(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF INTERMOUNTAIN GAS COMPANY FOR AUTHORITY TO PLACE INTO EFFECT AN INCREASE IN ITS COMPOSITE DEPRECIATION RATE. | )  )  )  )  )  )  ) | CASE NO. INT-G-96-7  ORDER NO.  26813 |

Intermountain Gas Company (IGC; Company) filed an Application with the Idaho Public Utilities Commission (Commission) on December 30, 1996 requesting authority to increase its composite depreciation rate from 3.89% to 3.98%.

The Company’s presently authorized composite depreciation rate of 3.89% was approved by the Commission in Case No. INT-G-94-1 Order No. 25444, dated March 22, 1994.  In its Order the Commission stated:

As before, our level of comfort with the reasonableness of such depreciation rates is enhanced by periodic review, which the Company previously stated is required for its depreciation study methodology.  We therefore find it reasonable that the Company continue to examine its depreciation rates and practices on three year intervals. . . . We also find it important to monitor and revisit this matter in three years.

Based on an updated depreciation study by AUS Consultants, the Company concludes that the current rate is under-depreciating its assets.  The effect of the requested higher rate would be to increase IGC’s depreciation accrual and decrease IGC’s rate base by $133, 817 annually.  As proposed, the total annual depreciation accrual would increase to $8,080,654.  Although the Company’s depreciation expense would increase under its proposal, the present Application does not request a related increase in rates.  The Company has requested that the increase to the annual composite depreciation rate be made effective at the beginning of its fiscal year, October 1, 1996. IGC requests that its Application be processed pursuant to the Commission’s Rules of Modified Procedure, i.e., without hearing.

A four page summary of the depreciation study was included with the Company’s Application. The complete depreciation study with work papers, which the Company states are voluminous, are available for inspection at IGC’s general business office, which is located at 555 South Cole Road, Boise, Idaho.

Commission Notices of Application and Modified Procedure in Case No. INT-G-96-7 were issued on January 14, 1997.  The deadline for filing written comments or protests was February 5, 1997.  Commission Staff was the only party to file comments.

Staff in its analysis reviewed the depreciation study performed by AUS Consultants.  Although noting two accounts deserving of specific comment (Account 365 Right-of-Way and Account 385 Regulator Station-Industrial (meters and equipment)), Staff states that it generally agrees with the conclusions presented by AUS Consultants.  Staff recommends that the depreciation study be accepted and that the requested rates be approved.  Staff also recommends that the Company continue the examination of depreciation rates and practices on three year intervals, as directed by the Commission in Order No. 23463, Case No. INT-G-90-1.

Commission Findings

Based on this Commission’s review of the Application and filings of record in Case No. INT-G-96-7 and the filed comments of Staff, the Commission continues to find it reasonable to process the Company’s Application in this case pursuant to Modified Procedure, i.e., by written submission rather than by hearing.  Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.  We find the proposed change in the Company’s composite depreciation rate to be reasonable.  As before, our level of comfort with the reasonableness of such depreciation rates is enhanced by periodic review, which the Company previously stated is required for its depreciation study methodology.  We therefore find it reasonable that the Company continue to examine its depreciation rates and practices on three year intervals.  Reference Order No. 23463, Case No. INT-G-90-1.  We also find it important to monitor and revisit this matter in three years.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over this matter and Intermountain Gas Company, a gas utility pursuant to the authority and power granted the Commission under Title 61 of the IdahoCode and the Commission’s Rules of Procedure, IDAPA 31.01.01.000 et seq.

O R D E R

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED that the depreciation rates of Intermountain Gas Company on an account by account basis be increased (or decreased) (per the methodology approved in Case No. INT-G-90-1, Order No. 23463) resulting in a new composite rate of 3.98% on account balances effective the beginning of the Company’s current fiscal year; and It Is Further Ordered that the Company’s depreciation rates and methodology be revisited in three years.

THIS IS A FINAL ORDER.  Any person interested in 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                  day of February 1997.

                                                                                                                                      RALPH NELSON, PRESIDENT

                                                                                           MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

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**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

February 24, 1997