

Service Date: November 25, 1992

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

* * * * *

IN THE MATTER Of The Application)
Of The MONTANA POWER Company's) UTILITY DIVISION
Unreflected Gas Cost Account)
Balance as of August 31, 1992) DOCKET NO. 92.11.64
its Gas Tracking Proposal for the)
Period September 1, 1992 to August) INTERIM ORDER NO. 5667
31, 1993, IMR Differential)
Recovery, NGI Recovery, and GTAC)
Recovery.)
_____)

FINDINGS OF FACT

1. On November 6, 1992 the Montana Power Co. (MPC, Applicant) filed its annual gas tracking application, which was denominated Docket No. 92.11.64. MPC seeks approval of deferred gas costs, as well as a gas cost for purposes of computing the base cost of gas for the tracking period. It also seeks to recover balances which have accrued because of the difference between sales made at the Interruptible Market Retention (IMR) rate and interruptible industrial gas rate and which have accrued pursuant to the Gas Transportation Adjustment Clause (GTAC). The original application seeks a revenue level of \$813,997.00. Subsequent to its filing and a limited staff investigation, MPC elected to submit an option for the Commission's consideration which seeks a revenue level of \$134,396.00. Compared with MPC's original application, the option would:

1. Reduce the Montana purchase gas volume to the 1991-1992 tracking case volume of 8,425 MMCF.

2. Leave the storage withdrawal at 500 MMCF.
3. Balance the supply to the market by increasing Montana royalty gas production.
4. Update the Carway unit gas cost pursuant to the winning winter gas supply bid received November 17, 1992.

The Commission finds the optional approach preferable for interim purposes.

2. The rate and revenue impacts of the optional approach are as follows, on a unit basis:

3. With respect to the above schedule, the Commission notes the following:

- A. Inclusion of 90% of the IMR revenue differential is consistent with the previous interim orders. The IMR revenue differential amount of \$1,118,893.00 includes a remaining balance from last year of \$254,101.00, rounding adjustment of \$10,093.00, a balance for 12 months ended August 31, 1992 of \$845,343.00 and a net Natural Gas Incentive (NGI) revenue adjustment of \$9,356.00. When grossed up to the 100% level, the August 31, 1992 balance is \$1,243,214.00. This amount results from below otherwise applicable tariff sales to Rhone-Poulenc (95,263 MCF @14.9), Stone Container (417,820 Mcf @14.9), Pfizer (20,678 Mcf @14.9), MSU (259,182 Mcf @14.9). The deviation ranges from about \$.68/Mcf to about \$1.39/Mcf. This deviation is indicative, but not determinative of MPC's intent to maximize revenues from these sales, thereby ensuring that other ratepayers won't be required to unduly subsidize these customers.
- B. The Gas Transportation Adjustment Clause reflects off system 311 transportation of 6,015,678 Mcf at \$.196/Mcf or \$1,176,806.00. This is for the 10 month period of November, 1991 through August, 1992. The \$1,176,806.00 is offset by \$500,000.00 which is 10/12 of the \$600,000.00 already included in rates. Also

reflected in the GTAC is 1,940,239 Mcf of on system interruptible transportation at \$.2712/Mcf or \$526.112.00. The 10 month GTAC total balance of \$1,202,918.00 is offset by \$175,563 of increased operating expenses that are associated with the Butte Compressor, which is used to compress transportation gas. The net GTAC amount for this docket is \$1,027,355.

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

5. The Commission found in Order No. 5474c in Docket No. 90.1.1 (FOF No. 144) that MPC should employ gas cost strategies to "mitigate the upward pressure on gas rates." The gas cost rate changes and Docket No. 90.1.1 rate changes in 1991 and 1992 are as follows:

6. The Commission finds that all elements of the optional approach are acceptable for interim purposes. However, the Commission encourages MPC to continue to pursue gas cost strategies which will help control costs, including the provision of cost effective interconnect points so as to facilitate off system transportation.

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 Commission may approve increases or decreases in rates on an interim basis, pending a 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 services rendered on and after November 24, 1992.

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.

3. Any refunds shall include interest calculated at Montana Power Company's return on equity.

DONE AND DATED at Helena, Montana this 23rd day of November, 1992 by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner

ATTEST:

Kathlene M. Anderson
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.