

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

IN THE MATTER OF NORTHWESTERN) REGULATORY DIVISION
ENERGY, Application for Propane Supply)
Cost Account Balance and Rate Adjustment) DOCKET NO. D2016.4.34
for Townsend Propane Supply Costs) ORDER NO. 7491a

FINAL ORDER

PROCEDURAL HISTORY

1. On April 29, 2016, NorthWestern Energy (NorthWestern) filed before the Montana Public Service Commission (Commission) its application for propane supply cost account balance and rate adjustment for its Townsend propane supply service. In its application, NorthWestern requests approval to recover the balance in the Unreflected Propane Supply Cost Account (UPSCA) of \$16,909 with an adjustment for the actual prior year UPSCA balance of \$3,201. Therefore, the resulting UPSCA Balance proposed for amortization in this filing is \$20,110. NorthWestern proposes to amortize and collect this balance from June 1, 2016 through May 31, 2017 at a rate of \$0.04973 per therm based on a 12 month forecasted load.

2. NorthWestern is also seeking to decrease its rates for propane supply service to Townsend customers to reflect current propane supply prices based on the current propane supply agreement, as well as costs associated with the propane plant usage and carrying costs. NorthWestern is requesting a decrease in propane supply costs from \$0.719 to \$0.556 per therm for the summer months¹ and \$0.775 to \$0.685 per therm for the winter months.² The new rates decrease the summer Propane Supply Charge by approximately 23 percent and the winter Propane Supply Charge by approximately 12 percent.

3. On June 10, 2016, the Commission granted intervention to the Montana Consumer Counsel (MCC). The MCC has indicated that it does not seek any additional process in this docket.

¹ Summer months are April through September.

² Winter months are October through March.

FINDINGS OF FACT

4. NorthWestern's Request for Proposal (RFP) process to procure propane supply for the June 1, 2016, through May 31, 2017, contract year resulted in decreased propane supply costs. NorthWestern issued its RFP on March 9, 2016 to 10 potential suppliers. NorthWestern received responses from Gibson Energy Inc., Farstad Oil Inc., and AmeriGas Wholesale (AmeriGas). The low bid, AmeriGas, was selected. The rates agreed upon were \$0.465 per gallon for June 2016, through September 2016 (summer), \$0.59 per gallon for October 2016, through March 2017 (winter) and \$0.4925 per gallon for April 2017, through May 2017 (summer), the end of the contract term.

5. The forecast year-end deferred balance results in part from differences in timing between propane purchases and booked revenues. NorthWestern included two cost items in addition to propane supply costs to compute propane supply costs for the June 2016 through May 2017 tracking period. Those costs are the Storage Plant Use forecast expense of \$5,976 and Total Carrying Cost expense of \$3,188. The actual year-end deferred balance will depend on actual customer usage and actual supply purchases.

6. The adjustments above are anticipated to result in an ending deferred balance of zero as of June 1, 2016, as shown in the following table:³

Volume	Gallons
Beginning Storage Balance	27,060
Total Propane Sales Billed	(441,628)
Total Purchases	444,023
Total Plant Use	(10,458)
Net Difference Delivered vs Billed	0
Ending Storage Balance	18,997
Cost	Dollars
Beginning Deferred Balance	(\$20,110)
Total Revenue	\$282,677
Total Propane Supply Expense	(\$259,380)
Total Carry Cost	(\$3,188)
Ending Deferred (Under) Collection Balance	\$ 0

³ Pre-filed Direct Testimony of Frank V. Bennett Page FVB-12

7. Including both the propane supply rate adjustment and the rate associated with the amortization of the UPSCA Balance, the decrease for a typical residential customer using 30 therms per month during the summer months and 80 therms per month during the winter months will average \$4.38 per month. The actual decrease will depend on each customer's usage.

Conclusions of Law

8. The Commission has full power of supervision, regulation, and control of public utilities. Mont. Code Ann. § 69-3-201 (2015).

9. A "public utility" includes a private corporation "that owns, operates, or controls any plant or equipment. . . for the production, delivery, or furnishing" of heat, light, and power to other persons. Mont. Code Ann. § 69-3-101. As a private corporation that provides propane service within the State of Montana, NorthWestern's Townsend propane supply service is a "public utility."

10. As a public utility, NorthWestern is required to furnish reasonably adequate service at just and reasonable rates. Mont. Code Ann. § 69-3-201 ("every unjust and unreasonable charge is prohibited and declared unlawful").

11. Every public utility must file schedules with the Commission showing "all rates, tolls, and charges which it has established and which are in force at the time for any service performed by it within the state or for any service in connection therewith. . . ." Mont. Code Ann. § 69-3-301(1).

12. The rate levels approved in this Final Order are just and reasonable.

Order

13. The Commission hereby approves NorthWestern's request for a final rate decrease.

14. NorthWestern shall adhere to and abide by all provisions in this Final Order. All rate schedules shall comply with all determinations set forth in this Final Order.

15. NorthWestern shall file tariffs in compliance with this Final Order as soon as practical after issuance of this Final Order.

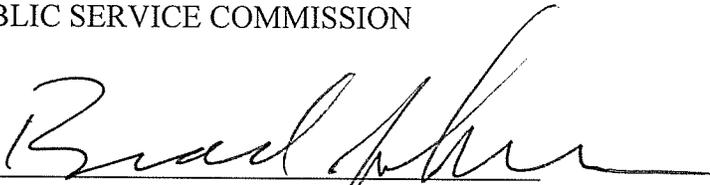
16. The Commission approves the amortization of the Unreflected Propane Supply Cost Account of \$20,110. This amortization will be collected from June 1, 2016 through May 31, 2017 at a rate of \$0.04973 per therm.

17. The Commission approves the rate of \$0.556 per therm for the summer months and the rate of \$0.685 per therm for the winter months. These rates will be in effect from the date of this order through May 31, 2017.

18. This Order makes final the rates approved in Interim Order No. 7491.

DONE AND DATED this 9th day of August 2016, by a vote of 5 to 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)

