DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

SYD LANSING

DAVID SCOTT

WORKING FILE

FROM:SCOTT WOODBURY

DATE:January 7, 1997

RE:CASE NO. INT-G-96-7

COMPOSITE DEPRECIATION RATE

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, ie. without hearing.

A four page summary of the depreciation study is included with the Company’s Application.  (Attached) The complete depreciation study with work papers, which the Company states are voluminous, are available for inspection at IGC’s general business office.

Staff Analysis:

Staff has reviewed the Company’s Application and underlying depreciation study.  Staff has yet to review the supporting work papers.  Based on its preliminary study, Staff believes that it will support the Company in its Application and further believes that Modified Procedure is appropriate.

Commission Decision:

The Company has requested that its Application be processed pursuant to Modified Procedure.  Does the Commission agree?  If not, how does the Commission want to process the Application?

Scott Woodbury

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