

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 TREASURE STATE PIPELINE COMPANY) DOCKET NO. 90.10.69
for Authority to Increase Rates) INTERIM ORDER NO. 5512
and Charges for Natural Gas)
Service.)
_____)

FINDINGS OF FACT

1. On October 16, 1990, Treasure State Pipeline Company (Applicant, TSP, Company) filed an application seeking authority to increase rates for natural gas service. The application sought authority to increase rates in order to reflect higher purchased gas costs due to the removal of J. R. Bacon Drilling as a source of supply. According to TSP, J. R. Bacon Drilling cannot supply the agreed upon 65% system needs of TSP. As a result, TSP proposed to resume purchasing 100% of its system needs from the Montana Power Company. TSP proposed to increase their rate for natural gas from \$5.8275 per Mcf to \$6.9476 per Mcf.

2. On November 13, 1990, the Commission received a letter from Greg Holt asking that the rate increases for TSP and Consumers Gas Company be put on hold until an evaluation could be made as to improvements in gas deliveries from J. R. Bacon Drilling.

3. On December 11, 1990, TSP filed an amended application in Docket No. 90.10.69. In the amended application, J. R. Bacon Drilling is included in the gas mix at 50% rather than the previous 65% referred to above. Thus, on a prospective basis TSP system needs will be met 50% by J. R. Bacon Drilling and 50% by Montana Power Company. As a result of the amendment TSP is proposing to increase their rate for natural gas from \$5.89 per Mcf to \$6.134 per Mcf.

4. TSP included a loss factor of 18.5% in the application. The Commission staff asked for information on more recent loss

experience. TSP provided the following information regarding recent loss factors:

1987	4.27%
1989	5.43%
Two year average	4.85%

The Commission finds that the difference between the proposed 18.5% loss factor and the recent loss factors is of such a magnitude that setting rates using the 18.5% would result in rates which are not just and reasonable. The Commission finds that the use of the two year average of 4.85% is appropriate for setting rates. Also, the Commission finds that the TSP is to be commended for working to reduce the loss factor and encourages TSP to strive to achieve an even lower loss factor in the future.

CONCLUSIONS OF LAW

1. Applicant 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. Section 69-3-304, MCA, provides in part, "The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision."
4. The rate levels and spread approved herein are reasonable.

ORDER

1. Applicant is hereby granted an increase to \$6.106 per Mcf on an interim basis, reflecting the Findings of Fact in this Order.
2. Such increase is to become effective upon approval of the new tariff, and remain in effect until such time as a final decision is reached in this matter.
3. If the final decision of the Commission is to disapprove all or part of the increase granted on an interim basis, the Commission will order a rebate thereof with interest at 12 percent to all customers.
4. The nine month deadline for a final decision in this Docket begins from the date of the amended application which is December 11, 1990.

DONE IN OPEN SESSION at Helena, Montana, this 17th day of

December, 1990, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

ATTEST:

Ann Peck
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.