

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

IN THE MATTER OF SHELBY GAS)	UTILITY DIVISION
ASSOCIATION, Application for)	DOCKET NO. D97.10.204
Authority to Increase Rates)	INTERIM ORDER NO. 6022

FINDING OF FACT

1. On October 3, 1997, Shelby Gas Association (SGA), filed an application to increase rates for natural gas service by \$62,403. This is an increase from their present revenue requirement of \$780,034 to \$842,437 which is \$61,839 below their approved revenue requirement of \$904,276. SGA has been advised that their wholesale gas costs will increase by seventeen cents per mmbtu on Oct. 1, 1997 and that Montana Power Transportation rates will be adjusted on November 1, 1997 for an increase of \$47,125 . SGA have also calculated that its operating and maintenance expenses will increase by approximately \$8,000.00, interest income will decrease by \$4,500 and their margin expense will increase by \$2,778 for FY 98. Together these increases amount to \$62,403 in additional costs to the SGA for FY 1998.

2. In Docket No. D96.8.132, Order No. 5938 the Commission required SGA to reduce its rates for natural gas service on a temporary basis. This reduction was for the period commencing August 1, 1996, and ending May 31, 1997, or such other time as its requested revenue requirement reduction (about \$100,000.00) is achieved. After this time the rates approved will increase to the pre-reduction level, modified by any other rate change which may be approved by the Public Service Commission. The reduction is accomplished by SGA reducing its monthly service charge from \$5.00/month to \$2.00/month and its commodity charge from \$4.00/Mcf to \$3.60/Mcf.

3. SGA's Fiscal Year (FY) ended Sept 30th. SGA filed with the Commission a profit and loss statement which showed a net year to date profit for FY 97 of \$54,929.18 compared to a net year to date profit for FY 96 of \$167,966.33 a reduction of \$113,007.15 due to the temporary rate decrease. SGA reached its goal of reducing revenue by approximately

\$113,000 through August of 1997 due to the temporary rate decrease authorized in August of 1996.

4. The tariff submitted by SGA will generate approximately \$62,000 which will cover the increased costs expected in FY 98. The proposed tariff is approximately 6.8 percent lower than the pre-reduction rates and should still allow SGA to complete FY 98 with adequate margins

CONCLUSIONS OF LAW

1. Shelby Gas Association offers regulated natural gas service in the state of Montana and is a public utility under MCA 69-3-102.

2. The Montana Public Service Commission properly exercises jurisdiction over Shelby Gas Associations' Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The rates approved herein are a reasonable means of providing interim relief to Shelby Gas Association Company's customers.

ORDER

1. Shelby Gas Association is hereby authorized to increase rates for natural gas service by \$62,000.

2. Shelby Gas Association must file tariffs in compliance with the Findings of Fact in this Interim Order.

3. Nothing in this Interim Order precludes the Commission from adopting in its Final Order, after reviewing the entire record in this Docket, a revenue requirement different from that contained in this Interim Order.

4. Interim approval of any matters in this Docket should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

5. Rates which implement the increase approved in this Interim Order will be effective for natural gas service on and after November 3, 1997.

DONE IN OPEN SESSION at Helena, Montana, this 3rd day of November, 1997, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCaffree, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

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