Service Date: November 2, 1989

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 MONTANA POWER COMPANY To Re-structure Natural Gas Rates.	)	UTILITY DIVISION DOCKET NO. 87.8.38
IN THE MATTER OF the Application Of MONTANA POWER COMPANY For Authority To Implement A Natural Gas Incentive Rate.	)	DOCKET NO. 87.3.16
IN THE MATTER Of The Application Of MONTANA POWER COMPANY For Authority To Implement An Experi-mental Industrial Market Retention Rate For Natural Gas.	)	DOCKET NO. 85.7.32 ORDER NO. 5410B

FINAL ORDER ON RATE DESIGN

ORGANIZATION

This order is organized into two parts. Part I contains a review of both recent related Commission decisions, as well as the parties' moderation and rate design testimony. Part II provides the Commission's determinations concerning the moderation of the revenue requirement impacts, and rate design.

PART I

HISTORICAL BACKGROUND

The Commission issued Order No. 5410 on May 15, 1989, which addressed cost of service issues in this docket. Two parties filed motions for reconsideration of certain aspects of Order No. 5410. On August 23, 1989 the Commission issued Order No. 5410a on reconsideration.

In Docket No. 88.6.15, and on October 11, 1988, the Commission granted MPC an interim revenue increase of $5,342,220. Prices were increased by a uniform percent to all nongas costs, to recover the interim increase. In Final Order No. 5360d the Commission allowed MPC to increase all rates by a final amount of $6,285,561, or by $943,341 over the interim level. The same uniform percent increase to all nongas costs was used to increase prices.

From Order Nos. 5410 and 5410a, MPC was directed to submit a compliance filing based on the Commission's findings. The compliance filing was to include a uniform percent reconciliation of the allowed and the marginal cost revenue requirements. MPC was directed to compute gas prices for certain classes based on different assumptions.

MPC MODERATION AND RATE DESIGN

MPC further moderated the revenue impacts of its cost study in this docket by moving only 50 percent toward marginal cost revenue requirements. This was proposed in order to mitigate billing impacts upon the residential class which would otherwise result (MPC Exh. No. 27, pp. 10-11).

At present MPC has five retail gas tariffs, including: 1) Firm Natural Gas, for residential, limited commercial and industrial, and certain other loads; 2) Firm Utility Gas Contract; 3) Interruptible Industrial Gas Contract for customers whose use exceeds 60,000 mcf/year; 4) Interruptible Market Retention Rate-86; and 5) the Natural Gas Incentive Rate.

An inverted lifeline-like price structure approved in Docket No. 6618 for the Firm tariff was phased out in a deferred accounting docket (No. 85.12.52, Order No. 5174). The Commission required MPC to apply a Canadian border price reduction to the tail-block price in an effort to return to a flat annual gas price for firm loads.

The following reviews MPC's current and proposed prices. The "current" prices are those in MPC's filing. Because of the lapse in time since MPC's filing and subsequent price changes, the noted current prices differ from those presently tariffed.

RESIDENTIAL. Residential customers are served on the Firm Natural Gas tariff which featured a $3.359/mcf price. MPC proposed a gas price of $3.494 and a customer charge of $3.85.

GENERAL SERVICE. Commercial customers are currently served on the Firm Natural Gas tariff which had a $3.359/mcf price. MPC proposed a nonlinear declining-block price structure. The first 1000 mcf would be sold at $3.511/mcf, and any additional mcf would be charged at $2.939/mcf. MPC stated the 1000 mcf blocking was a judgment call and that no precise cost justification explained the $.572/mcf differential (MPC DR GFGC 1-13 and MPC DR MCC 2-8). MPC proposed an $8.25 customer charge.

FIRM UTILITY. The Firm Utility mcf price was $3.340. MPC proposed a $3.257/mcf price, and no other rate elements.

<u>INTERRUPTIBLE INDUSTRIAL</u>. The current tariff features a commodity price of $3.87/mcf. MPC's proposed tariff features a $3.299/mcf commodity price and a customer charge of $1,570 per month.

<u>INDUSTRIAL MARKET RETENTION (IMR)</u>. In 1985 MPC filed the first of two versions of an Industrial Market Retention (IMR) tariff (Docket No. 85.7.32). The Commission issued two separate interim orders in this docket. Order No. 5162 granted interim approval of MPC's IMR-85 tariff. A gas price of $3.50/mcf for large (60,000 mcf/year) qualifying customers was tariffed. Customers qualify, in part, by submitting a cost benefit analysis documenting the economics of fuel conversion. The Commission's interim approval required MPC's investors to absorb 10 percent of the differential between the otherwise applicable rate (OAR) and the IMR-85 price.

In June, 1986, the Commission granted MPC's request for interim approval to revise the IMR tariff. The revised IMR tariff, IMR-86, permitted MPC to price down to the "system average cost of gas plus $.50," a potentially lower floor price than existed with IMR-85. Investors still absorbed 10 percent of the OAR less IMR-86 price differential. The remaining difference is recovered via the unreflected gas cost tracking mechanism. MPC believes that the recovery of the differential should not be considered a business risk its shareholders should absorb (MPC Exh. No. 28, p. 7).

<u>NATURAL GAS INCENTIVE (NGI)</u>. In April, 1987, the Commission issued Order No. 5266 (Docket No. 87.3.16) granting interim approval of MPC's proposed Natural Gas Incentive tariff filing. To qualify, an existing customer must increase its load by 60,000 mcf while a new customer must have a total load exceeding

the same amount on an annual basis. Second, and to encourage demand, the price floor on the NGI tariff allows MPC to price down to the incremental cost of gas plus nongas costs. Third, contracts with customers which establish the price are renewed annually. If the alternative fuel price eventually exceeds the otherwise applicable tariffed rate, then the latter tariff rate substitutes for the NGI price. The actual sales price varies by customer. Fourth, the tariff is structured so that the customer served pays the entire cost of any needed line extension service facilities (MPC DR PSC 1-11 in Docket 87.3.16). Fifth, the NGI is available, in part, as long as MPC finds it has available gas supply resources, and the customer substantiates that it would not establish the increased gas load but for the NGI tariff.

On an interim basis the Commission denied MPC's request to flow through to its shareholders 10 percent of the difference between the NGI price and the incremental cost. This determination was made final in Order No. 5410, and reaffirmed in Order No. 5410a.

IMR AND NGI. One difference between the two tariffs concerns MPC's planned sunset. Although at one point MPC stated the IMR is a short-term experimental rate, MPC later proposed to make the IMR permanent (MPC DR PSC 1-11 in Docket No. 85.7.32, and MPC Exh No 27, p.16). In contrast, MPC stated that NGI contracts (presumably availability) are limited to three years and would expire on April 21, 1990 (MPC DR PSC 1-8-i-c, 1-31-v-a and 2-35), at which time, MPC intends to review the merit of continuing the NGI tariff (TR 186). Service on both tariffs is interruptible. The 60,000 mcf threshold logic is similar for each tariff and stems from the historical level used to establish criteria for IIGC tariff availability (MPC DR MCC 3-5 and 3-8).

On April 17, 1989 MPC filed a request with the Commission to extend the availability of the NGI tariff for a period of two years beyond the current term, to April 20, 1992. By Commission action, this request was consolidated into this proceeding for final consideration. Despite the spectre of drastic changes in the day-to-day operations of MPC's gas utility, the Commission extended the availability of the NGI tariff for one year, in order to allow for continuity in negotiations between MPC and NGI customers.

On September 11, 1989 MPC requested that the availability of the NGI tariff be extended to five years for Canbra Foods, Ltd. In a separate docket (No. 89.9.37), the Commission granted approval of MPC's request.

INTERVENOR TESTIMONY:

MCC TESTIMONY

The MCC employed J.W. Wilson and Associates to provide marginal cost analyses and pricing testimony. Mr. Jim Drzemiecki testified on MCC's behalf.

MCC also proposed to moderate cost allocation impacts that resulted from its cost study (MCC Exh. No. 36, pp. 7 and 52), by proposing to increase the residential class' revenue requirement by 5.75 percent, one-third of the cost-justified increase. To maintain revenue neutrality in this docket, MCC proposed price reductions to accommodate the proposed increase to the residential class. For moderation purposes MCC separated the Government and Municipal classes from the Commercial class. MPC does not have separate Government and Municipal tariffs, but MCC proposes to lower these customers' revenue requirements, while freezing the revenue requirements for the balance of the "Commercial" class. MCC proposes to reduce all but the Commercial class' revenue requirement by the amount of the increase to the residential class (MCC Exh. No. 36, pp. 52-53). Mr. Haffey rebutted MCC's revenue moderation proposal as result oriented, and not recognizing MPC's obligation to all of the customer classes (MPC Exh. No. 28, p. 2). Mr. Jan Michael also criticized MCC's approach to moderation, noting that it would further increase existing class cross-subsidies between the residential and interruptible class. According to Mr. Michael, this was contrary to Mr. Drzemiecki's costing philosophy, and resulted in inappropriate income redistribution (SCC Exh. No. 35, pp. 7-10).

As with MPC's rate design proposals reviewed earlier, the reference by MCC to current prices describes prices and revenue requirements at the time of filing. The allowed revenue requirement has changed and will be discussed later.

<u>RESIDENTIAL</u>. Residential customers are served on the Firm Natural Gas tariff which currently features a \$3.359/mcf price. MCC proposes a gas price of \$3.277/mcf and a customer charge of \$3.85. MCC proposes separate prices for employees, and recommends that this price be reflected on the residential tariff as a line item. MPC discounts each employee's total bill 25 percent (MPC DR PSC 1-1).

<u>GENERAL SERVICE</u>. Commercial customers are currently served on the Firm Natural Gas tariff and also pay \$3.359/mcf. MCC's initial rate design was similar to MPC's proposed nonlinear declining-block price structure. The first 1000 mcf would be sold at \$3.395/mcf, and any additional would be charged at \$2.924/mcf.

MCC later revised its proposal to replace the declining-block structure with a flat commodity rate (TR 268). A customer charge of $8.25 is proposed.

FIRM UTILITY. The current mcf price is $3.34. MCC proposes a $3.303/mcf price, and no other rate elements.

INTERRUPTIBLE INDUSTRIAL. The current tariff features a commodity price of $3.87/mcf. MCC's proposed tariff features a $3.775/mcf commodity price and a customer charge of $1,120 per month.

IMR AND NGI. MCC finds neither tariff's current form acceptable and strongly recommends the Commission defer a final order on cost and benefit sharing for these two tariffs until MPC's next general rate case. This would insure that the business risk remains a responsibility of MPC's shareholders, and would allow the Commission an opportunity to review the present distribution of costs and benefits (MCC DR MPC 22).

To insure that discounted prices cover incremental costs so as to avoid adverse impacts on nonparticipants, MCC recommended the Commission require MPC to file the following material: 1) incremental revenues per month from each tariff; 2) monthly incremental capacity and commodity costs per customer, as well as customer costs to serve loads under each tariff; and 3) an annual report of all direct and indirect investments made by MPC to provide service under each tariff (TR 270).

GREAT FALLS GAS TESTIMONY

On behalf of GFG, Mr. Geske and Ms. Beach testified on certain cost of service and rate design issues. The thrust of GFG's testimony was to lower the Firm Utility gas price below that proposed by MPC.

Mr. Geske objected to the moderated price decrease to Firm Utility Loads, stating that a 50 percent moderation is inadequate (GFG Exh. No. 30, p. 5). Ms. Beach argued that a 75 percent moderation would be more appropriate, since her studies showed that the utility class is paying at least 13 percent, and possibly 17 percent, more than marginal cost (GFG Exh. No. 32, pp. 9-10). Mr. Haffey rebutted GFG's proposal, and supported MPC's 50 percent proposal (MPC Exh. No. 28, pp. 1-2). Mr. Michael criticized Ms. Beach's approach, noting that it was inappropriate to single out one class for cost-based rates while continuing large cross-subsidies among the other classes (SCC Exh. No. 35, pp. 10-11).

SHELBY GAS TESTIMONY

Mr. Larry Nelson testified on behalf of the Shelby Gas Association. Mr. Nelson requested that MPC be required to lower prices to the Firm Utility class by 12.37 percent.

STONE CONTAINER CORP. TESTIMONY

Mr. Jan Michael testified on Stone Container's behalf. The thrust of Mr. Michael's testimony (hereafter SCC) is to support MPC's IMR tariff. Mr. Michael rebutted the moderation proposals offered by GFG and MCC.

PART II

COMMISSION DECISION

MPC'S COMPLIANCE FILING

The Commission's decision is organized as follows: First, findings on moderating revenue impacts are provided. Second, after arriving at each class' revenue requirement the Order will turn to the issue of rate design within each class. Finally, the Order will note the procedural mechanism by which the final class revenue requirements and prices from this docket will have to be revised to reflect the increased revenues from Docket No. 88.6.15.

RECONCILED AND MODERATED CLASS REVENUE REQUIREMENTS

Table 1 compares the current revenues generated by each existing class to the revenues that would be generated from the strict application of the results of the cost studies in this docket, including MPC's compliance filing in response to Commission Order No. 5410a.

Table 1
Comparison of the Unreconciled Marginal Cost Study
Revenues to Current Revenues
(Millions of $)

		Marginal Cost Revenues And The Percent MC Revenues Exceed Current Revenues		
Class	Current Revenues	MPC	MCC	MPC's Compliance Filing
Res.	$35.9	$50.8 (42%)	$42.1 (17%)	37.7 (5%)
Gen. Service	31.6	36 (14%)	30.1 (-3%)	27.9 (-12%)
Interrup. Ind.	18.6	14.3 (-23%)	14.6 (-22%)	14.1 (-24%)
Firm Utility	16.4	16.4	14.9 (-9%)	15.3 (-7%)
Totals:	$102	117	102	94.9

The parties in this docket proposed different changes to the current revenue requirements in this docket. Table 2 summarizes these proposals. Shelby Gas also argued for a decrease to the Firm Utility's revenue requirement in the amount of 12.37 percent (Order No. 5410, Finding No. 102). The General Service class in Table 2 is comprised of three revenue subclasses: Commercial, Industrial Firm and Government and Municipal.

Table 2
The Parties Proposed Percent Changes
In Class Revenue Requirements
(After Reconciliation and Moderation)

Class	Current Revenues (000 $)	Percent Change In Revenues MPC's Proposed	MCC's Proposed	GFG's Proposed
Residential	$35,917	11.99	5.75	
Gen. Service	31,559	- .69	- .87	
Interruptible Ind.	18,589	-16.54	- 7.5	
Firm Utility	16,345	- 6.19	- 2.4	-12.70
Total:	$102,412			

Sources: MPC's current revenues and proposed percent increases are from the Company's July 31, 1987 Application, page 2. MCC's proposed changes are derived from Mr. Drzemiecki's "Errata Sheet" and accompanying "revised" Exhibits. GFG's proposed change was taken from Order No. 5410, Finding No. 101.

In Order No. 5410, the Commission directed MPC to provide a compliance filing which reflected the Commission's findings on cost of service. The compliance filing was to include an equal percent reconciliation of revenue requirements. MPC submitted a revised compliance filing in response to Order No. 5410a, the results of which are reflected in Table 3.

Table 3
Reconciled Percent Changes In Class Revenue Requirements
From MPC's Order No. 5410a Compliance Filing
(Before Moderation)

	Current Revenues (000 $)	Reconciled Revenues	Percent Change
Residential	$35,917	$40,660	13.20
Gen. Service	31,559	30,124	- 4.55
Interruptible Ind.	18,589	15,176	-18.40
Firm Utility	16,345	16,480	1.0
Total:	$102,412	$102,440	

Sources: MPC's September 15, 1989 Compliance filing.

Table 4 contains moderated class revenue requirements which the Commission believes to be justified in this proceeding.

Table 4
Current and Changed Revenue Requirements
(Millions of $ -- rounded)

Class	Current Revenues	Final Revenues	Percent Change
Residential	$35.9	$38.4	7.00
General Service	31.6	31.4	- .75
Firm Utility	16.4	15.3	- 6.52
Interruptible Industrial	18.6	17.4	- 6.52

For several reasons, the Commission believes that the moderation in revenues for each of the classes in Table 4 is appropriate. First, for the Residential class the Commission finds merit in increasing the revenue requirement by slightly more than what MCC proposed, but less than MPC's proposal. Based on marginal costs alone, the Residential class should receive a 5 percent increase in revenues. However, if all classes were charged their respective marginal cost revenue requirements, MPC would have a revenue deficiency of over $7 million dollars per year. Thus, revenue recovery in excess of a pure marginal cost based level is necessary. However, an equal percent reconciliation results in a

13.2 percent increase to the Residential class, which is not possible in this docket, given the notice constraints. Further, the Commission believes that such an increase, or even the 12 percent proposed by MPC, would result in too large of a bill impact from this docket. Thus, while the Commission finds merit in moderating the increase over and above a 5 percent cost-based justification, it will not increase revenues for the Residential class by the 12 percent proposed by MPC. The Commission finds that a 7 percent (roughly $2.5 million) increase in the Residential class' revenue requirement balances the needs of moderating rate impacts with the objectives of cost based pricing.

As a result of increasing the Residential class' revenue requirement by 7 percent, there is a need to correspondingly lower one or more of the remaining classes' revenue requirements so that MPC does not over-earn its allowed revenue requirement. The Commission finds that all other classes should share in the resulting decreased revenue requirement. First, the General Service class will receive a .75 percent decrease in revenues. This percent decrease lies within the range proposed by MCC and MPC, and represents a move in the appropriate direction.

Second, the Commission finds that the Firm Utility and Interruptible Industrial classes should share in an equal-percent reduction in their respective revenue requirements. After considering the increase to the Residential class and the decrease to the General Service class, this reduction equals approximately 6.52 percent. One reason the Commission chooses to treat these two classes in this fashion is that no concrete evidence exists on the differences in their respective demand elasticities. Further, this decrease will also take the Firm Utili ty class nearly down to its marginal cost of service revenue requirement, a level below which would be uneconomic. Overall, the Interruptible Industrial class will receive a larger dollar decrease. The Commission believes that this treatment strikes a proper balance in this proceeding.

The Commission believes that this further moderation of revenue requirements, as described above, promotes many of the objectives offered by the parties to this proceeding, and results in an equitable balance of revenue requirements responsibility as a result of this proceeding. This moderation continues to move the various classes in the proper direction, thus recognizing MPC's obligation to all of its customer classes. Further, this moderation mitigates the impacts upon the Residential class, while moving that class a significant way toward its reconciled cost responsibility.

In arriving at the above decision concerning moderation the Commission is fully aware that the revenue requirement impacts of Docket No. 88.6.15 have not been recognized. Further, Docket No. 87.8.38 was the first time gas marginal and avoidable costs have been debated in Montana. Although the Commission is comfortable with its findings and determinations in this order, it also recognizes that there is much room for improvement. This is borne out by the Commission's experiences in PURPA electric cost of service and avoided cost dockets. The Commission finds merit in minimizing the number of rate changes that could result from the two separate dockets. As a result, MPC is directed to combine in its compliance filing to this order (and resulting tariffs) the impact of Docket No. 88.6.15. MPC's compliance filing must document the Commission findings on moderation and rate design. The compliance filing must also show the separate impacts of overlaying Docket No. 88.6.15 which includes both changed markets (billing determinants) and revenue requirements. In this regard, the Commission finds that MPC must continue to use the "uniform percent change to all non-gas costs" approach to recover the Docket No. 88.6.15 revenue requirement.

Rate Design And Pricing

In the following the Commission will set forth its findings on how MPC is to recover the moderated class revenues. As an introductory remark, the Commission has several general comments. First, the Commission accepts the proposals of both MPC and MCC to unbundle the current Firm Natural Gas tariff into two distinct classes, Residential and General Service. Second, the Commission also finds merit in tariffing Customer Charges for certain classes as proposed by MPC and MCC. The tariffing of such charges will allow the commodity price to more closely approach the marginal cost of gas. However, the Commission recognizes that it is quite likely that even though a particular class receives an overall decrease in its revenue requirement, individual customers may receive bill increases because of the proposed customer charges. This outcome will most likely occur with low volume consumption on MPC's proposed General Service and Residential tariffs. For ease of administration and public perception and understanding, the Commission also finds that the customer charges for all classes should be rounded to the nearest nickel.

Third, the Commission finds that although seasonal prices will not be tariffed out of this docket, the cost evidence filed by MPC indicates fairly significant seasonal cost variations. Given the shift in revenue requirement responsibilities that results from this docket, seasonal prices at this time could be justified for the Firm Utility class. As discussed below such seasonal price considerations will be deferred until MPC's next cost of service and rate design docket.

Residential. The Commission finds merit in the proposal of both MPC and MCC to tariff a customer charge equal to \$3.85/month. As a result, the commodity price will approximately equal \$3.32/mcf. This average annual price exceeds the winter cost/mcf of approximately \$3.02, consequently seasonal price differences appear unnecessary. Cost-based winter and summer prices, given the current revenue requirement and cost of service of this class, would require other rate design changes which the Commission believes to be inappropriate at this time.

The Commission finds merit in MCC's proposal to include on the residential tariff a line item indicating the price for gas for MPC's employees.

General Service. It is for this class that the most significant changes in rate design were proposed. As with the Residential class, MPC and MCC each proposed a customer charge of \$8.25/month. MPC, however, proposed a declining-block price structure, which MCC initially proposed but then changed to a flat annual rate.

The unit cost of providing the commodity gas varies by season. From MPC's compliance filing, the winter cost equals $3.03/mcf and the summer cost equals $2.35/mcf. The winter cost is simply the commodity cost of $2.91/mcf combined with recovery of peak day demand costs of about $.12/mcf. The latter reflects conversion of peak-day demand costs to a unit cost figure using winter mcf consumption.

Various rate design options and the associated prices available to the Commission in this docket include the following: First, based on MCC's testimony an $8.25 customer charge results in a flat $3.31/mcf price, which covers the marginal cost of gas in the winter months. Second, MPC proposed a declining-block price structure. Under this option if the tail-block price were set at $3.04/mcf, based on the winter marginal cost of gas and the customer charge of $8.25/month, the initial-block price would be $3.38/mcf. As a result, MPC would not be encouraging uneconomic consumption in the winter months, but would be discouraging economic consumption in the initial-block.

The Commission finds relatively more merit in MCC's proposal to tariff a flat annual rate combined with an $8.25/month customer charge. Although MPC's declining block proposal could, as demonstrated above, allow a tail-block price closer to the winter marginal cost, an undesirable rate comparison arises. As with MCC's initial testimony the tail-block price, in the above example, would fall below the price of gas on the Interruptible Industrial tariff -- on an equivalent pressure basis. Although the "Applicability" language on the two tariffs appears to preclude tariff shopping, the Commission believes that the tariffed tail-block rate for Firm service should exceed that for Interruptible service.

Interruptible Industrial. For this class the Commission adopts MPC's proposed customer charge of $1,570/month, with the balance of the class' revenue requirement recovered from a commodity price of approximately $3.70/mcf. Although the customer charge MPC proposed exceeds that resulting from its compliance filing ($1,186.73/month), with the fixed revenue requirement of this class, a lowering of the customer charge toward marginal cost would cause the commodity price to move further away from marginal costs.

Given the revenue requirement for this class, other rate design options appear less desirable. For example, a higher customer charge could be justified in order to lower the gas price of $3.70/mcf down to marginal cost. Moreover, seasonal prices would not seem appropriate if the winter price were cost based ($3.35/mcf) and the customer charge did not exceed the $1,570 figure proposed by MPC; with these two constraints a sum mer price would equal about $3.99/mcf, a level higher than the winter price and a move further away from costs.

<u>Firm Utility</u>. Since no party proposed a customer charge for this class, and given the revenue requirement and the marginal cost of the commodity gas, the Commission finds no merit in such a charge. With the revenue requirement of this class, a flat annual price would equal $3.246/mcf, a level below the marginal cost of supplying gas in the winter season which, according to MPC's compliance filing equals $3.47/mcf.

Thus for this class, if the Commission sets a flat price of $3.47/mcf, for five months per year Firm Utility customers receive an uneconomic price signal. Nevertheless, the Commission adopts the flat annual price. The only other alternative is seasonal prices. If the winter price was set equal to the cost of service of $3.47/mcf the summer price would equal $2.78/mcf, a value only slightly in excess of the summer cost of service of $2.71/mcf.

Unlike other customer classes any change in the revenue requirement for this class will precipitate rate filings by MPC's firm utility customers, in order to pass through the lowered cost of service. As a result, and on this account alone it makes no difference whether the rate change is simply lowered or changed to seasonally differentiated pricing.

Docket No. 88.6.15 Revenue Requirement Impacts

MPC must take the above decided revenue requirement and rate design decisions and compute compliance rates. To these rates the impacts of Docket No. 88.6.15 must be added to arrive at final tariffs.

CONCLUSIONS OF LAW

1. The Applicant, Montana Power Company, furnishes natural gas service to consumers in the State of Montana and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over the Applicant's rates and operations. Section 69-3-102, MCA and Title 69, Chapter 3, Part 3, MCA.

3. The Commission has provided adequate public notice of all proceedings and an opportunity to be heard to all interested parties in this Docket, Title 2, Chapter 4, MCA.

ORDER

1. The Applicant shall design rates in compliance with this Order.

2. The Applicant shall file compliance workpapers with its tariffs, which reflect the implementation of the findings of fact in this Order. This filing must be filed with the Commission within 12 days of the Service Date of this Order, and must be served on intervening parties.

3. The utilities taking service on the Applicant's Firm Utility tariff must file, within 20 days of the Service Date of this Order, applications with the Commission reflecting the lowered Firm Utility tariff resulting from this docket.

4. All other motions or objections made in the course of these proceedings which are consistent with the findings, conclusions, and decision made herein are Granted, those inconsistent are Denied.

Done and Dated this 31st day of October, 1989 by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Vice Chairman

JOHN B. DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

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