

Service Date: April 21, 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 Application) | |
| Of THE MONTANA POWER COMPANY for) | UTILITY DIVISION |
| Authority to Implement a Natural) | DOCKET NO. 87.3.16 |
| Gas Incentive Rate.) | INTERIM ORDER NO. 5266 |
| _____) | |

FINDINGS OF FACT

1. On March 31, 1987, the Montana Power Company, (MPC) filed an application to implement a Natural Gas Incentive (NGI) rate. The purpose of this rate is intended to create incentives for potential new large natural gas loads on a limited basis. The following findings provide a description of the NGI rate and the conditions on which the Commission approves, on an interim basis, the filing. More precise qualifying criteria are available in the NGI tariff.

2. The NGI is available to existing or new customers. To qualify existing customers must increase their load by 60,000 MCF per year, while a new customer's load must exceed the same amount. MPC's proposed life for the NGI is less than or equal to three years and depends on an ongoing analysis of the benefits that flow to other customers. The price of gas on the NGI will apparently vary for each qualifying customer and will range between MPC's marginal cost of gas (marginal gas costs plus marginal non-gas costs) and the otherwise applicable rate.

3. MPC proposed that 90 percent of the revenue differential created by the difference between the NGI and the incremental costs

incurred to serve the incremental load be credited to the Unreflected Gas Cost Account.

4. The Commission approves on an interim basis, with the following condition, the NGI rate. Most significantly, the Commission finds that MPC must flow through 100 percent of the difference between the NGI and the incremental costs incurred to serve the incremental load, and not the 90 percent MPC proposed.

Final consideration of the NGI rate will occur in conjunction with the Company's expected gas cost-of-service/rate design filing later this year. At that time, the Commission will revisit the issue of the appropriate percent sharing between the Company and its customers.

5. That the Commission only places one condition on its interim approval of the NGI rate should not be construed to mean that this is the only issue of concern to the Commission. The Commission is forwarding numerous data requests to the Company that illuminate other areas of concern, but which do not merit holding up an interim approval.

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, Sections 69-3-101 and 69-3-102, MCA.

2. The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision, Section 69-3-304, MCA.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS:

1. Applicant is granted authority to implement the proposed NGI rate on an interim basis.

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 NGI rates.

3. The interim approval granted in this order is to be effective April 20, 1986

DONE IN OPEN SESSION at Helena, Montana this 20th day of April, 1986, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Ann Purcell
Acting 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.