

1982

Utah Department of Business Regulation, Division of Public Utilities, Committee of Consumer Services v. Public Service Commission of Utah, Brent H. Cameron, Chairman, David R. Irvine, Commissioner, James M. Byrne. Commissioner : Appendix A

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APPENDIX A

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of MOUNTAIN FUEL SUPPLY COMPANY to Adjust Base Rates for Natural Gas Service in Utah.)	<u>CASE NO. 81-057-19</u>
)	<u>FINAL REPORT AND ORDER</u>
)	<u>ADOPTING STIPULATION</u>

Issued: August 2, 1982

Appearances:

Gary G. Sackett Richard M. Mollinet	For	Mountain Fuel Supply Company
James L. Barker, Assistant Attorney General	"	Division of Public Utilities, Department of Business Regulation, State of Utah
Michael Ginsberg, Assistant Attorney General	"	Committee of Consumer Services

By the Commission:

On December 16, 1981, Mountain Fuel Supply Company (Mountain Fuel or the Company) filed its regular year-end gas-cost application in connection with the 191 Account procedures previously approved by this Commission. The original application sought a net increase of \$.21843/dth in its base rates. Included in Mountain Fuel's request for an increase in base rates were (1) exclusion of certain Other Revenue credits from the 191 Account; (2) inclusion as costs to be accorded Account 191 treatment certain payments made to El Paso Natural Gas Company

and Mountain Fuel Resources in connection with the Clay Basin storage field; (3) "regular" increases in the cost of gas purchased from pipeline and field suppliers; and (4) an amortization of the resultant year-end unrecovered balance in Account 191.

The composite effect of the Company's requests, as reflected in its December 16, 1981, application, would have been to raise rates to its Utah customers by approximately \$23.6 million. On December 24, 1981, the Commission approved a tentative increase in the Company's rates that resulted in an annual increase of approximately \$9.1 million, pending the resolution of several issues that had been raised by the Division of Public Utilities (Division).

Subsequent to the Company's December 16 filing for relief in this case and the Commission's Report and Tentative Order based on that application, the Commission issued an order approving a comprehensive settlement in the "Wexpro Case," Case No. 79-057-14, et al. (Wexpro Order). At the hearings held in connection with this pass-through case, Mountain Fuel filed information and amended exhibits that reflected, among other things, the adjustments to rates as required by the conditions and provisions of the Wexpro Order.

Hearings were held pursuant to notice on January 12-13, 1982, at which Mountain Fuel presented testimony and evidence concerning its requests. At a hearing on February 4, 1982, the

Division and Mountain Fuel presented for Commission approval a stipulation that resolved, as between those two parties, the outstanding issues in this case. The Committee of Consumer Services (Committee) participated in the settlement negotiations, but declined to be a party to the final stipulation, although counsel for the Committee characterized the agreement as "a reasonable document." By this Order, we hereby approve and adopt the terms and conditions of that stipulation.

FINDINGS OF FACT

1. Wexpro Adjustments. The adjustments to rates related to gas costs called for by the settlement in the Wexpro Case have been incorporated in the Stipulation presented in this case and approved by this Order. The adjustments include the implementation of a 12-month reduction in Utah natural gas rates of approximately \$18.5 million, as well as the "transfer" of certain costs of production that have heretofore been included in Mountain Fuel's general rate cases, but which will henceforth be treated as a part of its gas costs. The latter adjustment has been coordinated with corresponding adjustments in the Company's most recent general rate request in Case No. 81-057-17. Consistent with the Commission's December 31, 1981, Order in Case No. 76-057-14, et al., and the Stipulation approved by that order, the \$18.5 million to be credited to Utah customers over 12 months will be effected by (a) direct payment of \$335,000 to customers

who are subject to incremental pricing under Title II of the Natural Gas Policy Act of 1978, and (b) \$18,165,000 as a direct offset to gas costs, to be implemented over approximately a 12-month period on a commodity basis through the use of Account 191.

2. Champlin Plant Revenues. One source of revenues that affects the determination of Mountain Fuel's gas costs to be recovered in rates is the revenue received by the Company under the Btu "make-whole" provisions of an arrangement with Champlin Oil Company in connection with removal of liquid hydrocarbons from certain gas purchased by Mountain Fuel and transported through its system. The Stipulation specified a modification of the Company's estimate of those revenues for the test year 1982.

3. Clay Basin Storage Field Costs. In connection with storage service obtained by Mountain Fuel in the Clay Basin storage field in northern Utah, we find that it is appropriate that the costs incurred in connection with such service should be recovered by the Company and reflected in its rates. We further find that the costs incurred since May 1, 1981, pursuant to tariffs approved by the Federal Energy Regulatory Commission in its Docket No. CP81-325, are appropriately recovered by the Company through its 191 Account mechanism, as agreed to by the Division and the Company in the Stipulation. We do not, by this finding, decide the issue of prospective treatment of these costs

by other means, as raised by the Division in Case No. 81-057-17, currently pending.

4. Other Revenues. In Case No. 80-057-10, this Commission ordered that, as a general practice, Mountain Fuel would make direct credit offsets to its gas costs through the 191 Account for all revenues received from certain transactions denoted as "Other Revenues." These include the revenues from various transportation arrangements, sales for resale, and the sale of liquid hydrocarbons. However, in our April 7, 1981, order in that case, we also indicated that:

[T]he applicant may petition this Commission for exceptions to balancing account treatment for "other revenues," if in the Company's opinion other treatment is warranted. Such requests will be considered on a case by case basis and will take into account financial stability of the Company.

Pursuant to that provision, Mountain Fuel included in its December 16 application in this case a request that some \$7.3 million in Other Revenues received during 1981 be excluded from direct crediting to Account 191. The Company founded its request in large part on the low rate of return exhibited for the utility operations of the Company during 1981.

The Stipulation resolves this by permitting Mountain Fuel to exclude \$2.65 million in July-December 1981 Other Revenues from being credited to Account 191. The Company has agreed to include as 191 Account credits approximately \$1.31 million in temporary transportation revenues received in early 1981. We find that

this treatment of the Other Revenue issues constitutes an appropriate resolution under the circumstances and is in the public interest. We also encourage the Company and the Division to explore, discuss and present to the Commission a proposal for guidelines or specific treatment of Other Revenues in the future, as set forth in the Stipulation.

Because the Other Revenue issues were settled by the Stipulation, the Commission finds it unnecessary to set forth in any more detail any guidelines and considerations that would form the basis for future treatment of Other Revenues.

5. Composite Result. Although Mountain Fuel's original application was for an overall increase in rates of \$.21843/dth, the intervening approval and implementation of the terms of the Wexpro Order, the use of the actual year-end balance in Account 191 (including the reflection of the stipulated treatment of the 1981 Other Revenues issues), and the revised estimate of "make-whole" revenues from Champlin Oil Co. result in a net reduction in rates related to gas costs and "Wexpro Case" adjustments of \$.30662/dth.

6. December 24 Tentative Order. To the extent not inconsistent with the terms and conditions of the Stipulation presented to the Commission on February 4, 1982, and ratified in the Commission's Order, we adopt and ratify the findings and conclusions set forth in the Report and Tentative Order in this case issued on December 24, 1981.

CONCLUSIONS OF LAW

1. Costs incurred by Mountain Fuel on and after May 1, 1981, pursuant to FERC tariffs in connection with natural gas storage service in the Clay Basin storage field, have been properly incurred in connection with providing utility service to Utah consumers, and the costs for which Mountain Fuel initially sought coverage in this case and which were stipulated to by the Company and the Division are appropriately treated through Account 191. These costs have been incurred for the purposes of obtaining energy from independent contractors or suppliers whose prices are prescribed by FERC tariff. This conclusion does not preclude the Commission from according these costs general-rate-case treatment in a future period, should it subsequently be demonstrated that such alternate treatment would be warranted. However, costs incurred prior to an order of this Commission effecting such a change will be recovered through the 191 Account process and will not be subject to later disapproval.

2. Rates for natural gas service that reflect the various elements, adjustments and reductions set forth in the Stipulation approved by this Order are just and reasonable.

Based upon the foregoing Findings of Fact and Conclusions of Law, the Commission hereby enters the following:

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, That the schedules of rates and charges for natural gas service in Utah heretofore filed by Mountain Fuel Supply Company on February 5, 1982, to be effective February 1, 1982, in connection with the Commission's February 5 bench ruling approving the Stipulation are hereby approved.

DATED at Salt Lake City, Utah, this 2nd day of August, 1982.

/s/ Milly O. Bernard, Chairman

(SEAL)

/s/ David R. Irvine, Commissioner

/s/ Brent H. Cameron, Commissioner

Attest:

/s/ Jean Mowrey, Secretary