

Service Date: December 26, 1995

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

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IN THE MATTER OF the Submission)	UTILITY DIVISION
of Montana Power Company's 1995)	
Electric Integrated Least Cost Resource)	DOCKET NO. 95.6.30
Plan.)	ORDER NO. 5884

BACKGROUND

1. The Montana Power Company (MPC) filed its initial Integrated Least Cost Resource Plan (plan) on June 28, 1995 pursuant to ARM 38.5.2001-2012 (rules).

2. The Commission received comments from interested parties in writing and orally at public hearings. The Commission also employed a consultant to review MPC's plan and to report to the Commission whether the plan was consistent with the rules.

3. The two most recurring comments were that MPC did not model demand-side resources on an equivalent and comparative basis with competing supply-side resources; and that MPC's significant reduction in planned demand-side resource expenditures and acquisition is unjustified from social, utility and competitive perspectives. The consultant's findings support these comments. The Consultant determined that even though MPC's demand side resource analyses involved flaws and biases, the results still demonstrate that acquiring a higher level of demand-side resources than MPC included in its 1995 plan would be beneficial from social, utility and competitive perspectives.

4. In addition, the Department of Environmental Quality and the consultant both identified a need for MPC to improve the process by which transmission and distribution are integrated into the overall integrated resource planning process. The consultant also found that MPC should develop a more

sophisticated means of considering the possible effects of wholesale and retail competition on resource use and optimization.

DISCUSSION

5. The Commission recognizes and appreciates the extensive efforts MPC has made since its 1993 plan was filed. MPC has greatly improved the transparency, presentation and thoroughness of analyses. On September 28, 1993, in response to MPC's 1993 plan, the Commission identified nine principle areas of inadequacy related to resource plan transparency and directed MPC to redress these problems in a refiling of its 1993 plan and in its 1995 plan. The Commission is encouraged by MPC's progress and its willingness to be more open and amenable to critical review of its resource planning process.

6. Nevertheless, the Company's 1995 plan is inconsistent with certain Commission resource planning guidelines. Most notably, MPC's planning and decision process does not result in the selection of a plan that minimizes long-term societal costs. In addition, MPC's planning process does not model demand-side resources in a way that allows these resources to compete on an equivalent and comparable basis with supply-side resources.

7. There are other areas of MPC's resource plan that, while not clearly inconsistent with Commission guidelines, should be addressed in the Company's next planning cycle. First, MPC should improve its ability to integrate transmission and distribution into its planning process. To the extent MPC determines that the benefits of further integration of transmission and distribution are not cost justified, MPC should document this determination in its 1997 plan.

8. Second, MPC's 1995 plan lacks adequate documentation of its analysis of the use of fuel switching as an electric demand-side resource. In its 1997 plan the Company should include a

discussion of the technical potential of fuel switching as a resource, the implications of fuel switching on the Company's natural gas operations and a cost/benefit analysis.

9. Third, one of MPC's stated action plan items involved pursuing methods to reduce the future costs of its highest cost resources. In its 1997 plan MPC should include a thorough discussion of the resources it considers to be highest cost and what actions the Company is considering to reduce the costs of those resources.

10. Last, MPC has discussed with its Least Cost Planning Advisory Committee an alternative planning process for the 1997 planning cycle. This alternative planning process would start with the 1995 resource plan resources rather than soliciting new resources and evaluating all resources and combinations of resources to develop a final resource plan. Although MPC did not formally present the alternative planning process in this Docket and none of the interested parties commented on the issue, the Commission supports MPC's alternative planning process concept and encourages the Company to pursue such a process for its 1997 plan. The alternative planning process should provide an opportunity for further dialog between MPC and its advisory committee concerning perceived shortcomings in the Company's 1995 plan. It is unclear to what extent the alternative planning process would re-examine the Company's current commitment to DSM acquisition. Given the concern generated by the Company's decision to move to a low DSM acquisition portfolio, MPC should explore with its advisory committee the need and appropriateness of re-examining the decision.

CONCLUSIONS OF LAW

1. Montana Power Company is a public utility subject to the jurisdiction of the Montana Public Service Commission pursuant to Title 69, Chapter 3, MCA.

2. The Montana Public Service Commission may require public utilities providing electric service to file plans for meeting requirements of its customers (integrated least cost resource plans) in the most cost effective manner consistent with the utility's obligation to serve. § 69-3-1204 (1), MCA.

3. The Montana Public Service Commission may adopt guidelines to be used in preparing integrated least cost resource plans. § 69-3-1204 (3), MCA.

4. If integrated least cost resource plans do not meet the requirements of the Commission guidelines, the Commission must return the plan to the utility with a list of deficiencies and a time certain to submit a corrected plan. § 69-3-1204 (3), MCA.

5. The Montana Public Service Commission has adopted integrated least cost resource planning guidelines. ARM 38.5.2001-2012.

ORDER

1. Montana Power Company is hereby directed to make every effort to incorporate the suggestions and comments made in this order into its 1997 integrated least cost resource plan.

2. This Docket is hereby closed.

DONE IN OPEN SESSION at Helena, Montana, this 19th day of December, 1995, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
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.