

Service Date: December 20, 1985

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

* * * * *

IN THE MATTER Of The Application)
Of The MONTANA POWER COMPANY For) UTILITY DIVISION
Authority To Establish Rates For) DOCKET NO. 85.12.52
Its Deferred Accounting Filing,) INTERIM ORDER NO. 5174
And IN THE MATTER OF The Canadian)
Border Price Reduction From)
\$US 3.15 MMBTU To \$US 3.00 MMBTU)

FINDINGS OF FACT

1. On December 11, 1985, the Montana Power Company (MPC) filed its annual gas tracking application. The filing seeks approval of deferred gas costs as well as a gas cost for purposes of computing the base cost of gas for the ensuing period. In addition to the usual tracker components the filing seeks to recover take-or-pay deficiency payments and gas costs associated with contested contractual settlements.

2. The rate and revenue impact of the filing is as follows:

	<u>Firm Class</u>	<u>Interruptible</u>	<u>Utility</u>	<u>Total</u>
A&S and Energy Oils Amortization	\$5,969,453.08	\$1,629,370.13	\$1,596,267.80	\$9,195,091.00
Rate Base Revenue Requirement	\$0.00 (\$508,226.87)	\$0.00 (\$138,721.20)	\$0.00 (\$135,902.93)	\$0.00 (\$782,851.00)
Current Cost of Gas Reduction	\$0.00 (\$3,017,861.38)	\$0.00 (\$823,729.26)	\$0.00 (\$806,994.36)	\$0.00 (\$4,648,585.00)
Unreflected Gas Cost Amortization	\$0.00 (\$3,738,377.95)	\$0.00 (\$1,020,395.21)	\$0.00 (\$999,664.84)	\$0.00 (\$5,758,438.00)
Subtotal	<u>(\$1,295,013.12)</u>	<u>(\$353,475.55)</u>	<u>(\$346,294.33)</u>	<u>(\$1,994,783.00)</u>
Old Amortization	\$1,984,026.61	\$541,542.69	\$530,540.70	\$3,056,110.00
Excess Winter Discounts Amortization	(\$787,908.00)			(\$787,908.00)
Total	<u>(\$98,894.51)</u>	<u>\$188,067.14</u>	<u>\$184,246.37</u>	<u>\$273,419.00</u>
Sales Volumes (MCF)	14,518,175.00	46,526.20	45,595.42	
Unit Change (per MCF)	(\$0.01)	\$0.04	\$0.04	

3. MPC seeks recovery of the revenue impact of the A&S and Energy Oils settlements over one (1) year. While for purposes of this interim order the PSC does not pass judgment on the propriety of these settlements, it finds MPC's amortization period to be improper. Amortization periods ranging from 2 to 10 years have been used for MPC revenue and expense items in the past. In some instances the PSC has chosen to amortize an amount over the same period over which the amount accrued. In this instance that policy would result in a seven (7) year amortization. However, most recently the PSC amortized revenue amounts that would benefit the ratepayers over two (2) years. For purposes of this interim the PSC finds a middle of the road approach would both benefit ratepayers as well as return stockholders capital in a reasonable period of time. Accordingly, the PSC finds the settlement amounts should be amortized over five (5) years. The unamortized balance is to be reflected in rate base and reduced ratably over the period.

4. MPC seeks current gas costs according to the following schedule:

<u>SUPPLY/COST</u>	<u>Mcf @14.9</u>	<u>Gas Cost (U.S. \$)</u>	<u>\$/Mcf @ 14.9</u>
egan Purchase	121,664	\$ 440,803	\$ 3.623
den			
Purchase	2,533,863	\$ 6,252,369	\$ 2.468
Royalty	4,701,922	6,182,147	1.315
Fee	417,935	221,825	0.531
Co-Use	(574,033)		
et Aden	<u>7,079,737</u>	<u>\$ 12,656,341</u>	<u>\$ 1.788</u>
ontana			
Purchase	13,387,287	\$ 37,394,859	\$ 2.793
Royalty	8,274,387	2,315,069	0.280
Co-Use	(1,083,084)		
Net Montana	<u>20,578,590</u>	<u>39,709,928</u>	<u>1.930</u>
Storage Net Withdrawal	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Subtotal Gas Supply	<u>27,779,991</u>	<u>\$ 52,807,072</u>	<u>1.901</u>
ess			
Canadian Utilities Credit	(147,540)	\$ (455,554)	\$ (3.088)
Net Gas Costs to MT Mkt.	<u>26,263,190</u>	<u>\$ 52,351,518</u>	<u>\$ 1.993</u>

5. While the gas market included in this filing is very similar to that approved in MPC's previous tracking filing, the gas mix shown above has changed due to several factors: MPC claims it cannot take as much gas from storage as it previously had contemplated and it is buying more "aden" gas from its subsidiary, Canadian-Montana Gas Company. While not passing judgment on the propriety of the gas mix change the PSC for purposes of this interim finds that MPC should take gas from its subsidiary in the same purchase gas/royalty gas proportion as was approved for MPC's previous gas tracker. Other elements of the current gas cost are accepted.

6. The "Old Amortization" and "Excess Winter Discount Amortization" amounts shown in Finding No. 2 arise from the removal from rates of amounts approved in MPC's previous tracker. The PSC finds the changes to be proper.

7. The PSC finds the following rates and revenues, consistent with the above Findings of Fact:

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	<u>Firm Class</u>	<u>Interruptible</u>	<u>Utility</u>	<u>Total</u>
A&S and Energy Oils Amortization	\$1,194,167	\$325,683	\$319,168	\$1,839,018
Rate Base Revenue Requirement	(30,153)	(9,305)	(9,119)	(48,477)
Current Cost of Gas Reduction	(3,120,339)	(851,429)	(834,396)	(4,806,164)
Unreflected Gas Cost Amortization	(3,740,975)	(1,018,924)	(998,540)	(5,758,439)
Subtotal	(5,697,200)	(1,553,975)	(1,522,887)	(8,774,062)
Old Amortization	1,987,499	539,704	528,907	3,056,110
Excess Winter Discounts Amortization	787,908			787,908
Total	\$ (4,497,609)	(1,014,271)	(993,980)	(6,505,860)
Sales Volumes (MCF)	14,613,960	4,652,620	4,559,542	
Unit Change (per MCF)	(\$0.308)*	(0.218)	(\$0.218)	

* (Summer-all, winter > 15)

8. The application maintains all rate design policy approved by the PSC for MPC's previous tracker, including applying all the firm class rate decrease to the greater than 15 Mcf block. Accordingly, the PSC finds the application to be proper for rate design purposes.

CONCLUSIONS OF LAW

1. Montana Power Company is a corporation providing gas services within the State of Montana, and, as such, is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over Montana Power Company's natural gas utility operations under Title 69, Chapter 3, MCA.

3. The Company is authorized to reduce rates on an interim basis, pending hearing on the merits (69-3-304).

ORDER

1. The Commission orders Montana Power Company to file rate schedules reflective of the Findings of Fact above to be effective for meters read on and after January 1, 1986.

2. A notice of opportunity for public hearing will be issued in the future to allow parties the option of pursuing items of interest to them.

DONE AND DATED at Helena, Montana this 19th day of December, 1985 by a 3-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION



Clyde Jarvis, Chairman

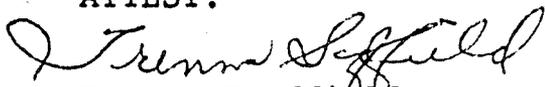


Howard L. Ellis, Commissioner



Danny Oberg, Commissioner

ATTEST:


Trena Scoffield
Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.