

Service Date: June 22, 1983

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

* * * * *

IN THE MATTER of the Application)
of MONTANA-DAKOTA UTILITIES, INC.) UTILITY DIVISION
for Authority to Implement the)
Gas Cost Tracking Procedure to) ✓ DOCKET NO. 82.11.72
Establish Decreased Rates for Gas) ORDER NO. 4961a
Service.)

✓ 83-25

APPEARANCES

FOR THE APPLICANT:

Steven G. Gerhart and Paul Sandness, Attorneys, Montana-Dakota Utilities Company, 400 North Fourth Street, Bismarck, North Dakota 58501.

John Alke, Hughes, Kellner, Sullivan & Alke, Attorneys at Law, 406 Fuller Avenue, Helena, Montana 59624.

FOR THE MONTANA CONSUMER COUNSEL:

James C. Paine, Montana Consumer Counsel, 34 West Sixth Avenue, Helena, Montana 59620, appearing on behalf of the consuming public of the State of Montana.

John C. Allen, Consumer Counsel Staff Attorney, 34 West Sixth Avenue, Helena, Montana 59620, appearing on behalf of the consuming public of the State of Montana.

FOR THE INTERVENORS:

John Ross, Attorney at Law of the firm of Anderson, Brown, Gerbase, Cebull & Jones, P.C., 315 North 24th Street, Billings, Montana 59101, appearing on behalf of Pierce Packing Company.

C. W. Leaphart, Jr., Attorney at Law, The Leaphart Law Firm, 1 North Last Chance Gulch, #6, Helena, Montana 59601, appearing on behalf of Great Western Sugar Company and Holly Sugar Company.

FOR THE COMMISSION:

Robert Nelson, Staff Attorney
Eric N. Eck, Chief of Revenue Requirements
Michael L. Foster, Rate Analyst
Theodore P. Otis, Chief Economist

BEFORE:

Thomas J. Schneider, Chairman
Clyde Jarvis, Commissioner
Danny Oberg, Commissioner

FINDINGS OF FACT

1. On November 1, 1982, Montana-Dakota Utilities Company (MDU, Company, or Applicant) filed with the Montana Public Service Commission (PSC) 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 six-month sales 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 through May 31, 1983</u>	68.5¢	69.5¢
<u>Less: Total Tracking Adjustment Effective through December 14, 1982</u>	<u>71.4¢</u>	<u>71.4¢</u>
Net Decrease in Current Rates	<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. 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.

8. 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.

9. 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.

10. On December 28, 1982, the Commission, finding that the Applicant had complied with the filing criteria specified in previous tracking orders, granted, on an interim basis, the amount applied for with Interim Order No. 4961. The decreased rates became effective for meters read on and after December 27, 1982.

11. The Commission, in granting the interim rate decreases, determined that the Company had submitted a complete filing and granted the Company's request for a waiver of the Minimum Filing Requirements.

12. On March 8 and 9, 1983, a public hearing was held pursuant to notice in the Trapper Room of the Ramada Inn, Billings, Montana. The hearing was held in conjunction with the hearing in Docket No. 82.6.40.

13. The Commission determines that MDU has complied with filing criteria specified in previous tracking orders and the requested decreases are proper in this Docket. The Commission, therefore, finds a decrease of 2.9¢ for residential and commercial customers and a decrease of 1.9¢ for industrial

customers to be appropriate in this proceeding.

14. Pursuant to Commission direction in Order No. 4855a of Docket No. 81.10.98, MDU 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. Mr. Richard Broschat sponsored testimony discussing a study of costs to recover the native cushion gas from the three storage fields operated by MDU. This study was based upon certain assumptions, including the development of alternate storage, simultaneous withdrawal from all three storage fields, and depletion over a two-year period (MDU Exh. D, p.3). Based on this study, Mr. Broschat calculated that the total cost of recovering MDU's native gas in storage would be \$201,956,490. As a result, Mr. Broschat concluded that the cost to produce this gas would be drastically higher than the cost of gas which is presently available from other sources (MDU Exh. D, pp. 10-11).

15. During cross-examination of Mr. Broschat, a couple of questions were raised which threw some doubt upon the validity of some of the cost figures in his analysis. One of the assumptions used by Mr. Broschat was that there would be constant withdrawal. Under the hypothetical scenario of withdrawing native gas from one storage field during the summer months only, Mr. Broschat indicated that peak deliverability would probably not have to be maintained (TR, Vol. III, P. 32). Commissioner Schneider raised a question of the validity of

the costs of developing alternative storage given the testimony about the development of the Worland gas field as a storage reservoir. If Union Oil were to make the investment of developing the Worland field, Mr. Broschat testified that he would have to give that set of circumstances some study (TR, Vol. III, pp. 34-36).

16. Given the potentially new set of circumstances for development of alternative storage, the Commission believes that the study of recovery of native gas could require modification to reflect the Worland storage project. The Commission, therefore, determines that the native gas recovery issue should be deferred at this time, rather than making a decision with incomplete data.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing natural gas 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 rates and operations. MCA Sections 69-3-102, and MCA, Title 69, Chapter 3, Part 3.

3. The Commission has provided adequate public notice of all proceedings and opportunity to be heard to all interested parties in this Docket. MCA, Title 2, Chapter 4.

4. The rate level and rate structure approved herein

are just, reasonable, and not unjustly discriminatory. MCA, Section 69-3-330.

ORDER

1. Applicant, Montana-Dakota Utilities Company, shall file permanent rate schedules for natural gas service replacing temporary rates filed in this Docket that reflected the decreased rates granted in Interim Order No. 4961. Rate schedules shall decrease rates to residential and commercial customers by 2.9¢ per Mcf and 1.9¢ per Mcf for industrial customers.

2. These rates are to become effective for services rendered on and after June 20, 1983.

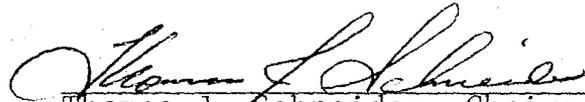
3. Rates will be filed in such a manner as to maintain the 25 percent rate differential between "winter" and "remainder of the year" rates.

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

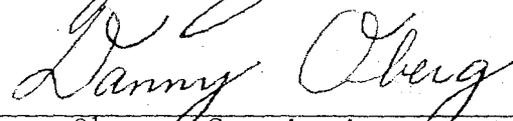
5. All motions and objections not ruled upon at the hearing are denied.

DONE AND DATED this 20th day of June, 1983, by a vote of 3-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.


Thomas J. Schneider, Chairman


Clyde Jarvis, Commissioner


Danny Oberg, Commissioner

ATTEST:


Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.