

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

IN THE MATTER OF the Application for) REGULATORY DIVISION
Deactivation of Pipeline Service for Five Valleys) DOCKET NO. D2015.3.31
Gas Co. at Seeley Lake, MT) ORDER 7414a

FINAL ORDER

Procedural History

1. On March 30, 2015, Five Valleys Gas Co. (Five Valleys) filed with the Montana Public Service Commission (Commission) an *Application for Deactivation of Service* (Application) for its underground propane distribution system (System) at Seeley Lake, Montana.

2. The Commission issued a *Notice of Application and Intervention Deadline* on April 9, 2015, and granted intervention to the Montana Consumer Counsel (MCC) on May 7, 2015.

3. On June 5, 2015, the Commission issued *Procedural Order 7414* in this docket and a *Notice of Public Meeting*.

4. On June 12, 2015, Five Valleys submitted the testimony of Five Valleys' general manager Jerry Thorstad and Five Valleys' vice president Ed Guay. Five Valleys responded to Commission Staff data requests 001-002 and MCC data requests 001-010. The MCC did not submit intervenor testimony in this case.

5. On July 13, 2015, the Commission held a public meeting in Seeley Lake.

6. On August 5, 2015, the Commission issued a *Notice of Opportunity to Comment and Request Hearing*. No requests for hearing were submitted by the August 21 deadline. One person submitted a written comment in opposition to the deactivation of the System.

Findings of Fact

7. Five Valleys' parent company, Energy Partners, LLC, acquired the System in 1999. Thorstad Pre-filed Testimony, p 2. Five Valleys currently serves 110 residential customers and 17 business customers. DR PSC-002(a). Expansion of the System would require

connecting new customers on the other side of Highway 83, which would be cost-prohibitive. Thorstad Pre-filed Testimony, p. 3. Five Valleys wants to deactivate its propane distribution system because the utility operates at a loss, but the rate increase that would be required to allow Five Valleys to recover its costs and earn a profit would make the utility uncompetitive with other propane companies in the area. *Id.* p. 4; Guay Pre-filed Testimony, pp. 2-3. Mr. Guay testified that a 311% increase in rates would be necessary in order for Five Valleys to recover its costs and earn a reasonable rate of return. Guay Pre-filed Testimony, pp. 3-4. There are five companies that deliver propane by trucks and tanks to the Seeley Lake area. *Id.* p. 3; Guay Pre-filed Testimony p. 4. Mr. Thorstad said he believes those competitors' rates to provide propane range from \$0.99 to \$1.39 per gallon; Five Valleys' current rate is \$1.20 per gallon. Thorstad Pre-filed Testimony, p. 3. Other factors contributing to the request to deactivate the System include costs of regulation and pipeline safety requirements that Five Valleys incurs but its competitors do not and concerns related to maintaining the safety and compliance of a system that Five Valleys did not design and install. *Id.*

8. Deactivation of the System will not result in the loss of access to propane service for Five Valleys' customers. Customers may choose to purchase propane delivered by truck by Energy Partners to a tank they lease or purchase from Energy Partners, or they may choose to purchase the same type of propane service from one of Energy Partners' competitors in the area. *Id.* pp. 4-5. Five Valleys mailed a letter to customers in April to inform them of the proposal to deactivate the System. *Id.* p. 6. After Commission approval of the proposed deactivation, the utility will provide advance notice to customers by mail and personal contact of the System deactivation and of their options for obtaining propane service going forward. *Id.*

9. Five Valleys will comply with all pipeline safety requirements when it deactivates the System. The deactivation procedure will consist of capping all unused service lines, installing tanks at the customers' locations and connecting the tanks to the customers' premises. When services are switched, Five Valleys will cap the pipeline fuel source, purge the line, and disconnect the line from the main fuel supply. *Id.*; DR PSC-002b.

10. The Commission finds that approval of Five Valleys' application to deactivate its System and cease providing propane distribution service is reasonable under the circumstances described by Five Valleys. Customers will not be harmed since there are multiple alternatives

available to them in the same general price range. Deactivation of the System will be conducted in a manner that complies with pipeline safety requirements.

11. The Commission finds that this deactivation of facilities is in the best long term public interest of the customer.

Conclusions of Law

12. Five Valleys provides propane distribution service within the State of Montana and as such is a "public utility" within the meaning of Mont. Code Ann. § 69-3-101 (2013).

13. The Commission properly exercises jurisdiction over Five Valleys' rates and operations pursuant to Montana Code Annotated Title 69, Chapter 3.

14. "Every public utility is required to furnish reasonably adequate service and facilities." Mont. Code Ann. § 69-3-201.

15. A public utility may not abandon service without Commission approval. Great N. Ry. v. Board of R.R. Comm'rs, 130 Mont. 250, 253-54, 298 P.2d 1093, 1095 (1956).

Order

IT IS HEREBY ORDERED THAT:

15. Five Valleys' application to deactivate its propane distribution service is APPROVED.

DONE AND DATED this 25th day of August, 2015, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION



BRAD JOHNSON, Chairman



TRAVIS KAVULLA, Vice Chairman



KIRK BUSHMAN, Commissioner



ROGER KOOPMAN, Commissioner



BOB LAKE, Commissioner

ATTEST:



Aleisha Solem
Commission Secretary

(SEAL)

