46%	279,840	(26,164)
22			Subtotal Distribution Plant	416,997,855	229,773,317	55.1%	3.06%	12,777,268	2.74%	11,408,965	(1,368,303)
23	390.10	GSI	Structures and Improvements	19,719,431	7,885,193	40.0%	2.31%	455,519	2.26%	445,659	(9,860)
24	392.10	GTR	Transportation Equipment	9,652,708	3,751,508	38.9%	8.61%	831,098	6.34%	611,982	(219,116)
25	396.00	GPE	Power Operated Equipment	1,394,544	468,512	33.6%	5.39%	75,166	5.09%	70,982	(4,184)
26			Subtotal General Plant	30,766,683	12,105,213	39.3%	4.43%	1,361,783	3.67%	1,128,623	(233,160)
27			Total Depreciable Plant	545,922,771	295,896,720	54.2%	3.09%	16,889,563	2.78%	15,161,109	(1,728,454)

Depreciation Rates 12-31-2016

Intermountain Gas Company  
Summary of Present and Proposed  
Depreciation Accrual Parameters and Expenses  
Study Date : As of December 31, 2016

Proposed Depreciation Rate Parameters (Depreciation Life & Rate Procedures)

Line Number	Account Number	Study Category	Account Name	Current Study 12-31-2016		Retirement	Projection	Average		Average	Average	Net	Annual	Annual
				Investment Balance	Reserved Balance	Percent Reserved	Life year	Service Life year	Age year	Remaining Life year	Salvage %		Accrual Rate %/year	Accruals \$/year
	(a)	(b)	(c)	(d)	(e)	(f) (e)/(d)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(m)*(d)
1	361.00	LNG	LNG Facilities - Nampa	20,321,751	8,113,593	39.9%	32.0	34.0	15.0	21.7	-17.20%	3.56%		723,454
2	363.60	LNG	LNG Facilities - Rexburg	5,022,981	3,556,890	70.8%	22.0	22.0	8.2	13.8	-21.50%	3.67%		184,343
3			Subtotal LNG Facilities Plant	25,344,732	11,670,483									907,797
4	365.00	ROW	Right of Way	782,865	371,103	47.4%	41.4	41.7	17.6	24.3	0.00%	2.16%		16,910
5	366.00	TCS	Structures and Improvements	77,152	35,679	46.2%	27.0	30.9	24.6	9.4	-5.00%	6.26%		4,830
6	367.00	TMN	Transmission Mains	69,508,685	41,220,065	59.3%	52.0	53.2	20.7	33.4	-35.00%	2.27%		1,577,847
7	368.00	TCS	Compressor Equipment	1,730,359	(31,034)	-1.8%	20.0	19.9	5.5	14.4	5.00%	6.72%		116,280
8	370.00	TCE	Communication Equipment	714,440	751,894	105.2%	30.0	42.4	35.4	8.2	-5.00%	-0.02%		(143)
9			Subtotal Transmission Plant	72,813,501	42,347,707	58.2%		50.9	20.5	31.8	-31.71%	2.36%		1,715,724
10	374.00	LRT	Land Rights	646,118	286,723	44.4%	48.0	50.5	22.2	30.0	0.00%	1.85%		11,953
11	375.00	STR	Structures and Improvements	18,864	19,849	105.2%	45.0	53.3	50.8	2.6	-5.00%	-0.08%		(15)
12	376.00	MNS	Mains	169,530,614	101,709,107	60.0%	65.0	65.9	21.2	45.1	-46.00%	1.91%		3,238,035
13	378.00	MRG	Regulator Station Equipment	9,528,631	2,761,074	29.0%	42.0	43.9	10.7	34.1	-31.00%	2.99%		284,906
14	380.00	SVC	Services	153,540,714	91,006,870	59.3%	50.0	50.9	18.2	33.1	-74.00%	3.47%		5,327,863
15	381.00	MTR	Meters	24,891,624	12,794,848	51.4%	42.0	43.5	18.6	25.8	0.00%	1.88%		467,963
16	381.20	ERT	Electronic Meter Reading Transmitter (ERT) Units	18,659,645	4,550,779	24.4%	18.0	18.0	3.0	15.1	-2.00%	5.14%		959,106
17	382.00	MTI	Meter Installations	9,584,602	5,163,047	53.9%	42.0	43.4	20.1	24.0	0.00%	1.92%		184,024
18	382.20	ERI	ERT Installations	5,200,132	198,589	3.8%	18.0	18.0	1.4	16.6	-16.00%	6.76%		351,529
19	383.00	HRG	House Regulators	6,510,137	2,965,948	45.6%	42.0	43.5	18.2	26.3	0.00%	2.07%		134,760
20	384.00	HRI	House Regulators - Installation	7,511,153	2,348,181	31.3%	42.0	42.4	12.2	30.5	0.00%	2.25%		169,001
21	385.00	IMR	Regulator Station - Industrial	11,375,621	5,968,302	52.5%	37.0	40.2	16.3	25.0	-14.00%	2.46%		279,840
22			Subtotal Distribution Plant	416,997,855	229,773,317	55.1%		48.8	18.3	32.8	-41.99%	2.74%		11,408,965
23	390.10	GSI	Structures and Improvements	19,719,431	7,885,193	40.0%	34.0	37.2	14.7	24.3	5.00%	2.26%		445,659
24	392.10	GTR	Transportation Equipment	9,652,708	3,751,508	38.9%	10.0	10.9	4.5	6.8	18.00%	6.34%		611,982
25	396.00	GPE	Power Operated Equipment	1,394,544	468,512	33.6%	12.0	13.0	3.9	10.1	15.00%	5.09%		70,982
26			Subtotal General Plant	30,766,683	12,105,213	39.3%						3.67%		1,128,623
27			Total Depreciable Plant	545,922,771	295,896,720	54.2%						2.78%		15,161,109.00

Depreciation Rates 12-31-2016



Intermountain Gas Company  
Summary of Present and Proposed  
Depreciation Accrual Parameters and Expenses  
Study Date : As of December 31, 2016

Theoretical Reserve Analysis (Depreciation Life & Rate Procedures)

Line Number	Account Number	Study Category	Account Name	Investment Balance \$s (d)	Current Study 12-31-2016 Reserved Balance \$s (e)	Percent Reserved % (f)	Future Net Salvage % (g)	Average Net Salvage % (h)	Average Remaining Life years (i)	Average Service Life years (j)	Theoretical Reserve Percent % of OC (k)	Theoretical Reserve \$s (l)	Reserve Variance \$s (m)
	(a)	(b)	(c)			(e)/(d)		(h)			(1-g)-(1-h)*(i)/(j)	(k)*(d)	(l)-(e)
1	361.00	LNG	LNG Facilities - Nampa	20,321,751	8,113,593	39.9%	-17.20%	-17.20%	21.7	34.0	42.4%	8,616,422	502,829
2	363.60	LNG	LNG Facilities - Rexburg	5,022,981	3,556,890	70.8%	-21.50%	-21.50%	13.8	22.0	45.3%	2,274,908	(1,281,982)
3			Subtotal LNG Facilities Plant	25,344,732	11,670,483							10,891,330	(779,153)
4	365.00	ROW	Right of Way	782,865	371,103	47.4%	0.00%	0.00%	24.3	41.7	41.7%	326,690	(44,413)
5	366.00	TCS	Structures and Improvements	77,152	35,679	46.2%	-5.00%	-5.00%	9.4	30.9	73.1%	56,367	20,688
6	367.00	TMN	Transmission Mains	69,508,685	41,220,065	59.3%	-35.00%	-35.00%	33.4	53.2	50.2%	34,921,163	(6,298,902)
7	368.00	TCS	Compressor Equipment	1,730,359	(31,034)	-1.8%	5.00%	5.00%	14.4	19.9	26.3%	454,392	485,426
8	370.00	TCE	Communication Equipment	714,440	751,894	105.2%	-5.00%	-5.00%	8.2	42.4	84.7%	605,059	(146,835)
9			Subtotal Transmission Plant	72,813,501	42,347,707	58.2%	-31.71%	-31.71%	31.8	50.9	49.9%	36,363,671	(5,984,036)
10	374.00	LRT	Land Rights	646,118	286,723	44.4%	0.00%	0.00%	30.0	50.5	40.6%	262,259	(24,464)
11	375.00	STR	Structures and Improvements	18,864	19,849	105.2%	-5.00%	-5.00%	2.6	53.3	99.9%	18,841	(1,008)
12	376.00	MNS	Mains	169,530,614	101,709,107	60.0%	-46.00%	-46.00%	45.1	65.9	46.1%	78,119,707	(23,589,400)
13	378.00	MGR	Regulator Station Equipment	9,528,631	2,761,074	29.0%	-31.00%	-31.00%	34.1	43.9	29.2%	2,786,172	25,098
14	380.00	SVC	Services	153,540,714	91,006,870	59.3%	-74.00%	-74.00%	33.1	50.9	60.9%	93,429,524	2,422,654
15	381.00	MTR	Meters	24,891,624	12,794,848	51.4%	0.00%	0.00%	25.8	43.5	40.7%	10,128,402	(2,666,446)
16	381.20	ERT	Electronic Meter Reading Transmitter (ERT) Units	18,659,645	4,550,779	24.4%	-2.00%	-2.00%	15.1	18.0	16.4%	3,065,780	(1,484,999)
17	382.00	MTI	Meter Installations	9,584,602	5,163,047	53.9%	0.00%	0.00%	24.0	43.4	44.7%	4,284,317	(878,730)
18	382.20	ERI	ERT Installations	5,200,132	198,589	3.8%	-16.00%	-16.00%	16.6	18.0	9.0%	469,052	270,463
19	383.00	HRG	House Regulators	6,510,137	2,965,948	45.6%	0.00%	0.00%	26.3	43.5	39.5%	2,574,108	(391,840)
20	384.00	HRI	House Regulators - Installation	7,511,153	2,348,181	31.3%	0.00%	0.00%	30.5	42.4	28.1%	2,108,381	(239,800)
21	385.00	IMR	Regulator Station - Industrial	11,375,621	5,968,302	52.5%	-14.00%	-14.00%	25.0	40.2	43.1%	4,902,893	(1,065,409)
22			Subtotal Distribution Plant	416,997,855	229,773,317	55.1%	-41.99%	-41.99%	32.8	48.8	48.5%	202,149,436	(27,623,881)
23	390.10	GSI	Structures and Improvements	19,719,431	7,885,193	40.0%	5.00%	5.00%	24.3	37.2	32.9%	6,495,581	(1,389,612)
24	392.10	GTR	Transportation Equipment	9,652,708	3,751,508	38.9%	18.00%	18.00%	6.8	10.9	30.8%	2,976,895	(774,613)
25	396.00	GPE	Power Operated Equipment	1,394,544	468,512	33.6%	15.00%	15.00%	10.1	13.0	19.0%	264,406	(204,106)
26			Subtotal General Plant	30,766,683	12,105,213	39.3%	13.26%	13.26%	13.1	20.2	31.6%	9,736,882	(2,368,331)
27			Total Depreciable Plant	545,922,771	295,896,720	54.2%	-32.39%	-32.39%	29.4	44.3	47.5%	259,141,319	(36,755,401)

Depreciation Rates 12-31-2016