PROPANE TARIFF

Preliminary Statement
Part A

Recovery Mechanism Local Government Fees

Applicability: Applicable to all customers within the corporate limits of the municipality or other taxing unit imposing the tax, fee or rental.

Purpose: To provide a mechanism by which the Utility may pass through the full amount of any excise taxes, fee or rental, whether they be designated as license, right-of-way, business, franchise, or privilege taxes, fees or rentals or otherwise, levied against or imposed upon the Company by any municipality or taxing unit for the privilege of conducting its utility operations therein.

Rates: A surcharge equivalent to the charge imposed upon the Company will be added to the customers' propane service bills. The surcharge will be included in customers' monthly bills and collected in the same manner as levied against the Company (i.e. revenue, consumption etc.).

Filing: The Company will notify the Commission, by letter, of the implementation of the surcharge.

Service and Rates Subject to Commission Jurisdiction: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.

Approved: October 28, 2002
Docket No.: D2001.7.95 (Order 6376)
Agenda No.: 01-09-18

Effective for service rendered on or after October 28, 2002

Public Service Commission
Ronda G. Simmons
Secretary
PROPANE TARIFF

PROPANE COST AND DEFERRED ACCOUNTING ADJUSTMENT CLAUSE

APPLICABILITY: Applicable to Total Propane Costs and Total Propane Cost Revenues for all propane supply utility service provided to customers whose rates are subject to the jurisdiction of the Public Service Commission of Montana.

PURPOSE: The purpose of this Adjustment Clause is to permit the Utility to reflect current Total Propane Costs in rates on an annual basis and track these costs compared to actual Total Propane Cost Revenues. The Propane Supply Deferred Cost Account (Account 191) shall reflect the net of costs and revenues, as described below, as they are charged to Propane Supply Cost Adjustment (Account 2805). Each Accounting Period's charges and revenues shall be separately detailed in the accounts.

RATE DEVELOPMENT: The rates determined under this Adjustment Provision shall be incorporated and filed as a revision of all applicable rate schedules as follows:

A. Monthly Propane Supply Costs: Monthly Propane Costs shall reflect the current Utility contract cost of propane.

B. Monthly Propane Cost Supply Rate: Supply Rates shall be based on the current Propane Supply Agreement for the period June 1 thru May 31 of the tracking year.

C. Monthly Propane Cost Supply Rate Effective Date: Unless otherwise ordered by the Commission, the effective dates of the monthly propane cost adjustment shall be for service on and after the first day of each month.

D. Current Year Deferred Account Balance: The net monthly difference between Total Propane Costs and Total Propane Cost Revenues shall be accumulated as prescribed below under Accounting Period. The deferred balance at the end of the 12-month period shall be accumulated with any prior year balance and amortized over the succeeding 12-month period. This Amortization Rate shall be determined by dividing the Accounting Period Balance in Account No. 191 by the forecasted 12-month propane supply load to produce the unit rate.

E. Prior Year Deferred Account Amortization: The deferred account balance remaining at the end of the tracker year shall be amortized over the succeeding period (normally 12 months). The Rate shall be determined by dividing the deferred account balance in Account No. 191 by the forecasted

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PROPANE TARIFF

NorthWestern Energy

PRELIMINARY STATEMENT
PART B

PROPANE COST AND DEFERRED ACCOUNTING ADJUSTMENT CLAUSE

12-month propane supply load to produce the unit amortization rate. The balance is designed to be amortized on an expected 12-month period. Any balance remaining at the end of the 12-month amortization period is rolled into the current year deferred balance for amortization over the next 12-month period.

F. **Propane Supply Deferred Account Annual Rate:** The Supply Account Annual Rate shall be included on bills as a separate $x.xx per Therm charge.

ACCOUNTING:

A. **Accounts Used:**
   - Account 191 - Propane Supply Deferred Costs
   - Account 2805.1- Propane Supply Cost Adjustment

B. **Account Entries:** Accounting entries shall be made on a monthly basis commencing on June 1 for each Accounting Period, as follows:

   **Current Year Deferred:**
   
   **Account 191:**
   
   **Revenues:** For propane sold during the Account Period, the Total Propane Cost Revenues shall be recorded by rate schedule and customer class for Utility propane customers.

   **Propane Costs:** Net consolidated Actual Total Propane Costs for the Montana jurisdictional propane sales to customers shall be recorded monthly.

   **Balance:** The net monthly difference between Total Propane Costs and Total Propane Cost Revenues shall be accumulated for each Accounting Period for disposition under this Mechanism.

   **Prior Year Deferred**
   
   The prior year deferred account balance is amortized monthly based on actual revenues pertaining to this account.

   **Account 2805:**
   
   The monthly balance determined for Account 191 shall be charged to this account.

   Entries to the above accounts shall reflect proper accounting of Debits and Credits.

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PRELIMINARY STATEMENT
PART B

PROPANE COST AND DEFERRED ACCOUNTING ADJUSTMENT CLAUSE

C. Account Period: The Accounting Period to be used hereunder shall be the 12-month period, June 1 through May 31, of each propane tracking year.

REPORTING AND FILING:

A. Annual Filing: On an annual basis, the Utility shall submit to the Commission, a filing reflecting the accounting transactions reflected in the above accounts for the 12-month Accounting Period, and the necessary calculations and rates in support of the upcoming period's Current and Deferred Rates.

SERVICE AND RATES SUBJECT TO COMMISSION JURISDICTION: All rates and service conditions under this Rate Schedule are governed by the rules and regulations of the Public Service Commission of Montana and are subject to revision as the Commission may duly authorize in the exercise of its jurisdiction.