Service Date: December 16, 1994

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 Unreflected Gas Cost Account Balance as of August 31, 1994, to its Gas Tracking Proposal for the Period September 1, 1994, to August 31, 1995, and GTAC Recovery.	))))))	UTILITY DIVISION DOCKET NO. 94.11.50 ORDER NO. 5817

INTERIM ORDER

1. On November 7, 1994, the Montana Power Company (MPC, Applicant) filed its annual gas tracking application, which was denominated Docket No. 94.11.50. 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 pursuant to the Gas Transportation Adjustment Clause (GTAC). The original application seeks a revenue increase of $4,487,018.

2. The rate and revenue impact of the filing are as follows, on a unit basis:

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The Montana Power Company
Natural Gas Utility

Derivation of Proposed Rates

Rate Schedule	(A) Current Tariffed Rate	(B) Cessation of Current Unreflected Gas Cost Amort	(C) Cessation of Current Current GTAC Amort	(D) Current Design Rate (A)thru(C)	(E) Unit Gas Cost Increase	(F) Rev Req Adj. MAXC	(G) Canadian Withhld'g Tax Adj.	(H) Proposed Design Rate (E)thru(G)	(I) Proposed Unreflected Gas Cost Acc'l Amort	(J) Proposed GTAC Balance Amort	(K) Proposed Rates (H)thru(J)
D-RG-1											
SC	$4.30			$4.30				$4.30			$4.30
Commodity	$4.125	$0.085	$0.070	$4.280	$0.007	($0.001)	($0.002)	$4.284	$0.031	($0.022)	$4.293
D-GSG-1											
SC	$10.21			$10.21				$10.21			$10.21
Commodity	$4.125	$0.085	$0.070	$4.280	$0.007	($0.001)	($0.002)	$4.284	$0.031	($0.022)	$4.293
D-FTG-1											
SC	$26.88			$26.88				$26.88			$26.88
Commodity	$0.378			$0.378				$0.378			$0.378
D-ITG-1											
SC	$767.14			$767.14				$767.14			$767.14
Commodity	$0.378			$0.378				$0.378			$0.378
ST-FUGC-1											
Small SC	$53.76			$53.76				$53.76			$53.76
Large SC	$537.59			$537.59				$537.59			$537.59
Reservation	$6.07			$6.07				$6.07			$6.07
Commodity	$2.543	$0.098	$0.081	$2.722	$0.008	($0.001)	($0.002)	$2.727	$0.036	($0.025)	$2.738
ST-FTG-1											
Small SC	$26.88			$26.88				$26.88			$26.88
Large SC	$268.79			$268.79				$268.79			$268.79
Reservation	$3.92			$3.92				$3.92			$3.92
Commodity	$0.058		$0.081	$0.139		($0.001)	($0.002)	$0.136		($0.013)	$0.123
ST-ITG-1											
SC	$767.14			$767.14				$767.14			$767.14
Commodity	$0.187			$0.274		($0.001)	($0.002)	$0.271			$0.258
ST-FSG-1											
Reservation	$4.152			$4.152				$4.152			$4.152
Injection	$0.017			$0.017				$0.017			$0.017
Withdrawal	$0.017			$0.017				$0.017			$0.017
In-storage	$0.013			$0.013				$0.013			$0.013
ST-FSSG-1											
Small SC	$53.76			$53.76				$53.76			$53.76
Large SC	$537.59			$537.59				$537.59			$537.59
Reservation	$6.07			$6.07				$6.07			$6.07
Procurement	$8.06			$8.06				$8.06			$8.06
Commodity											
Transmission	$1.092		$0.081	$1.173		($0.001)	($0.002)	$1.170		($0.013)	$1.157
Distribution	$0.378			$0.378				$0.378			$0.378

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

A. Inclusion of consideration for the remaining IMR revenue differential balance is consistent with previous interim orders. The remaining IMR revenue differential balance of $109,336 over collected is a result of the cessation of the amortization approved in Order No. 5667, pursuant to Order No. 5761. Because of the inception of natural gas transportation, there is no IMR balance for the 12-month period ending August 1994 to offset this IMR over collection, so it is included as an adjustment to the 12 months ended August 1994 Unreflected Gas Cost Balance.

B. For the 12-month period of September 1, 1993, through August 31, 1994, the Gas Transportation Adjustment Clause (GTAC) revenues reflect off-system Section 311 transportation of 6,139,680 MMbtu at $0.0367 per MMbtu, or $2,255,329; and 5,043,439 MMbtu of on-system interruptible transportation at $0.203 per MMbtu, or $1,026,305. The GTAC revenues also reflect credits for: 1) Gas Gathering and Processing revenues of $277,085; 2) CMPL interruptible transportation revenues of $49,165; and firm transportation revenues for Conoco and Cenex of $247,645, for a total GTAC booked revenue of $3,805,530. These total GTAC revenues are offset by $3,050,536 which consists of: 1) $1,689,096 of off-system interruptible transportation (IT) revenues and $345,407 of on-system IT revenues which are already included in rates; 2) $996,174 of expenses associated with the capital investment associated with Conoco and Cenex, and the Livingston compressors, as approved in Order No. 5667a; and 3) $19,859 of increased operating expenses associated with the Butte Compressor. As a result of their inclusion in rates pursuant to Docket No. 93.6.24, these compressor costs are no longer included as an offset in the GTAC net balance calculation. The net GTAC balance for the 12-month period ending August 31, 1994, is $754,994. This balance is offset by the GTAC balance over refunded after cessation of the amortization approved in Interim Order No. 5667, pursuant to Interim Order No. 5761, resulting in a GTAC net balance proposed for amortization of $633,633.

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

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1994-95 TRACKING CASE
GAS MARKET/SUPPLY/COST
SUMMARY

		MMCF@14.9	$/MCF	$M
1	CITY GATE REQUIREMENTS			
2	Core Sales	19,756		
3	FUGC	199		
4	Subtotal Sales Volumes	19,955		
5	Transmission U & UAF	686		
6				
7	Total Gas Supply Rqmt	20,641		
8	GAS SUPPLY			
9	Carway - Peak Backstopping			592
10	Carway - Winter Contract	1,484	1.590	2,360
	Reagan	122	1.660	203
12	Aden - Purchase	1,781	1.376	2,451
13	- Royalty	4,801	0.260	1,249
14	- Fee	243		
15	- U & UAF	(512)	0	0
16	Aden - Net	6,313		3,700
17	MT - Purchase	7,246	1.924	13,944
18	- Royalty	5,870	0.180	1,057
19	- U & UAF	(394)		
20	MT - Net	12,723		15,001
21				
22	Total Gas Supply & Cost	20,641		21,856
23	S&TBU Unit Gas Cost ($/Mcf)			$1.095
24	DBU Unit Gas Cost ($/Mcf)			$1.122

5. The MPC tracker docket of last year, docket 93.11.54, resulted in a decrease in rates of $3,487,018. The reason for much of the decrease last year is the same reason why an increase is being sought this year. Namely, Docket 93.11.43 included, and the Commission approved amortizations of $4,375,211 in overcollections from the tracking year which ended August 31, 1993; the Docket 94.11.50 tracker eliminates these amounts from rates because they have been fully amortized.

6. The Commission has analyzed the current filing to ascertain whether the components that do not pertain to the amortizations described above, are reasonable. In so doing, the Commission requested that MPC supply graphs to depict several system cost and operating statistics since the advent of transportation. These graphs are attached to this order as the "pictorial filing requirement" of this docket.

7. Many of the components of the tracker appear reasonable for interim purposes. Current gas costs overall are very close to those that were approved last year: $1.114 for core customers last year vs. $1.122 this year. The most significant change in the gas mix results from displacing about 1 Bcf of Montana purchase gas costing about $1.92/Mcf with Carway Winter Contract gas costing $1.59/Mcf. This gas will be purchased at 7 MMcf/day during the months of October through April. This is an increase from last years' Winter Contract of 5 MMcf/day for three months, but the cost per unit of $2.10/Mcf was higher last year. Essentially, what was a winter peak contract has become, in effect, a winter peak contract and a contract to serve the "shoulder" months.

8. One aspect of projected tracker numbers that is not as reasonable as has been the actual experience of the last three years is the Use and Unaccounted For (U&UAF) gas for the core customer group. The projected percentage is 5.94 percent, whereas the average for the last three years is 3.37 percent. A reduction of $524,566 results if an adjustment is made to reduce the higher projected number to the average. The Commission finds that this adjustment be made.

9. The Commission finds for interim purposes that MPC be allowed to increase its gas rates by $3,952,625.

10. The above adjustments will cause the unit gas cost changes that are shown in FOF 2 to change from $.007/Mcf to ($.016)/Mcf and from $.008/Mcf to ($.018)/Mcf. The commodity rates shown in Column K of $4.293/Mcf and $2.738/Mcf will become $4.270/Mcf and $2.712/Mcf, respectively.

11. The Commission finds that the elements of the tracking filing as adjusted in the above FOF are acceptable for interim purposes. Additionally, 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 December 13, 1994.

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 12th day of December, 1994, by a 4 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

_____
BOB ROWE, Vice Chairman

_____
DAVE FISHER, Commissioner

_____
NANCY McCAFFREE, Commissioner

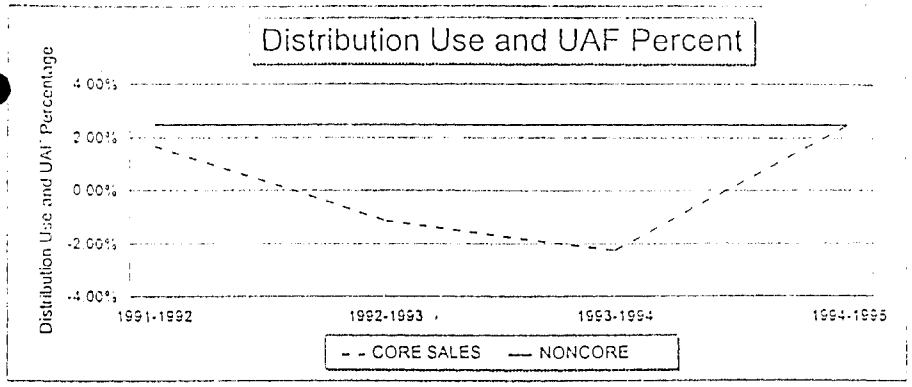
_____
DANNY OBERG, Commissioner

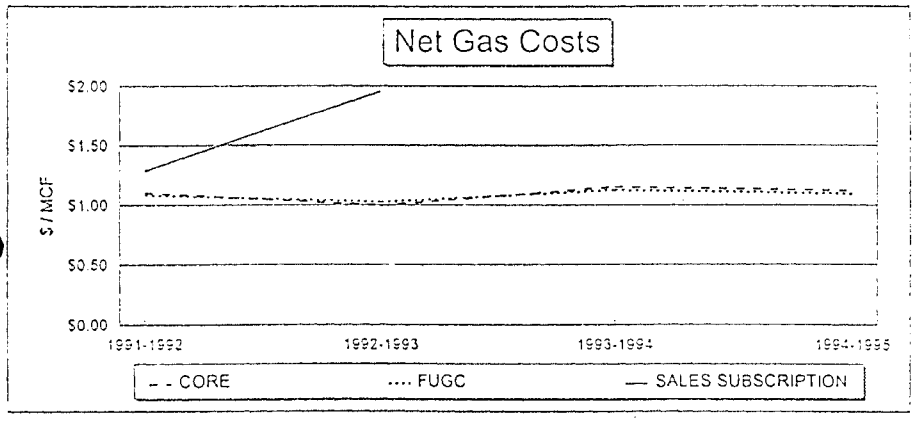
ATTEST:

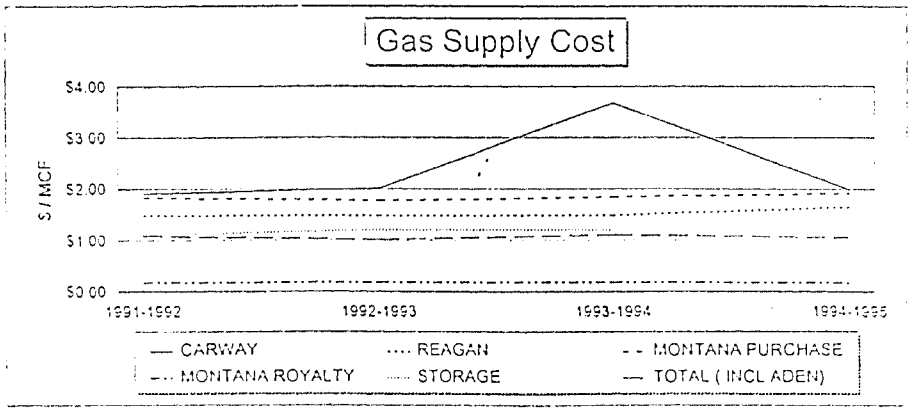
Kathlene M. Anderson
Commission Secretary

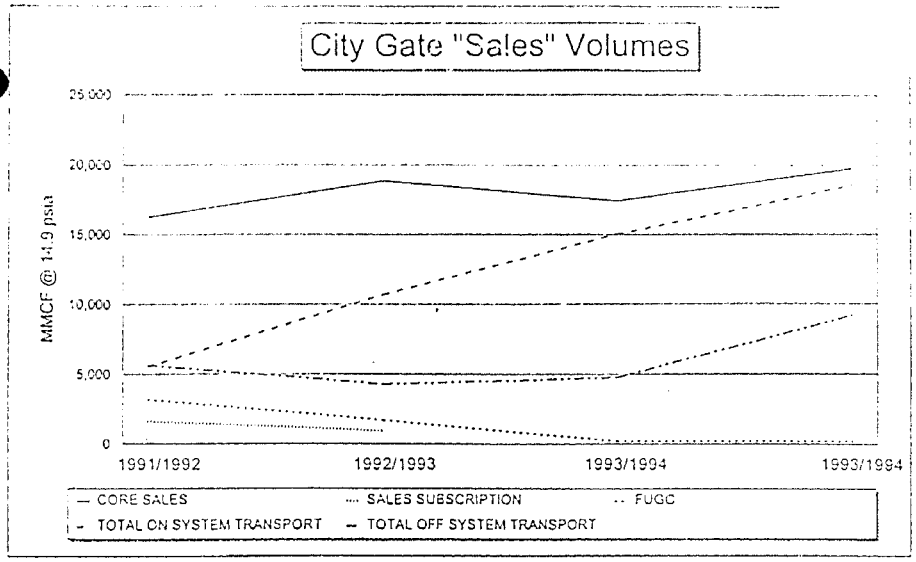
(SEAL)

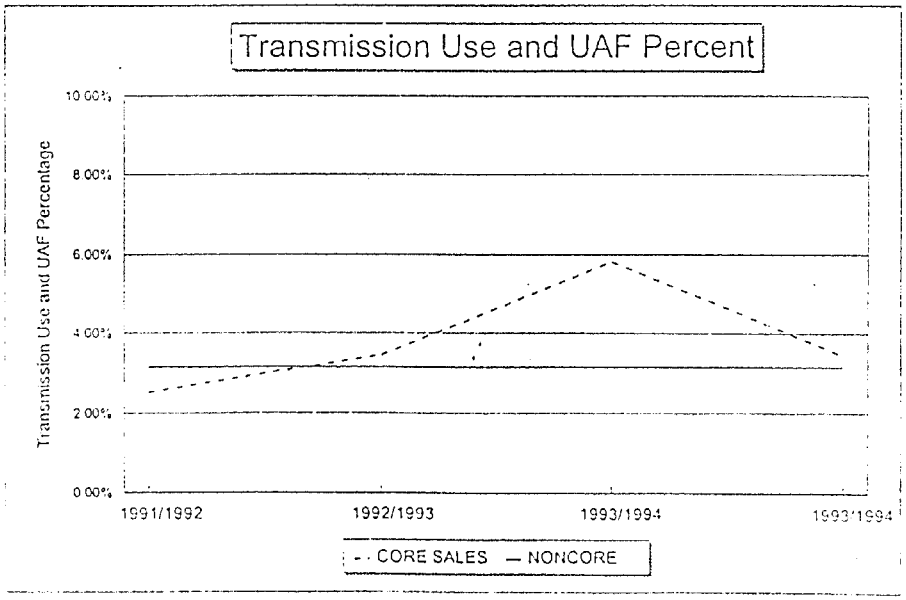
NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

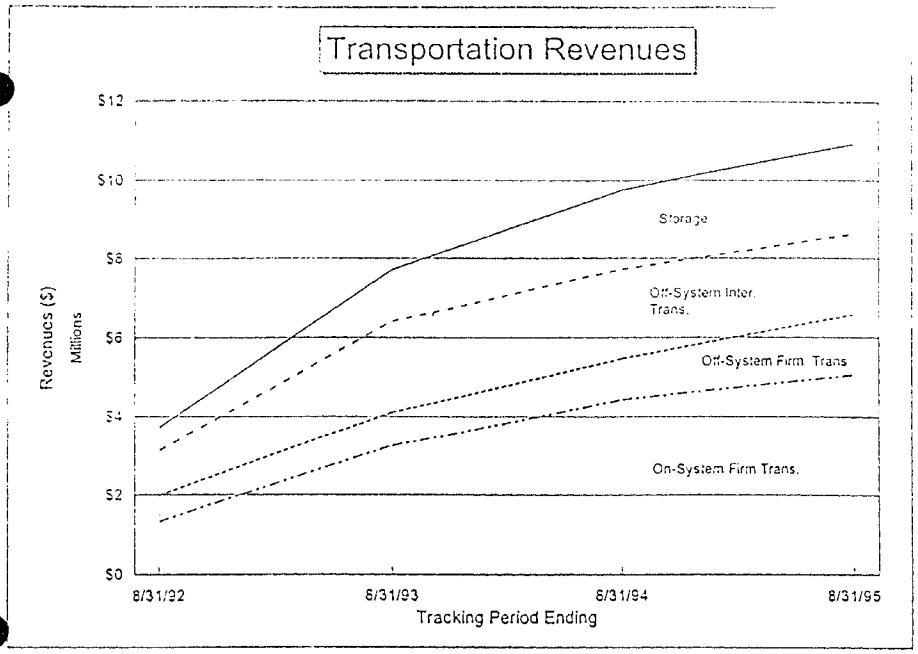

Distribution Use and UAF Percent
Distribution Use and UAF Percentage
4.00%
2.00%
0.00%
-2.00%
-4.00%
1991-1992
1992-1993
1993-1994
1994-1995
CORE SALES
NONCORE


Net Gas Costs
$ / MCF
$2.00
$1.50
$1.00
$0.50
$0.00
1991-1992
1992-1993
1993-1994
1994-1995
CORE
FUGC
SALES SUBSCRIPTION


Gas Supply Cost
$ / MCF
$4.00
$3.00
$2.00
$1.00
$0.00
1991-1992
1992-1993
1993-1994
1994-1995
CARWAY
REAGAN
MONTANA PURCHASE
MONTANA ROYALTY
STORAGE
TOTAL (INCL ADEN)


City Gate "Sales" Volumes
MMCF @ 14.9 psia
25,000
20,000
15,000
10,000
5,000
0
1991/1992
1992/1993
1993/1994
1993/1994
CORE SALES
SALES SUBSCRIPTION
FUGC
TOTAL ON SYSTEM TRANSPORT
TOTAL OFF SYSTEM TRANSPORT


Transmission Use and UAF Percent
Transmission Use and UAF Percentage
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
1991/1992
1992/1993
1993/1994
1993/1994
CORE SALES
NONCORE


Transportation Revenues
$12
$10
$8
$6
$4
$2
$0
Revenues ($)
Millions
Storage
Off-System Inter. Trans.
Off-System Firm Trans
On-System Firm Trans.
8/31/92
8/31/93
8/31/94
8/31/95
Tracking Period Ending