Service Date: May 24, 1991

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 CO. for Approval of New Interruptible Gas Service Extension Policy Rate 119 and Revision of Gas Extension Policy Rate 120 and Transportation Service Rates 81, 82, and 84	UTILITY DIVISION DOCKET NO. 91.2.8 INTERIM ORDER NO. 5558

INTERIM ORDER

INTRODUCTION

1. On February 14, 1991, The Public Service Commission (PSC) received a letter from Montana Dakota Utilities (MDU) in which the Company requested that the Commission approve a new rate entitled Interruptible Gas Service Extension Policy Rate 119 and allow revisions to the current Gas Service Extension Policy Rate 120. A revision to General Term and Condition No. 12 of the consolidated Transportation Rates 81, 82, and 84 was also requested in order to account for the introduction of the new Rate 119.

2. On March 6, 1991, meeting was held at the Commission's Offices in Helena, Montana. At this meeting the Commission voted unanimously to issue a Notice of Opportunity for Public Hearing. This allowed any interested party having proper standing twenty days to ask the Commission for a Public Hearing on this matter.

3. The filing was assigned Docket No. 91.2.8 and on March 11, 1991, a copy of a Notice of Opportunity for Public Hearing was served on all parties listed on the Commission's most recent service list, created March 11, 1991.

4. The Commission did not receive a request for a Public Hearing. However, on March 15, 1991, the Commission Staff sent Discovery regarding this filing to MDU on behalf of the

Commission. Responses to these requests were received on April 12, 1991.

RATE 119

5. MDU proposed to create a new rate termed Interruptible Gas Service Extension Policy Rate 119. As the title implies, this new rate would apply to all interruptible customers. Currently interruptible sales customers are treated under Rate 120 while interruptible transportation customers are treated under General Term and Condition (GT&C) No. 12 of the Transportation Rates 81, 82 and 84 tariff.

6. To account for the creation of this new rate, the line extension language in GT&C No. 12 was eliminated except to say that line extensions required for transportation customers will be dealt with according to the applicable line extension rate (119 or 120).

7. Under Rate 119, a customer desiring a line extension would be required to make a contribution to the Company, prior to construction of the extension, in the amount of the estimated total cost of constructing the extension. MDU stated in response to PSC-8(a) that the Company must request an up-front contribution from interruptible customers because these customers have the ability to use alternative fuels and, therefore, involve a higher risk. Another feature of Rate 119 allows for the customer to receive a refund of the original contribution if, within five years of the extension's in-service date, the accumulated sum of the customer's contribution and actual margin paid to the Company exceeds the present value of the customer's contribution.

PROPOSED RATE 120

8. The current Rate 120 would be revised to apply only to firm customers. The Company proposes to title the revised rate Firm Gas Service Extension Policy Rate 120. Under this rate, the Company would construct an extension without a customer contribution if the estimated capital expenditure (estimated construction cost) is determined to be cost justified. This determination is be made by comparing the estimated capital expenditure to the Maximum Allowable Investment. If what the Company calculates to be the Maximum Allowable Investment is

greater than or equals the estimated capital expenditure, the extension is considered cost justified. Maximum Allowable Investment is calculated using the following formula:

Annual Base Rate + [project est. 3rd yr annual Dk x unit margin]
Levelized annual revenue requirement factor

DECISION

1. The Levelized Annual Revenue Requirement Factor is a carrying charge. The Commission has some concern regarding this component of the formula. In the past the Commission has consistently required the use of real carrying charges; however, MDU calculated this component in nominal terms. Because of this, and also because the Commission would like to address the issue of line extension policies in a formal rate case, this filing is approved on an interim basis. The Company must address the investigation into the appropriate cost basis of line extension rates in its forthcoming Cost of Service Study to be filed before January 1, 1992, pursuant to Order 5490a.

ORDER

NOW THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The application of Montana Dakota Utilities Co. in Docket No. 91.2.8 is approved on an interim basis. The Company shall include a complete examination of the matters presented in this docket in a Cost of Service study to be filed prior to January 1, 1992.

DONE IN OPEN SESSION at Helena, Montana, this 2nd day of May, 1991 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

BOB ANDERSON, 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 10 days. See 38.2.4806, ARM.