

Service Date: May 3, 1983

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)	UTILITY DIVISION
of the TREASURE STATE PIPE LINE)	DOCKET NOS. 82.7.48
COMPANY and CONSUMERS GAS COMPANY)	82.7.51
for Authority to Increase Rates)	ORDER NOS. 4930b
and Charges for Natural Gas)	4932b
Service.)	

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FINAL ORDER ON MOTION TO RECONSIDER

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APPEARANCES

FOR THE APPLICANT:

Richard F. Gallagher, Attorney at Law, Church, Harris,
Johnson, & Williams, P.O. Box 1645, Great Falls, Montana
59401, appearing on behalf of Treasure State Pipe Line
Company and Consumers Gas Company.

FOR THE COMMISSION:

Opal Winebrenner, Staff Counsel

BEFORE:

CLYDE JARVIS, Commissioner and Presiding Officer
JOHN B. DRISCOLL, Commissioner
HOWARD L. ELLIS, Commissioner

FINDINGS OF FACT

1. On April 5, 1983, the Montana Public Service Commission
issued Orders No. 4930a (Treasure State Pipe Line Company) and

No. 4932a (Consumers Gas Company), both natural gas general rate increase cases.

2. On April 14, 1983, Treasure State Pipe Line Company and Consumers Gas Company (Applicant) filed a joint Motion for Reconsideration of Order Nos. 4930a and 4932a which was accompanied by a Memorandum in Support of Motion for Reconsideration.

3. On April 18, 1983, in view of the precarious financial condition of the Applicant, the Commissioners voted to reconsider the two Orders and amend them as discussed herein. The Commission also voted to issue the revised Orders in conjunction with the next Montana Power Company natural gas pass-through rate change, which will affect TSP and CGC rates as MPC supplies 100 percent of the natural gas for both companies.

4. The Applicant, in its Motion for Reconsideration, requested the Commission to allow an unaccounted for percentage of 18.5 percent rather than the 13.6 percent which was used in Order Nos. 4930a and 4932a. The Applicant originally requested a lost and unaccounted for gas percentage of 18.5 percent. In the interim orders issued in these dockets, the Commission used a lost and unaccountable percentage of 13.6 percent. The Commission, after reviewing again the precarious financial condition of the Applicant, grants the portion of the Motion for Reconsideration pertaining to lost and unaccounted for gas. In granting this unaccounted for gas percentage, the Commission hereby informs the Applicant that this level of unaccounted for gas is unacceptable

and must be substantially reduced. The use of the 18.5 lost and unaccounted for percentage in this particular instance is not to be construed as setting a precedent for the Applicant or for any other utility regulated by this Commission.

5. In its Motion for Reconsideration, the Applicant argued that the Commission should base rates on sales volumes of 31,732 MCFs. This number would provide a revenue increase in excess of the amount originally requested (\$72,847) by the Applicant. Thus, the argument presented by the Applicant violates Montana law, which limits the final revenues granted to the amount contained in the Application's notice. The Commission finds the proper sales volumes to be 32,231 MCFs, which is the level of sales contained in the Applicant's original filing. The effect of this change is an increase in rates of \$11,780 over rates granted by Interim Order No. 4930 to TSP, and passed through to CGC in Interim Order No. 4932.

6. In its Motion for Reconsideration, the Applicant pointed out an error in the description of the effect of extending the repayment period for the note payable to Hardrock Oil Company (TSP's parent company) from five years to ten years. The Applicant is correct that the effect of the extension is to decrease rather than increase the cost per MCF to Applicant's customers by \$.217 per MCF. This correction will affect no change in the computation of revenue requirement.

7. The Commission reiterates its concern that problems associated with a declining sales base and their effects on the Applicant's financial viability will continue as rate increases result in more customers leaving the TSP and CGC systems. The Commission finds that beginning July 1, 1983, TSP and CGC should file bi-monthly reports that will indicate (a) the number of customers lost and/or gained for the period and (b) the sales volumes, i.e. the average number of MCFs, lost or gained due to the customer fluctuation, so that the Commission may monitor the ability of TSP and CGC to continue to provide service.

8. The Commission finds in view of TSP's precarious financial condition and gas losses and their resultant effect on CGC, that the Commission expects the Applicant to be able to provide formal and concrete information on the feasibility of the service alternatives listed below when the Applicant next comes before the Commission for any form of relief. The possible service alternatives are as follows:

- a. Sale of TSP and CGC to the Montana Power Company or another utility.
- b. Creation by remaining customers of a cooperative or association.
- c. Purchase of TSP and CGC by an affected municipality receiving Applicant's service.
- d. Conversions to other energy sources, e.g. propane.

The Applicant is free to propose any other alternative.

CONCLUSIONS OF LAW

1. The Applicant, Treasure State Pipe Line Company and Consumer Gas Company (TSP and CGC), are corporations providing natural gas services within the State of Montana, and are "public utilities" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the operations of TSP and CGC pursuant to Title 69, Chapter 3, MCA.

3. Pursuant to its authority under ARM 38.2.4806, the Commission has decided to modify its original final order as indicated herein. Title 69, Chapter 3, MCA.

4. The Commission finds that the rates approved herein are just, reasonable and not unjustly discriminatory. Title 69, Chapter 3, MCA.

ORDER

NOW THEREFORE IT IS ORDERED BY THE COMMISSION THAT:

1. The Motion for Reconsideration of Order Nos. 4930a and 4932a, filed by Treasure State Pipe Line Company and Consumers Gas Company is HEREBY GRANTED by the Montana Public Service Commission

(a) The lost and unaccounted for percentage of natural gas is set, for the purposes of this Order only, at 18.5% rather than 13.6%.

(b) The sales volumes are set at 32,231 Mcfs, which is the level of sales contained in the Applicant's original filing.

(c) The total revenue increase is set at \$72,847 which has the effect of increasing rates by \$11,780 over the rates granted by Interim Order No. 4930 to TSP and passed through to CGC in Inteirm Order No. 4932.

2. In the Commission's Order Nos. 4930a and 4932a, an error was made, and the Applicant is correct that the effect of extending the repayment period of the note payable to Hardrock Oil Company from five years to ten years is to decrease the cost per MCF to Applicant's customers by \$.217 per MCF. The correction has no effect on computation of revenue requirement.

3. The Commission orders the Applicant to file bi-monthly reports with the Commission to indicate the number of customers that have been lost and/or gained for the previous two month period so that the Commission may monitor the Applicant's viability to continue to provide service. The Applicant shall file its first report in July to reflect the time period from the issuance of this Order, and bi-monthly thereafter until modified by the Commission. The reports shall be due in the Commission's office within ten days of the end of the billing period for the particular month. The reports shall also indicate the sales volumes, i.e. the average number of MCFs, lost or gained due to the customer fluctuation.

4. The Commission orders the Applicant to be prepared to provide information to the Commission on the feasibility of the service alternatives listed in this Order's Finding of Fact No. 8

when the Applicant next comes before this Commission for any form of relief.

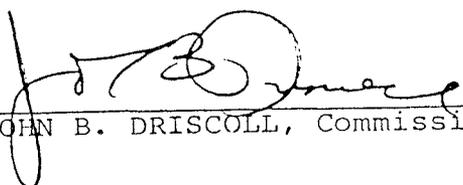
5. The Commission orders the Applicant to file tariff sheets for both Treasure State Pipe Line Company and Consumers Gas Company to reflect the provisions of this Order and the natural gas rate decrease resulting from the April 25, 1983, Montana Power Company natural gas pass-through rate change.

DONE AND DATED this 18th day of April, 1983, by a vote of 3-0 .

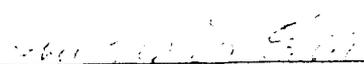
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.



CLYDE JARVIS, Commissioner and
Presiding Officer



JOHN B. DRISCOLL, Commissioner



HOWARD L. ELLIS, Commissioner

ATTEST:


(SEAL)

NOTE: You may be entitled to judicial review in this matter. Judicial review may be obtained by filing a petition for review within thirty (30) days of the service of this order. Section 2-4-702, MCA.