Service Date: June 3, 1982

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

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IN THE MATTER OF THE Application of MONTANA-DAKOTA UTILITIES COMPANY for Authority to Implement the Gas Cost Tracking Adjustment Procedure.)	UTILITY DIVISION DOCKET NO. 82.4.30 INTERIM ORDER NO. 4908

82.22

INTERIM RATE ORDER

FINDINGS OF FACT

(1) On April 30, 1982, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87-M and 88-M.

(2) The tracking procedure provides for increasing rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Adjustment amortized over a projected six month sales period. The current application contemplates two proposals by MDU to determine the amount of increases. The first proposal is per Tariff Rate 88 and the resulting increases are based on the following adjustments:

	Residential and Commercial	Industrial Customers
Current Gas Cost Adjustment	109.5¢	119.3¢
Unreflected Gas Cost Adjustment	150.6¢	150.6¢
Less: Total Tracking Adjustment Effective Through May 31, 1982	157.2¢	163.5¢
Net Increase in Current Rates	102.9¢	106.4¢

Concerning the second proposal, MDU requests a waiver of the provision of Rate 88 so that an alternative unreflected gas cost adjustment may be implemented for this filing. The resulting increases for this alternative proposal are based on the following adjustments:

	Residential and Commercial	Industrial Customers
Current Gas Cost Adjustment	109.5¢	119.3¢
Unreflected Gas Cost Adjustment	72.7¢	72.7¢
Less: Total Tracking Adjustments Effective Through May 31, 1982	157.2¢	163.5¢
Net Increase in Current Rates	25.2¢	28.5¢

(3) The Commission, in its analysis of the alternative proposal, adjusted carrying costs to reflect those months in which MDU exceeded the $100 million ceiling on Frontier Gas Storage. With the related staff adjustments built into the alternative methodology, the adjusted alternative proposal is presented as follows:

	Residential and Commercial	Industrial Customers
Current Gas Cost Adjustment	108.3¢	118.0¢
Unreflected Gas Cost Adjustment	72.7¢	72.7¢
Less: Total Tracking Adjustment Effective Through May 31, 1982	157.2¢	163.5¢
Net Increase in Current Rates	23.8¢	27.2¢

(4) Included with the filing to increase rates on a permanent basis was an application to increase rates on an interim basis. The interim application requested increases in rates to become effective June 1, 1982, in the full amount stated above.

(5) Included with the filing to increase rates was a

request for waiver of the minimum filing requirements.

(6) With the rate schedules in the filing, MDU included the revenue increase of $7,500 authorized for service rendered on and after April 13, 1982, by Commission Order 4834c in Docket No. 81.7.62.

(7) A hearing date has been tentatively set for August 3, 1982.

(8) The criteria by which the Commission may determine an appropriate interim adjustment in a tracking procedure are found in past Commission tracking orders and in the Commission's proposed rules regarding interim relief.

(9) Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

(a) tracking increases are to be based on historic costs and volumes (Finding of Fact No. 6, Order No. 4476);

(b) interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476a);

(c) the procedure used by the Company in calculating proposed rates in tracking proceedings should provide for the maintenance of the 25 percent lifeline discount differential between "Winter" and "Remainder of the Year" rates (Finding of Fact No. 20, Order No. 4742);

(d) the appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines of a general rate case; furthermore, that mix should apply to both the current and unreflected portions of

a tracking procedure (Finding of Fact No. 5, Order No. 4742a); and

(e) the Company should not annualize for new sources of gas not having an actual production history within the test year (Finding of Fact No. 6, Order No. 4742a).

(10) The Commission's proposed rules regarding interim relief are contemplated to provide relief on a "make-whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things the guidelines provide for normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

(11) A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 9 have been met. Furthermore, the tracking adjustment represents nothing more than normalization and annualization of test year booked net income, and, hence, constitutes an adjustment contemplated in the proposed interim policy rules. Consequently, the Commission finds the Company's request for interim relief, as applied for and further adjusted appropriate.

(12) In granting the interim levels found appropriate herein the Commission also finds that it has accomplished its goal of establishing an equitable and expeditious means of passing

through the rising cost of gas due to the Natural Gas Policy Act of 1978. The Commission also is cognizant of the beneficial effect of such a policy on the Company's overall financial risk.

(13) However, the granting of interim relief in this matter should in no way be misinterpreted to mean that any issue in the case has been decided before all the evidence has been presented and heard during the course of these proceedings. If for any reason the amount of the interim granted herein should be found excessive as regards a final decision in this case, the Company will be required to refund any excess, to include interest at the rate of the Company's last found rate of return on common equity.

CONCLUSIONS OF LAW

(1) Applicant, Montana-Dakota Utilities Company, is a corporation providing service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA

(2) The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

(3) Section 69-3-304, MCA, provides, in part, "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision."

(4) The rate levels and spread approved herein are a reasonable means of providing interim relief to MDU. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this Order are

found to be unjustified in the final order in this Docket.

ORDER

(1) Applicant, Montana-Dakota Utilities Company is hereby granted interim relief in the amount of 23.8¢ for all residential and commercial customers and 27.2¢ for industrial customers.

(2) Such relief is to become effective for service rendered on and after June 1, 1982, and remain in effect until such time as a final decision is reached in this matter.

(3) Rates will be filed in such a manner as to maintain the 25 percent rate differential between "Winter" and "Remainder of the Year" rates.

(4) Interim revenues granted herein are subject to rebate should the final order in this docket determine that a lower revenue level is warranted. Such a rebate would include interest at the rate of the Applicant's last granted return on common equity.

(5) The Commission, in granting the aforementioned rate increases based on the Company's alternative plan as adjusted finds a waiver of the provisions of Rate 88 to be proper so that the modified alternative proposal of the Company is to be used.

(6) The Commission determines that this is a complete filing and grants the Compan's request for a waiver of the Minimum Filing Requirements.

DONE IN OPEN SESSION this 1st day of June, 1982 by a 4-0 vote.

DOCKET NO. 82.4.30
INTERIM ORDER NO. 4908

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Gordon E. Bollinger, Chairman

John B. Driscoll, Commissioner

Howard L. Ellis, Commissioner

Thomas J. Schneider, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion For Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion For Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806 ARM.