

Service Date: April 29, 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 MONTANA POWER COMPANY For)	UTILITY DIVISION
Authority To Establish Rates For)	DOCKET NO. 86.4.13
Its Deferred Accounting Filing,)	INTERIM ORDER NO. 5197
And IN THE MATTER Of The Canadian)	
Border Price Reduction From)	
\$US 3.00 MMBTU to \$US 2.15 MMBTU)	
_____)	

FINDINGS OF FACT

1. Canada's National Energy Board reduced the border price for natural gas from \$3.00 per MMBTU to \$2.15 per MMBTU, effective for March 20, 1986. MPC receives 25-30% of its gas supply from Canada.

2. On April 14, 1986 MPC filed an application to pass some of the reduction through immediately while also providing rate moderation. The immediate revenue impact of MPC's proposal would be a \$4,149,584 decrease.

3. While full implementation of the decrease would produce an average cost of gas of \$1.60/Mcf, MPC's filing includes a gas cost of \$1.829/Mcf. The existing cost of gas is \$1.987/Mcf.

4. MPC's moderation plan calls for a rate reduction on April 21, 1986 a further reduction on about January 1, 1987, and increases on January 1, 1988 and January 1, 1989.

5. The PSC finds the goal of rate moderation laudable. It also, however, wants to give customers the benefit of decreasing gas prices to the greatest extent possible. It is with these two goals in mind that the PSC finds the average gas cost to be \$1.672. It is hoped that this gas cost can remain in effect until about January 1, 1988, at which time MPC's 1987 gas tracker will be implemented into rates.

6. Gas costs approved in this interim order include an amount that is reflective of the Industrial Market Retention rate, which was approved on an interim basis in docket 85.7.32. Gas costs without the IMR effect would be \$1.653. The PSC is approving on an interim basis \$.019 in IMR related gas costs to satisfy the goal of rate stability. Otherwise, a rate change would need to be made on January 1, 1987 to reflect the effects of the IMR rate.

7. The immediate annual revenue impact of the \$1.672 gas cost is to decrease rates by \$8,272,905, based on market requirements of 26,263,190 @ 14.9 psia. The annual revenue impact of the IMR rate is \$499,000 based on the same market.

8. The PSC finds it proper to allocate the total amount of the firm class portion of the rate decrease to the tail block rate, as it has for the last few MPC gas rate decreases.

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 April 21, 1986.

2. A Notice of Opportunity For Public Hearing may be issued in the future to allow parties the option of pursuing items of interest to them.

DONE AND DATED at Helena, Montana this 21st day of April, 1986 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. DRISCOLL, Commissioner

ATTEST:

Carol Frasier
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.

