

Service Date: December 31, 1986

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'S )  
Unreflected Gas Cost Account Bal- ) UTILITY DIVISION  
ance as of August 31, 1986, and ) DOCKET NO. 86.12.68  
Its Gas Tracking Proposal for the ) INTERIM ORDER NO. 5245  
Period September 1, 1986, to )  
August 31, 1987. )  
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FINDINGS OF FACT

1. On December 15, 1986, 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 costs associated with contested contractual settlements.

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

SCHEDULE #1  
The Montana Power Company  
Natural Gas Utility  
Revenue Impact by Rate Class at the Tracking Market

	<u>Firm</u>	<u>Interruptible Industrial</u>	<u>Utility</u>	<u>Total</u>
Severance Tax Settlement 5-Year Amortization	\$ 307,952	\$ 83,612	\$ 84,741	\$ 476,305
Working Interest Settlement 5-Year Amortization	76,292	23,225	23,539	123,056
Rate Base Treatment Severance Tax and Working Interest Settlements	106,625	32,516	32,955	172,096
Bond Fogelson Settlement	(170,574)	(46,451)	(47,079)	(264,104)
IMR-85 90% Revenue Differential Recovery	547,672	148,643	150,651	846,966
Gas Cost Reduction	(3,517,726)	(966,177)	(979,231)	(5,463,134)
Unreflected Gas Cost Balance (8/31/86)	(2,773,612)	(761,794)	(772,086)	(4,307,492)
Rev. Req. Reduct. - Continuing Amort. of A&S and Energy Oils Rate Base	<u>(130,849)</u>	<u>(37,161)</u>	<u>(37,663)</u>	<u>(205,673)</u>
Subtotal	\$(5,554,220)	\$(1,523,587)	\$(1,544,173)	\$(8,621,980)
Unreflected Gas Cost Balance (8/31/85)	<u>\$(3,700,296)</u>	<u>\$(1,017,273)</u>	<u>\$(1,031,017)</u>	<u>\$(5,748,586)</u>
Net Revenue Change	\$(1,853,924)	\$ (506,314)	\$ (513,156)	\$(2,873,394)
	=====	=====	=====	=====
Sales Volumes (Mcf)	19,423,276	4,645,084	4,707,839	28,776,199
Unit Charge (per Mcf)	\$.096	\$.109	\$.109	

As is explained below, the PSC finds the submittal to be proper for interim purposes.

3. MPC seeks recovery of the revenue impact of several gas purchase contract dispute settlements. Because of the methodology used in Docket 85.12.52, recovery is sought over 5 years with the unamortized balance included in rate base. While for interim purposes the PSC doesn't pass judgment on the propriety of these settlements, it finds the amortization period to be proper.

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

SCHEDULE #2  
The Montana Power Company  
Natural Gas Supply/Market/Costs  
September 1, 1986 - August 31, 1987 Tracking Period

<u>SUPPLY/COST</u>	<u>Mcf at 14.9</u>	<u>Gas Cost (U.S. \$)</u>	<u>Average \$/Mcf</u>
Reagan Purchase	192,000	\$ 302,601	\$ 1.576
Aden			
Purchase	2,211,033	2,600,057	1.176
Royalty	5,592,361	2,357,295	0.422
Fee	547,500		
Co-Use	<u>(626,317)</u>	<u>                    </u>	<u>                    </u>
Net Aden	7,724,577	\$ 4,957,352	\$ 0.642
Montana			
Purchase	13,342,800	\$31,101,643	\$ 2.331
Royalty	7,595,775	2,290,245	0.302
Co-Use	<u>(1,046,929)</u>	<u>                    </u>	<u>                    </u>
Net Montana	19,891,646	\$33,391,888	\$ 1.679
Storage Net Withdrawal	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Gas Supply	27,808,223	\$38,249,592	\$ 1.375
Less			
Canadian Utilities Credit	(176,324)	\$ (201,124)	\$(1.141)
Net Gas Cost to Montana Market	26,265,066 =====	\$38,450,716 =====	\$ 1.464 =====

The PSC finds the gas costs, which include 1 Bcf of Montana "spot" gas priced at \$1.33/Mcf, to be proper for interim purposes.

5. MPC seeks recovery of 90% of the revenue shortfall produced by selling certain industrial customers gas under schedule IMR-85. MPC stockholders are to absorb the remaining 10% under the

provisions of Interim Order No. 5162. Accordingly, these amounts are approved for interim purposes.

6. MPC seeks to eliminate the winter discount with the filing, which is consistent with previous year's trackers. The PSC finds this more reasonable for interim purposes because of the declining short term marginal cost of gas. The PSC is comforted to know that a rate design case will be filed by MPC during the first quarter of 1987, so that the integrity of the gas rate design can be tested.

#### 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 the 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, 1987.

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.

MPC DOCKET NO. 86.12.68, INTERIM ORDER NO. 5245

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DONE AND DATED at Helena, Montana this 22nd day of December,  
1986, 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

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell  
Acting 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.