

Service Date: May 19, 1987

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

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IN THE MATTER Of The MONTANA	)	
PUBLIC SERVICE COMMISSION'S	)	UTILITY DIVISION
INVESTIGATION OF FEDERAL TAX	)	DOCKET NO. 86.11.62 - Sub 10
UTILITY REVENUE REQUIREMENTS	)	ORDER NO. 5269
REFORM ACT IMPACTS ON PUBLIC	)	
_____	)	

FINDINGS OF FACT

1. In Order No. 5236, dated November 24, 1986, this Commission ordered that the Montana Power Company (Company) and other utilities under the Commission's jurisdiction show cause why, in light of the Tax Reform Act of 1986, their existing utility rates should not be deemed unjust and unreasonable and why further proceedings should not be initiated to change them.

2. The Company has filed cost-of-service information concerning its natural gas utility in response to the Commission's Order, and included as part of that information is a Settlement Agreement (copy attached) with the Montana Consumer Counsel (Consumer Counsel) concerning the Company's natural gas utility's cost of capital for the purposes of this proceeding and any further proceedings concerning the Company's natural gas utility which might result from the Commission's Order To Show Cause.

3. The Settlement Agreement is conditioned upon this Commission's approval.

4. The agreed upon cost-of-capital, including the capital structure for the purpose of this proceeding and any further proceedings resulting from the Order To Show Cause, is as follows:

<u>Description</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-term Debt	50%	9.61%	4.81%
Preferred Stock	10%	7.29%	.73%
Common Stock	<u>40%</u>	12.00%	<u>4.80%</u>
	100%		10.34%

5. The Commission published notice of the proposed Settlement Agreement. No protests or requests for hearing were received.

6. The Commission finds that the Settlement Agreement is reasonable and that it should be approved by this Commission.

#### CONCLUSIONS OF LAW

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

2. The Settlement Agreement approved herein is an appropriate means of settling the issue of Montana Power's natural gas utility cost-of-capital for the purposes of this proceeding.

3. Adequate notice of the proposal was provided to all interested parties. Section 2 - 4 - 601, MCA.

#### ORDER

The Settlement Agreement between the Company and the Consumer Counsel for settlement of the natural gas utility and cost-of-capital in this proceeding is hereby approved.

DONE IN OPEN SESSION at Helena, Montana this 18th day of May, 1987 by a 5 - 0  
vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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TOM MONAHAN, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Ann Purcell  
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. See 38.2.4806, ARM.