

Service Date: March 31, 2006

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

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IN THE MATTER OF CUT BANK GAS	)	UTILITY DIVISION
COMPANY Application for General Rate	)	
Increase	)	DOCKET NO. D2006.2.15
	)	ORDER NO. 6720b

**INTERIM ORDER**

**History**

1. On February 6, 2006, Cut Bank Gas Company (CBG) filed for increased rates for natural gas service in its customer service area. In its application, CBG requested interim rate relief in the amount of \$155,615.00 to be collected from customers by decreasing the commodity cost of natural gas by \$0.1575 and an increase in the monthly service charge to \$18.02 from its present \$7.55.

2. On March 21, 2006, the Montana Public Service Commission (Commission) determined that interim rate relief in the amount of \$77,807.50 as a uniform percentage increase effective for service on or after March 22, 2001 was appropriate.

3. On March 27, 2006, CBG filed a Motion for Reconsideration of the interim order requesting the Commission reconsider its Interim Order citing the dire financial condition of CBG. In its motion, CBG requested interim rate relief of \$155,615.00 and that to be collected as customer service charges.

**Discussion**

4. CBG in its motion raised the specter of impending bankruptcy if not granted immediate interim relief in the amount requested. It also commented that even assuming that CBG can afford to conduct its annual leak survey and the annual cathodic protection survey, CBG has exhausted its entire inventory, pipes and apparatuses to do the necessary line

replacements after the surveys are completed. CBG contends that this will result in a potentially dangerous unsafe operation.

5. CBG outlines several other areas that are of great concern. Those include being unable to contribute to the employee profit sharing plan, unable to increase wages, unable to send employees to operational and safety conferences, operating vehicles between 10 and 50 years old, increased insurance premiums, not declaring a dividend to its shareholders, and exhausting its borrowing capacity.

6. The safety issues and cash flow problems are of immediate concern to the Commission and are taken seriously. CBG has not declared a dividend to its stockholders for 2006.

7. The Commission does not take the request for this significant rate increase lightly. The Commission has serious questions about the ongoing financial and management capability of CBG to fulfill its responsibilities as a public utility and will consider an on-site joint audit with the Montana Consumer Counsel in advance of the testimony and public hearing.

### **Findings of Fact**

8. The Commission is extremely hesitant in this departure from customary interim rate relief processes. It has serious concerns about granting an interim before intervenor testimony is filed and granting a major change in the rate design (all on customer charge) in an interim especially prior to receiving any intervenor testimony.

9. However, given the alleged imminent bankruptcy of the company, and the heating season drawing to a close, to collect rate relief through a uniform percentage increase would only allow a portion of the revenues that are alleged to be needed to be collected. The extreme departure from the normal uniform percentage increase of normal interim rate relief appears to be warranted in this case. It must be noted that to allocate the increase for interim rate relief to the customer charge is an exception and not to be construed as a policy shift of the Commission.

10. Consumer protection is assured against any rates that are found to be excessive or unjustified in the Commission's final decision since the interim rate increase is subject to rebate with interest to the consumers on the same basis (customer charge).

### CONCLUSIONS OF LAW

1. Cut Bank Gas Company provides natural gas service within the State of Montana and as such is a “public utility” within the meaning of § 69-3-101, MCA.
2. The Montana Public Service Commission properly exercises jurisdiction over the CBG’s rates and operations pursuant to Title 69, Chapter 3, MCA.
3. The Commission may at its discretion, within the scope of § 69-3-304, MCA, make temporary approvals of requests pending a hearing or final decision.
4. The rate levels and spread approved in this Order are a reasonable means of providing emergency interim relief to MPC. The rebate provisions of § 69-3-304, MCA, protect ratepayers until there is a final Order in this Docket.

### ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. CBG shall implement, on an interim basis, rates to reflect a revenue increase of \$155,615.00. This will be an increase in Customer Charge from \$7.55 to \$18.02 and a decrease in Commodity Charge from \$7.80 per MCF to \$7.65 per MCF.
  3. CBG shall adhere to and abide by all Findings of Fact in this Interim Order. All rate schedules shall comply with all determinations set forth in this Interim Order.
  4. CBG must file tariffs in compliance with the Findings of Fact in this Interim Order.
  5. Nothing in this Order precludes the Commission from adopting in its Final Order a revenue requirement or rate design different from that contained in this Interim Order.
  6. Any interest associated with a refund that might result from the final revenue increase granted in this Order will be computed at the present approved return on equity of 11% established in Docket D2000.11.85
  7. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Order.
  8. This Interim Order is effective for service on and after April 1, 2006.
- DONE IN OPEN SESSION at Helena, Montana on this 27<sup>th</sup> day of March, 2006, by a 4 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GREG JERGESON, Chairman

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DOUG MOOD, Commissioner

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BOB RANEY, Commissioner

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THOMAS J. SCHNEIDER, 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.