

ORIGINAL

FILED
OFFICE OF THE SECRETARY

Exhibit No. S-27

98 DEC 15 PM 4: 34

FEDERAL ENERGY
REGULATORY
COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

MONTANA POWER COMPANY

)

DOCKET NO. ER98-2382-000

PREPARED DIRECT TESTIMONY
OF
PATRICK R. CROWLEY

WITNESS FOR THE STAFF
OF THE
FEDERAL ENERGY REGULATORY COMMISSION

OFFICE OF ELECTRIC POWER REGULATION
DIVISION OF LITIGATION

WASHINGTON, DC
DECEMBER 15, 1998

981216-0648-1

FILED
OFFICE OF THE SECRETARY

Exhibit No. S-27

98 DEC 15 PM 4: 34

FEDERAL ENERGY
REGULATORY
COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

MONTANA POWER COMPANY

)

DOCKET NO. ER98-2382-000

Staff witness Patrick R. Crowley addresses the issue of "South Georgia" adjustments to the Deferred Income Tax expense and the Accumulated Deferred Income Tax Balance as they affect the new open-access transmission customers who's previous intrastate service was not subject to FERC regulation. Mr. Crowley concludes that these new open-access transmission customers must share the burden of the unfunded future tax liabilities. Mr. Crowley also offers recommendations as to the proper methodology for calculation the South Georgia adjustment.

Montana Power Company
Docket No. ER98-2382-000

FILED
OFFICE OF THE SECRETARY

Exhibit No. S-27

98 DEC 15 PM 4: 34

FEDERAL ENERGY
REGULATORY
COMMISSION
Direct Testimony of
Patrick R. Crowley

Witness for the Staff of the
Federal Energy Regulatory Commission

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Patrick R. Crowley. My business address is 888
3 First Street, N.E., Washington, D.C. 20426.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am employed by the Federal Energy Regulatory Commission
6 (FERC or Commission) as a Public Utilities Specialist in the
7 Division of Litigation, Office of Electric Power Regulation.

8 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL
9 QUALIFICATIONS.

10 A. I graduated from DePaul University in Chicago, Illinois, in
11 1976 with a Bachelor of Arts degree in Economics. In 1978,
12 I received a Master of Arts degree in Mathematical Economics
13 from DePaul University. My fields of study were advanced
14 statistical methods of long-term forecasting, econometrics,
15 environmental economics, and urban economics.

16 I began work at the Commission in 1979 as an Industry
17 Economist in the Pipeline Rates Division of the Office of
18 Pipeline Rates. There, I analyzed tariff changes relating
19 to the rates, terms & conditions of service, and rate
20 designs for gas pipeline rate filings and certificate

1 applications. I also prepared pipeline depreciation
2 studies, long-term forecasts of natural gas reserves and
3 production prospects, mortality studies of plant investment
4 and retirements, cost behavior studies comparing theoretical
5 and actual usage of pipeline facilities, Mcf/mile studies,
6 and testimony with supporting exhibits.

7 Q. PLEASE SUMMARIZE YOUR CURRENT RESPONSIBILITIES AT THE
8 COMMISSION.

9 A. I transferred to the Office of Electric Power Regulation in
10 1998. My responsibilities here are to review and prepare
11 cost-of-service studies, exhibits, and testimony on rate
12 changes and applications involved in electric rate
13 proceedings before the Commission.

14 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE COMMISSION?

15 A. Yes, I filed testimony in the following rate cases:
16 Black Marlin Pipeline Company, Docket No. RP81-67-000;
17 Tarpon Transmission Company, Docket No. RP84-82-000;
18 National Fuel Gas Supply Corporation, Docket No. RP86-136-
19 000; Pacific Gas Transmission Company, Docket No. RP87-62-
20 000; Sea Robin Pipeline Company, Docket No. RP88-181-000;
21 Natural Gas Pipeline Company of America, Docket No. RP88-
22 209-000; Paiute Pipeline Company, Docket No. RP88-227-000;
23 and Southwest Gas Storage Company, Docket No. RP89-60-000.

1 Q. WHAT IS YOUR RESPONSIBILITY IN THIS PROCEEDING?

2 A. I will address Montana Power's South Georgia adjustments.

3 Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS PROCEEDING?

4 A. Yes, in addition to my direct testimony, I am sponsoring
5 Exhibit S-28, which is a set of workpapers supporting my
6 direct testimony. Exhibit No. S-28 includes Attachments A,
7 B, and C. Attachment A is a reproduction of Montana Power's
8 Statement AF related to South Georgia Adjustments;
9 Attachment B is Staff's Cost of Service - Retail; and
10 Attachment C is Staff's Cost of Service - Wholesale.

11 Q. HAVE YOU EXAMINED MONTANA POWER'S SOUTH GEORGIA ADJUSTMENTS
12 TO ITS RATE BASE AND DEFERRED INCOME TAX EXPENSE?

13 A. Yes, I have.

14 Q. DOES MONTANA POWER'S DEFERRED INCOME TAX BALANCE INCLUDE
15 AMOUNTS RELATED TO AN UNFUNDED TAX LIABILITY?

16 A. Yes. The unfunded tax liabilities are the impetus for the
17 South Georgia adjustment.

18 Q. MONTANA POWER'S FILING CONTAINS TWO SOUTH GEORGIA
19 ADJUSTMENTS, CAN YOU EXPLAIN WHAT EACH IS FOR?

20 A. Yes. Montana Power's Statement AF [Exhibit No. S-28,
21 Attachment A, Page 1] shows an annual amortization of
22 \$84,085 for the wholesale REC customers' share of Montana
23 Power's 1989 total company unfunded tax liability.
24 Statement AF also includes another South Georgia adjustment
25 intended to capture the appropriate share of the current
26 unfunded tax liability that should be borne only by open

1 access transmission customers. Statement AF indicates that
2 the annual amortization for the transmission service's share
3 of the current unfunded tax liability is \$616,544 (this
4 amount includes the REC customers' share of the transmission
5 unfunded tax liability). However, it is unclear from
6 Montana Power's Statement AF workpapers the exact amount of
7 the company's current total unfunded tax liability. Montana
8 Power's Statement AF shows the 1989 adjusted amortization
9 for the REC customers' share of the 1989 total unfunded tax
10 liability, and derives a 1997 amortization for the open
11 access transmission service's share of the current
12 liability.

13 Q. WHY IS IT NECESSARY TO HAVE TWO SOUTH GEORGIA ADJUSTMENTS?

14 A. Montana Power's South Georgia adjustment was originally
15 designed to capture and adjust the unfunded tax liabilities
16 of FERC jurisdictional customers, i.e., the wholesale REC
17 customers. The ongoing restructuring of the electric
18 industry is bringing new classes of customers under FERC
19 jurisdiction. These new customers may purchase their energy
20 requirements in the interstate market and take retail or
21 wholesale open access transmission service from Montana
22 Power, the rate for which does not currently reflect any
23 South Georgia adjustment. Therefore an adjustment is

1 necessary to measure the current level of the unfunded tax
2 liability and the share to be borne by these new customers.

3 Q. HAS MONTANA POWER PREVIOUSLY INCLUDED A SOUTH GEORGIA
4 ADJUSTMENT IN ITS DEFERRED TAX BALANCES?

5 A. Yes. For purposes of FERC jurisdictional REC customers,
6 Montana Power established a South Georgia adjustment
7 sometime in the 1980s and revised its South Georgia
8 adjustment in Docket No. EL90-10-000 to reflect changes in
9 the unfunded tax liability due to changes in tax rates and
10 plant balances.

11 Q. WHY IS THE UNFUNDED TAX LIABILITY REFLECTED IN THE REC
12 CALCULATIONS DIFFERENT FROM THE LIABILITY REFLECTED IN THE
13 OPEN ACCESS TRANSMISSION CALCULATIONS?

14 A. The REC and open access transmission South Georgia
15 calculations reflect the respective services' shares of the
16 same total company unfunded tax liability. The unfunded tax
17 liability can be broken up by plant functions so that any
18 customer purchasing a service utilizing only one function
19 would bear the appropriate share of the liability. The REC
20 customers purchase a bundled service that includes several
21 functions, including transmission. The calculation of the
22 total transmission-related South Georgia adjustment includes
23 the REC customers' transmission service. Montana Power's
24 Statement AF, reproduced as my Exhibit No. S-28, Attachment
25 A, Page 1, reflects the total company plant balances and
26 total unfunded tax liabilities as of December 31, 1989, when

1 it was last updated, and measures the REC customers' share
2 of the South Georgia deferred income tax expenses. Montana
3 Power's open access transmission service South Georgia
4 calculation, reproduced as Staff Exhibit No. S-28,
5 Attachment A, Page 2, begins with the transmission plant
6 balances and related unfunded tax liabilities. The open
7 access transmission worksheet updates the plant balances and
8 liabilities through December 31, 1997 to account for changes
9 in the effective composite tax rates and changes in plant
10 balances.

11 Q. HAVE YOU MADE ANY ADJUSTMENTS TO MONTANA POWER'S CALCULATION
12 OF THE SOUTH GEORGIA ADJUSTMENTS?

13 A. Yes. Montana Power's Statement AF, reproduced as Staff
14 Exhibit No. S-28, Attachment A, Page 2, includes a
15 calculation of the South Georgia adjustment for open access
16 transmission service that incorporates an incorrect
17 calculation of the Remaining Book Life. The workpapers
18 indicate that the remaining life amount shown on Page 2 was
19 derived by dividing the gross transmission plant balance by
20 the annual depreciation accrual for transmission plant. The
21 correct derivation of remaining book life is the division of
22 the net transmission plant balance by the annual
23 transmission plant depreciation accruals.

- 1 Q. WHAT IS THE RESULT OF CORRECTING THIS CALCULATION?
- 2 A. Montana Power provided a corrected calculation of the
3 Remaining Book Life in response to a Staff telephone
4 conversation on December 10, 1998. As reflected in Staff
5 Exhibit No. S-28, Attachment A, Page 3, the correction
6 results in an annual South Georgia amortization for total
7 transmission service (inclusive of REC customers) of
8 \$786,741.
- 9 Q. DO YOU RECOMMEND ANY OTHER ADJUSTMENTS TO MONTANA POWER'S
10 CALCULATION OF THE SOUTH GEORGIA ADJUSTMENTS?
- 11 A. Yes. In its Statement AF calculations for both South
12 Georgia adjustments, included in Staff Exhibit No. S-28,
13 Attachment A, Montana Power made modifications to the
14 unfunded tax liabilities to account for accumulated deferred
15 income taxes in Account No. 282. Montana Power "grossed-up"
16 the deferred taxes to reflect the related accumulated book
17 and tax depreciation differential. Montana Power makes this
18 modification by dividing the Account No. 282 accumulated
19 deferred taxes by the tax rate. However, Montana Power
20 grosses-up the REC deferred tax balance using a 38.455%
21 effective tax rate but grosses-up the open access
22 transmission service deferred tax balance using a 39.3875%
23 effective tax rate. The tax rate used to gross-up the
24 accumulated deferred tax balance to the related differential
25 in net plant balances should be the same for both

1 calculations and should reflect the current composite tax
2 rate. Montana Power has not explained why these effective
3 tax rates should not be the same.

4 Q. DOES THE DIFFERENCE IN THE EFFECTIVE COMPOSITE TAX RATE
5 AFFECT THE ALLOCATION OF REC CUSTOMERS' SOUTH GEORGIA
6 ADJUSTMENT TO THE OPEN ACCESS TRANSMISSION SERVICE SOUTH
7 GEORGIA ADJUSTMENT?

8 A. Yes. The allocation from REC to open access transmission,
9 which is discussed in more detail below, carries with it a
10 lower tax rate so that the open access transmission service
11 customers will be picking up a higher tax rate for their
12 share of the South Georgia adjustment than the REC
13 customers. I recommend that Montana Power update the South
14 Georgia adjustment for the REC customers to reflect the same
15 tax rate as provided for in the open access transmission
16 service.

17 Q. SHOULD THE OPEN ACCESS TRANSMISSION REVENUE REQUIREMENT
18 RELATED TO THE SOUTH GEORGIA ADJUSTMENT AT ISSUE REFLECT
19 FULL TAX NORMALIZATION?

20 A. Yes. The Commission mandates that FERC jurisdictional rates
21 reflect full tax normalization. Tax normalization will be
22 addressed by Staff witness Jon Atkinson in Exhibit No. S-14.

23 Q. DID MONTANA POWER'S PRIOR DEFERRED TAX BALANCES REFLECT FULL
24 TAX NORMALIZATION?

25 A. Full tax normalization is reflected in Montana Power's
26 deferred tax balances only with respect to FERC
27 jurisdictional REC customers. As stated by Montana Power

1 witness Ernie Kindt in his testimony, Exhibit No. ___ (ERK),
2 "[The portions of our operations that were subject to rate
3 regulation of the Montana Public Service Commission employed
4 a partial flow through method of accounting." Mr. Kindt
5 also states, "[A]djustments to deferred income taxes
6 calculated under the South Georgia methodology and to fully
7 normalize taxes are included only for those portions of our
8 operations that are subject to FERC rate determinations."

9 Q. WHAT IS THE EFFECT OF A PARTIAL TAX NORMALIZATION WITH
10 RESPECT TO THE RATES AT ISSUE HERE?

11 A. As a result of the Montana Public Service Commission's
12 (MPSC) partial tax normalization for retail ratemaking
13 purposes, Montana Power has a large unfunded tax liability.

14 Q. IS MONTANA POWER'S PROPOSED SOUTH GEORGIA ADJUSTMENT, AS
15 MODIFIED, NECESSARY TO SATISFY THE COMMISSION'S REQUIREMENT?

16 A. Yes.

17 Q. IS MONTANA POWER PROPOSING TO RECOVER THIS ADDITIONAL SOUTH
18 GEORGIA AMOUNT FROM ALL OPEN ACCESS TRANSMISSION CUSTOMERS?

19 A. Yes.

20 Q. WHAT IMPACT WILL THIS PROPOSAL HAVE ON WHOLESALE CUSTOMERS?

21 A. Based on the Accumulated Deferred Income Tax Balances shown
22 on Statement AF for Account 282, Montana Power has fully
23 normalized only for REC customers. Since Montana Power's
24 taxes should have been fully normalized for purposes of
25 wholesale ratemaking since the early 1980s, Montana Power

1 would effectively be recovering certain income tax expenses
2 twice from these FERC jurisdictional customers.

3 Q. IS THIS REASONABLE?

4 A. No. Wholesale transmission service customers should not now
5 be assessed amounts that reflect Montana Power's partial
6 flow through for retail purposes. If Montana Power believes
7 that there is an unfunded tax liability related to these
8 customers, they need to provide a separate calculation,
9 perhaps in a new proceeding, associated with detailing the
10 unfunded tax liability associated with these customers,
11 along with a proposal as to how to collect this unfunded
12 liability. Further, the calculation of the new retail open
13 access transmission service customers' South Georgia
14 contribution should reflect the fact that the unfunded tax
15 liability should be lower than that reflected in Montana
16 Power's accounts due to the amounts the wholesale customers
17 (other than the REC's).

18 Q. WHAT DO YOU RECOMMEND?

19 A. I recommend that rates to FERC jurisdictional REC customers
20 recover only those applicable South Georgia amounts computed
21 prior to making the "MPSC to FERC Difference" adjustment.
22 The "MPSC to FERC Difference" is the recalculated 1998
23 unfunded tax liability. Rates to retail customers whose
24 rates should be designed to recover the "MPSC to FERC

1 Difference" component of the South Georgia adjustment. To
2 accomplish this, a base open access transmission revenue
3 requirement should be developed on the basis of full tax
4 normalization. That is, it should be developed as if
5 Montana Power has always fully normalized all tax-book
6 timing differences. This revenue requirement will be
7 equally applicable to wholesale and retail customers. To
8 this base open access transmission revenue requirement, I
9 propose that a separate charge or credit be applied based on
10 a modified South Georgia adjustment as discussed above. For
11 wholesale customers, the charge or credit would be based on
12 the unfunded tax liability balance in existence prior to
13 Montana Power's proposed adjustment to reflect full tax
14 normalization for retail customers. The charge or credit
15 applicable to retail customers would be developed on the
16 basis of the "MPSC to FERC difference."

17 Q. HOW WOULD YOU CALCULATE MONTANA POWER'S SOUTH GEORGIA
18 ADJUSTMENT FOR RETAIL CUSTOMERS?

19 A. The calculation of the retail customers' open access
20 transmission service South Georgia amortization for deferred
21 income tax expense should reduce the total transmission
22 South Georgia adjustment, \$786,741, by that portion of the
23 REC customers' South Georgia amortization for deferred
24 income tax expense that applies to the transmission portion
25 of their service, \$18,431 [Exhibit No. S-28, Attachment A,

1 Page 3]. These amounts reflect my recommendation in regard
2 to the calculation of the Remaining Book Life but do not
3 include my recommendations regarding the appropriate tax
4 rate used to "gross-up" the deferred tax balances. Montana
5 Power should adjust these amounts to reflect the appropriate
6 tax rate.

7 Q. WHAT IS THE IMPACT OF YOUR SOUTH GEORGIA ADJUSTMENT
8 RECOMMENDATION ON STAFF'S COST OF SERVICE, INCORPORATING THE
9 SOUTH GEORGIA RATE BASE EFFECT ON STAFF'S RECOMMENDED RATE
10 OF RETURN?

11 A. For wholesale customers, Staff's cost of service reflects
12 the removal of the retail portion of the South Georgia
13 adjustment from Staff's cost of service and the
14 recalculation of the revenue requirement for the open access
15 transmission service. As reflected in Exhibit No. S-28,
16 Attachment C, Page 1, Line No. 16, the resulting open access
17 transmission revenue requirement is \$46,668,820. For retail
18 customers, the open access transmission revenue requirement
19 is \$47,864,465 as reflected in Exhibit No. S-28, Attachment
20 B, Page 1, Line No. 16. These revenue requirement estimates
21 do not incorporate my recommendations regarding the
22 appropriate tax rate for grossing-up plant balances or the
23 calculation of South Georgia amounts assuming full
24 normalization since the early 1980s. Staff witness Brian
25 Dunn will incorporate these amounts in the development of
26 the open access transmission rate.

- 1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
- 2 A. Yes, it does.

FILED
OFFICE OF THE SECRETARY

98 DEC 15 PM 4:34

FEDERAL ENERGY
REGULATORY
COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Montana Power COMPANY)

) DOCKET NO. ER98-2328-000
)

AFFIDAVIT OF PATRICK R. CROWLEY

Patrick R. Crowley being first duly sworn, on oath states that he is the Patrick R. Crowley whose prepared testimony was served on all parties to the above-referenced proceeding. Patrick R. Crowley further states that if asked the questions contained in the text, he would give the answers that are herein set forth, and that he adopts the aforesaid answers as his testimony in this proceeding.

Patrick R. Crowley
Patrick R. Crowley

Washington, D.C.

Subscribed and sworn to before me this 15th day of December, 1998.

Veronica Victoria Vansco
Notary Public

VERONICA VICTORIA VANSO
NOTARY PUBLIC DISTRICT OF COLUMBIA
MY COMMISSION EXPIRES AUGUST 31, 2001



ORIGINAL

FILED
OFFICE OF THE SECRETARY

Exhibit No. S-28

98 DEC 15 PM 4:34

FEDERAL ENERGY
REGULATORY
COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

MONTANA POWER COMPANY

)

DOCKET NO. ER98-2382-000

WORKPAPERS IN SUPPORT OF
PREPARED DIRECT TESTIMONY
OF
PATRICK R. CROWLEY

WITNESS FOR THE STAFF
OF THE
FEDERAL ENERGY REGULATORY COMMISSION

OFFICE OF ELECTRIC POWER REGULATION
DIVISION OF LITIGATION

WASHINGTON, DC
DECEMBER 15, 1998

ORIGINAL

FILED
OFFICE OF THE SECRETARY

Exhibit No. S-28

98 DEC 15 PM 4: 34

FEDERAL ENERGY
REGULATORY
MONTANA POWER COMPANY)
COMMISSION

DOCKET NO. ER98-2382-000

ATTACHMENT A

TO
WORKPAPERS IN SUPPORT OF
PREPARED DIRECT TESTIMONY
OF
PATRICK R. CROWLEY

The Montana Power Company
 Accelerated Depreciation-REC. South Georgia Calculation
 Account 282.304
 Period II - 1998

FILED
 OFFICE OF THE SECRETARY

98 DEC 15 PM 4:34

FEDERAL ENERGY
 REGULATORY
 COMMISSION

Line No	Description		
1	Carryforward to future filings.		
2	Refer to Docket No. EL 90-10-000		
3	All amounts were as of 12/31/88		
4			
5	Net Book Basis Plant:		
6			
7	Plant at Original Cost		1,279,945,438
8			
9	Deduct:		
10	Depreciation Reserve:		
11	Electric	312,517,367	
12	Common	8,889,511	321,406,878
13			<u>958,538,560</u>
14			
15	Deduct items not included in Net Tax Basis Plant		
16	Nondepreciable Plant	18,289,261	
17	AFUDC-Equity Component (1977-1988), including 72.47% of Common	23,400,204	
18	Hearst Mountain Property	783,203	42,452,668
19	Net Book Basis Plant		<u>918,085,892</u>
20			
21			
22	Net Tax Basis Plant:		
23			
24	Net Depreciable Tax Basis		546,661,089
25			
26	Accelerated Amortization Property included in Net Book Basis Plant		1,902,299
27			
28	Mystic Lake Adjustment for Fair Market Value included in Net Book Basis Plant		3,803,628
29	Net Tax Basis Plant		<u>562,367,016</u>
30			
31	Difference between Net Book and Tax Basis Plant		363,698,676
32			
33	Difference Accounted for in Accumulated Deferred Income Taxes, Account 282		190,490,822
34	Accelerated Depreciation		
35			
36	Difference Accounted for in Accumulated Deferred Income Taxes, Account 282		16,496,888
37	Full Normalization		
38			
39	Difference Not Accounted for in Accumulated Deferred Income Taxes, Account 282		156,711,166
40	FERC Jurisdiction Component		4.81376%
41			<u>7,543,899</u>
42	Remaining Book Life (Years)		34.5
43			
44	Annual Amortization of Difference Not Accounted for in Account 282 (unfunded liability)		218,658
45	Statutory (Effective) Tax Rate (at time of most recent filing)		38.45500%
46	Annual Accelerated Depreciation-REC. South Georgia D.I.T. Expense (ends 12/31/23)		<u>84,065</u>

TRANSMISSION PLANT
Statement AF
SOUTH GEORGIA CALCULATION
AS OF 12/31/97

DESCRIPTION	ELECTRIC COMMON	ELECTRIC GENERAL	ELECTRIC TRANSMISSION	TOTALS
NET BOOK BASIS PLANT:				
1. DEPRECIABLE	30,322,208	24,322,904	272,179,702	
2. AMORTIZABLE	2,384,148	630,941	810,398	
3. AUTO, POWER EQUIPMENT, AIRPLANE	507,859	10,342,031	0	
4. DEPLETABLE	0	0	0	
5. INTANGIBLES	0	0	0	
6. NONDEPRECIABLE	2,025,178	306,732	1,235,281	
7. DISALLOWED AFUDC	0	0	0	
8. PLANT ACQUISITION ADJUSTMENTS	0	0	1,136,972	
	<u>35,239,393</u>	<u>35,602,608</u>	<u>275,384,333</u>	
ALLOCATION OF COMMON	0.09401		3,312,993	
ALLOCATION OF GENERAL		0.09401	3,347,140	
NET BOOK BASIS PLANT				<u>282,034,468</u>
NET TAX BASIS PLANT:				
1. DEPRECIABLE	18,960,912	23,512,092	143,778,528	
2. AMORTIZABLE	419,910	0	725,388	
3. AUTO, POWER EQUIPMENT, AIRPLANE	0	0	0	
4. DEPLETABLE	0	0	0	
5. INTANGIBLES	0	0	0	
6. NONDEPRECIABLE	2,025,178	304,410	1,233,023	
7. DISALLOWED AFUDC	(413,728)	0	0	
8. PLANT ACQUISITION ADJUSTMENTS	0	0	0	
	<u>18,982,272</u>	<u>23,816,502</u>	<u>145,736,936</u>	
ALLOCATION OF COMMON	0.09401		1,784,523	
ALLOCATION OF GENERAL		0.09401	2,238,989	
NET TAX BASIS PLANT				<u>149,760,449</u>
TOTAL TEMPORARY TIMING DIFFERENCES				<u>132,284,017</u>
DIFFERENCES ACCOUNTED FOR IN DEFERRED TAXES:				
APB11 DEFERRED INCOME TAXES	4,735,750	10,338,041	29,333,666	
ALLOCATION OF COMMON	0.09401		445,208	
ALLOCATION OF GENERAL		0.09401	971,691	
			<u>30,750,565</u>	
EFFECTIVE STATUTORY TAX RATE FOR 1997			0.393875	
DIFFERENCES ACCOUNTED FOR IN DEFERRED TAXES				<u>78,071,888</u>
DIFFERENCES NOT ACCOUNTED FOR IN DEFERRED TAXES				<u>54,192,128</u>
REMAINING BOOK LIFE OF TRANSMISSION PROPERTY:				
PLANT BALANCE AT 12/31/97			358,319,272	
ANNUAL DEPRECIATION ACCRUALS			10,349,884	
REMAINING BOOK LIFE				<u>34.62</u>
ANNUAL AMORTIZATION OF NONDEFERRED DIFFERENCES				
ANNUAL AMORTIZATION OF NONDEFERRED DIFFERENCES			1,585,329	
EFFECTIVE STATUTORY TAX RATE FOR 1997			0.393875	
ANNUAL "SOUTH GEORGIA" D.I.T. EXPENSE-INCLUDING ACCEL. DEPR. REC				<u>618,544</u>
ANNUAL ACCELERATED DEPRECIATION-REC (Account 282.304)				
ALLOCATION TO TRANSMISSION			84,085	
ANNUAL ACCEL. DEPR.-REC, "SOUTH GEORGIA" D.I.T. EXPENSE-TRANSMISSION			0.2192	<u>18,431</u>
ANNUAL "SOUTH GEORGIA" DEFERRED INCOME TAX EXPENSE-TRANSMISSION				<u>888,113</u>
R:\POOL_TAXRATE\FERC\MPC\Period2_1998_Transmission.xls				<u>3/26/98</u>

REPORT OF
SOUTH GEORGIA CALCULATION
AS OF 12/31/97

DESCRIPTION	ELECTRIC COMMON	ELECTRIC GENERAL	ELECTRIC TRANSMISSION	TOTALS
NET BOOK BASIS PLANT:				
1. DEPRECIABLE	30,322,208	24,322,904	272,179,702	
2. AMORTIZABLE	2,384,148	630,941	810,386	
3. AUTO. POWER EQUIPMENT, AIRPLANE	507,859	10,342,031	0	
4. DEPLETABLE	0	0	0	
5. INTANGIBLES	0	0	0	
6. NONDEPRECIABLE	2,025,178	308,732	1,226,281	
7. DISALLOWED AFUDC	0	0	0	
8. PLANT ACQUISITION ADJUSTMENTS	0	0	1,128,972	
9. NET TRANSFERS TO SAS	(18,988,679)	0	0	
	22,250,814	35,602,608	275,384,333	
ALLOCATION OF COMMON	0.09401		2,091,888	
ALLOCATION OF GENERAL		0.09401	3,347,140	
NET BOOK BASIS PLANT				280,803,369
NET TAX BASIS PLANT:				
1. DEPRECIABLE	18,960,912	23,512,092	143,778,528	
2. AMORTIZABLE	418,910	0	725,386	
3. AUTO. POWER EQUIPMENT, AIRPLANE	0	0	0	
4. DEPLETABLE	0	0	0	
5. INTANGIBLES	0	0	0	
6. NONDEPRECIABLE	2,025,178	304,410	1,233,023	
7. DISALLOWED AFUDC	(413,728)	0	0	
8. PLANT ACQUISITION ADJUSTMENTS	0	0	0	
9. NET TRANSFERS TO SAS	(9,234,272)	0	0	
	9,746,000	23,816,502	145,736,938	
ALLOCATION OF COMMON	0.09401		916,409	
ALLOCATION OF GENERAL		0.09401	2,238,889	
NET TAX BASIS PLANT				148,892,336
TOTAL TEMPORARY TIMING DIFFERENCES				131,911,024
DIFFERENCES ACCOUNTED FOR IN DEFERRED TAXES:				
APB11 DEFERRED INCOME TAXES	4,739,750	10,338,041	29,333,686	
APB11 DEFERRED INCOME TAXES-SAS	(1,478,728)	0	0	
	3,261,022	10,338,041	29,333,686	
ALLOCATION OF COMMON	0.09401		306,183	
ALLOCATION OF GENERAL		0.09401	971,891	
			30,811,550	
EFFECTIVE STATUTORY TAX RATE FOR 1997			0.393875	
DIFFERENCES ACCOUNTED FOR IN DEFERRED TAXES				77,718,846
DIFFERENCES NOT ACCOUNTED FOR IN DEFERRED TAXES				54,192,078
REMAINING BOOK LIFE OF TRANSMISSION PROPERTY:				
NET BOOK BASIS PLANT (ABOVE)			280,803,369	
ANNUAL DEPRECIATION ACCRUALS			10,349,984	
REMAINING BOOK LIFE				27.13
ANNUAL AMORTIZATION OF NONDEFERRED DIFFERENCES			1,997,437	
EFFECTIVE STATUTORY TAX RATE FOR 1997			0.393875	
ANNUAL "SOUTH GEORGIA" D.I.T. EXPENSE-INCLUDING ACCEL. DEPR. REC				788,741
ANNUAL ACCELERATED DEPRECIATION-REMAINING (Account 282,304)			84,086	
ALLOCATION TO TRANSMISSION			0.2192	
ANNUAL ACCEL. DEPR.-REC, "SOUTH GEORGIA" D.I.T. EXPENSE-TRANSMISSION				18,431
ANNUAL "SOUTH GEORGIA" DEFERRED INCOME TAX EXPENSE-TRANSMISSION				788,309

Exhibit No. S-28

MONTANA POWER COMPANY

)

DOCKET NO. ER98-2382-000

ATTACHMENT B

TO

**WORKPAPERS IN SUPPORT OF
PREPARED DIRECT TESTIMONY
OF
PATRICK R. CROWLEY**

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - RETAIL

SUMMARY OF RESULTS	ITEM	ELECTRIC			TOTAL		ALL	
		ALLO	PRODUCTION	TRANSMISSION	AT ISSUE	OTHER		
1	RATE BASE							
2	GROSS ELECTRIC PLT IN SERVICE	GP11	752,244,881	365,619,820	1,117,864,701		661,663,640	
3	TOTAL DEPRECIATION RESERVE	DR11	-295,745,692	-95,200,982	-390,946,674		-194,233,664	
4	TOTAL RATE BASE ADJUSTMENTS	RB71	-92,176,687	-26,374,388	-50,514,697		-41,661,989	
5	TOTAL RATE BASE	RB91	1,102,171,316	432,358,880	674,530,236		425,767,987	
6	OPERATING EXPENSES							
7	TOTAL O & M EXPENSE	OM31	224,297,859	12,675,196	65,458,703		158,839,156	
8	TOTAL DEPRECIATION EXPENSE	DE41	51,334,696	18,031,420	28,470,787		22,863,909	
9	TOTAL OTHER TAX & MISC EXPENSE	L591	45,439,887	9,272,965	25,527,971		19,911,916	
10	TOTAL OP EXP EX INC & REV TAX	OP61	321,072,442	87,069,933	119,457,461		201,614,981	
11	NET FED INCOME TAX ALLOWABLE	I879	23,982,706	8,985,071	15,332,534		8,650,172	
12	NET STATE INCOME TAX ALLOWABLE	J979	5,102,640	1,215,387	3,225,128		1,877,512	
13	TOTAL OPERATING EXPENSE	OPEX	350,157,788	98,064,745	138,015,123		212,142,665	
14	RETURN ON RATE BASE	R751	90,774,829	35,609,077	55,708,578		35,066,251	
15	TOTAL OTHER OPERATING REVENUES	Q027	-56,579,442	-39,652,634	-51,838,048		-4,741,394	
16	TOTAL ELECTRIC COST OF SERVICE	CS05	384,353,175	94,021,188	141,885,653		242,467,522	
17	PROPOSED REVENUES (PHASE 1)	R602	411,452,010	217,584,405	274,318,360		137,133,650	
18	EXCESS REVENUES	XREV	27,098,835	123,563,217	8,869,490		-105,333,872	
19	TOTAL RETURN EARNED	RETE	107,200,111	110,503,832	135,979,353		-28,779,242	
20	RATE OF RETURN EARNED	RORE	0.09726	0.25558	0.20103		-0.06759	
21	TOTAL RATE OF RETURN ALLOWABLE	RORA	0.08236	0.08236	0.08236		0.08236	
22	RETURN EARNED ON COMMON EQUITY	REOE	0.12777	0.48977	0.36504		-0.24917	
23	ALLOWED RETURN ON COM EQUITY	AROE		0.09370	0.09370		0.09370	
24	PRESENT REVENUES	R600	399,218,055	217,584,405	262,084,405		137,133,650	
25	REVENUE INCREASE JUSTIFIED	RIJD	-14,864,880	-123,563,217	-120,198,752		105,333,872	
26	PER UNIT PRES REV	RIJP	-0.03723	-0.56789	-0.45863		0.76811	
27	REVENUE INCREASE REQUESTED	RIKD	12,233,955	0	12,233,955		0	

DOCKET NUMBER: ER982382-000
 EXHIBIT: S-28 ATTACH B
 SCHEDULE: 1
 PAGE: 2

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998
 SOUTH GEORGIA - RETAIL

<u>SUMMARY OF RESULTS</u>	<u>ITEM</u>	<u>ALLO</u>	<u>TOTAL</u>		<u>TRANSMISSION</u>	<u>TOTAL</u>		<u>ALL</u>	
			<u>ELECTRIC</u>	<u>PRODUCTION</u>		<u>AT ISSUE</u>	<u>OTHER</u>		
1	PER UNIT PRES REV	RIRP	0.03064	0.00000	0.27492	0.04668	0.00000		

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - RETAIL

RATE BASE	ITEM ALLO	TOTAL			TOTAL	ALL	
		ELECTRIC	PRODUCTION	TRANSMISSION		AT ISSUE	OTHER
<u>1 RATE BASE ADJUSTMENTS</u>							
<u>2 SUBRACTIVE ADJUSTMENTS</u>							
3	ACCUM DEF INC TAXES (282)						
4	PRODUCTION	38,310,022	38,310,022	0	38,310,022	0	0
5	TRANSMISSION	30,799,541	1,170,237	29,166,616	30,336,853	462,688	462,688
6	DISTRIBUTION	41,849,489	0	0	0	41,849,489	41,849,489
7	GENERAL	11,713,605	1,557,406	1,198,007	2,755,413	8,958,192	8,958,192
8	MPSC JURISDICTION	-5,635,831	-5,635,831	0	-5,635,831	0	0
9	SOUTH GEORGIA	384,155	0	384,155	384,155	0	0
10	TOTAL ACCOUNT 282	117,420,981	35,401,834	30,748,778	66,150,612	51,270,369	51,270,369
<u>11 ACCUM DEF INC TAXES (283)</u>							
12	PRODUCTION	13,829,859	13,829,859	0	13,829,859	0	0
13	ALLOWABLE PS&I	1,317,821	1,317,821	0	1,317,821	0	0
14	GENERAL	4,204,696	559,044	430,035	989,079	3,215,617	3,215,617
15	TOTAL ACCOUNT 283	19,352,376	15,706,724	430,035	16,136,759	3,215,617	3,215,617
<u>16 ACCTS 224,228,242,252,254,257</u>							
17	PRODUCTION	39,527,946	39,527,946	0	39,527,946	0	0
18	TRANSMISSION	63,387	2,408	60,026	62,434	953	953
19	DISTRIBUTION	14,049,504	0	0	0	14,049,504	14,049,504
20	GENERAL	17,102,686	2,273,923	1,749,174	4,023,097	13,079,589	13,079,589
21	ACCOUNT 281	344,329	344,329	0	344,329	0	0
22	TOTAL OTHER SUBRACTIVE ADJUNT	71,087,852	42,148,606	1,809,200	43,957,806	27,130,046	27,130,046
23	TOTAL SUBRACTIVE ADJUSTMENTS	207,861,209	93,257,164	32,988,013	126,245,177	81,616,032	81,616,032
<u>24 ADDITIVE ADJUSTMENTS</u>							
<u>25 ACCUM DEF INC TAXES (190)</u>							

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - RETAIL

RATE BASE	ITEM ALLO	TOTAL			TOTAL AT ISSUE	ALL	
		ELECTRIC	PRODUCTION	TRANSMISSION		OTHER	OTHER
1	PRODUCTION						
	V200 P121	1,232,958	1,232,958	0	1,232,958	0	0
2	TRANSMISSION						
	V202 T121	697,298	26,494	660,329	686,823	10,475	10,475
3	MPSC JURISDICTION						
	V204 K400	10,398,200	0	0	0	10,398,200	10,398,200
4	GENERAL						
	V206 K627	6,093,304	810,148	623,192	1,433,340	4,659,964	4,659,964
5	TOTAL ACCOUNT 190	18,421,760	2,069,600	1,283,521	3,353,121	15,068,639	15,068,639
6	ACCTS 105, 107, 182, 189						
7	PRODUCTION						
	V256 P121	45,795,824	45,795,824	0	45,795,824	0	0
8	GENERAL						
	V258 K627	10,968,039	1,458,278	1,121,754	2,580,032	8,388,007	8,388,007
9	TOTAL OTHER ADDITIVE ADJTMNTS	56,763,863	47,254,102	1,121,754	48,375,856	8,388,007	8,388,007
10	TOTAL ADDITIVE ADJUSTMENTS	75,185,623	49,323,702	2,405,275	51,728,977	23,456,646	23,456,646
11	NET ORIGINAL COST RATE BASE	1,061,672,417	412,565,727	239,836,100	652,401,827	409,270,590	409,270,590
12	WORKING CAPITAL						
13	MATERIALS AND SUPPLIES						
14	FUEL SUPPLIES						
15	FOSSIL						
	W630 K300	1,163,183	0	0	0	1,163,183	1,163,183
16	TOTAL FUEL STOCKS	1,163,183	0	0	0	1,163,183	1,163,183
17	PLANT MATERIALS & SUPPLIES						
18	PRODUCTION						
	W642 P121	9,122,990	9,122,990	0	9,122,990	0	0
19	TRANSMISSION						
	W644 T121	2,490,391	94,623	2,358,356	2,452,979	37,412	37,412
20	DISTRIBUTION						
	W646 D141	2,456,622	0	0	0	2,456,622	2,456,622
21	TOTAL PLANT MATERIALS & SUPPL	14,070,003	9,217,613	2,358,356	11,575,969	2,494,034	2,494,034
22	TOTAL MATERIALS & SUPPLIES	15,233,186	9,217,613	2,358,356	11,575,969	3,657,217	3,657,217
23	PREPAYMENTS						

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - RETAIL

RATE BASE	ITEM ALLO	TOTAL			TRANSMISSION	TOTAL		ALL OTHER
		ELECTRIC	PRODUCTION	AT ISSUE		AT ISSUE		
1	PROPERTY INSURANCE	88,050	39,712	18,818	58,530	29,520		
2	LIABILITY INSURANCE	258,261	116,479	55,196	171,675	86,586		
3	PRODUCTION RELATED	1,373,714	1,373,714	0	1,373,714	0		
4	LABOR RELATED	1,085,762	144,360	111,046	255,406	830,356		
5	TRANSMISSION	49	0	49	49	0		
6	ALL OTHER	499,411	208,155	80,485	288,640	210,771		
7	TOTAL PREPAYMENTS	3,305,247	1,882,420	265,594	2,148,014	1,157,233		
8	CASH WORKING CAPITAL							
9	FUEL	1,817,085	0	0	0	1,817,085		
10	PURCH POWER - DEMAND	3,397,406	3,397,406	0	3,397,406	0		
11	TOTAL FUEL, PP & OTHER	5,214,491	3,397,406	0	3,397,406	1,817,085		
12	AUTO CALC (O&M-F-PP)/8	16,745,975	5,295,714	1,584,400	6,880,114	9,865,862		
13	TOTAL WORKING CASH	21,960,466	8,693,120	1,584,400	10,277,520	11,682,947		
14	TOTAL WORKING CAPITAL	40,498,899	19,793,153	4,208,350	24,001,503	16,497,397		
15	PRELIMINARY SUMMARY							
16	TOTAL SUBTRACTIVE ADJUSTMENTS	-207,861,209	-93,257,164	-32,988,013	-126,245,177	-81,616,032		
17	TOTAL ADDITIVE ADJUSTMENTS	75,185,623	49,323,702	2,405,275	51,728,977	23,456,646		
18	TOTAL WORKING CAPITAL	40,498,899	19,793,153	4,208,350	24,001,503	16,497,397		
19	TOTAL RATE BASE ADJUSTMENTS	-92,176,687	-24,140,309	-26,374,388	-50,514,697	-41,661,989		
20	RATE BASE CALCULATION							
21	NET ELECTRIC PLANT IN SERVICE	1,194,348,003	456,499,189	270,418,838	726,918,027	467,429,976		
22	TOTAL RATE BASE ADJUSTMENTS	-92,176,687	-24,140,309	-26,374,388	-50,514,697	-41,661,989		
23	TOTAL RATE BASE	1,102,171,316	432,358,880	244,044,450	676,403,330	425,767,987		
24	TOTAL RATE OF RETURN ALLOWABLE	0.08236	0.08236	0.08236	0.08236	0.08236		
25	RETURN ON RATE BASE	90,774,829	35,609,077	20,099,501	55,708,578	35,066,251		

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - RETAIL

	ITEM	TOTAL			ALL
		ELECTRIC	PRODUCTION	TRANSMISSION	
	ALLO				OTHER
<u>INCOME TAX BASED ON RETURN</u>					
1	FEDERAL INCOME TAX				
2	FED INC TAX DEDUCTIONS				
3	<u>AUTOMATIC INTEREST CALCULATION</u>				
4	AUTO PROC INTEREST DED	42,631,986	16,723,641	9,439,639	16,468,706
5	TOTAL INTEREST EXPENSE	42,631,986	16,723,641	9,439,639	16,468,706
6	<u>OTHER DEDUCTIONS</u>				
7	NON-DEDUCTIBLE MEALS	-243,000	-32,309	-24,853	-57,162
8	CONSERVATION AMORTIZATION	-217,487	-217,487	0	-217,487
9	EMPL STOCK OWNERSHIP PLAN	1,825,893	242,765	186,743	429,508
10	PREF DIVIDENDS DEDUCTION	268,100	113,332	55,084	168,416
11	TOTAL OTHER DEDUCTIONS	1,633,506	106,301	216,974	323,275
12	NET DEDUCTIONS AND ADDITIONS	44,265,492	16,829,942	9,656,613	26,486,555
13	<u>FEDERAL INCOME TAX ADJUSTMENTS</u>				
14	FED PROV DEF INC TAX (410.1)				
15	SOUTH GEORGIA - TRANSMISSION	768,309	0	768,309	768,309
16	TOTAL FED PROV DEF IT (410.1)	768,309	0	768,309	768,309
17	<u>INVESTMENT TAX CREDITS</u>				
18	<u>AMORTIZED INV TAX CREDIT</u>				
19	PRODUCTION	704,272	704,272	0	704,272
20	TRANSMISSION	300,549	11,419	284,615	296,034
21	DISTRIBUTION	327,315	0	0	0
22	GENERAL & INTANGIBLE	125,682	16,710	12,854	29,564
23	TOTAL AMORTIZED ITC	1,457,818	732,401	297,469	1,029,870
24	<u>PRELIMINARY SUMMARY</u>				
					427,948

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - RETAIL

INCOME TAX BASED ON RETURN	ITEM ALLO	TOTAL		TRANSMISSION	TOTAL		ALL	
		ELECTRIC	PRODUCTION		AT ISSUE	OTHER		
1 TOTAL FED PROV DEF IT (410.1)	Z781	768,309	0	768,309	768,309	0		
2 TOTAL AMORTIZED ITC	Z813	-1,457,818	-732,401	-297,469	-1,029,870	-427,948		
3 TOTAL FEDERAL TAX ADJUSTMENTS	Z863	-689,509	-732,401	470,840	-261,561	-427,948		
4 FEDERAL INCOME TAX COMPUTATION								
5 RETURN ON RATE BASE	R751	90,774,829	35,609,077	20,099,501	55,708,578	35,066,251		
6 NET DEDUCTIONS AND ADDITIONS	Y871	-44,265,492	-16,829,942	-9,656,613	-26,486,555	-17,778,937		
7 TOTAL FEDERAL TAX ADJUSTMENTS	Z863	-689,509	-732,401	470,840	-261,561	-427,948		
8 BASE FOR FIT COMPUTATION	I865	45,819,828	18,046,734	10,913,728	28,960,462	16,859,366		
9 FIT FACTOR K190/(1-K190)	I867		0.53846	0.53846		0.53846		
10 PRELIM FEDERAL INCOME TAX	I869	24,672,215	9,717,472	5,876,623	15,594,095	9,078,120		
11 TOTAL FEDERAL TAX ADJUSTMENTS	Z863	-689,509	-732,401	470,840	-261,561	-427,948		
12 NET FED INCOME TAX ALLOWABLE	I879	23,982,706	8,985,071	6,347,463	15,332,534	8,650,172		
13 FEDERAL INCOME TAX PAYABLE								
14 PRELIM FEDERAL INCOME TAX	I869	24,672,215	9,717,472	5,876,623	15,594,095	9,078,120		
15 NET FED INCOME TAX PAYABLE	I889	24,672,215	9,717,472	5,876,623	15,594,095	9,078,120		
16 STATE INCOME TAX								
17 FIT DEDUCTIBLE FOR SIT FACTOR	K194		0.00000	0.00000		0.00000		
18 STATE INCOME TAX ADJUSTMENTS								
19 SUMMARY OF SIT CALCULATION								
20 RETURN ON RATE BASE	R751	90,774,829	35,609,077	20,099,501	55,708,578	35,066,251		
21 NET FED INCOME TAX ALLOWABLE	I879	23,982,706	8,985,071	6,347,463	15,332,534	8,650,172		
22 NET DEDUCTIONS AND ADDITIONS	Y871	-44,265,492	-16,829,942	-9,656,613	-26,486,555	-17,778,937		
23 BASE FOR SIT COMPUTATION	J965	70,492,043	27,764,206	16,790,351	44,554,557	25,937,486		
24 SIT FACTOR K192/(1-K192)	J967		0.07239	0.07239		0.07239		

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998
 SOUTH GEORGIA - RETAIL

	ITEM	TOTAL			TOTAL AT ISSUE	ALL OTHER	
		ALLO	ELECTRIC	PRODUCTION			TRANSMISSION
1	PRELIMINARY STATE INCOME TAX	J969	5,102,640	2,009,741	1,215,387	3,225,128	1,877,512
2	NET STATE INCOME TAX ALLOWABLE	J979	5,102,640	2,009,741	1,215,387	3,225,128	1,877,512
3	STATE INCOME TAX PAYABLE						
4	PRELIMINARY STATE INCOME TAX	J969	5,102,640	2,009,741	1,215,387	3,225,128	1,877,512
5	NET STATE INCOME TAX PAYABLE	J989	5,102,640	2,009,741	1,215,387	3,225,128	1,877,512
6	COMPOSITE TAX RATE	CTAX		0.39387	0.39387		0.39387

Exhibit No. S-28

MONTANA POWER COMPANY

)

DOCKET NO. ER98-2382-000

ATTACHMENT C

TO
WORKPAPERS IN SUPPORT OF
PREPARED DIRECT TESTIMONY
OF
PATRICK R. CROWLEY

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESALE

SUMMARY OF RESULTS	ITEM ALLO	TOTAL		TRANSMISSION	TOTAL		ALL	
		ELECTRIC	PRODUCTION		AT ISSUE	OTHER		
1 RATE BASE								
2 GROSS ELECTRIC PLT IN SERVICE	GP11	1,779,528,341	752,244,881	365,619,820	1,117,864,701		661,663,640	
3 TOTAL DEPRECIATION RESERVE	DR11	-585,180,338	-295,745,692	-95,200,982	-390,946,674		-194,233,664	
4 TOTAL RATE BASE ADJUSTMENTS	RB71	-91,801,748	-24,140,309	-25,999,449	-50,139,758		-41,661,989	
5 TOTAL RATE BASE	RB91	1,102,546,255	432,358,880	244,419,389	676,778,269		425,767,987	
6 OPERATING EXPENSES								
7 TOTAL O & M EXPENSE	OM31	224,297,859	52,783,507	12,675,196	65,458,703		158,839,156	
8 TOTAL DEPRECIATION EXPENSE	DE41	51,334,696	18,031,420	10,439,367	28,470,787		22,863,909	
9 TOTAL OTHER TAX & MISC EXPENSE	L591	45,439,887	16,255,006	9,272,965	25,527,971		19,911,916	
10 TOTAL OP EXP EX INC & REV TAX	OP61	321,072,442	87,069,933	32,387,528	119,457,461		201,614,981	
11 NET FED INCOME TAX ALLOWABLE	1879	22,837,866	8,985,071	5,202,623	14,187,694		8,650,172	
12 NET STATE INCOME TAX ALLOWABLE	J979	5,020,955	2,009,741	1,133,702	3,143,443		1,877,512	
13 TOTAL OPERATING EXPENSE	OPEX	348,931,263	98,064,745	38,723,853	136,788,598		212,142,665	
14 RETURN ON RATE BASE	R751	90,805,709	35,609,077	20,130,381	55,739,458		35,066,251	
15 TOTAL OTHER OPERATING REVENUES	Q027	-56,579,442	-39,652,634	-12,185,414	-51,838,048		-4,741,394	
16 TOTAL ELECTRIC COST OF SERVICE	CS05	383,157,530	94,021,188	46,668,820	140,690,008		242,467,522	
17 PROPOSED REVENUES (PHASE 1)	R602	411,452,010	217,584,405	56,733,955	274,318,360		137,133,650	
18 EXCESS REVENUES	XREV	28,294,480	123,563,217	10,065,135	133,628,352		-105,333,872	
19 TOTAL RETURN EARNED	RETE	107,955,701	110,503,832	26,231,111	136,734,943		-28,779,242	
20 RATE OF RETURN EARNED	RORE	0.09791	0.25558	0.10732	0.20204		-0.06759	
21 TOTAL RATE OF RETURN ALLOWABLE	RORA	0.08236	0.08236	0.08236	0.08236		0.08236	
22 RETURN EARNED ON COMMON EQUITY	REOE	0.12927	0.48977	0.15077	0.36734		-0.24917	
23 ALLOWED RETURN ON COM EQUITY	AROE		0.09370	0.09370			0.09370	
24 PRESENT REVENUES	R600	399,218,055	217,584,405	44,500,000	262,084,405		137,133,650	
25 REVENUE INCREASE JUSTIFIED	RIJD	-16,060,525	-123,563,217	2,168,820	-121,394,397		105,333,872	
26 PER UNIT PRES REV	RIJP	-0.04023	-0.56789	0.04874	-0.46319		0.76811	
27 REVENUE INCREASE REQUESTED	RI RD	12,233,955	0	12,233,955	12,233,955		0	

DOCKET NUMBER: ER982382-000
 EXHIBIT: S-28 ATTACH C
 SCHEDULE: 1
 PAGE: 2

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESAL

SUMMARY OF RESULTS	ITEM ALLO	TOTAL		TRANSMISSION	TOTAL	ALL	
		ELECTRIC	PRODUCTION			AT ISSUE	OTHER
1 PER UNIT PRES REV	RIRP	0.03064	0.00000	0.27492	0.04668	0.00000	0.00000

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESALE

RATE BASE	ITEM	TOTAL			TOTAL	ALL	
		ELECTRIC	PRODUCTION	TRANSMISSION		AT ISSUE	OTHER
1	<u>RATE BASE ADJUSTMENTS</u>						
2	<u>SUBTRACTIVE ADJUSTMENTS</u>						
3	<u>ACCUM DEF INC TAXES (282)</u>						
4	PRODUCTION	38,310,022	38,310,022	0	38,310,022	0	0
5	TRANSMISSION	30,799,541	1,170,237	29,166,616	30,336,853	462,688	0
6	DISTRIBUTION	41,849,489	0	0	0	41,849,489	0
7	GENERAL	11,713,605	1,557,406	1,198,007	2,755,413	8,958,192	0
8	MPSC JURISDICTION	-5,635,831	-5,635,831	0	-5,635,831	0	0
9	SOUTH GEORGIA	9,216	0	9,216	9,216	0	0
10	TOTAL ACCOUNT 282	117,046,042	35,401,834	30,373,839	65,775,673	51,270,369	0
11	<u>ACCUM DEF INC TAXES (283)</u>						
12	PRODUCTION	13,829,859	13,829,859	0	13,829,859	0	0
13	ALLOWABLE PS&I	1,317,821	1,317,821	0	1,317,821	0	0
14	GENERAL	4,204,696	559,044	430,035	989,079	3,215,617	0
15	TOTAL ACCOUNT 283	19,352,376	15,706,724	430,035	16,136,759	3,215,617	0
16	<u>ACCTS 224,228,242,252,254,257</u>						
17	PRODUCTION	39,527,946	39,527,946	0	39,527,946	0	0
18	TRANSMISSION	63,387	2,408	60,026	62,434	953	0
19	DISTRIBUTION	14,049,504	0	0	0	14,049,504	0
20	GENERAL	17,102,686	2,273,923	1,749,174	4,023,097	13,079,589	0
21	ACCOUNT 281	344,329	344,329	0	344,329	0	0
22	TOTAL OTHER SUBTRACTIVE ADJMT 285	71,087,852	42,148,606	1,809,200	43,957,806	27,130,046	0
23	TOTAL SUBTRACTIVE ADJUSTMENTS	207,486,270	93,257,164	32,613,074	125,870,238	81,616,032	0
24	<u>ADDITIVE ADJUSTMENTS</u>						
25	<u>ACCUM DEF INC TAXES (190)</u>						

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESALE

RATE BASE	ITEM ALLO	TOTAL			TOTAL AT ISSUE	ALL OTHER
		ELECTRIC	PRODUCTION	TRANSMISSION		
1	PRODUCTION					
2	TRANSMISSION					
3	MPSC JURISDICTION					
4	GENERAL					
5	TOTAL ACCOUNT 190					
6	ACCTS 105, 107, 182, 189					
7	PRODUCTION					
8	GENERAL					
9	TOTAL OTHER ADDITIVE ADJTMNTS					
10	TOTAL ADDITIVE ADJUSTMENTS					
11	NET ORIGINAL COST RATE BASE					
12	WORKING CAPITAL					
13	MATERIALS AND SUPPLIES					
14	FUEL SUPPLIES					
15	FOSSIL					
16	TOTAL FUEL STOCKS					
17	PLANT MATERIALS & SUPPLIES					
18	PRODUCTION					
19	TRANSMISSION					
20	DISTRIBUTION					
21	TOTAL PLANT MATERIALS & SUPPL					
22	TOTAL MATERIALS & SUPPLIES					
23	PREPAYMENTS					

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998
 SOUTH GEORGIA - WHOLESALE

RATE BASE	ITEM ALLO	TOTAL			TRANSMISSION		TOTAL		ALL	
		ELECTRIC	PRODUCTION	AT ISSUE	OTHER	AT ISSUE	OTHER			
1	PROPERTY INSURANCE	W670 P021	88,050	39,712	18,818	58,530	29,520			
2	LIABILITY INSURANCE	W672 P021	258,261	116,479	55,196	171,675	86,586			
3	PRODUCTION RELATED	W674 K200	1,373,714	1,373,714	0	1,373,714	0			
4	LABOR RELATED	W676 K627	1,085,762	144,360	111,046	255,406	830,356			
5	TRANSMISSION	W678 K220	49	0	49	49	0			
6	ALL OTHER	W680 K402	499,411	208,155	80,485	288,640	210,771			
7	TOTAL PREPAYMENTS	W687	3,305,247	1,882,420	265,594	2,148,014	1,157,233			
8	CASH WORKING CAPITAL									
9	FUEL	W690 K300	1,817,085	0	0	0	1,817,085			
10	PURCH POWER - DEMAND	W694 K200	3,397,406	3,397,406	0	3,397,406	0			
11	TOTAL FUEL, PP & OTHER	W705	5,214,491	3,397,406	0	3,397,406	1,817,085			
12	AUTO CALC (O&M-F-PP)/8	W711	16,745,975	5,295,714	1,584,400	6,880,114	9,865,862			
13	TOTAL WORKING CASH	W721	21,960,466	8,693,120	1,584,400	10,277,520	11,682,947			
14	TOTAL WORKING CAPITAL	W771	40,498,899	19,793,153	4,208,350	24,001,503	16,497,397			
15	PRELIMINARY SUMMARY									
16	TOTAL SUBTRACTIVE ADJUSTMENTS	B287	-207,486,270	-93,257,164	-32,613,074	-125,870,238	-81,616,032			
17	TOTAL ADDITIVE ADJUSTMENTS	V289	75,185,623	49,323,702	2,405,275	51,728,977	23,456,646			
18	TOTAL WORKING CAPITAL	W771	40,498,899	19,793,153	4,208,350	24,001,503	16,497,397			
19	TOTAL RATE BASE ADJUSTMENTS	R871	-91,801,748	-24,140,309	-25,999,449	-50,139,758	-41,661,989			
20	RATE BASE CALCULATION									
21	NET ELECTRIC PLANT IN SERVICE	NP21	1,194,348,003	456,499,189	270,418,838	726,918,027	467,429,976			
22	TOTAL RATE BASE ADJUSTMENTS	R871	-91,801,748	-24,140,309	-25,999,449	-50,139,758	-41,661,989			
23	TOTAL RATE BASE	RB91	1,102,546,255	432,358,880	244,419,389	676,778,269	425,767,987			
24	TOTAL RATE OF RETURN ALLOWABLE	RORA		0.08236	0.08236		0.08236			
25	RETURN ON RATE BASE	R751	90,805,709	35,609,077	20,130,381	55,739,458	35,066,251			

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESALE

	ITEM	ALLO	TOTAL	PRODUCTION	TRANSMISSION	TOTAL	ALL
			ELECTRIC			AT ISSUE	OTHER
1	<u>FEDERAL INCOME TAX</u>						
2	<u>FED INC TAX DEDUCTIONS</u>						
3	<u>AUTOMATIC INTEREST CALCULATION</u>						
4	AUTO PROC INTEREST DED	Y751	42,646,489	16,723,641	9,454,142	26,177,783	16,468,706
5	TOTAL INTEREST EXPENSE	Y783	42,646,489	16,723,641	9,454,142	26,177,783	16,468,706
6	<u>OTHER DEDUCTIONS</u>						
7	NON-DEDUCTIBLE MEALS	Y802 K627	-243,000	-32,309	-24,853	-57,162	-185,838
8	CONSERVATION AMORTIZATION	Y804 K200	-217,487	-217,487	0	-217,487	0
9	EMPL STOCK OWNERSHIP PLAN	Y806 K627	1,825,893	242,765	186,743	429,508	1,396,385
10	PREF DIVIDENDS DEDUCTION	Y808 GP19	268,100	113,332	55,084	168,416	99,684
11	TOTAL OTHER DEDUCTIONS	Y823	1,633,506	106,301	216,974	323,275	1,310,231
12	NET DEDUCTIONS AND ADDITIONS	Y871	44,279,995	16,829,942	9,671,116	26,501,058	17,778,937
13	<u>FEDERAL INCOME TAX ADJUSTMENTS</u>						
14	FED PROV DEF INC TAX (410.1)						
15	SOUTH GEORGIA - TRANSMISSION	Z768 K220	18,431	0	18,431	18,431	0
16	TOTAL FED PROV DEF IT (410.1)	Z781	18,431	0	18,431	18,431	0
17	<u>INVESTMENT TAX CREDITS</u>						
18	<u>AMORTIZED INV TAX CREDIT</u>						
19	PRODUCTION	Z804 P121	704,272	704,272	0	704,272	0
20	TRANSMISSION	Z806 T121	300,549	11,419	284,615	296,034	4,515
21	DISTRIBUTION	Z808 D141	327,315	0	0	0	327,315
22	GENERAL & INTANGIBLE	Z810 G121	125,682	16,710	12,854	29,564	96,118
23	TOTAL AMORTIZED ITC	Z813	1,457,818	732,401	297,469	1,029,870	427,948
24	<u>PRELIMINARY SUMMARY</u>						

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESALE

	ITEM	TOTAL			TOTAL	ALL
		ELECTRIC	PRODUCTION	TRANSMISSION		
1	TOTAL FED PROV DEF IT (410.1)	18,431	0	18,431	18,431	0
2	TOTAL AMORTIZED ITC	-1,457,818	-732,401	-297,469	-1,029,870	-427,948
3	TOTAL FEDERAL TAX ADJUSTMENTS	-1,439,387	-732,401	-279,038	-1,011,439	-427,948
4	FEDERAL INCOME TAX COMPUTATION					
5	RETURN ON RATE BASE	90,805,709	35,609,077	20,130,381	55,739,458	35,066,251
6	NET DEDUCTIONS AND ADDITIONS	-44,279,995	-16,829,942	-9,671,116	-26,501,058	-17,778,937
7	TOTAL FEDERAL TAX ADJUSTMENTS	-1,439,387	-732,401	-279,038	-1,011,439	-427,948
8	BASE FOR FIT COMPUTATION	45,086,327	18,046,734	10,180,227	28,226,961	16,859,366
9	FIT FACTOR K190/(1-K190)		0.53846	0.53846		0.53846
10	PRELIM FEDERAL INCOME TAX	24,277,253	9,717,472	5,481,661	15,199,133	9,078,120
11	TOTAL FEDERAL TAX ADJUSTMENTS	-1,439,387	-732,401	-279,038	-1,011,439	-427,948
12	NET FED INCOME TAX ALLOWABLE	22,837,866	8,985,071	5,202,623	14,187,694	8,650,172
13	FEDERAL INCOME TAX PAYABLE					
14	PRELIM FEDERAL INCOME TAX	24,277,253	9,717,472	5,481,661	15,199,133	9,078,120
15	NET FED INCOME TAX PAYABLE	24,277,253	9,717,472	5,481,661	15,199,133	9,078,120
16	STATE INCOME TAX					
17	FIT DEDUCTIBLE FOR SIT FACTOR		0.00000	0.00000		0.00000
18	STATE INCOME TAX ADJUSTMENTS					
19	SUMMARY OF SIT CALCULATION					
20	RETURN ON RATE BASE	90,805,709	35,609,077	20,130,381	55,739,458	35,066,251
21	NET FED INCOME TAX ALLOWABLE	22,837,866	8,985,071	5,202,623	14,187,694	8,650,172
22	NET DEDUCTIONS AND ADDITIONS	-44,279,995	-16,829,942	-9,671,116	-26,501,058	-17,778,937
23	BASE FOR SIT COMPUTATION	69,363,580	27,764,206	15,661,888	43,426,094	25,937,486
24	SIT FACTOR K192/(1-K192)		0.07239	0.07239		0.07239

MONTANA POWER COMPANY
 DOCKET NO. ER98-2382-000
 TEST YEAR ENDING DECEMBER 31, 1998

SOUTH GEORGIA - WHOLESAL

INCOME TAX BASED ON RETURN	ITEM ALLO	TOTAL			TOTAL	ALL
		ELECTRIC	PRODUCTION	TRANSMISSION		
1 PRELIMINARY STATE INCOME TAX	J969	5,020,955	2,009,741	1,133,702	3,143,443	1,877,512
2 NET STATE INCOME TAX ALLOWABLE	J979	5,020,955	2,009,741	1,133,702	3,143,443	1,877,512
3 STATE INCOME TAX PAYABLE						
4 PRELIMINARY STATE INCOME TAX	J969	5,020,955	2,009,741	1,133,702	3,143,443	1,877,512
5 NET STATE INCOME TAX PAYABLE	J989	5,020,955	2,009,741	1,133,702	3,143,443	1,877,512
6 COMPOSITE TAX RATE	CTAX		0.39387	0.39387		0.39387
