

Service Date: November 29, 1980

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 )  
MONTANA-DAKOTA UTILITIES COMPANY, a ) UTILITY DIVISION  
Division of MDU Resources Group, )  
Inc., for Authority to Implement the ) DOCKET NO. 88.11.48  
Gas Cost Tracking Procedure to Estab- )  
lish Decreased Rates for Gas Service. ) INTERIM ORDER NO. 5380  
\_\_\_\_\_ )

INTERIM ORDER

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FINDINGS OF FACT

1. On November 1, 1988, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheet 88. The filing was given the Docket No. 88.11.48. The Company requested that the adjustment be implemented effective December 1, 1988, subject to Federal Energy Regulatory Commission (FERC)

authorization of Williston Basin Interstate Pipeline Company's (WBIP) September 30, 1988, PGA filing. (Application, p. 2)

2. In its application, MDU states that, since the Commission established MDU's present gas cost tracking adjustment level, there have been two significant actions by WBIP that have an impact on MDU's cost of gas at the town border station. This filing reflects the net effect of both of these actions. The specific actions taken by WBIP are as follows:

- a.) On June 24, 1988, WBIP filed, in Federal Energy Regulatory Commission (FERC) Docket No. RP88-197-000, to implement open access natural gas transportation services on its system pursuant to Section 311 of the Natural Gas Policy Act of 1978. On July 22, 1988, the FERC issued an Order accepting the filing subject to certain conditions. WBIP's compliance filing dated August 22, 1988, and WBIP's filing in FERC Docket No. RP88-236-000 dated August 24, 1988, resulted in FERC acceptance of rate schedules reflecting open access. WBIP commenced open access on its system on October 3, 1988. The net effect of the implementation of open access by WBIP is a reduction in its sales Rate Schedule G-1 due to the inclusion of representative transportation volumes which reflect increased system throughput, resulting in more costs being allocated to the transportation services.
- b.) On September 30, 1988, WBIP filed, in FERC Docket No. TQ89-1-49, its quarterly PGA to be effective November 1, 1988. That filing reflects a 4.663 cent per dkt decrease from the rates established as a result of open access. (Application, p. 2)

3. MDU says that, in addition to the changes in WBIP's rates, the implementation of open access allows MDU, in the first year, the opportunity to convert up to 15% of its sales contract demand requirements to firm transportation requirements and purchase the gas supply from alternate sources beginning January 1,

1989. MDU states that it has elected to purchase 15% of its annual requirements from an alternate supplier and transport the gas under WBIP's firm transportation Rate Schedule FT-1 since such option is less costly than purchasing from WBIP. (Application, p. 2)

4. MDU states in its application that all of the above described changes are incorporated in the current filing. MDU, therefore, requests that the Commission allow the pass-through of this tracking change which reflects the net effect of the above described changes under the terms of MDU's Rate 88. (Application, p. 2)

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

6. MDU proposes net decreases over the current tracking adjustment in the amounts of 24.8 cents per dkt for residential and commercial customers and .1 cents per dkt for industrial customers, or approximately \$1,688,000 during the proposed effective period until May 31, 1989. These proposed decreases are calculated in the following table:

Residential and	Industrial
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	<u>Commercial</u>	Customers
Current Gas Cost Adjustment	(\$0.246)	(\$0.775)
Unreflected Gas Cost Adjustment	<u>(0.022)</u>	<u>0.000</u>
Total Tracking Adjustment	(\$0.268)	(\$0.775)
PSC Tax Effect at .3%	(\$0.269)	(\$0.777)
Less: Total Tracking Adjustment - Current (Including PSC Tax)	<u>(0.021)</u>	<u>(0.776)</u>
Net Increase (Decrease) in Current Rates	(\$0.248)	(\$0.001)
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7. MDU requests that this filing be accepted as being in full compliance with the filing requirements of the Commission. At September 30, 1988, MDU had 59,779 customers in Montana whose cost of service would be affected by this adjustment. (Application, p. 4)

8. MDU also requested in this filing that the Commission expressly waive the information requirements of ARM 38.5.101 through 38.5.180 inclusive, and grant any additional waivers or approvals deemed necessary to allow the timely implementation of the rates applied for in this filing.

Commission Analysis

9. Although MDU did not request interim relief in this Docket, the Commission believes that this Interim Order is the proper approach in processing this filing to allow for the re-

requested rate changes to go into effect on a timely basis, while also allowing full examination of the case by all interested parties through a discovery and hearing procedure, if such is determined appropriate. A Final Order in this Docket, therefore, will reflect the Commission's analysis of the record in this case and any actions taken by the FERC that would affect the rates approved in this Interim Order.

10. Based on the above discussion, the Commission finds that approval of MDU's requested rate changes as filed is proper in this Interim Order, subject to the FERC's authorization of WBIP's September 30, 1988, PGA filing. A hearing date will be set so that matters such as related actions by the FERC and MDU's alternate gas suppliers can be fully explored.

11. MDU's filing contemplates an effective date of December 1, 1988, for the proposed rate decreases, and the Commission agrees with that proposed effective date on a services rendered basis, but on an interim basis as discussed above.

12. In granting this interim approval, the Commission stresses that the calculations and methodologies approved in this Interim Order will be closely scrutinized and, depending on the

record in this proceeding, may be modified or disallowed in the Final Order.

13. Concerning a hearing in this proceeding, the Commission will issue a Proposed Procedural Order, and, if no objections to that proposed procedural schedule are received, the Commission will approve the Proposed Procedural Order as final.

14. The Commission finds MDU's application to be a complete filing and defers its decision until the Final Order in this proceeding concerning MDU's request for a blanket waiver of the Commission's rules, regulations, etc.

15. 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.

16. 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).

17. 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.

18. A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 16 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 in this Docket to be proper in this Interim Order.

19. However, the granting of this interim relief should in no way be misinterpreted to mean that any issue in this 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, provides 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 Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, that the Commission may, in its discretion, temporarily approve rate changes pending a hearing or final decision.

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 Interim Order are found to be unjustified in the Final Order in this Docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant, Montana-Dakota Utilities Company, is hereby granted interim relief in the amount of 24.8 cents per dkt reduction for all residential and commercial customers and a decrease of 0.1 cents per dkt for industrial customers.

2. Such relief is to become effective for services rendered on and after December 1, 1988, subject to the FERC's authorization of WBIP's September 30, 1988, PGA filing.

3. Applicant must file its new rates in compliance with the Findings of Fact in this Interim Order.

4. Interim revenues granted herein are subject to rebate should the Final Order in this docket determine that a lower revenue level is warranted. Such a rebate would include interest at the rate of the Applicant's last granted return on common equity.

5. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

6. The Commission accepts, for interim purposes, MDU's request that this is a complete filing and is in full compliance with the filing requirements of the Commission, and the Commission reserves final ruling on this request until a Final Order is issued.

DONE IN OPEN SESSION at Helena, Montana, this 28th day of November, 1988, by a 4 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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DANNY OBERG, Commissioner

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Carol A. Frasier  
Commission 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.