

SECTION 2. SEPARATION OF NATURAL GAS SUPPLY, TRANSMISSION, AND STORAGE

Code of Conduct and Functional Separation

Statute, tariff and rules all require separation between Natural Gas Supply and the Natural Gas Transmission and Storage functions. The following discussion provides an overview of the structure under which Energy Supply operates.

Sec. 69-3-1404 (1), MCA provides, in part, as follows:

- (1) A natural gas utility that provides customer choice and open access on its system shall:
 - (a) functionally separate its natural gas production and gathering from its natural gas transmission, storage, and distribution services and remove natural gas production and gathering from the rate base;
 - (b) adopt and comply with commission-approved standards of conduct to be included in a tariff to govern its natural gas transmission, storage, and distribution services...

Consistent with (b), MPC submitted, and the Commission approved, GTC-1 of the natural gas tariff that contains provisions implementing this section of law.

NWE Energy Supply personnel receive the same information that others in the market receive. Therefore, the Energy Supply function does not have access to daily information that other marketers do not have; does not have access to detailed storage information that other marketers do not have; and, in general, operates independently of the transmission and storage function.

Under statute, MPSC rules, and tariffs, the storage function is separated from the Energy Supply function. Storage capacity is calculated and allocated by the Transmission division. The Energy Supply unit communicates, at arms-length (according to Natural Gas tariff GTC-1, Section 21 discussed above), with the NWE Gas Transmission division to ensure adequate supply and reliability.