

Service Date: July 24, 1991

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

* * * * *

IN THE MATTER of the Application)	
of the MONTANA POWER COMPANY for)	UTILITY DIVISION
Authority to Implement a Cost)	
Accounting Mechanism and to)	DOCKET NO. 91.6.24
Increase Rates and Charges to)	
Cover the Unreflected Costs of)	INTERIM ORDER NO. 5561
Purchasing Energy from the Montana)	
One and Broadwater Dam Qualifying)	
Power-Production Facilities)	
_____)	

* * * * *
INTERIM ORDER
* * * * *

1. On June 27, 1991, the Montana Power Company (MPC or Company) filed an application which proposed a cost accounting mechanism and increased electric rates to cover the unreflected costs of purchasing energy from the Montana One and Broadwater Dam qualifying power-production facilities (QFs). The estimated cost increase for Montana One is \$625,229 and \$42,785 for Broadwater Dam. These increased costs became effective on July 1, 1991. The change in expenses for the two projects is strictly due to price changes in the contracts.

2. MPC requests that the Company be allowed to account for the cost increases from the time they began on July 1, 1991, until August 29, 1991. In the event that rates are not increased on August 29, 1991, to reflect increased QF costs, then the Applicant proposes that such cost increases be accounted for and tracked until such time that they may be reflected in retail rates. The Company asks for an accounting order to track the contract increases in the event that the Commission denies the QF tracker proposed in Docket No. 90.3.17.

3. This application for a rate increase was not accompanied by updated test period costs and revenues, but, instead, was based on the test period costs and revenues

contained in the Final Order in Docket No. 90.6.39. MPC requested that the Commission waive its minimum filing requirements and allow this filing.

4. This Docket contains a rate increase request which is caused by price increases in the contracts for two QF projects. Given that the production levels for those projects were recently established in the Final Order in Docket No. 90.6.39, the Commission finds that it is proper to consider this Docket without requiring the normal filing requirements. MPC's request for a waiver of the minimum filing requirements is granted.

5. The Commission finds that rates approved in the Final Order in Docket No. 90.6.39 for Montana One and Broadwater Dam do not include the price increases which go into effect on July 1, 1991. Therefore, the Commission approves an interim increase in rates of \$668,014 which will allow MPC to recover the current expenses associated with these QFs.

6. The Commission wishes to make clear to MPC that the treatment afforded the issue of increased QF costs is for this Docket only. Interim approval of this cost increase is being granted due the relationship in time of this Docket to Docket No. 90.6.39 wherein a complete review of the Company's operations was done. While the Commission is aware that QF escalations will occur each year, it is necessary to consider all of MPC's operations in the attempt to set rates at the appropriate level. As the Company is aware, there may in fact be cost changes that would cause rates to be reduced in a year's time (e.g., load growth beyond the test year) The Commission is very sensitive to single issue filings. Given that concern, if MPC has concerns about QF cost escalations which will occur on July 1, 1992, the Company should request rate treatment for those increased costs within the context of its next general electric rate case and not as an isolated single issue.

7. The Commission notes that MPC has agreed to delay implementation of the rate increase in this Docket until August 29, 1991. As a result of that agreement, the Commission finds that MPC will incur attrition as a result of the Montana One and Broadwater Dam QF price increases for the time period of July 1, 1991, to August 29, 1991. The Commission finds that it

is appropriate to mitigate this attrition incurred by MPC's agreement to the August 29th date.

8. Therefore, the Commission finds that it is appropriate to allow MPC to accrue the unreflected costs of Montana One and Broadwater Dam from the effective date of this Order to August 29, 1991. These accrued costs will then be recovered as part of the August 29, 1991, rate change. The Commission finds the accrued costs from the effective date of this Order to August 29, 1991, should be reflected as a one-month amortization due to the minor amount of the expected accrual.

CONCLUSIONS OF LAW

1. Applicant, Montana Power Company, provides electric service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, that the Commission may, in its discretion, make temporary approvals of requests pending a hearing or final decision.

4. The proposal approved herein is a reasonable means of providing interim relief to MPC. The rebate provisions of Section 69-3-304, MCA, protect ratepayers until there is a Final Order in this Docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant, Montana Power Company, is hereby ordered to implement on an interim basis rates designed to increase annual electric revenues by \$668,014. This increase shall be applied using the rate design approved in Docket No. 90.6.39.

2. Applicant shall have interim authority to accrue the unreflected costs of Montana One and Broadwater Dam from the effective date of this Order to August 29, 1991, and those accrued costs shall be amortized over one-month beginning August 29, 1991. If any or all of the Montana One and/or Broadwater Dam costs are found to be unreasonable in the Final Order in this Docket, those costs shall be refunded to the full extent that any collections have been made from ratepayers. Interest shall be computed at 12.1 percent.

DONE IN OPEN SESSION at Helena, Montana, this 22nd day of July, 1991, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

BOB ANDERSON, Commissioner

ATTEST:

Ann Peck
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.