

Public Service Commission of Montana



Montana-Dakota Utilities Co.
A Division of MDU Resources Group, Inc.
400 N 4th Street
Bismarck, ND 58501

Natural Gas Service

Volume No. 6
4th Revised Sheet No. 37
Canceling 3rd Revised Sheet No. 37

GAS COST TRACKING ADJUSTMENT PROCEDURE Rate 88

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1. Applicability:

This rate schedule sets forth the procedure to be used in calculating Gas Cost Tracking Adjustments. It specifies the procedure to be utilized to adjust the rates for gas sold under Montana-Dakota's rate schedules in the state of Montana in order to reflect: (a) changes in Montana-Dakota's average cost of gas supply and (b) amortization of the Unreflected Purchased Gas Cost Account.

2. Effective Date and Limitation on Adjustments:

- a. Unless otherwise ordered by the Commission, the effective dates of the gas cost tracking adjustment shall be service rendered on and after the first day of each month. The effective date of the adjustment for amortization of the Unreflected Purchased Gas Cost Account shall be October 1 of each year.
- b. Montana-Dakota shall file an adjustment to reflect changes in its average cost of gas supply only when the amount of change in such adjustment is at least 25 (twenty-five) cents per dk. The tracking adjustment to be effective October 1 shall be filed each year, regardless of the amount of the change.

3. Minimum Filing Requirements:

Montana-Dakota's filing to implement the Gas Cost Tracking Adjustment effective October 1 of each year shall include the following:

- a. Billing determinants by service agreement by month by supply source, with annual totals;
- b. Rates applicable to those billing determinants;
- c. Purchased gas costs by service agreement by month by supply source, with annual totals;

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- d. A list of FERC proceedings in which Montana-Dakota has participated with a brief description of the purpose of each and position taken by Montana-Dakota;
- e. Total Montana-Dakota sales by major customer class by month with annual totals;
- f. Montana-Dakota sales by major customer class by jurisdiction by month, with annual totals;
- g. If Montana-Dakota has executed a new direct purchase contract since the last October 1 Gas Cost Tracking Adjustment, a description of what efforts, if any, were undertaken to ensure that the contract had pricing provisions which assured a firm supply of gas at a competitive price over the full term of the contract;
- h. A description of what efforts, if any, Montana-Dakota has undertaken since the last October 1 Gas Cost Tracking Adjustment to utilize spot gas.

4. Gas Cost Tracking Adjustment:

- a. The monthly Gas Cost Tracking Adjustment shall reflect changes in Montana-Dakota's cost of gas supply as compared to the cost of gas supply approved in its most recent Gas Cost Tracking Adjustment. The cost of gas supply shall be the sum of all costs incurred in obtaining gas for general system supply. General system supply is defined as gas available for use by all customers served under retail sales rate schedules. The cost of gas supply shall include, but not be limited to, all demand, commodity, storage, gathering, and transportation charges incurred by Montana-Dakota for such gas supply. Any extraordinary costs, such as penalty charges and take-or-pay charges, shall be clearly identified as such and separately described in a supporting exhibit.

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- b. The Gas Cost Tracking Adjustment shall be computed as follows:
- (1) Demand costs shall include all annual gathering, transportation and storage demand charges at current rates.
 - (2) Commodity costs shall include all annual gathering, transportation and storage charges at current rates.
 - (3) The gas commodity cost shall reflect all commodity related gas costs estimated to be in effect for the month the gas cost tracking adjustment will be in effect and annual dk requirements.

The cost per dk for the month is the sum of the above divided by annual, weather normalized dk deliveries adjusted to reflect losses.

- c. Monthly gas costs shall be calculated as follows:
- (1) Demand costs shall be apportioned to all state jurisdictions served by Montana-Dakota on the basis of the overall ratio of each state's Maximum Daily Delivery Quantity (MDDQ).
 - (2) Demand costs for interruptible sales customers shall be stated on a 100% load factor basis.
 - (3) All commodity costs and other costs associated with the acquisition of gas for general system supply shall be apportioned to each state on the basis of total dk's sold in each state, regardless of the actual points of delivery of such gas.

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- (4) All costs related to specific gas transportation services shall not be included in the cost of gas supply determination but shall be directly billed to the customer(s) contracting for such service.
- d. The Gas Cost Tracking Adjustment shall be applied to each of Montana-Dakota's rate schedules, recognizing differences among customer classes consistent with the cost of gas supply included in the applicable class sales rate.
- 5. Unreflected Gas Cost Adjustment:**
All sales rate schedules shall be subject to an Unreflected Gas Cost Adjustment to be effective on October 1 of each year. The Unreflected Gas Cost Adjustment per dk sold shall reflect amortization of the applicable balance in the Unreflected Purchased Gas Cost Account calculated by dividing the applicable balance by the estimated dk sales for the twelve months following the effective date of the adjustment.
- 6. Unreflected Purchased Gas Cost Account:**
- a. Items to be included in the Unreflected Purchased Gas Cost Account, as calculated in accordance with Subsection 6(b) are:
- (1) Charges for gas supply which Montana-Dakota is unable to reflect in a Gas Cost Tracking Adjustment by reason of the twenty-five (25) cent minimum limitation set forth in Subsection 2(b).
- (2) Amounts of increased/decreased charges for gas supplies which were paid during any period after the effective date of the most recent general rate case, but not yet included in sales rates.

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- (3) Refunds received from supplier(s) with respect to gas supply. Such refunds received shall be credited to the Unreflected Purchased Gas Cost Account.
 - (4) Demand costs recovered from the interruptible sales customers will be credited to the residential and firm general service customers.
- b. The amount to be included in the Unreflected Purchased Gas Cost Account in order to reflect the items specified in Subsections 6(a)(1), (2), and (3) shall be calculated as follows:
- (1) Montana-Dakota shall first determine each month the unit cost for that month's natural gas supply as adjusted to levelize demand charges. Such adjustment to levelize supplier(s) demand charges shall be calculated as follows:

The suppliers' annual (calendar or fiscal) demand charges, which are payable in equal monthly payments, shall be accumulated in a prepaid account (FERC Account 165). Each month a portion of such accumulated prepaid amount shall be amortized to cost of natural gas purchased (FERC Account 804). Such monthly amortization shall be based on a rate calculated by dividing the annual supplier(s) demand charges by projected annual dk sales (calendar or fiscal, as appropriate). The resulting product shall then be multiplied by the projected natural gas unit sales for the current month. Such amount shall constitute the monthly amortization of prepaid supplier(s) demand charges to cost of natural gas supply.

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- (2) Montana-Dakota shall then subtract from each month's unit cost the unit cost for gas supply which is reflected in the currently effective Tracking Adjustment.
 - (3) The resulting difference (which may be positive or negative) shall be multiplied by the dk's sold during that month under each rate schedule. The resulting amounts shall be reflected in an Unreflected Purchased Gas Cost Account for each rate schedule.
- c. Reduction of Amounts in the Unreflected Purchased Gas Cost Account:
- (1) The amounts in the Unreflected Purchased Gas Cost Account shall be decreased each month by an amount determined by multiplying the currently effective unreflected gas cost adjustment included in rates for that month (as calculated in Section 5) by the dk's sold during that month under each rate schedule. The Account shall be increased in the event the adjustment is a negative amount.

7. Time and Manner of Filing:

- a. Each filing by Montana-Dakota shall be made by means of revised rate schedule tariff sheets identifying the amounts of the adjustments and the resulting currently effective rates.
- b. Each filing shall be accompanied by detailed computations which clearly show the derivation of the relevant amounts.

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