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Service Date: September 3, 1993

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 Great Falls Gas Company For Approval Of Initial Rates For Gas Service For The Town Of Cascade.	)))))	UTILITY DIVISION DOCKET NO. 93.7.27 ORDER NO. 5736

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INTERIM ORDER AUTHORIZING INITIAL RATES

BACKGROUND

1. On July 14, 1993, Great Falls Gas Company (Applicant or GFG) filed an Application with the Montana Public Service Commission (Commission or PSC) for authorization to begin charging rates for service to the Town of Cascade (Cascade) in and through an underground vaporized propane system under construction at a cost of $163,000. Cascade has granted GFG a fifty year franchise to provide this service.

2. GFG filed for approval of proposed tariffs and schedules with commercial and residential rates, as well as a proposed negotiated contract for customers capable of substituting alternative fuels for propane or acquiring bulk propane at a discount (Propane Commercial Service [PCS], Propane Residential Service [PRS] and Propane Negotiated Contract [PNCS]).

9. In support of initial rates for the new propane system in Cascade, Ms. Rice testified on the rationale for the project and the need for a flexible rate to respond to competition. Ms. Rice testified that GFG has learned that propane may have many of the same benefits as natural gas from acquisitions in 1991 and 1992 of bulk propane operations in Wyoming, as either GFG or its subsidiary, Rocky Mountain Fuels. In January, 1993, GFG also purchased an underground propane system in Payson, Arizona, which is regulated by the Arizona Corporation Commission.

10. In evaluating expansion of service in the Great Falls area, GFG concluded that it would be unduly expensive to construct facilities and offer natural gas service to Cascade, Montana, according to Ms. Rice's testimony. However, following GFG's Payson experience GFG did cost and market studies and determined that it could offer reasonably priced propane gas service with a reasonable capital investment from GFG of $163,000. The project requires five miles of underground mains, 240 service lines, meters and regulators (assuming 80% market penetration).

11. Because bulk propane suppliers can compete to provide propane gas, GFG requests a flexible rate -- a band 25% up or down from the filed tariffs. Ms. Rice also informs the Commission that GFG will also operate a bulk propane operation and sell the propane to the utility with a $.08 per gallon storage fee.

12. Mr. Hardin sponsored Exhibits LH-1 through 3. LH-1 presents income statements for the first 2 projected years of the Cascade project, LH-2 presents the derivation of the proposed storage fee and LH-3 presents the calculation of the sales rate. Mr. Hardin testified that the basis of the propane costs is the $.70 per gallon

requirements which shows a historical test year; and (2) GFG shall apply for final approval of the rates. The Commission, after an opportunity to examine and do discovery on the submitted information, will issue a final order.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission is responsible for the supervision, regulation and control of public utilities pursuant to the provisions of Title 69. Section 69-3-102, MCA.

2. Great Falls Gas Company is a public utility subject to the Commission's jurisdiction. Section 69-3-101, MCA.

3. The propane gas service offered to the Town of Cascade is subject to the regulatory authorization of the Commission.

4. Great Falls Gas Company is required to file with the Commission tariffs showing all rates, tolls and charges and all rules affecting rates to be charged. Section 69-3-301, MCA.

ORDER

1. Great Falls Gas Company shall file tariffs pursuant to the directives in this order and shall supplement the tariff filings when a charge varies from the filed rates within the range of flexibility provided. Great Falls Gas Company is granted authority, on an interim basis, to charge for vaporized propane service in Cascade, Montana.

2. The interim relief granted in this Order is to be effective upon pressurization of the system (on or after September 1, 1993).

BY THE ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

Bob Anderson

BOB ANDERSON, Chairman

Dave Fisher

DAVE FISHER, Commissioner

Nancy McCaffree

NANCY McCAFFREE, Commissioner

Danny Oberg

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson

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.