

Service Date: October 13, 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)	UTILITY DIVISION
MONTANA-DAKOTA UTILITIES, INC.)	
for Authority to Implement the Gas)	DOCKET NO. 82.4.30
Cost Tracking Procedure to Establish)	
Increased Rates for Gas Service.)	✓ ORDER NO. 4908a

✓ 82-38

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:

John C. Allen, Staff Attorney, 34 West Sixth Avenue, Helena, Montana 59620

FOR THE INTERVENORS:

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

Jerome Anderson, Anderson, Brown, Gerbase, Cebull & Jones, P.C., Attorneys at Law, 100 Transwestern Building, Billings, Montana 59101, appearing on behalf of Pierce Packing Company

FOR THE COMMISSION:

Eileen E. Shore, Chief Attorney
Dennis Crawford, Deputy Administrator, Utility Division
Mike Foster, Rate Analyst

BEFORE:

GORDON E. BOLLINGER, Chairman
 HOWARD L. ELLIS, Commissioner
 THOMAS J. SCHNEIDER, Commissioner

FINDINGS OF FACT

1. On April 30, 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 increasing rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Adjustment amortized over a six month sales period. The current application contemplates two proposals by MDU to determine the amount of increases. The first proposal is per Tariff Rate 88 and the resulting increases are based on the following adjustments:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	109.5¢	119.3¢
Unreflected Gas Cost Adjustment	150.6¢	150.6¢
Less: Total Tracking Adjustment		
Effective Through May 31, 1982	<u>157.2¢</u>	<u>163.5¢</u>
Net Increase in Current Rates	<u>102.9¢</u>	<u>106.4¢</u>

3. Concerning the second proposal, MDU requested a waiver of the provision of Rate 88 so that an alternative unreflected gas cost adjustment could be implemented for this filing.

This alternate calculation is proposed in order to gradually bring the unreflected gas cost balance down to

more reasonable levels and avoid the possibility of an overcollection balance at a future filing date.... In this case we are coming out of a period of very large unreflected balances and therefore find it necessary to request the waiver from the filed rate schedule to provide rate stability.... The use of the alternate procedure provides for gradual and smaller rate changes and will eliminate the roller coaster effect that would occur if the per tariff procedure were used.

(MDU Exh. DRB, pp. 7-10)

The resulting increases from this alternative proposal are based on the following adjustments:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	109.5¢	119.3¢
Unreflected Gas Cost Adjustment	72.7¢	72.7¢
Less: Total Tracking Adjustment		
Effective Through May 31, 1982	<u>157.2¢</u>	<u>163.5¢</u>
Net Increase in Current Rates	<u>25.0¢</u>	<u>28.5¢</u>

4. Included with the filing to increase rates on a permanent basis was an application to increase rates on an interim basis. The interim application requested increases in rates to become effective June 1, 1982, in the full amount stated above.

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

6. With the rate schedules in the filing, MDU included the revenue increase of \$7,500 authorized for service rendered on and after April 13, 1982, by Commission Order No. 4834c in Docket No. 81.7.62.

7. On June 3, 1982 the Commission granted the Company interim rate increases with Interim Order No. 4908. The increased rates became effective for meters read on and after July 1, 1982. The Commission, in its analysis

of the alternative proposal, adjusted carrying costs to reflect those months in which MDU exceeded the \$100 million ceiling on Frontier Gas Storage. With the related staff adjustments built into the alternative methodology, the adjusted alternative proposal granted in the interim order is presented as follows:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	108.3¢	118.0¢
Unreflected Gas Cost Adjustment	72.7¢	72.7¢
Less: Total Tracking Adjustment		
Effective Through May 31, 1982	<u>157.2¢</u>	<u>163.5¢</u>
Net Increase in Current Rates	<u>23.8¢</u>	<u>27.2¢</u>

8. The Commission, in granting the interim rate increases based on the Company's alternative plan as adjusted, found a waiver of the provisions of Rate 88 to be proper so that the modified alternative proposal of the Company could be used.

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

10. On July 28, 1982 a public hearing was held pursuant to notice at the U.S. Courthouse in Billings, Montana.

11. In determining the appropriate interim rate increase, the Commission adjusted for Frontier Gas storage balances in excess of \$100 million. In Order No. 4855b the Commission granted MDU's Motion for Reconsideration which challenged that part of the Commission's Order No. 4855a of Docket No. 81.10.98 that disallowed, for ratemaking purposes, carrying charges paid by MDU to Frontier on storage inventory balances in excess of \$100

million. Since preemption of the Commission's right to examine the prudence of management decisions (in this case, purchases by MDU of gas supplies) would substantially diminish the Commission's traditional jurisdictional reach, such preemption will not be conceded lightly. This order should not be construed as agreement with this argument. Unless MDU can present arguments more persuasive than it has thus far, the Commission will continue to believe that it can examine the prudence of management decisions, including decisions regarding gas mix and levels of gas purchases. The question need not be decided in this case, since the record here does not indicate that MDU's gas purchases were imprudent.

12. Having considered Finding of Fact No. 11, the Commission determines that MDU has complied with filing criteria specified in previous tracking orders and that the requested increase under MDU's alternative plan is the proper amount of increase in this Docket.

13. The following table shows the proper increases for each customer group above the interim increases granted in Interim Order No. 4908:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Requested Net Increase	25.0¢	28.5¢
Increase Granted in Interim Order No. 4908	<u>23.8¢</u>	<u>27.2¢</u>
Increase Granted in Order No. 4908a	<u>1.2¢</u>	<u>1.3¢</u>

14. The Commission finds that the rates of the Residential and Commercial customer class must increase by 1.2¢ per Mcf over the increase granted in Interim Order No. 4908, and that the rates of the Industrial customer class must increase by 1.3¢ per Mcf over the increase granted in Interim Order No. 4908.

15. The Commission feels that it is very important to continually improve the gas tracking procedure and believes that the current six-month procedure is defective in several ways including the following:

1. Multiple increases as a result of two tracking cases per year plus one general case per year, including interim increases for each case;
2. Hardships on consumers as a result of wintertime increases;
3. Inadequate signals to consumers to insulate and further weatherize homes and buildings.

The Commission therefore, desires the proposal of a 12-month gas tracking procedure to be fully discussed during the upcoming tracking case which will probably be filed in November, 1982. The Montana Power Company currently works under a 12-month gas tracking procedure with positive results. MDU should propose formal tariffs as a part of its complete discussion of this proposal so that Montana Consumer Counsel will be afforded the opportunity to present their testimony and concerns regarding a 12-month procedure. The Commission feels that it is essential to fully address this issue during the next gas tracking case so that an improved procedure could hopefully be implemented during the following tracking case in the spring of 1983.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the parties and proceedings in this matter.
2. The rates and charges authorized herein are just, reasonable and not discriminatory.

ORDER

1. Applicant, Montana-Dakota Utilities Company, shall file permanent rate schedules for natural gas service replacing temporary rates filed in June of 1982 that reflected the increased rates granted in Interim Order No. 4908. Rate schedules shall increase rates to residential and commercial customers by 25.0¢ per Mcf and 28.5¢ per Mcf for industrial customers.

2. Because of the de minimis nature of the additional rate increase (1.2¢ for Residential and Commercial; 1.3¢ for Industrial) over the granted amount of interim relief, MDU is encouraged to include these amounts in its request for December interim rate relief in its next gas tracking filing. Interest at the equity rate of return may be included in that request. This approach minimizes the number of rate changes to the consumer and was used in Order No. 4834c, Docket No. 81.7.62.

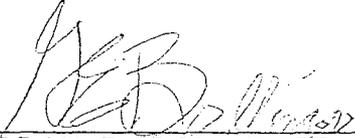
3. These rates are to become effective for meters read on and after October 12, 1982.

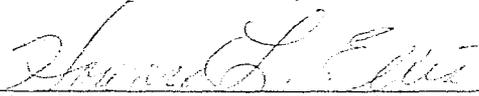
4. Rates will be filed in such a manner as to maintain the 25 percent rate differential between "Winter" and "Remainder of the Year" rates.

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

DONE IN OPEN SESSION this 12th day of October, 1982 by a vote of 3-0.

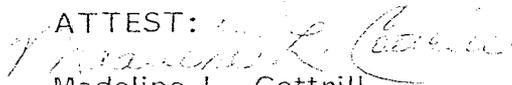
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.


GORDON E. BOLLINGER, Chairman


HOWARD L. ELLIS, Commissioner


THOMAS J. SCHNEIDER, Commissioner

ATTEST:


Madeline L. Cottrill
Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806, ARM.