

MASTER FILE 71F
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Service Date: September 10, 1992

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

* * * * *

IN THE MATTER of the Application)	
of GREAT FALLS GAS COMPANY)	UTILITY DIVISION
for Authority to Decrease Rates)	DOCKET NO. 92.8.38
Pursuant to its Gas Tracking)	INTERIM ORDER NO. 5644
Mechanism.)	
)	

FINDINGS OF FACT

1. On August 4, 1992, GFG (Applicant, GFG, Company), filed an application to decrease rates for natural gas service by \$1,085,940 pursuant to the Gas Cost Tracking Mechanism (Gas Tracker) approved by the Commission in Docket No. 90.3.20, Order No. 5539c. Included in the filing were fixed transportation and storage costs. GFG chose to model its tracking adjustment after the methodology used by MDU in its gas cost tracking adjustment procedure (Rate 88).

2. GFG proposed to spread the decrease in gas costs among its customers in accordance with the stipulation presented to the Commission in Docket No. 90.3.20. (See Finding of Fact No. 64, Order No. 5539c.) At the time Order No. 5539c was issued, it was projected that during the first year of open access on the Montana Power Company (MPC) system by GFG, only the stipulated reduction to Montana Refining and a portion of the stipulated reduction to Malmstrom Air Force Base (MAFB) would occur.

Savings to all other customer classes were expected to occur in years two and three. In Docket No. 90.3.20 the total estimated savings for all other customer classes over the three years of the phase-in was projected to equal \$383,321. Of this, \$80,996 was to take place in year 2 of the phase-in.

3. Actual savings were far beyond what was expected at the time of the issuance of Order No. 5539c. In its original filing in this Docket, GFG included a reduction to all other customer classes of \$637,754.

4. The tracker is designed to reflect changes in gas costs over a twelve month period. With the start up of transportation on the MPC system, GFG's first tracker extends from November 1, 1991, through March 31, 1993. Thus, this first tracker filing by GFG covers 17 months.

5. The gas tracker filed in this Docket does not include the cost of gas purchased and put into storage, nor storage injection fees, nor storage holding charges. The Company explained that until this gas is delivered to its city gate for customer use, the associated costs are not included in the tracker.

6. GFG complied with the Commission's directive in Order No. 5539c, which required the Company to show that the prices paid for the purchased gas were the lowest attainable. Mr. Mann filed testimony which explained the various components of gas purchases reflected in this tracker. During the period covered by this tracker, GFG is required to purchase a portion of its gas

supply from MPC's Firm Utility Gas Contract (FUGC) tariff. Additionally, the Company was assigned three Montana producer contracts. In November and December, cold weather allowed GFG to purchase gas on the open market at \$1.01 per mmbtu. Beginning November, 1992, GFG will take firm deliveries on gas delivered to MPC at Carway on the Canadian border. This gas is included in the tracker at an average cost of \$1.68 per mmbtu. Mr. Mann stated that GFG believes: "these gas purchases will reflect the lowest available prices for our customers while maintaining our standards for reliability."

7. During its review of the tracker the Commission staff requested further information from GFG on the status of the three Montana producers which were assigned to the Company. One contract was settled in May, 1992, for \$1.867 per mmbtu. This rate was effective starting January 1, 1992, for that producer. The other two producers were included in the tracker at a rate of \$2.063 per mmbtu. Based on more current information, GFG agreed that a rate of \$1.867 per mmbtu for the two remaining producers should be reflected beginning in June, 1992.

8. On August 18, 1992, GFG filed new worksheets which reflected the lower gas costs discussed above. This revision resulted in a decrease in gas cost of \$1,266,560. Compared to the original filing, the revised decrease is \$180,620 larger. As a result of this change, the decrease to all other customer classes grew to \$818,374 (\$637,754 + \$180,620).

9. In Order No. 5539c, the Commission found that transportation and storage costs should not be included in GFG's gas tracking mechanism. Instead, when a material change in those costs is known and measurable, the Company was free to make application with the Commission for timely reflection of the change in its rates. As noted above, GFG included transportation and storage costs in its tracker filing. On further reflection, the Commission agrees that transportation and storage costs shall be included in GFG's tracker filings until the three year phase-in of open access on MPC's system is complete. After that, these expenses will be known with certainty and any changes in these expenses will properly be reflected in general rate cases.

CONCLUSIONS OF LAW

1. Great Falls Gas offers regulated natural gas service in the state of Montana and is a public utility under MCA Section 69-3-102, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over Great Falls Gas Company'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 pending a hearing and final decision."

4. The rates approved herein are a reasonable means of providing interim relief to Great Falls Gas. The rebate provisions of Section 69-3-304, MCA, protect ratepayers until there is a Final Order in this Docket.

ORDER

1. Great Falls Gas is hereby authorized to decrease rates for natural gas service by \$1,266,560.

2. Great Falls Gas shall reduce rates to Malmstrom Air Force Base by \$448,186.

3. Great Falls Gas shall reduce rates to all other customer classes excluding Montana Refining Company by \$818,374. This shall be accomplished by a reduction of \$0.2067 per Mcf (\$818,374/3,959,045 Mcf).

4. Great Falls Gas must file tariffs in compliance with the Findings of Fact in this Interim Order.

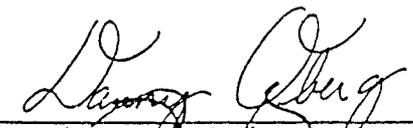
5. Nothing in this Interim Order precludes the Commission from adopting in its Final Order, after reviewing the entire record in this Docket, a revenue requirement different from that contained in this Interim Order.

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

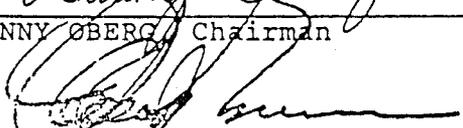
7. Rates which implement the decrease approved in this Interim Order will be effective for meters read on and after September 1, 1992.

DONE IN OPEN SESSION at Helena, Montana, this 31st day of August, 1992, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION



DANNY OBERG, Chairman



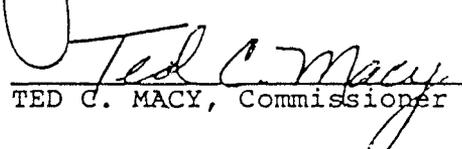
WALLACE W. "WALLY" MERCER, Vice Chairman



BOB ANDERSON, Commissioner



JOHN B. DRISCOLL, Commissioner



TED C. MACY, Commissioner

ATTEST:



Ann Purcell
Acting 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.