

Service Date: July 29, 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)	UTILITY DIVISION
Of MONTANA-DAKOTA UTILITIES, INC.)	
For Authority To Implement The)	DOCKET NO. 87.7.33
Gas Cost Tracking Procedure To)	
Establish Decreased Rates For Gas)	INTERIM RATE ORDER
Service.)	NO. 5280
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INTERIM RATE ORDER

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FINDINGS OF FACT

1. On May 1, 1987, the Montana-Dakota Utilities Company (Company, Applicant, or MDU) filed with the Montana Public Service Commission (Commission) a request for a waiver of the filing date and the effective date of its Gas Cost Tracking Adjustment Procedure Rates 87 and 88. MDU requested this waiver until the Federal Energy Regulatory Commission (FERC) authorizes a change in MDU's wholesale gas supplier's rates under the terms of the supplier's FERC Purchased Gas Adjustment (PGA).

2. On June 1, 1987, at a regularly scheduled work session, the Commission voted to grant MDU's waiver request.

3. On July 6, 1987, 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. The filing was given Docket No. 87.7.33. In its application, the Company stated that in the event that the proposed rate changes are not

approved on a final basis by July 15, 1987, the Applicant requests that the proposed rates be approved on an interim basis, subject to refund.

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

5. The development of the Current Gas Cost Adjustment in Docket No. 87.7.33 is based on the rates of MDU's gas supplier, Williston Basin Interstate Pipeline Company (WBIP), as proposed before the FERC in its revised PGA compliance filing of July 1, 1987, and pursuant to the FERC's Order of June 1, 1987. MDU offered two approaches concerning the Unreflected Gas Cost Adjustment for the Commission's consideration in Docket No. 87.7.33.

6. The first approach reflects the method traditionally employed in gas cost tracking applications and consists of the January, 1987, unreflected gas cost balance less any projected recoveries. The remaining balance is to be amortized over the next six month period (through November 30, 1987) upon approval of WBIP's rates by the FERC. By using this approach, the change from the current tracking adjustment and from currently authorized rates is an increase of 14.8 cents per Mcf for residential and commercial customers and a reduction of 64.8 cents per Mcf for industrial customers. This adjustment would amount to approximately \$396,000 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	\$0.158	(\$0.267)
Unreflected Gas Cost Adjustment	<u>0.449</u>	<u>(0.607)</u>
Total Tracking Adjustment	\$0.607	(\$0.874)

PSC Tax Effect at .225%	\$0.609	(\$0.877)
Less: Total Tracking Adjustment - Current (Including PSC Tax)	<u>0.461</u>	<u>(0.229)</u>
Net Increase (Decrease) in Current Rates	\$0.148 =====	(\$0.648) =====

7. Although the current gas costs represents a decrease from present levels, the unreflected gas cost adjustment for residential and commercial customers more than offsets the current gas cost decrease resulting in a net increase for residential and commercial customers. MDU states in its filing that it is concerned about this increase and, to eliminate the increase for residential and commercial customers, the Company proposed an alternate calculation that will result in no rate change for residential and commercial customers. MDU proposed to recognize the current gas cost reduction of \$.031 per Mcf and to increase the unreflected gas cost adjustment by \$.031 per Mcf. The result is no rate change to customers. MDU said that this proposal will reflect the proper current gas costs for future deferral purposes and also provide a modest increase in the unreflected adjustment to speed up the amortization of the amounts remaining in the unreflected gas cost account, and thus minimizing such amounts for next fall's adjustment period. MDU anticipates more substantive reductions from WBIP in the fall tracker resulting in net decreases in rates to customers. According to MDU, this proposal will provide rate stability now and allow the anticipated decrease to be maximized during next winter. Based on the above reasoning, MDU urged the Commission to accept the alternate proposal for the residential and commercial customers. This adjustment would amount to \$0.00 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	\$0.158	(\$0.267)
Unreflected Gas Cost Adjustment	<u>0.302</u>	<u>(0.607)</u>
Total Tracking Adjustment	\$0.460	(\$0.874)
PSC Tax Effect at .225%	\$0.461	(\$0.877)
Less: Total Tracking Adjustment - Current (Including PSC Tax)	<u>0.461</u>	<u>(0.229)</u>
Net Increase (Decrease) in Current Rates	\$0.000	(\$0.648)
	=====	=====

8. Both approaches reflect the amortization of the remaining balance of the special twenty-four month amortization which was initially authorized in Docket No. 84.9.60 and extended by Docket No. 86.9.53. These calculations, when added to the Unreflected Gas Cost calculations previously described represent the total Unreflected Gas Cost Adjustment rate for this tracker period.

9. After much consideration, the Commission finds the second approach to be proper and approves that option in this Interim Order, subject to refund, to be effective following the anticipated approval by the FERC of WBIP's proposed PGA compliance filing of July 1, 1987. In making this decision, the Commission emphasizes that this Interim approval of MDU's second proposal in this gas cost tracking Docket is completely subject to FERC approval of WBIP's proposed compliance PGA filing of July 1, 1987.

10. MDU's filing in Docket No. 87.7.33 contemplates an effective date of July 15, 1987, for the proposed rate changes, but the Commission finds that proposed effective date to be improper in this Interim Order, based on the discussion in the above Finding.

The effective date of this Interim Order, therefore, will be the

date that FERC approves WBIP's proposed compliance PGA filing, if the FERC actually does approve that filing.

11. The Commission finds MDU's application to be a complete filing and defers its decision concerning MDU's request for a blanket waiver of the Commission's rules or regulations or the Company's filed tariffs that the Commission deems necessary to allow a more timely implementation of the rate changes described above.

12. A hearing in Docket No. 8.7.33 will be scheduled at a later date, and a proper public notice of that hearing will be immediately forthcoming following the determination of the hearing date.

13. The criteria by which the Commission may determine an appropriate interim adjustment in a tracking procedure are found in past Commission gas tracking orders and in the Commission's rules regarding interim relief.

14. Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

- (a) Tracking increases are to be based on historic costs and volumes (Finding of Fact No. 6, Order No. 4476);
- (b) Interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476a);
- (c) The appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines of a general rate case; furthermore, that mix should apply to both the current and unreflected portions of a tracking procedure (Finding of Fact No. 5, Order No. 4742a); and

- (d) The Company should not annualize for new sources of gas not having an actual production history within the test year (Finding of Fact No. 6, Order No. 4742a).

15. The Commission's rules regarding interim relief are contemplated to provide relief on a "make-whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things, the guidelines provide for normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

16. A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 14 have been met. Furthermore, the tracking adjustment represents nothing more than normalization and annualization of test year booked net income, and, hence, constitutes an adjustment contemplated in the Interim policy rules. Consequently, the Commission finds the Company's request for relief, as applied for under the second option in this Docket and as implemented per the Commission's above discussion concerning the effective date of the Company's proposal, to be proper on an Interim basis.

18. However, the granting of this Interim should in no way be misinterpreted to mean that any issue in the case has been decided before all the evidence has been presented and heard during the course of these proceedings.

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 may, in its discretion, temporarily approve rate changes pending a hearing or final decision, pursuant to Title 69, Chapter 3, MCA.

4. The rate levels and spread approved herein are a reasonable means of providing Interim relief to MDU. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this Order are found to be unjustified in the Final Order in this Docket.

ORDER

1. Applicant, Montana-Dakota Utilities Company, is hereby granted interim relief in the amount of 00.0 cents per Mcf for all residential and commercial customers and a decrease of 64.8 cents per Mcf for industrial customers.

2. Such relief is to become effective for services rendered on and after WBIP's proposed compliance PGA filing of July 1, 1987, is approved by the FERC, if the FERC grants such approval, and will remain in effect until such time as a final decision is reached in this matter.

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

4. The Commission determines that this is a complete filing.
DONE AND DATED this 28th day of July, 1987, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Ann Purcell
Acting Secretary

(SEAL)

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