

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

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IN THE MATTER OF NORTHWESTERN)	REGULATORY DIVISION
ENERGY, Annual Application for Approval of)	
Unreflected Gas Cost Account Balance, Projected)	DOCKET NO. D2011.5.36
Gas Cost and Gas Transportation Adjustment)	ORDER NO. 7152b

FINAL ORDER

FINDINGS OF FACT

1. On May 31, 2011, NorthWestern Energy (NWE) filed an application before the Montana Public Service Commission (PSC) for approval of a natural gas rate change that: a) reflects rate treatment for the balance in Unreflected Gas Cost for the 12-month period ending June 30, 2011; b) reflects rate treatment for amortization of the Gas Transportation Adjustment Clause (GTAC) Balance as of April 30, 2011; c) extinguishes the unit amortizations in the current rate schedules, approved in Order No. 7089a from Docket D2010.5.49; and d) reflects the projected load, supply and related natural gas costs for the 12-month tracker period July 1, 2011, through June 30, 2012. NWE also requests approval to continue to collect the cost of its interest in Battle Creek natural gas field (Battle Creek) on an interim basis as part of future tracker filings until a Battle Creek revenue requirement filing is processed by the PSC.
2. NWE requested an interim change in rates effective July 1, 2011, pending a final decision on this application. On June 16, 2011, the Commission issued Interim Order 7152, which granted NWE's interim request.
3. Except for the production from its interest in Battle Creek, NWE purchases wholesale natural gas from producers and passes the cost directly to consumers without mark-up. NWE annually estimates how much it will cost to purchase natural gas for the upcoming annual tracker period, and this estimate is updated each month within the tracking period. At the same time,

this difference between revenue resulting from the estimated natural gas cost and the actual gas cost for the prior tracker period is calculated.

4. NWE projects the natural gas price for the 12-month period starting July 1, 2011, to be \$5.1354 per dekatherm (dkt) as compared with the 12-month period starting July 1, 2010, of \$5.6916 per dkt.

5. NWE requests approval to extinguish the current Unreflected Gas Cost Account (UGCA) Balance Amortization approved in Order No. 7089a in Docket D2010.5.49, and to reflect the UGCA Balance of \$252,176 for the 12-month period ending June 30, 2011. NWE requests that the remaining UGCA balance of \$55,755 approved in Order No. 7089a be included in the Unreflected Gas Cost balance. The estimated Total UGCA Balance at the end of June 2011 is \$307,931. NWE proposes to set the rate at zero until actuals are recorded for the months of May and June. At that time, NWE will review the account balance again and determine if the final amount merits filing a rate adjustment proposal. That rate adjustment, if necessary, will be implemented in either the August or September 2011 monthly tracking.

6. NWE requests approval to extinguish the current GTAC Balance Amortization approved in Order 7089a, and to reflect the GTAC Balance as of April 30, 2011, in natural gas supply rates. The proposed GTAC balance for this filing is \$(535,018), which is the net of the GTAC booked balance for the period ending April 30, 2011, of \$(578,161) and the current balance of the amortization approved in Order 7089a of \$43,143. The balance will be refunded in rates over the 12-month period ending June 30, 2012.

7. NWE states that the decrease for a typical residential customer using 10 dkt per month will be \$11.33 per month or \$135.96 per year on the total bill. This results in an overall decrease of 10.68 percent on the total bill, in comparing a June 2011 bill to a July 2011 bill. The actual decrease will depend on each customer's type and usage.

8. NWE requests, in accordance with Order No. 5667a, Finding of Fact No. 3, approval to continue to reflect accounting treatment through the GTAC mechanism, for certain expansions that generate Interruptible Transportation revenues or Interruptible and Firm Transportation revenues. NWE states that the rationale for this treatment remains viable.

9. NWE purchased the majority working interest in the Battle Creek natural gas field located in Blaine County, Montana, in two separate transactions in 2010. Prior to the Battle Creek acquisition, NWE was purchasing the output from the first Battle Creek transaction under

a contract that expired on October 31, 2010, and those natural gas supply costs were being recovered in the monthly gas trackers. In November 2010, upon termination of the Battle Creek-related supply agreements, NWE began recovering the revenue requirement associated with the costs of its share of Battle Creek in its monthly tracker filings. The Battle Creek estimated production cost for November and December 2010 was \$5.40 per dkt. The estimated production cost from January through June 2011 was \$5.30 per dkt. For the purpose of calculating the deferred account balance at the end of June 2011 for this annual tracker filing, the deferred account revenues were reduced for actual Battle Creek revenues, and the Battle Creek costs were set to zero as well. NWE seeks to continue to recover the Battle Creek revenue requirement on an interim basis in the monthly gas trackers until the prudence of the purchase of the asset is determined in a separate filing. NWE submitted that filing in March 2012 (Docket D2012.3.25).

10. On February 6, 2012, NWE and MCC filed a motion to waive the hearing scheduled for February 16, 2012, and agreed to stipulate to a Final Order being issued by the Commission.

11. The PSC finds NWE's proposed rates and charges to be just and reasonable. In addition, the PSC will allow NWE to continue to reflect the costs of NWE's interest in Battle Creek on an interim basis pending a prudence determination by the PSC in Docket D2012.3.25.

CONCLUSIONS OF LAW

1. NWE 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 PSC properly exercises jurisdiction over NWE's rates and operations pursuant to Title 69, Chapter 3, MCA.

3. The rate levels and spread approved in this Order are a reasonable means of providing rate relief to NWE.

ORDER

1. NWE shall adhere to and abide by all provisions in this Order. All rate schedules shall comply with all determinations set forth in the Findings of Fact section of this Order.

2. NWE shall file within 30 days of this order, tariffs in compliance with this Order.

3. This Order does not address and takes no position on the prudence of NWE's acquisition of the majority working interest in the Battle Creek production fields.
4. This Order is effective for all services rendered on and after May 1, 2012.

DONE AND DATED this 10th day of April 2012 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

TRAVIS KAVULLA, Chairman

GAIL GUTSCHE, Vice Chair

W. A. GALLAGHER, Commissioner

BRAD MOLNAR, Commissioner

JOHN VINCENT, Commissioner

ATTEST:

Aleisha Solem
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 ARM 38.2.4806.