

Service Date: November 6, 1985

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 The MONTANA POWER COMPANY For) UTILITY DIVISION
Authority To Implement An Experi-) DOCKET NO. 85.7.32
mental Industrial Market Retention) INTERIM ORDER NO. 5162
For Natural Gas.)

FINDINGS OF FACT

1. On July 31, 1985, The Montana Power Company (MPC) filed an application for authority to implement an experimental industrial market retention rate for natural gas. MPC's reason for the rate proposal is a need to minimize economic risk and attempt to prevent the fuel switching or fuel conversion of the Company's large natural gas Industrial Contract customers. The objective of the rate is to retain industrial gas loads and protect the interests of the other customers on the system by retaining some recovery of the nongas costs (fixed costs) of the system that might otherwise have to be recovered from the remaining natural gas customers.

2. MPC, while noting the difficulty of defining a generic rate level that could compete with all possible alternate fuels, proposed a \$3.50/Mcf rate. MPC further proposed to restrict the rate to industrial users of more than 60,000 Mcf per contract year. Moreover, to qualify for this rate schedule it must be certified annually by affidavit that: (1) a cost benefit analysis has been performed and supplied to MPC that proves the financial incentive to fuel switch, and (2) a showing that required

certifiability is achievable from all federal, state and local environmental quality agencies.

3. One request for a public hearing was received from the Great Falls Gas Company (GFGC). Subsequent to this request, GFGC moved for withdrawal of its request for a public hearing. At a regularly scheduled work session on October 17, 1985, the Commission voted to grant GFGC's motion to withdraw its request.

4. The Commission also received two (2) petitions for intervention, one from the Montana Consumer Counsel and the second from Champion International Corporation.

5. The Commission approves, on an interim basis, MPC's proposal, but with one modification. MPC's proposal features cost recovery of the differential between the otherwise applicable rate and the IMR rate via the unreflected gas cost tracking mechanism. Specifically, MPC proposes 100 percent recovery via this mechanism.

6. The Commission finds that less than 100 percent of the cost differential should be recovered via the unreflected gas cost tracking mechanism. On an interim basis, the Commission finds that 90 percent of the cost differential should be recovered via MPC's proposal; the remaining 10 percent should be a cost MPC must account for; i.e., MPC's investors and not ratepayers will be responsible for 10 percent of the direct costs.

CONCLUSIONS OF LAW

1. The Applicant, Montana Power Company, furnishes gas service to consumers in Montana, and is a "public utility" subject to the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-304 MCA.

2. The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision. Section 59-3-304, MCA.

3. If the final decision of the Commission is to disapprove the proposed rate, the Commission may order that a surcharge, with interest, be paid for the amount not collected by reason of this order.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS:

1. Applicant is granted authority to implement the proposed "IMP-85" rate on an interim basis, subject to the deferred recovery mechanism modification set forth in Finding of Fact No. 6.

2. Nothing in this interim order precludes the Commission from denying in its final order, after reviewing the entire record in this docket, the final approval of the proposed IMR-85 rate.

3. The interim approval granted in this order is to be effective November 4, 1985.

DONE IN OPEN SESSION at Helena, Montana this 4th day of November, 1985, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS .Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISC01L, Commissioner

ATTEST:

Trenna 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 38.2.406, ARM.