

Service Date: December 28, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)  
MONTANA-DAKOTA UTILITIES COMPANY, )  
for Authority to Implement the Gas )  
Cost Tracking Adjustment Procedure.)

UTILITY DIVISION

✓ DOCKET NO. 82.11.72  
INTERIM ORDER NO. 4961

\* \* \* \* \*

82-49

INTERIM RATE ORDER

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FINDINGS OF FACT

1. On November 1, 1982, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87-M and 88-M.

2. The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Adjustment amortized over a projected six month period.

3. MDU proposed decreases over the current tracking adjustment in the amounts of 2.9 cents per Mcf for residential and commercial customers and 1.9 cents per Mcf for industrial customers. These proposed decreases are calculated in the following table:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	11.4¢	12.4¢
Unreflected Gas Cost Adjustment	<u>57.1¢</u>	<u>57.1¢</u>
<u>Total Tracking Adjustment</u> through May 31, 1983	68.5¢	69.5¢
Less: <u>Total Tracking Adjustment</u> Effective through December 14, 1982	<u>71.4¢</u>	<u>71.4¢</u>
<u>Net Decrease in Current Rates</u>	<u>(2.9¢)</u>	<u>(1.9¢)</u>

4. Included with the filing to decrease rates on a permanent basis was an application to decrease rates on an interim basis. The interim application requested decreases in rates to become effective December 15, 1982, in the full amount stated.

5. Included with the filing to decrease rates was a request for waiver of the minimum filing requirements.

6. A hearing date had been tentatively set for December 7, 1982.

7. Pursuant to Commission direction in Order No. 4855a of Docket No. 81.10.98, MDU has prepared and included with its filing a study of the costs that would be incurred if the Company were to produce the 23 Bcf of cushion gas currently held in storage.

8. The criteria by which the Commission may determine an appropriate interim adjustment in a tracking procedure are found in past Commission tracking orders and in the Commission's rules regarding interim relief.

9. Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

- (a) tracking adjustments are to be based on historic costs and volumes (Finding of Fact No. 6, Order No. 4476a);
- (b) interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476);
- (c) the procedure used by the Company in calculating proposed rates in tracking proceedings should provide for the maintenance of the 25 percent lifeline discount differential between "Winter" and "Remainder of the Year" rates (Finding of Fact No. 20, Order No. 4742);
- (d) the appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines of a general rate case; furthermore, that mix should apply to both the current and unreflected portions of a tracking procedure (Finding of Fact No. 5, Order No. 4742a); and
- (e) the Company should not annualize for new sources of gas not having an actual production history within the test year (Finding of Fact No. 6, Order No. 4742a).

10. The Commission's rules regarding interim relief are contemplated to provide relief on a "make-whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things the

guidelines provide for normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

11. On December 3, 1982, during a scheduled work session, the Commission voted to postpone the hearing date of the general case in Docket No. 82.6.40. During the same work session, representatives from MDU and Montana Consumer Counsel agreed to stipulate to the proposed gas tracking adjustment in this docket, Docket No. 82.11.72, in the form of an Interim Order, to be in effect December 15, 1982.

12. On December 9, 1982, MDU filed an application for additional interim relief in Docket No. 82.6.40. The Company chose to await the disposition of this filing before submitting a stipulation concerning an interim tracking adjustment.

13. On December 22, 1982, the Commission received correspondence from MDU stipulating to the proposed tracking adjustments in Docket No. 82.11.72. The amounts of decrease are as follows: 2.9 cents per Mcf for residential and commercial customers and 1.9 cents per Mcf for industrial customers.

14. A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 9 have been met. Furthermore, the tracking adjustment represents nothing more than normalization and annualization of test year booked net income,

and, hence, constitutes an adjustment contemplated in the interim policy rules. Consequently, the Commission finds the Company's request for interim relief, as applied for, appropriate.

15. In granting the interim levels found appropriate herein the Commission also finds that it has accomplished its goal of establishing an equitable and expeditious means of passing through the rising cost of gas due to the Natural Gas Policy Act of 1978. The Commission also is cognizant of the beneficial effect of such a policy on the Company's overall financial risk.

16. However, the granting of this interim should in no way be misinterpreted to mean that any issue in the case has been decided before all the evidence has been presented and heard during the course of these proceedings.

#### CONCLUSIONS OF LAW

1. Applicant, Montan-Dakota Utilities Company, is a corporation providing service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The Commission may, in its discretion, temporarily approve rate changes pending a hearing or final decision, pursuant to Title 69, Chapter 3, MCA.

4. The rate levels and spread approved herein are a reasonable means of providing interim relief.

ORDER

1. Applicant, Montana-Dakota Utilities Company is hereby granted interim relief in the amount of a 2.9¢ reduction for all residential and commercial customers and a 1.9¢ reduction for industrial customers, as stipulated to by MDU.

2. Such (relief) is to become effective for meters read on and after December ~~15~~<sup>16<sup>th</sup></sup>, 1982, and remain in effect until such time as a final decision is reached in this matter.

3. Rates will be filed in such a manner as to maintain the 25 percent rate differential between "Winter" and "Remainder of the Year" rates.

4. The Commission determines that this is a complete filing and grants the Company's request for a waiver of the Minimum Filing Requirements.

DONE IN OPEN SESSION this 27th day of December, 1982, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

  
GORDON E. BOLLINGER, Chairman

  
JOHN B. DRISCOLL, Commissioner

  
HOWARD L. ELLIS, Commissioner

  
CLYDE JARVIS, Commissioner

  
THOMAS J. SCHNEIDER, Commissioner

ATTEST:

  
Madeline L. Cottrill  
Commission Secretary

(SEAL)