

Service Date: February 2, 1999

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

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IN THE MATTER OF MONTANA POWER)
COMPANY, Annual Application to Implement)
Its Unreflected Gas Cost, Gas Cost Tracker)
And Gas Transportation Adjustment Clause)

UTILITY DIVISION

DOCKET NO. D98.10.217
ORDER NO. 6114c

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INTERIM ORDER II
BACKGROUND

1. On October 9, 1998, The Montana Power Company (MPC, Applicant) filed its annual gas tracking application before the Public Service Commission. MPC requested approval of deferred gas costs, as well as the base cost of gas for the Gas Transportation Adjustment Clause (GTAC). That application resulted in Interim Order 6114a with an increase of \$1,964,467, which is the net effect of cost increases from September 1, 1997, through August 31, 1998, tracking period and the discontinuation in rates of the net cost decrease from September 1, 1996, through August 31, 1997, tracking period.

2. The net result of the MPC filing was an increase of 2.39% to the commodity rate for core residential and general service customers, and an increase of 9.11% to the commodity rate for the utility class. The transportation commodity rates at transmission level for firm and interruptible service decrease 19.05% and 4.62% respectively.

3. As part of that filing, MPC requested treatment for the accumulated refund balance (including compound interest) created by Finding of Fact (FOF) No. 5 in Order No. 5898d. The Commission issued Interim Order No. 6114a, approving the amortization of the \$180,937.72 total balance over the next twelve months. Rates from Order No. 6114a were effective for service on and after November 4, 1998.

4. On January 13, 1999, an audit at MPC, by the Montana Consumer Counsel (MCC), in which the PSC participated, it was determined that this refund was not calculated correctly. The refund should have been calculated using the non-gas cost component of the applicable rates and not the total rates, since the gas component is handled in the monthly Deferred Accounting Report.

5. Instead of \$180,937.72, the refund plus compound interest through October, 1998, should have been \$2,467,696.56, and this balance should have been reflected in the October 9th filing. The net corrected balance, plus additional compound interest, less the amortizations for the three months of November through January, plus the balance approved in Docket No. D98.10.217, results in a total balance for refund of \$2,475,681.81.

FINDINGS OF FACT

6. On January 13, 1999, during an on site audit of MPC, it was determined that MPC's refund was calculated incorrectly. The refund should have been calculated using a non-gas cost component of the rates and not the total rates, since the gas cost component was handled in the monthly Deferred Accounting Report.

7. The service charges increased, and that portion of the refund was handled correctly. The total commodity rates between the two applicable rates decreased \$0.161 per dk, corresponding with a non-gas cost component decrease of \$0.954 per dk and a gas cost component increase of \$0.793. Since the gas cost revenues and expenses are tracked through the Deferred Gas Cost Account, the refund associated with consumption should have been calculated based on the non-gas cost which decreased (\$0.954), and not the total rates which decreased (\$0.161), applied to the November 1997 market.

8. The revised calculation shows a refund of \$2,294,744, which does not include the \$180,939 refund already approved. The following schedule demonstrates these calculations:

(A)	(B)	(C)	(D)
	Proposed Tracking <u>Market</u>	Unit Gas <u>Cost Adj.</u>	Total Gas Cost <u>Change</u>
Proposed Market Dkt DBU Core			
Residential	13,604,038		
General Service	<u>6,975,659</u>		
Total Core Market (Dkt)	20,579,697		
Refund Created by Order No. 5898d			<u>(\$180,938)</u>
(as filed 10/8/98)			
Residential	13,604,038	(\$0.009)	(\$122,436)
General Service	6,975,659	(\$0.009)	<u>(\$62,781)</u>
Sub Total			(\$185,217)
Rounding			<u>\$4,279</u>
Total Refund			<u>(\$180,938)</u>
Additional Refund Correction			(\$2,294,744)
Residential	13,604,038	(\$0.111)	(\$1,510,048)
General Service	6,975,659	(\$0.111)	<u>(\$774,298)</u>
Sub Total			(\$2,284,346)
Rounding			<u>(\$10,389)</u>
Total Additional Refund			<u>(\$2,294,744)</u>
Total Refund			<u>(\$2,475,682)</u>

9. Corrections result in a reduction to current tariffed rates as is demonstrated in the following table.

<u>Rate Schedule</u>	<u>Component</u>	Current Tariffed <u>Rates</u>	Proposed Tariffed <u>Rates</u>	Percent <u>Change</u>
D-RG-1	Commodity	\$4.418	\$4.307	-2.51%
D-GSG-1	Commodity	\$4.411	\$4.300	-2.52%
D-RGCA-1	Commodity	\$2.705	\$2.594	-4.10%
D-GSGCA-1	Commodity	\$2.698	\$2.587	-4.11%

10. The corresponding unit (per dkt) refund for the Total Balance for Refund is \$0.120. Because current rates reflect a unit refund of \$0.009, the net reduction proposed to current (11/4/98) rates is \$0.111 for the Core Residential and General Service customers. MPC requests that this rate reduction be approved effective for service on and after February 1, 1999.

CONCLUSIONS OF LAW

1. Montana Power Company is a corporation providing natural 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, Section 69-3-304, MCA.

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 February 1, 1999.

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 1st day of February, 1999, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY MCCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

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