

Service Date: June 1, 1990

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

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IN THE MATTER of the Request of)	
MONTANA-DAKOTA UTILITIES CO. to)	UTILITY DIVISION
Tariff New Service Entitled)	DOCKET NO. 90.3.21
Special Interruptible Trans-)	ORDER NO. 5475
portation Service, Rate 80.)	
_____)	

INTRODUCTION

On March 27, 1990, Montana-Dakota Utilities Co. (MDU), a Division of Montana-Dakota Utilities Resources Group, Inc., filed an application with the Montana Public Service Commission (MPSC or Commission) for approval of a new service entitled Special Interruptible Transportation Service, Rate 80.

MDU proposes this new gas transportation service to enhance its ability to compete in the open market for electricity sales in the Mid-Continent Area Power Pool (MAPP). MDU states that service taken under this tariff will be used as an alternate fuel source in lieu of more expensive fuel oil, for the generation of electricity at peak times from the MDU's combustion turbine generating units located at Miles City and Glendive, Montana.

MDU asserts that, with the use of transportation gas as a substitute for fuel oil, it may maximize its potential ability to

sell electric peaking capacity and energy from these two units to other utilities in MAPP and cut costs to its native electricity customers. To the extent that it is able to sell power from these units to MAPP utilities, MDU asserts electricity customers may benefit since all profits from such sales are accounted for as an above the line cost of service credit for electric utility ratemaking; also, in the event that these generating units are used to provide service to native sales customers, MDU holds all electricity customers will benefit since the use of expensive fuel oil will be avoided, resulting in lower cost electricity. MDU estimates, with the approval of this tariff, that it can potentially achieve benefits for its electricity customers of about \$50,000 per year, consisting of about \$40,000 in additional revenues from sales to MAPP and \$10,000 in reduced generation costs related to sales to its native customers.

MDU asserts that implementation and approval of the proposed gas transportation rate will provide a benefit to the Company's natural gas customers in that it will improve system utilization thereby allowing fixed costs to be spread over larger volumes. MDU estimates that its gas customers, with the implementation of the proposed rate, will receive benefits ranging from \$39,000 to \$85,000, depending, of course, upon the level of electricity sales made from the two combustion turbines.

MDU states that it will compute the gas transportation charge applicable to this service in accordance with a formula

provided in an attachment to the filing. Because sales to MAPP are literally made on an hour by hour basis, and since the gas transportation charge is an integral part of the ultimate electricity sale price, MDU asserts the gas transportation charge must, of necessity, have the same pricing flexibility. The proposed tariff provides that "The transportation charges, hereunder, may be flexed by individual transaction on an hourly basis" (emphasis added). MDU states the actual gas transportation charge will be determined by the market for electricity sales, but in no event will it fall below the floor price of 10.14/dk or exceed the ceiling rate of 564/dk.

MDU asserts that the rates and minimum monthly revenue contribution set forth in the proposed tariff are identical to those under the present Transportation Service Rate 81, and that all general terms and conditions of service as presently stated in MDU's Rates 81, 82 and 84 are also applicable to this tariff. In addition thereto, the proposed tariff provides that gas transported under the proposed tariff shall not be considered system supply gas as defined in Rate 88. This provision is required since gas transported under this tariff will be obtained from third parties, delivered on an interruptible basis and not be available for general system supply.

MDU requested the Commission to take action on this proposed tariff so that it may be effective within 30 days, and if a final decision is not possible in 30 days, MDU requested interim

approval to allow the maximum opportunity to achieve the benefits outlined herein by having this tariff in place in the immediate future.

On April 20, 1990, pursuant to Article II, Section 8 and 9 of the Montana Constitution, and 69-3-303, MCA, the Commission issued a notice of opportunity for hearing. Persons could also have protested the application without requesting a hearing, but a protest not accompanied by a request for hearing would not have entitled the protestant to a hearing.

Koch Hydrocarbon Company (KHC), a division of Koch Industries, Inc., filed a Notice protesting MDU's request. The substance of KHC's protest follows.

KHC holds MDU's application differs from most such requests in that it involves a rate to be charged to itself rather than a rate to be charged to third parties. The rate MDU charges itself for the services at issue affects other MDU customers because the amount MDU pays affects total system revenue and therefore affects rates charged other customers. KHC holds it is affected by MDU's actions because it acts as an agent for Western Sugar, a customer of MDU, when making nominations of gas to be sent to Western Sugar's facilities. The amount end users pay to distribution companies directly affects the amount end users are willing to pay

suppliers for the gas they buy. Thus, KHC holds it has a definite interest in making sure that the rate MDU charges itself is fair and equitable. KHC also stated MDU's application lacked any indications that MDU would make available to interested parties the specific numbers it will use in its proposed formula to determine how much it should charge itself.

Because MDU's application involves an instance of a utility buying from and selling to itself, KHC requests that each time MDU establishes a new rate to charge itself under Rate 80, it immediately notify all customers and parties that have protested in this proceeding, of the values used for the variables set forth in its proposed formula which was attached to its application.

FINDINGS OF FACT

Except as may be otherwise provided in the Conclusions of Law or Order, the statements, proposals, and assertions of MDU set forth in Introduction paragraphs numbered 2 through 6, above, are adopted as Findings of Fact.

Except as may be otherwise provided in the Conclusions of Law or Order, the statements, proposals, and assertions of KHC set forth in Introduction paragraph numbered 10, above, are adopted as Findings of Fact.

CONCLUSIONS OF LAW

The Montana Public Service Commission has jurisdiction over this matter pursuant to Title 69, chapter 3, MCA, as MDU is a public utility under section 69-3-101, MCA, and its Application involves rates, tolls, and charges as provided in sections 69-3-301 and 69-3-302, MCA.

The application, notice, protest, and final order procedure contained in the record and summarized, in part, in Introduction paragraphs 1, 7, 8, and 9, above, have been proper and in accordance with the Montana Constitution and Title 69, chapter 3, and Title 2, chapter 4 (MAPA), MCA, and the administrative rules of the MPSC.

The application of MDU may be approved and granted, as it does not contain rates, tolls, charges, schedules, or joint rates found to be unjust, unreasonable, or unjustly discriminatory or preferential or otherwise in violation of law, pursuant to Section 39-3-330, MCA.

The protest of KHC may be approved and granted, in part, but the granting of the relief requested by KHC in Introduction paragraph numbered 11, above, would constitute an unreasonable burden on MDU.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:
MDU's Application for new service entitled Special Interruptible Transportation Service, Rate 80, is approved by the MPSC.

MDU shall maintain adequate records of implementation, exercise, and application of the Special Interruptible Transportation Service, Rate 80.

MDU shall provide, on a monthly basis, a written statement reflecting the low, high, and average transportation charge assessed under the Special Interruptible Transportation Service, Rate 80, to:

Montana Public Service Commission
2701 Prospect Avenue
Helena, MT 59620

Montana Consumer Counsel
34 W. Sixth Ave.
Helena, MT 59620

Koch Hydrocarbon Company
4111 East 37th St. No.
Wichita, KS 67220

This order shall be effective for gas transportation services rendered on and after Friday, June 1, 1990.

DONE and DATED at Helena, Montana this 1st day of June, 1990,
by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, 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.