

Service Date: March 16, 1987

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 , For)	
Authority To Implement The Gas Cost Tracking)	DOKET NOS. 86.4.20
Procedure To Establish Increased Rates For Gas)	86.11.58
Service .)	ORDER NO. 5238a
_____)	

FINAL RATE ORDER

* * * * *

FINDINGS OF FACT

1. On April 30 1986, the Montana - Dakota Utilities Company (Company, Applicant , MDU) filed with the Montana Public Service Commission (Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87 and 88. The filing was given Docket No. 86.4.20 the Company revised its filing on May 22 and July 3, 1986. Until the approval of Interim Order No. 5238, the Commission had not allowed the rate changes proposed in Docket No. 86.4.20 to be reflected in MDU's approved rates.

2. On November 7, 1986, the Company filed with the Commission its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87 and 88. This filing was given Docket No. 86.11.58. In its application, the Company stated that in the event that the proposed rate changes were not approved on a final basis by December 1, 1986, the Applicant requested that the proposed rates be approved on an interim basis, subject to refund.

3. On December 2, 1986, the Commission approved Interim Order No. 5238, which approved the rate changes and cost of service and rate design proposals in Docket No. 86.11.58. Those approved interim rates also incorporated the rate change proposals in Docket No. 86.4.20.

4. The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Un-reflected Gas Cost Tracking Adjustment amortized over a projected six-month sales period.

5. The development of the Current Gas Cost Adjustment in Docket No. 86.11.58 based on the rates from Williston Basin Interstate Pipeline Company (WBIP) as authorized by the Federal Energy Regulatory Commission (FERC) in its Order of October 31, 1986. MDU offered three calculations of the Un-reflected Gas Cost Adjustment for the Commission's consideration in Docket No. 86.11.58.

6. The first approach reflects the method traditionally employed in gas cost tracking applications and consists of the July, 1986, un-reflected gas cost balance less any projected recoveries through November, 1986. The remaining balance is amortized over the next six month period (December 1, 1986, through June 30, 1987) to establish the new recovery rate for this tracker period. By using this approach, the change from the current tracking adjustment and from currently authorized rates is an increase of 16.0 cents per Mcf for residential and commercial customers and a reduction of 63.3 cents per Mcf for industrial customers. This adjustment would amount to approximately \$1,078,000 during the proposed effective period. These proposed changes are calculated in the following table:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	\$0.189	(\$0.235)
Un-reflected Gas Cost Adjustment	<u>0.282</u>	<u>0.057</u>
Total Tracking Adjustment	\$0.471	(\$0.292)
PSC Tax Effect at..225%	\$0.472	(\$0.293)
Loss: Total Tracking Adjustment - Current (Including PSC Tax)	<u>0.31</u>	<u>0.340</u>
Net Increase (Decrease) in Current Rates	\$0.160	(\$0.633)

7. The second approach takes the previously described calculation (first approach) one step further. As discussed in Finding of Fact Paragraph No. 1 WBIP rates increased on May 2, 1986 (Docket No. 86. 4 . 20) , and such increase has not yet been reflected in authorized rates in Montana on a Final basis because the Commission did not take action on those proposed rates until the approval of Interim Order No. 5238, as discussed above . There are significant deferrals that have continued to increase the un-reflected gas cost account. This second approach reflects the ongoing deferrals through the month of November 1986, in the same manner that recoveries provided by the un-reflected adjustment have been treated in all previous filings. Such ongoing deferrals amount to \$825,459 for residential and commercial customers and \$9,992 for industrial customers for the months of August through November ,1986. Under this second approach, the change from the current tracking adjustment from currently authorized rates is an increase of 27.3 cents per Mcf for residential and commercial customers and a decrease of 56.0 cents per Mcf for industrial. customers. This adjustment would amount to approximately \$1,911,000 during the proposed effective period. These proposed changes are calculated in the following table:

	Residential and <u>Commercial</u>	Industrial <u>Customers</u>
Current Gas Cost Adjustment	\$0.189	(\$0.235)
Un-reflected Gas Cost Adjustment	<u>0.395</u>	<u>0.015</u>
Total Tracking Adjustment	\$0.584	(\$0.220)
PSC Tax Effect at .225%	\$0.585	(\$0.220)
Loss: Total Tracking Adjustment - Current (Including PSC Tax)	<u>0.312</u>	<u>0.340</u>
Net Increase (Decrease) in Current Rates	<u>\$0.273</u>	<u>(\$0.560)</u>

8. In view of the circumstances surrounding this Gas Cost Tracker filing, MDU offered a third approach. This calculation proposes amortization of the total un-recovered balance, adjusted to December 1, 1986, levels, over an extended twelve month period rather than the normal six months, as proposed in the second approach. MDU stated that the third approach is the preferred option. Under this preferred third approach, the change from the current tracking adjustment and from currently authorized rates is an increase of 14.9 cents per Mcf for residential and commercial customers and a decrease of 56.9 cents per Mcf for industrial customers. This adjustment would amount to approximately \$1,006,000 during the six month period December 1, 1986, through May 31, 1987. These proposed changes are calculated in the following table:

	Residential and <u>Commercial</u>	Industrial <u>Customers</u>
Current Gas Cost Adjustment	\$0.189	(\$0.235)
Un-reflected Gas Cost Adjustment	<u>0.271</u>	<u>0.007</u>
Total Tracking Adjustment	\$0.460	(\$0.228)

PSC Tax Effect at .225%	\$0.461	(\$0.229)
Loss: Total Tracking Adjustment - Current (Including PSC Tax)	<u>0.312</u>	<u>0.340</u>
Net Increase (Decrease) in Current Rates	<u>\$0.149</u>	<u>(\$0.569)</u>

9. All three approaches reflect the amortization of the remaining balance of the special twenty-four month amortization which was previously authorized in Docket No. 84.9.60 and extended by Docket No. 86.9.53.

10. After much consideration, the Commission found the third approach proposed in Docket No. 86.11.58 to be proper and approved that option in Interim Order No. 5238, subject to refund.

11. According to MDU, deferrals would remain at relatively high levels until such time as WBIP's higher May 2, 1986 rates are recognized in the Montana rates, as was proposed in Docket No. 86.4.20. In previous filings, reflection of ongoing deferrals was not necessary because the current gas costs were generally very close to the costs allowed in rates, thereby causing minimal ongoing deferrals. In this instance, however, where the actual cost of gas is significantly higher than the cost authorized in rates, there are significant ongoing deferrals. If such known amounts were not recognized in this proposed December 1, 1986, gas tracker, there would be a significant buildup in the deferred balances which alone would cause an approximate 24.7 cents per Mcf increase in rates for residential and commercial customers and an increase of 7.2 cents per Mcf for industrial customers in the next tracker, June of 1987. The Commission believes that recognition of such known amounts at this time will minimize the impact because of larger sales volumes in the winter period and will stabilize rates in the long run. The Commission also found that, since all the costs and proposals found in Docket No. 86.4.20 are incorporated in the third approach in Docket No. 86.11.58, Interim Order No. 5238 made moot MDU's filing in Docket No. 86.4.20.

12. Interim Order No. 5238 had an effective date of December 1, 1986, for the proposed rate changes.

13. In Interim Order No. 5238, the Commission stated that an issue that the Commission would like to address in this proceeding is the question of whether or not continuing the gas tracker procedure is in the best interests of the Company's Montana consumers. The Commission expressed a desire to explore all the ramifications of eliminating tariff sheets 87 and 88 and requested that this issue be addressed by MDU, Montana Consumer Counsel, and any other interested parties in this proceeding.

14. On January 23, 1987, the Montana Consumer Counsel (MCC) filed with the Commission a request that the Commission postpone an inquiry into the propriety of tariff sheets 87 and 88 until the next gas tracker filing. On January 26, 1987, the Commission voted to grant MCC's request.

15. On January 30, 1987, the Commission issued a Notice of Opportunity For Public Hearing (Notice) in these Dockets. The Notice stated that if any person having proper standing requested a hearing by February 27, 1987, the Commission would schedule such a hearing. Since no requests for hearing in these Dockets were received by that date, the Commission is issuing Final Order No. 5238a.

16. Based on the above discussion of the facts presented in these Dockets, the Commission gives Final approval to the rate changes and cost of service and rate design proposals approved in Interim Order No. 5238 and finds MDIJ's application to be a complete filing. However, the Commission in no way interprets the approved changes to Rates 87 and 88 to restrict MDU's gas supply source to just WBIP. Approval of the rates in Interim Order 5238 on a Final basis does not cause a change to MDU's gas rates currently in effect.

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 Montana rates and operations pursuant to MCA Section 69-3-102 and Title 69, Chapter 3, Part 3, MCA.

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

4. The rate levels and rate structure approved herein are just reasonable , and not unjustly discriminatory. MCA, Section 69-3-330.

ORDER

1. Applicant, Montana-Dakota Utilities Company is hereby granted relief on a final basis in the amount of a 14.9 cents per Mcf increase for all residential and commercial customers and a 56.9 cents per Mcf decrease for industrial customers.

2. Such relief is effective on a Final basis for services rendered on and after March 16, 1987.

3. Applicant must file its new rates in compliance with the Findings of Fact in this Final Order concerning rate design and cost of service.

4. The approval of this Final Order makes moot all matters associated with Docket No. 86.4.20.

5. The Commission determines that this is a complete filing.

DONE AND DATED this 16th day of March, 1987, by a vote of 5-0

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Commission Secretary

(SEAL)

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