

Service Date: November 30, 1998

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

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| IN THE MATTER OF GREAT FALLS GAS, |) | |
| A DIVISION OF ENERGY WEST, INC. |) | UTILITY DIVISION |
| Application for an Increase in Rates for the |) | DOCKET NO. D98.9.213 |
| Great Falls Gas System Pursuant to its Gas |) | ORDER NO. 6102a |
| Cost Tracking Mechanism |) | |

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INTERIM ORDER
FINDINGS OF FACT

1. On September 17, 1998, Great Falls Gas Company (GFGC), a Division of Energy West Incorporated, filed an application to increase rates for natural gas service by \$892,420 pursuant to the Gas Cost Tracking Mechanism to be collected through a surcharge. Full service customers have been allocated an increase of \$1,035,993, distribution transport customers have been allocated a decrease of \$64,350, and West Yellowstone customers have been allocated a decrease of \$77,403.

2. GFGC proposes to spread the increase for natural gas service among its customers in the following manner:

| <u>Rate Class</u> | <u>Proposed Increase</u> | <u>% Difference</u> |
|--------------------------|--------------------------|---------------------|
| Residential | \$653,282 | 6.54% |
| Small GS | \$93,659 | 6.12% |
| Medium GS | \$150,730 | 6.73% |
| Large GS | \$133,735 | 6.69% |
| Extended GS | \$ 4,589 | 6.86% |
| WYellowstone Residential | (\$16,612) | (7.88%) |
| WYellowstone Commercial | (\$60,791) | (8.80%) |
| Distribution Transport | (\$64,350) | (10.10%) |

3. The GFGC application includes one adjustment to the West Yellowstone divisions gas supply (WYG), which differs from its application last year (when inclusion of the West Yellowstone tracker was first consolidated with that of Great Falls). That is the inclusion of the liquifaction and transportation costs related to the West Yellowstone Supply as part of the transportation and storage costs which are spread among all customers (Great Falls and West Yellowstone) as opposed to allocating them only to the West Yellowstone customers. These costs represent the cost of delivering natural gas to the city gate at WYG.

4. GFGC's total average retail sales rates would increase roughly 6.5%. GFGC's average distribution tariff rate would decrease about 10%, while WYG sales rates would decrease about 8%. The average monthly sales bill for residential customers will increase \$2.39 and the average small commercial customer's sales bill will increase \$4.53.

5. There are three trackers in this tracker: the GFGC sales tracker, the GFGC distribution and transportation tracker and the WYG tracker. The GFGC sales tracker has five components: commodity, capacity, non-commodity, commodity storage, and non-commodity surcharge. The GFGC distribution and transportation tracker has three components: capacity, non-commodity storage, and non-commodity surcharge. The WYG tracker has three components: commodity, capacity, and commodity surcharge.

6. GFGC stated that the driving force behind its request for this tracker is that prices for natural gas have risen, amounting to approximately \$400,000. In addition, last heating season was warmer than expected resulting in losses of approximately \$300,000 to \$400,000, while delays in implementing last year's tracker amounted to an approximately \$300,000 revenue shortfall. Combined, these account for the vast majority of its \$1,035,993 full service customer revenue increase request.

7. GFGC has requested a reduction in two areas: the distribution transport tariff (DT) and West Yellowstone Gas (WYG). Distribution transport is broken down into three parts: first, a request to remove firm transport costs upstream of MPC along with some reduction in MPC meter charges. Second, GFGC has requested a reduction

from MPC of firm transport for peak day demand and third, GFGC requested EWR to reduce storage deliverability.

8. The second area of reduction is with West Yellowstone Gas. GFGC believes that upstream delivery costs should be spread among all customers. By allowing this, the costs for distribution associated with WYG becomes one shared by all customers, resulting in a reduction for WYG. This change is new to this filing. At this time the Commission is not prepared to accept this change in an interim. The request for the reduction at WYG is denied.

9. Eliminating the proposed reduction for West Yellowstone Gas will neutralize any rate change in West Yellowstone and reduce the increase proposed for Great Falls. The original application requested a decrease of \$64,350 or 10.10% for distribution transport (DT) customers. The application contained errors in calculation of the volumes and the revenues for the DT classes. Correction of those errors results in a decrease of \$36,790 or 4.68% to the Large General Service DT class and a decrease of \$63,708 or 7.68% to the Extended General Service DT class, for a total decrease of \$100,498 to the combined DT classes. The new proposal is as follows:

| <u>Rate Class</u> | <u>Proposed Increase</u> | <u>% Difference</u> |
|--------------------------|--------------------------|---------------------|
| Residential | \$544,884 | 5.46% |
| Small GS | \$78,118 | 5.10% |
| Medium GS | \$125,720 | 5.62% |
| Large GS | \$111,544 | 5.58% |
| Extended GS | \$71,512 | 5.72% |
| WYellowstone Residential | \$0.00 | 0.00% |
| WYellowstone Commercial | \$0.00 | 0.00% |
| Distribution Transport | | |
| Large GS | (\$36,790) | (4.68%) |
| Extended GS | (\$63,708) | (7.68%) |

10. With the elimination of the reduction for West Yellowstone Gas and the resulting decrease in Great Falls the overall request for an increase in natural gas service has been reduced from \$892,420 to \$718,412.

11. This tracker uses the sales volumes of 4,129,919 MCF approved in Docket No. D96.7.123, less expected open access volumes of .5 Bcf or (500,000) plus the expected West Yellowstone feed stock, used for liquifaction, for estimated commodity sales for FY 99 of 3,749,919 MCF.

12. The maximum cost of \$66,725 ordered in Order 5933b will remain the same for low income, but the percentage of the total, because of an increase, will decrease.

CONCLUSIONS OF LAW

1. Great Falls Gas 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 Great Falls Gas Company's Montana operations pursuant to Title 69, Chapter 3, MCA.

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

4. The Commission may approve an increase or decrease in rates on an interim basis, pending a hearing on the merits (§ 69-3-304 MCA).

ORDER

1. Great Falls Gas Company is hereby authorized to increase rates for natural gas service by \$718,412.

2. Great Falls Gas Company must file tariffs in compliance with the Findings of Fact in this Interim Order.

3. 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.

4. A Public Hearing may be held in the future to allow parties the option of pursuing items of interest to them.

5. Any refunds shall include interest calculated at Great Falls Gas Company's return on equity.

6. Rates which implement the increases and decreases approved in this Interim Order will be effective for meters read on and after December 1, 1998.

DONE AND DATED at Helena, Montana, this 17th, day of November, 1998, by a vote of 4 – 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
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.