

Service Date: March 12, 1985

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 MONTANA DAKOTA UTILITIES)	
COMPANY For Authority to Adopt)	DOCKET NO . 84.8.44
Decreased Rates For Natural Gas)	
Service In The State Of Montana.)	ORDER NO. 5129

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FINAL RATE ORDER

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FINDINGS OF FACT

1. On August 10, 1984, the Montana-Dakota Utilities Company (Applicant, Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) revised rate schedules to implement the stipulation in the Federal Energy Regulatory Commission (FERC) Docket Nos. CP82-487-000 et al. This filing was assigned the Docket No. 84.8.44.

2. On August 12, 1982, MDU and Williston Basin Interstate Pipeline Company (WBIP) filed a joint application with the FERC for approval of the creation of an FERC jurisdictional interstate pipeline company to produce, purchase, gather, transmit, and sell gas to the town borders in the MDU service territories and to engage in other interstate operations. This application entailed the transfer of MDU facilities to the wholly owned WBIP subsidiary.

3. On June 13, 1984, MDU, WBIP, the Montana Commission, the Montana Consumer Counsel (MCC), the North Dakota Public Service Commission, the Wyoming Public Service Commission, and the South Dakota Public Utilities Commission entered into a Stipulation and Agreement of Settlement (Stipulation) regarding the joint application in FERC Docket No. CP82-487-000, et al.

4. The Montana PSC and the MCC stipulated that while they would not advocate adoption of a settlement agreement before the FERC, they agreed to implement the Stipulation if the FERC issued an order in the docket pursuant to the Stipulation.

5. On November 14, 1984, a hearing was held in Billings, Montana, and testimony and exhibits in Docket No. 84.8.44 were presented.

6. On January 18, 1985, MDU filed modified tariffs reflecting the implementation of WBIP's Revised Settlement Agreement as approved in the FERC Docket No. CP82-487-000 et. al.

7. On February 13, 1985, the FERC issued an Order approving a Revised Settlement Agreement which establishes WBIP.

8. On February 22, 1985, WBIP filed a special Purchased Gas Adjustment with the FERC asking for a decrease in the rates WBIP charges MDU for gas purchases. This filing is the result of contract renegotiations with gas suppliers brought about by the Federal deregulation of gas, effective January 1, 1985. These contract renegotiations are expected to continue for the next several months, with the result being further reductions in the cost of purchased gas to WBIP.

9. As a result of lower prices being charged to WBIP for purchasing gas from its suppliers, WBIP will pass through those lower prices to MDU, which purchases gas from WBIP.

10. On February 28, 1985, MDU filed information on the renegotiations in this Docket, and requested reduced rates to reflect lower purchased gas costs resulting from those supplier contract renegotiations. To minimize the number of tariff changes, MDU requests that the effects of the approval of the WBIP Settlement and the gas supply contract renegotiations be combined as one rate decrease.

11. After careful analysis, the Commission finds that the MDU filing of February 28, 1985, is proper and a positive step in the transition process of establishing WBIP and implementing the effects of the deregulation of gas. The Commission, therefore, approves the rate reductions as filed in Docket No. 84.8.44.

12. In accepting MDU's proposed rate reductions, the Commission also directs the Company to incorporate the slight tariff change associated with the surcharge from the Settlement

in Docket No. 84.9.60, as discussed below and in Order No. 5102a, when filing appropriate tariffs resulting from this Order.

13. Also, the Commission reiterates a portion of the Settlement Agreement in Docket No. 84.9.60: "MDU will dismiss, without prejudice, its federal court action against the Commission, upon institution of service by WBIP under a final non-appealable order of the FERC."

REVISED NATURAL GAS PRICES

14. MDU's existing retail natural gas prices are comprised of a set of three distinct price elements: 1) base, 2) purchase gas adjustment (PGA), and 3) settlement surcharge. The sum of the three price elements provides the tariffed price for each rate schedule, as provided in Table 1.

15. Settlement Surcharge. Docket No. 84.9.60 produced a Stipulated Settlement Agreement dated October 1, 1984. The settlement provides, inter alia, a two year amortization of unreflected gas costs of \$11,141,055.¹ The unit amortization was determined to be .381 \$/MCF at delivered pressure.² Adjusting the .381 \$/MCF to reflect the seasonal differential for Rate 60 produces the surcharge level provided in Table 1.

¹ Docket No. 84.9.60, Stipulated Settlement Agreement, p. 4.

² Ibid. p. 5.

16. Purchased Gas Adjustment. Interim Order No. 5102, Docket No. 84.10.67, provided an interim PGA amount of .998 \$/MCF at 14.73 PSIA (.917 \$/MCF at local pressure).³ In Docket No. 84.8.44 MDU proposes to eliminate the existing PGA price element. However, the WBIPC tariff includes a PGA which MDU proposes to reflect in its tariff. MDU initially proposed a PGA price reflecting the WBIPC PGA of .0959 \$/MCF.⁴ As a result of renegotiated purchase contracts, WBIPC has proposed a revised PGA of -.10681 \$/MCF.⁵ Adjusting for distribution losses (.979), pressure (.919), and the Rate 60 seasonal differential results in the proposed PGA per rate schedule as provided in Table 2.⁶

17. Base Prices. The existing base prices resulted from Docket No. 83.8.58 -- the most recent general rate case. In Docket No. 84.8.44, MDU proposes to change the base prices to reflect the creation of the WBIPC. The change in base prices results from a four step procedure:

- 1) The MDU base revenue requirement is jurisdictionally separated into distribution (MDU, 16%) and transmission and gas production (WBIPC, 84%).
- 2) The MDU gas costs are calculated as the product of normalized purchases and the WBIPC base price for each of interruptible and firm gas.
- 3) The proposed base revenue requirement is the sum of the gas purchase costs and the distribution costs.
- 4) The difference between the proposed base revenue requirement and the existing level (\$13.4 million) is allocated to each rate schedule in proportion to MCF deliveries of 14.73 PSIA.

³ Docket No. 84.10.67, Interim Order No. 5102, p. 2.

⁴ Docket No. 84.8.44, Late Filed Exhibits. C. Wayne Fox letter to Clyde Jarvis, January 21, 1985.

⁵ Docket No. 84.8.44 Exhibits. C. Wayne Fox letter to Dan Elliott, February 28, 1985.

⁶ If the FERC approves a WBIPC PGA of other than -.10691 \$/MCF, the resulting MDU prices will have to be revised accordingly.

18. Adjusting for pressure and the Rate 60 seasonal differential produces the proposed base prices as provided in Table 2.

19. Total Prices. Table 2 provides the proposed MDU retail gas prices. The MPSC finds that one change should be made. The settlement surcharge should be converted to an equivalent pressure basis. To not reflect the differences in delivered pressure effectively charges each set of customers a different price for no apparent reason.

20. The unit amortization based on a projected two-year market at 14.73 PSIA is .408 \$/MCF. Adjusting for pressure and the Rate 60 seasonal differential produces the settlement surcharge levels provided in Table 3.

21. The MPSC approves the MDU gas prices provided in Table 3. For Rate 60, average monthly bills are reduced by 3.4%. Rate 70, 71 and 85 average monthly bills are reduced by 3.73%, 5.07%, and 4.23%, respectively.

22. Refunds. Because the renegotiated gas prices become effective January 1, 1985, MDU proposes that the credit MDU receives for any gas purchased from WBIP between January 1 and the present date be flowed through to MDU distribution customers as a one time credit. The credit is to be implemented by applying the approved prices to previously rendered monthly bills, for service rendered after January 1, 1985. The refund amount is to be reflected as a one-time credit to the monthly bills rendered in the subsequent billing cycle.

TABLE 1

The Existing MDU Retail Natural Gas Prices^a

(\$/MCF @ delivered pressure)

	BASE	PGA	SURCHARGE	TOTAL
RATE 60				
Winter-First 15 MCF	3.835	.866	.361	5.062
All Other	4.383	.990	.412	5.785
RATE 70	4.463	.917	.381	5.761
RATE 71	4.281	.917	.381	5.579
RATE 85	4.654	.998	.381	6.033

- ^a Rate 60 is firm residential; Rate 70 is firm commercial; Rate 71 is interruptible service at local pressure; and Rate 85 is interruptible service at 14.73 PSIA.

TABLE 2
The Proposed MDU Retail Natural Gas Prices
(\$/MCF @ delivered pressure)

	BASE	PGA	SURCHARGE	TOTAL
RATE 60				
Winter-First 15 MCF	4.631	(.095)	.361	4.897
All Other	5.293	(.108)	.412	5.597
RATE 70	5.271	(.100)	.381	5.552
RATE 71	5.021	(.100)	.381	5.302
RATE 85 ^a	5.479	(.109)	.381	5.751

^a At 14.73 PSIA.

TABLE 3
The Approved MDU Retail Natural Gas Prices^a
(\$/MCF @ delivered pressure)

	BASE	PGA	SURCHARGE	TOTAL
RATE 60				
Winter-First 15 MCF	4.631	(.095)	.355	4.891
All Other	5.293	(.108)	.406	5.591
RATE 70	5.271	(.100)	.375	5.546
RATE 71	5.021	(.100)	.375	5.296
RATE 85_	5.479	(.109)	.408	5.778

^a These prices are subject to verification.
_ At 14.73 PSIA.

CONCLUSIONS OF LAW

1. Applicant, Montana-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 approved rates are just, reasonable, and not discriminatory.

ORDER

1. Applicant, Montana-Dakota Utilities Company, is hereby granted decreased rates as provided in Table 3 of this Order.
 2. These rate reductions are to become effective for service rendered on and after January 1, 1985. Accordingly, the Commission directs MDU to provide refunds to its Montana customers in accordance with Finding of Fact Paragraph No. 22 of this Final Order.
 3. The approval of these rates is contingent upon FERC approval of WBIP's Purchased Gas Adjustment filing in FERC Docket No. TA85-2-49-000.
 4. Rates will be filed in such a manner as to maintain the 12.5 per cent rate differential between "winter" and "remainder of the year" rates.
 5. MDU is authorized to transfer its nonproducing leasehold interests to WBIP, as provided in the Revised Settlement Stipulation in FERC Docket No. 82-487-000, Article III, Paragraph 3.3, and Appendix D.
 6. All motions and objections not ruled upon at the hearing are denied.
- DONE AND DATED this 11th day of March, 1985, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

JOHN B. DRISCOLL, Commissioner

DANNY OBERG, Commissioner

TOM MONAHAN, Commissioner

ATTEST:

Trenna Scoffield
Commission Secretary

(SEAL)

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.