

Service Date: December 21, 1977

BEFORE THE UTILITY DIVISION
DEPARTMENT OF PUBLIC SERVICE REGULATION
MONTANA PUBLIC SERVICE COMMISSION

In the Matter of the Petition of)
MONTANA-DAKOTA UTILITIES COMPANY) Docket No. 6532
for Increased Rates and Charges)
in Gas Service to residential,) Order No. 4392
commercial and industrial)
customers.)

Appearances:

Lester H. Loble, II, Attorney at Law, 833 N. Last Chance
Gulch, Helena, Montana 59601, appearing on behalf of the
Applicant

Intervenors:

John C. Doubek, Attorney at Law, 34 West Sixth Ave., Helena,
Montana 59601, appearing on behalf of the Montana Consumer
Counsel, Geoffrey L. Brazier

Carolyn S. Hazel, Attorney at Law, Box 2197, Houston, Texas,
appearing on behalf of Continental Oil Corporation

John C. Cooper, Attorney at Law, Box 1152, Colorado Springs,
Colorado, appearing on behalf of Holly Sugar Corporation

C. William Leaphart, Attorney at Law, 1 N. Last Chance
Gulch, Helena, Montana 59601 appearing on behalf of Great Western
Sugar Corporation

Jerome Anderson, Attorney at Law, Transwestern Life
Building, Billings, Montana 59101 appearing on behalf of Lovell
Clay Products, Pierce Packing and Midland Empire Companies

For the Commission Staff:

Dennis R. Lopach, Attorney at Law, 1227 Eleventh Ave.,
Helena, Montana 59601 appearing for the Commission staff

Frank E. Buckley, Administrator, Utility Division

Dan Elliott, C.P.A., Utility Division

Before:

Thomas J. Schneider, Presiding Officer
Gordon E. Bollinger, Chairman
P. J. Gilfeather, Commissioner
James R. Shea, Commissioner

FINDINGS OF FACT

1. Montana-Dakota Utilities Company (Applicant or MDU) is a public utility furnishing electric and natural gas service to consumers in the State of Montana.

2. This Commission has jurisdiction over the rates and charges for, and the conditions under which, utility service is rendered in Montana.

3. Docket No. 6532 pertains to natural gas service to consumers in the State of Montana.

4. MDU requests Commission approval of rates for natural gas utility service which are designed to produce an increase in annual gross operating revenues of \$2,399,955, accompanied by a direct offset in the amount of its annual operating expenses of \$2,399,955 (Exh. CLG-2, p. 1).

5. On August 11, 1977, Applicant filed its application for increased rates and charges for natural gas service resulting from the purchase of gas from the Powell II field in Wyoming and the proposed purchase of certain Canadian gas from The Montana Power Company. The Montana Power contract was presented in evidence as Exhibit DPP-1.

6. On September 1, 1977, pursuant to notice, a prehearing conference was held at the Commission's office in Helena, Montana. Applicant was represented by Lester H. Loble, II. C.W. Leaphart, Jr. appeared for and announced the intervention of Great Western Sugar Company. Jerome Anderson announced the intervention of the Pierce Packing Company, Lovell Clay Products and Midland Empire Companies. Geoffrey Brazier, the Montana

Consumer Counsel, also participated. It was agreed among the parties that all discovery requests would be handled informally.

7. Following the prehearing conference, a procedural order was served on September 7, 1977. On September 29, 1977, due and proper notice was given of the hearing. The hearing was held on Thursday, October 27, 1977, in the Memorial Student Conference Room, Student Union Building, Eastern Montana College, Billings, Montana.

8. On August 2, 1977, The Montana Power Company and MDU executed a gas contract which provides for the delivery to MDU by Montana Power Company of 2.5 to 2.75 Bcf of gas per year at a cost of \$2.454 per Mcf at 14.73 psia (Exh. DPP-1).

9. Applicant is currently receiving gas from the Powell II field in Wyoming. The anticipated 1978 Powell II gas delivery is 2,190,000 Mcf at an average cost of \$2.16 per 15cf (Exhs. DPP-2 and DPP-5).

10. Based upon the allocation method used and approved in Docket No. 6445, 33.94% of the anticipated increased revenues should be allocated to .and derived from Montana customers (Exh. D~B-1).

11. The increase in the total average cost of gas is \$7,071,170 (Exh. CLG-1, line 6). The total amount allocable to Montana is \$2,399,955 (Exh. CLG-1, line 8).

12. The increase per Mcf by class is 11.44 per Mcf for residential and commercial classes (local sales base pressure) and 12.484 per Mcf for industrial and interdepartmental sales (14.73 psia) (Exh. C~G-1).

13. The increases per Mcf by class are equivalent when adjusted for pressure base (Gamble Dir. Test., pp. 2-3).

14. The increase shall be spread on an Mcf basis and, therefore, shall coincide with the cost of service.

15. Since the adjustment to operating revenue equals the cost of gas, there will be no effect on the rate of return of MDU by the granting of this increase in rates to cover the cost of gas (Exh. CLG-1).

16. Intervenor Great Western Sugar argues that MDU is seeking to recover a \$.30 per Mcf non-recurring payment to Energy West, Limited as a part of the cost of the Powell II gas. Energy

West processes certain gas for MDU in order to achieve a lower BTU content. Although the contract indicates that this charge is payable by MDU (late-filed Exh. No. 2, para. 5.7), there is no evidence that MDU seeks to recover that cost in this proceeding (Testimony of David P. Price, p. 9).

17. Several of the intervenors have argued throughout this case that the gas MDU is seeking to add to its supply will benefit only North Dakota customers. However, the FPC interim decision on industrial curtailment limits the hookup of new residential and commercial customers in a non-discriminatory manner among the various states served by MDU. The Commission accepts MDU's position that its gas utility is an integrated system, with all increments to supply benefitting all parts of the system. With Montana supplying less than one half of the gas consumed here, any other theory might have an adverse impact on the MDU customers.

CONCLUSIONS OF LAW

1. MDU is entitled to recover from all classes of its customers the increased cost of gas demonstrated in this case.

2. This cost recovery will be accomplished with no accompanying change in MDU's rate of return.

3. The rates resulting from the operation of this Order are just and reasonable.

4. Full filing requirements adopted by this Commission and contained in the A.R.M. were properly waived on August 8, 1977, upon a showing that the expense increase involved in this case related only to cost of gas.

5. R.C.M. 1947, Sec. 70-113, as amended prohibits this Commission from approving the requested purchased gas adjustment clause.

6. The proposed Montana Power contract is in the public interest.

ORDER

1. As regards the Powell II gas, MDU is ordered to file tariffs which increase the cost of gas (a) to all residential and small commercial customers in the amount of 4.474 per mcf at local sales base pressure and (b) to all industrial customers in the amount of 4.904 per Mcf at 14.73 psia. This paragraph 1 of the Order is effective for services rendered on and after the service date hereof.

2. The proposed Montana Power contract is approved. At the time MDU begins to receive gas from The Montana Power Company pursuant to contract (Exh. DPP-1), MDU shall file tariffs which increase the cost of gas (a) to all residential and small commercial customers in a total amount of 11.44 per Mcf at local sales base pressure and (b) to all industrial customers in an amount of 12.484 per Mcf at 14.73 psia. The increases of 11.40 and 12.484 respectively shall include (and shall not be in addition to) the increases ordered in paragraph 1 hereof. This paragraph 2 of the Order shall be effective contemporaneously with the first deliveries of gas under the contract (Exh. DPP-1). MDU shall file such tariffs within ten days of the first deliveries of gas.

3. Holly Sugar Corporation is allowed as an intervenor in this docket.

4. Great Western Sugar Company is allowed as an intervenor in this docket.

5. MDU Exh. DPP-5 is admitted into evidence in this docket.

6. All motions and objections not ruled upon herein or at the hearing are denied.

DONE IN OPEN SESSION at a meeting of the Montana Public Service Commission held December 20, 1977, by a vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Gordon E. Bollinger, Chairman

P. J. Gilfeather, Commissioner

Thomas J. Schneider, Commissioner

James R. Shea, Commissioner

ATTEST:

Gail E. Behan
Secretary

(SEAL)

NOTICE: You are entitled to judicial review of this Order. Judicial review may be obtained by filing within thirty (30) days from the service of this Order a petition for review pursuant to Section 82-4216, RCM 1947. .