Service Date: August 16, 1985

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

* * * * *

IN THE MATTER Of The Application	)	
Of THE GREAT FALLS GAS COMPANY	)	UTILITY DIVISION
For Authority To Increase Rates	)	DOCKET NO. 85.7.26
And Charges For Natural Gas	)	INTERIM ORDER NO. 5153
Service.	)	

FINDINGS OF FACT

1. On July 15, 1985, Great Falls Gas Company (Applicant or GFG) filed a general rate case. The application requested an increase of $1,187,498. Included in the general case was a motion for interim relief in the amount of $1,187,498, the same increase requested in the general filing.

2. Included in the July 15th filing was an interim request for a reclassification of rate classes. The Applicant requests the incorporation of a new Industrial - Interruptible Propane Based Dual Fuel User (SPI) rate. This rate is for industrial customers using in excess of 100,000 Mcf/year and which have the capability of using propane in lieu of natural gas.

3. On July 19, 1985, the staff met with GFG to discuss adjustments to the interim filing. Montana Consumer Counsel (MCC) who represents the consuming public, was invited to the meeting, but was unable to attend.

4. Currently Montana Refinery (GFG second largest customer) can import propane from Canada, and burn it in their furnaces, at a cost substantially below the current cost of natural gas.

5. Montana Refinery has indicated in writing to GFG the Refinery's intention of purchasing the lower priced Canadian propane in meeting their <u>entire</u> purchased fuel needs if the SPI is not implemented immediately.

6. Loss of the Refineries volume would likely have an adverse impact on the other customer classes. The primary impact would be the loss of contributions toward recovery of fixed system costs.

7. The SPI rate was designed to keep the Montana Refinery on the GFG system, throuqh a reduced price. The rate is designed to recover all gas cost expense and recover a portion of the system's fixed costs. The rate design hinges on the philosophy that "recovery of a portion of the system fixed cost from the industrial customer is better than no recovery at all."

8. The interruptible industrial volumes are based on a contract negotiated with Montana Refining Company, which calls for a minimum take of 200,000 Mcf.

9. If the Refinery's use exceeds its minimum contracted take of 200,000 Mcf annually, the price of natural gas decreases by .1068 for the next 50,000 Mcf and by .2136 for all other Mcf to encouraae the Refinery to substitute natural qas for their production propane.

10. The SPI rate consists of a flexible commodity charge with a base price of $4.3788 per Mcf (13.28 psia) which is equivalent on a BTU basis to 41 cents per gallon of propane. This charge is increased or decreased to track propane price changes when such changes are greater than 1.5 percent.

The propane price index shall be the average of the wholesale prices of propane in the Edmonton, Alberta, Canada area (in U.S. Dollars) as quoted by the OPIS (<u>Oil Price Information</u>

Survey) weekly for the most recent trading day occurring on or before the first day of the billing month.

11. Indexing increases shall occur only when the Edmonton wholesale price of propane as quoted in OPIS exceeds 41 cents (U.S.) delivered Great Falls, Montana. SPI may not exceed GFG Firm Excess Rate class of service less 3 percent.

12. In addition, it may not fall below the average cost of gas purchased from producers during the month when deliveries occur, plus 10 percent.

13. GFG proposes that the reduced gas costs from implementation of the SPI rate to the Industrial Customer reflected as a uniform increase to all other Mcf prices.

14. The Commission believes that GFG is probably correct in asserting that loss of the Refinery's volume would likely present a worse situation for all other customers than if the SPI rate is implemented. Without the SPI rate all other customers must recover the Refinery's total contribution toward the system's fixed costs whereas under the SPI rate the Refinery would contribute some portion toward the fixed costs.

Therefore, the Commission finds that the SPI rate should be implemented in the interim, as requested. It should be noted, however, that this issue will be examined once again in this Docket and is therefore, not committed to a permanent implementation of the rate.

15. A major element in the Applicant's original request for interim relief was the loss from the start up of the Malmstrom Air Force Base coal-fired heating plant. In a letter to Larry Geske dated July 12, 1985, Steven C. Mugg an engineer at Malmstrom indicates that the contractor has fallen behind the original schedule. The contractor has now indicated that conversion of the remaininq 50 base facilities will not begin until spring 1986. Given the delay mentioned above, the Commission finds that the Malmstrom load loss should not be included in the calculation of interim relief.

16. For interim purposes the Commission used the overall rate of return granted in Docket No. 82.4.25 (11.41 percent).

17. For the purposes of calculating this interim, the cost of purchased gas used was $3.5419. The rates used to compute operatinq revenues were $3.9596 for lifeline volumes and $4.6313 for excess volumes. Lifeline volumes used to compute the interim were 1,153,346 Mcf. A loss and unaccounted for factor of 1.90 percent was used.

18. Applicant included payroll expense for employees who have not yet been hired. The amount of the increased payroll expense for those employees is $32,961. The Commission has not reflected employees who are not yet hired for interim relief calculations in the past. The increase in payroll expense of $32,961 is rejected as an adjustment in this Interim Order.

19. The Applicant has requested an increase of $54,946 for uncollectible accounts. This amount is a dramatic increase in uncollectibles since the last case. The Commission will include one half of that amount or $27,473 for interim purposes. This finding relating to uncollectibles may be modified by the Commission in its final order.

20. Based on the preceding Findings of Fact, the Commission finds that Great Falls Gas Company is entitled to interim relief in the amount of $696,173.

21. The following schedule shows the derivation of the interim relief.

GREAT FALLS GAS
REVENUE REQUIREMENT

Line No.		(A) Actual 12 Mos. Ending 5/31/85	(B) Adjustment	(C) Present Rates 12 Mos. Ending 5/31/86	(D) Adjustment	(E) Proposed Rates Test Period
1	Operating Revenues	23,024,441	(2,199,222)	20,825,219	696,173	21,521,392
2	Cost of Service					
3	Gas Purchased	18,623,986	(1,791,058)	16,832,928		16,832,928
4	Other Operations:					
5	Distribution	468,796	31,265	500,061		500,061
6	Customer Accounts	551,383	63,936	615,319		615,319
7	Customer Services	189,303	10,477	199,780		199,780
8	Admin & General	1,110,339	175,109	1,285,448		1,285,448
9	Maintenance	154,308	13,228	167,537		167,537
10	Depreciation	392,218	8,634	400,852		400,852
11	Rental Income	(200)	200	0		0
12	Other Gas Supply Expense	1,560	(1,560)	0		0
13	Taxes:					
14	Other than Income	187,607	17,109	204,716		204,716
15	Federal Income – Current					
16	(Net – Inv Cr)	367,406	(365,744)	1,662	278,373	280,035
17	Federal Income Tax					
	- Deferred	89,825	24,777	114,602		114,602
18	State Income	65,607	(63,314)	3,293	46,992	50,285
19	Current Deferred					
	- Federal & State	(74,844)	74,844			
20	Total	22,127,294	(1,801,097)	20,326,198	325,365	0,651,563
21	Utility Operating Income	897,147	(398,125)	449,021	370,808	869,829

22	Late Pymt Assmt (Net of Taxes)					
23	Adjusted Utility Operating Income	897,147	(398,125)	499,021	370,808	869,829
24	Rate Base	7,629,944	(398,125)	499,021	370,808	869,829
25	Rate of Return	11.76		6.55		11.41

CONCLUSIONS OF LAW

1. Great Falls Gas Company is a public utility furnishing natural gas service to consumers in the State of Montana. As such, it is subject to the supervision, regulation and control of this Commission, Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. If the final decision of the Commission is to disapprove the increase granted on an interim basis, the Commission will order a rebate thereof with interest of 14.50% to all customers, as was agreed by the Applicant.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Great Falls Gas Company is hereby granted authority to implement on an interim basis increased rates designed to generate $696,173 in additional revenue on an annual basis.

2. Great Falls Gas is to file revised rate schedules spreading the increased revenues to the existing customer classes on a uniform cents per Mcf basis.

3. Nothing in this Interim Order precludes the Commission from adopting in its final order after reviewing the entire record in this Docket a revenue requirement different from that contained in this Order.

4. The interim relief granted in this Order is to be effective for natural gas service rendered on and after August 12, 1985.

DONE IN OPEN SESSION this 12th day of August, 1985 by a vote of 4-1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Clyde Jarvis, Chairman

John B. Driscoll, Commissioner

Howard L. Ellis, Commissioner

Tom Monahan, Commissioner
Dissenting

Danny Oberg, Commissioner

ATTEST:

Trenna Scoffield

Commission Secretary

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 28.2.4806, ARM.