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BEFORE  THE  IDAHO  PUBLIC  UTILITIES  COMMISSION

IN THE MATTER OF THE APPLICATION OF )

INTERMOUNTAIN GAS COMPANY FOR)CASE  NO.  INT-G-96-7

AUTHORITY TO PLACE INTO EFFECT AN)

INCREASE IN ITS COMPOSITE DEPRECIA- )

TION RATES.)COMMENTS OF THE

)COMMISSION STAFF

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COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Scott Woodbury, Deputy Attorney General, and in response to the application filed by Intermountain Gas Company (IGC) on December 30, 1996 submits the following comments.

Intermountain Gas Company filed an application with the Idaho Public Utilities Commission on December 30, 1996 requesting authority to increase its composite depreciation rate from 3.89% to 3.98%.  This increase in the composite rate results in an increase to depreciation of $133,817 annually; however, IGC does not seek an increase in prices charged at this time.  IGC requests that the increased depreciation rates be effective at the beginning of IGC’s fiscal year or October 1, 1996.

Staff reviewed the depreciation study performed by AUS Consultants that is the basis for making the request.  The study was a fairly typical depreciation study presentation.  There are 24 accounts to be studied; 13 accounts indicate that a reduction in the depreciation rate is proper, and 11 accounts indicate that an increase in depreciation is proper.   The net recommended change in all 24 accounts is an increase of $133,817.  The total annual depreciation prior to any change from this application is $7,946,837 and the total annual depreciation requested in this application is $8,080,654.  The largest recommended decrease in depreciation is related to Account 391, Office Equipment.  The proposed rate of 11.33% is less than the current 13% rate amounting to a decrease of $85,208 per year.  The largest recommended increase in depreciation of $123,059 per year is related to Account 392, Transportation Equipment.  The proposed rate of 8.85% increases from 5.37%.

There are two accounts that are of some concern: (1) Account 365 - Right of Way and

(2) Account 385 - Regulator Station-Industrial (Meters and Equipment).  The Right of Way Account has a large adjustment because the Company wants to write off the right of way agreement cost paid to the Indian Reservation Council over the shorter life of the contract instead of the life of the assets installed in the right of way.  The justification is that the Tribe will probably demand additional payment to renew the contract, and the Company will probably end up paying an additional amount to avoid abandoning the assets.  The annual difference in this issue is about $7,000.

Account 385 causes concern because the net salvage percentage changes from a negative 2% to a negative 5%.  There is no real information related to IGC to recommend this change other than the experience of the Consultant.  This change has a price of about $35,000 per year.

Staff recommends that the Company be allowed to book the depreciation rates as requested with the cautions that depreciation studies be kept up-to-date and that the rates must be justified in a rate case.

DATED at Boise, Idaho, this            day of February 1997.

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Scott Woodbury

Deputy Attorney General

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