

Service Date: October 15, 2004

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

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IN THE MATTER OF ENERGY WEST)	UTILITY DIVISION
MONTANA, Application for Approval of)	
Increased Rate for Natural Gas Service in the)	DOCKET NO. D2004.3.46
Great Falls Area)	ORDER NO. 6603a
)	
)	

STIPULATED INTERIM ORDER

Background

On March 26, 2004, Energy West Montana – Great Falls (EWM-GF) filed a general rate application for approval of rate schedules that would result in, under normal weather conditions, increased revenues of \$1,124,996.

Along with the application was an application for Interim Relief in the amount of \$1,124,996, and a Motion for Waiver of minimum filing requirements for rate design.

Findings of Fact

On September 29, 2004, the Montana Consumer Counsel (MCC) and EWM-GF reached a stipulated agreement (Attached) for an increase in revenues of \$536,209. This results in a uniform percentage increase of 8%. Residential customer charges will increase to \$6.58 from the present \$6.09. The first block volumetric rate increased to \$0.11850/ccf and the second block volumetric rate will increase to \$0.08559/ccf. Depending on gas costs the total average impact to residential customers is expected to be an increase of 1.99% or \$13.69.

MCC and EWM-GF agreed upon a 57.65% / 42.35% debt to equity structure. Debt cost was agreed to be 8.2% and equity costs were agreed to be 10.27%. This is an overall Return on Rate Base of 9.08%.

The parties agree that for purposes of the interim approval the rates will be adjusted on a uniform basis, including both customer charge and non-gas commodity rates, and there will be

no increase allocated to the Negotiated Contract Customers. Those customers include Malmstrom Air Force Base and Montana Refining Company.

CONCLUSIONS OF LAW

EWM-GF provides natural gas service within the State of Montana and as such is a “public utility” within the meaning of § 69-3-101, MCA.

The Montana Public Service Commission properly exercises jurisdiction over the EWM-GF rates and operations pursuant to Title 69, Chapter 3, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

EWM-GF is authorized to increase rates on an annual basis by \$536,209.

EWM-GF shall adhere to and abide by all Findings of Fact in this Order. All rate schedules shall comply with all determinations set forth in this Order.

EWM-GF shall file tariffs reflecting the implementation of the Stipulation and Agreement effective for service on and after November 1, 2004.

DONE IN OPEN SESSION at Helena, Montana on this 14th day of October, 2004, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ROWE, Chairman

THOMAS J. SCHNEIDER, Vice Chairman

MATT BRAINARD, Commissioner

GREG JERGESON, Commissioner

JAY STOVALL, Commissioner

ATTEST:

Connie Jones
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

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

* * * * *

IN THE MATTER OF THE APPLICATION)
OF ENERGY WEST MONTANA, for Authority) UTILITY DIVISION
to Increase Rates for Natural Gas Service in)
and around Great Falls, Montana) Docket No. D2004.3.46
)

STIPULATION AND AGREEMENT

This matter is before the Public Service Commission of Montana, hereinafter referred to as the Commission, upon application of Energy West Montana, hereinafter referred to as Energy West or the Company, for authority to increase rates to customers in the areas in and around Great Falls, Montana receiving service from Energy West. The parties of record in the above-captioned matter include Energy West and the Montana Consumer Counsel, hereinafter referred to as the MCC. Energy West and the MCC, collectively referred to as the Parties, desire to settle all outstanding issues in these proceedings related to revenue requirements (specifically excluding resolution of rate design issues, which remain at issue) and to stipulate to a comprehensive resolution of all such revenue requirement issues.

NOW THEREFORE, the Parties hereby stipulate and agree, subject to and with the approval of the Commission, to the following:

1. Based upon examination of all aspects of this matter, in this Stipulation and Agreement, the Parties agree that this Stipulation and Agreement is fair and reasonable and respectfully submit to the Commission that it is in the public interest.
2. The MCC has evaluated the revenues, expenses, investments and other financial information related to the application of Energy West and have discussed their respective positions and have reached the following settlement.
3. The parties hereby stipulate and agree that the rates in Energy West Montana should be adjusted in order to recover properly incurred costs and to permit an opportunity for Energy West to earn a return on its investment. The amount of the adjustment agreed to in this stipulation is \$536,209, which is derived from an agreed upon cost of service revenue (gross margin) amount of \$7,878,074).
4. The parties have also agreed that the cost of capital for purposes of establishing rates for customers in Energy West Montana should be as follows:

	%	Cost	Weighted Cost
Long Term Debt	57.65%	8.2%	4.73%
Common Equity	42.35%	10.27%	4.35%
Return on Rate Base			9.08%

5. The parties agree further that the Company has, for purposes of settlement, excluded from rate base all natural gas inventory which has traditionally been included in rate base and, further, the parties agree that a carrying costs equivalent to the Company's weighted cost of capital (9.08% as stated above, in paragraph 4 hereof) should be recovered by the Company as part of its monthly and annual natural gas tracking mechanism.
6. The parties also agree that for purposes of recovering its revenue requirement that any interim approval of the rates agreed to herein shall be adjusted on a uniform basis (both customer charge and non-gas commodity rates), with the exception that no increase shall be allocated to the Negotiated Contract customers which includes Malmstrom Air Force Base and Montana Refining Company.
7. The Parties agree that this stipulation should become effective as soon after approval by the Commission as is reasonably practical.
8. The Parties agree that the recovery of property taxes which were permitted for recovery as a result of Order No. 6556a is \$2,206,952 and that a regulatory asset has been established on the books of account of the Company and that this asset is being recovered in rates as a result of Order No. 6556a, which will permit elimination of the asset over a period of ten years beginning January 1, 2004. The parties agree that the annual amount of property taxes not included for recovery in Order No. 6556a due to the Commission's interpretation of MCA 69.3.308 is \$303,000. The parties agree that recovery of that amount is included in the rate increase of \$536,209 contained in paragraph 3 of this stipulation. The parties also agree that the amounts being recovered as property taxes and which are properly deferred under FASB 71 will result in an additional regulatory asset on the Company books of account and that this additional regulatory asset will be amortized over ten years beginning with the implementation of rates resulting from this stipulation.
9. The execution of this Stipulation and Agreement shall not be deemed to constitute an acknowledgment of any party hereto of the validity of any particular theory or ratemaking principle. Furthermore, no party hereafter shall be deemed to be bound by any position asserted by any other party, and no finding of fact or conclusion of law, other than those stated herein, shall be deemed to be implicit in this Stipulation and Agreement.
10. The entry of an Order approving this Stipulation and Agreement shall not be deemed to work any estoppel upon the Parties or the Commission, or otherwise establish, or create any limitation on or precedent of the Commission.

11. This Stipulation and Agreement shall not become effective and shall be of no force and effect until accepted and approved by the Commission as to all of its terms and conditions. If this Stipulation and Agreement is not approved, in its entirety or, if approved with conditions that are not acceptable to any party, any party shall, at its option, have the right to withdraw from this Stipulation with all rights preserved.
12. The parties hereto state that reaching agreement, as set forth herein by means of a negotiated settlement rather than through a formal adversarial process, is in the public interest and that the compromises and settlements set forth in this Stipulation and Agreement are in the public interest.
13. This Stipulation and Agreement may be executed in one or more counterparts and each counterpart shall have the same force and effect as an original document and as if all the Parties had signed the same document. Any signature page of this Stipulation and Agreement may be detached from any counterpart of this Stipulation and Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counter part of the Stipulation and Agreement identical in form hereto but having attached to it one or more signature page(s).

IN WITNESS WHEREOF, the Parties hereto have executed this Stipulation and Agreement as of September 27, 2004.

Energy West Montana

Montana Consumer Counsel

By:



John C. Allen
Energy West Montana

By:



Attorney
Montana Consumer Counsel