



ADMINISTRATIVE RULES OF MONTANA



42.25.1818 DELIVERY PRICE ADJUSTMENT (DPA) COSTS

- (1) DPA costs are reasonable and necessary costs incurred by the operator to bring the gas to the point of delivery. DPA costs must be documented, itemized, and increase the value of the gas.
- (2) Allowable delivery price adjustment costs include but are not limited to:
 - (a) Costs of direct labor associated with the central facilities. Direct labor is not meant to include personnel in corporate or headquarter offices who are not directly involved in the actual on-site central facility operations;
 - (b) Costs of materials, supplies, maintenance, repairs, and utilities directly associated with the central facility;
 - (c) Property taxes paid on the central facility;
 - (d) Liability and casualty insurance directly paid on the central facilities;
 - (e) Depreciation of the central facility is allowed as a reduction in gross value or a delivery price adjustment. The department will allow the depreciation of the initial capital investment of the central facilities, determined on a straight-line basis for a period of ten consecutive years beginning the year in which the facility first began to operate. The department will also allow additional capital investments made to the central facilities after the initial capital investment determined on a straight-line basis for a period of ten consecutive years beginning the year in which the additional capital investment was acquired;
 - (f) A return on investment percentage will be allowed to the operator of the central facility provided a balance of the initial capital investment is available to be depreciated as calculated in accordance with (2)(e). The annual rate of return will consist of the undepreciated balance of the capital investment multiplied by Moody's Baa corporate bond rate. For example assume the following: both Company Y and Company X operate gas wells in Montana, both companies do not have arm's-length wellhead contracts, but rather delivered gas contracts well downstream of the wells, Company Y made an initial capital investment of a central facility asset (a gas processing plant) for \$1,000,000 and the initial investment has not been fully depreciated (\$800,000), Company Y sold the asset to Company X for \$200,000 (Moody's Baa corporate rate is 3 percent), and Company X will be allowed a return on investment reduction of their gas value of 3 percent of the acquisition cost or 3 percent * \$200,000 or \$6,000.
- (3) Unallowable delivery price adjustment costs include but not limited to:
 - (a) State and Federal income taxes, license taxes, sales taxes, fuel taxes, excise taxes, production taxes and other fees, including royalties are not allowable expenses.

- (b) Acquisition costs cannot be deducted in the year incurred or capitalized, and amortized under this rule.
- (c) Costs incurred in the normal lease separation of the natural gas are not allowed.
- (d) No company overhead costs will be allowed.
- (e) Indirect labor such as supervisory labor or office labor will not be allowed.
- (f) No allocable costs that are not considered direct costs will be allowable.

Authorizing statute(s): 15-36-322, MCA

Implementing statute(s): 15-36-305, MCA

History: NEW, 2010 MAR p. 2580, Eff. 10/29/10.