

Service Date: February 16, 1996

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

* * * * *

IN THE MATTER of the Montana)	UTILITY DIVISION
of the MONTANA POWER COMPANY ' s)	
Unreflected Gas Cost Account Balance)	DOCKET NO. D95.12.166
as of August 31, 1995, to its Gas Tracking)	
Proposal for the Period September 1, 1995,)	ORDER NO. 5877a
to August 31, 1996, and GTAC Recovery.)	

INTERIM ORDER

1. On December 18, 1995, the Montana Power Company (MPC, Applicant) filed its annual gas tracking application, which was denominated Docket No. D95.12.166. 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, which sought a revenue decrease of \$5,129,725, has been modified to a decrease of \$4,982,809 because two issues originally in this tracker filing have been included as adjustments in MPC ' s pending general rate application.

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

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

Proposed Adjustments

	<u>Residential</u>	<u>General Service</u>	<u>Utility</u>	<u>Firm Transp.</u>	<u>Interr. Transp.</u>	<u>Total</u>
Gas Cost Decrease	(\$1,351,725)	(\$901,835)	(\$21,885)			(\$2,275,445)
Adj. Unreflected Gas Cost Balance (8/31/95)	(\$963,606)	(\$642,892)	(\$16,218)			(\$1,622,716)
Crown Settlement Amortization	(\$374,736)	(\$250,014)	(\$6,253)			(\$631,003)
Basic Unit Amor. FERC Liability	\$227,518	\$151,794	\$3,908	\$240,976		\$624,196
Rev. Req. Adj. Assoc. w/ FERC Liability	\$26,767	\$17,858	\$391	\$24,098		\$69,114
Adj. GTAC Bal. (8/31/95)	(\$481,803)	(\$321,446)	(\$8,207)	(\$289,171)	—	(\$1,100,627)
Net Revenue Change	<u>(\$2,917,585)</u>	<u>(\$1,946,535)</u>	<u>(\$48,264)</u>	<u>(\$24,097)</u>	<u>0</u>	<u>(\$4,936,481)</u>

Current Adjustments

Adj. Unreflected Gas Cost Balance (8/31/94)	\$414,886	\$276,801	\$7,034			\$698,721
GTAC Balance (8/31/94)	(\$294,435)	(\$196,439)	(\$4,885)	(\$156,634)	—	(\$652,393)
Net Revenue Change	<u>\$120,451</u>	<u>\$80,362</u>	<u>\$2,149</u>	<u>(\$156,634)</u>	<u>0</u>	<u>\$46,328</u>
Net Rev. Impact	<u>(\$3,038,036)</u>	<u>(\$2,026,897)</u>	<u>(\$50,413)</u>	<u>\$132,537</u>	<u>0</u>	<u>(\$4,982,809)</u>

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

A. The for 12-month period September 1, 1994, through August 31, 1994, the GTAC net balance, as booked by MPC, was \$2,665,846. The GTAC revenues reflect off-system Section 311 and on-system interruptible transportation (IT) revenues of \$5,556,930, and Gas Gathering and Processing revenues and firm transportation revenues resulting from certain capital investments necessary to institute interruptible transportation of \$928,341, for a total GTAC booked revenue of \$6,485,271. These total GTAC booked revenues are offset by \$3,819,425, consisting of \$2,245,141 in IT revenues which are already included in rates, and \$1,574,284 of expenses related to the capital investments necessary to institute additional interruptible transportation, as approved in Order No. 5667a. The \$2,665,846 GTAC net balance is reduced by refunding more than 100 percent, or \$101,431, of last year's balance, and part of a liability, i.e., \$1,449,675, from the FERC decision in Docket No. PR93-3-000, which pertained to off-system Section 311 service rates applicable to the September 1, 1994, through August 31, 1995, tracking year. The resulting GTAC net balance proposed for amortization is \$1,114,740.

B. The FERC decision in Docket No. PR93-3-000 ruled on the off-system transportation rates in effect, on an interim basis, since November 1, 1992. Those interim rates were a maximum IT rate of \$0.5515/MMbtu and the OPT contract rate of \$0.3024/MMbtu. However, on August 3, 1995, FERC approved a maximum IT rate of \$0.1803/MMbtu and an OPT rate of \$0.1742. As a result of this decision, the Company is required to refund, with interest, any revenues received for off-system transportation service billed at rates greater than those approved on August 3, 1995. The total liability created by the FERC decision, for the period November 1, 1992, through August 31, 1995, is \$3,336,499.93, which includes interest of \$279,824.76. Of the total \$3.3 million, \$1,449,675 is applicable to the tracking period September 1, 1994, through August 31, 1995, the same period over which the company recorded the GTAC balance of \$2.6 million through the GTAC mechanism. Therefore, the GTAC net balance of \$2.6 million for the September 1, 1994, through August 31, 1995, tracking period has been offset by the FERC liability amount applicable to this same period. The company is proposing to amortize the remaining FERC liability and its associated revenue requirement

adjustment over three years, consistent with its proposal for the Crown Settlement discussed below.

C. Canadian-Montana Gas Company (CMG) paid royalties to the Province of Alberta based upon a well-head price, making it ineligible for any gas cost allowance (GCA) because no costs had been incurred to bring gas to a marketable condition. However, because this is an inter-company transaction without a sale to a third party, the CMG was able to negotiate a theoretical market transfer price at a downstream plant - the plant gate - making it eligible for a GCA. Although this negotiation moved the price downstream and increased the royalty price, the resulting ability to qualify for a GCA resulted in a refund to CMG and results in overall lower gas costs. The Crown Settlement spans the years 1988 through 1993 and resulted in a total net refund of \$1,019,590, or \$339,863 annually for three years. However, because this amortization will not be taxable, the refund has been grossed up to reflect current tax savings, resulting in a total annual amortization of \$629,848 for three years, or \$1,889,544. The company proposes to amortize this refund and its associated tax benefit and revenue requirement adjustment over three years.

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

PROPRIETARY
1995 - 96 Tracking Case
Gas Market/Supply/Cost
Summary

THIS PAGE IS PROPRIETARY!!!

5. The Commission has analyzed the current filing to ascertain whether it is reasonable for interim purposes. 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.

6. Many of the components of the tracker appear reasonable for interim purposes. Current gas costs overall have declined substantially: \$1.096 for core customers last year vs. \$.98 this year. The most significant change results from significant decreases in the cost of the Carway Winter Contract and in Montana purchased gas. The Commission finds these costs to be reasonable for interim purposes.

7. The Commission finds that the elements of the tracking filing described in the above FOF are acceptable for interim purposes.

8. The Commission finds for interim purposes that MPC be allowed to decrease its gas rates by \$4,982,809. Several parties as of this date have requested a hearing in this matter, and the Commission expects that all aspects of this case will be fully scrutinized through such processes.

CONCLUSIONS OF LAW

1. Montana Power Company is a corporation providing gas service 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 March 1, 1996.

2. A Public Hearing may be held 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 14th day of February, 1996, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, 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.