

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

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IN THE MATTER Of the Application	)	UTILITY DIVISION
of the MONTANA POWER COMPANY for	)	DOCKET NO. D2000.8.113
Authority to Increase Rates for Electric	)	INTERIM ORDER NO. 6271b
and Gas Service.	)	

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**INTERIM ORDER**

**INTRODUCTION**

1. On August 11, 2000, the Montana Power Company (MPC or Applicant) filed with the Montana Public Service Commission (Commission) an application for authority to increase electric and natural gas rates. The application was assigned Docket No. D2000.8.113. The filing requested an increase in electric annual revenues of \$38,504,998. The filing represented a uniform percentage increase of 21.2 percent in delivery rates for all Montana jurisdictional electric customers. MPC requested an increase in natural gas revenues of \$12,010,585. The filing represented a uniform percentage increase of 14.3 percent in delivery and storage rates for natural gas customers. MPC’s filing was based on a calendar 1999 test period.

2. Concurrent with its general rate increase application, MPC requested an interim increase in electric revenues of \$24,966,212. The electric interim request represented a uniform percentage increase of 13.8 percent. MPC requested an interim increase in natural gas revenues of \$5,997,425. The natural gas interim request represented a uniform percentage increase of 7.16 percent.

3. MPC based both the final and interim rate increase requests for the electric and natural gas utilities on the Commission’s former Optional Filing Rules which have expired. MPC also presented for informational purposes, filing information under the Commission’s Traditional Filing Rules.

4. The requested electric interim increase is based on an overall rate of return of 8.83 percent on rate base and a cost of common equity of 11.0 percent. The requested gas interim increase is based on an overall rate of return of 9.19 percent and a cost of common equity of 11.25 percent. The electric rate of return was approved in Docket No. D95.9.128 and the gas rate of return was approved in Docket No. D96.2.22.

5. In its August 11<sup>th</sup> filing MPC noted that the Company had offered a Special Retirement Plan (SRP) to employees 50 years-of-age and older with at least five years of service, but the results of the employees' decisions were not known at the time the filing was made. MPC indicated that this reduction in expenses would be provided as soon as it became available so that the reduction could be incorporated into the interim process. On October 3, 2000, MPC filed a letter on the SRP which provided for decreases in revenue requirements for both the electric and gas utilities.

6. The Commission has computed this Interim Order for the electric and gas utilities using the standards set out in ARM 38.5.506 for determining interim relief. The resulting interim increase to the electric and gas revenue requirements are \$14,525,959 and \$5,277,978 respectively.

## **FINDINGS OF FACT**

### **Common Adjustments**

#### **RETURN TO TRADITIONAL FILING RULES**

1. MPC noted in its filing that it had requested both final and interim relief using the Commission's former Optional Filing Rules. Those rules have expired and are no longer in force. As a result, starting with this case, the Commission returns to the use of Traditional Filing Rules. The adjustment to return to Traditional Filing Rules decreased the electric revenue requirement by \$6,907,013 and the gas revenue requirement by \$283,439.

#### **SPECIAL RETIREMENT PLAN**

2. This tax adjustment is to reflect updated information on savings achieved as a result of employees accepting the Special Retirement Plan. This adjustment amounts to a

decrease in the electric revenue requirement of \$1,649,759 and the gas revenue requirement of \$953,575.

#### HIGHWAY RELOCATIONS

3. The purpose of this adjustment is to recognize the reimbursement the company will receive for some or all of the costs incurred in relocating its facilities at the request of the highway department. This is similar to an adjustment made in Docket No. 93.6.24. This adjustment will reduce the electric revenue requirement by \$55,161 and the gas revenue requirement by \$29,610.

### **Electric Only Adjustments**

#### MISCELLANEOUS REVENUE ADJUSTMENT

4. In the filing the Company included a decrease in miscellaneous revenues associated with Wheeling Secondary MPT&M. In the test period the amount of revenue for this activity was \$9,819,446. This amount was reduced in the filing to \$6,332,390. According to the legend at the bottom of page 34 of 49 of Statement H in the Electric workpapers, this adjustment was made to normalize the 1999 actual revenues for this activity. This represents a new adjustment, as such it is not properly included in the determination of interim rate relief. Further, at the time the filing was made in August, MPC did not have actual results for these revenues for the year 2000. Thus the proposed normalization was not known and measurable. For these reasons the Commission rejects this adjustment for interim purposes. The effect of eliminating this reduction to miscellaneous revenues is to decrease the electric revenue requirement by \$3,495,632.

### **DISCUSSION AND FURTHER FINDINGS**

5. Based on the above Findings of Fact, the Commission finds that an increase in MPC's annual electric revenues in the amount of \$14,525,959 is necessary to earn an overall rate of return of 8.83 percent on electric rate base as approved in Docket No. D95.9.128. An increase in MPC annual gas revenues in the amount of \$5,277,978 is also necessary to earn an overall rate of return of 9.19 percent natural gas rate base for the gas utility as approved in Docket No. D96.2.22.

6. Any interest on refunds that might result from the Final Order in this Docket resulting in a lower revenue requirement than contained in this Interim Order will be calculated at 11.00 percent for the electric utility and 11.25 percent for the natural gas utility, the returns on equity used in this Interim Order. These are the returns on equity approved by the Commission in Docket Nos. D95.9.128 and D96.2.22.

7. MPC must apply this annual revenue increase to all customer classes on an equal percentage basis. The Commission directs MPC to file compliance tariffs reflecting the interim increase for the electric and gas utility.

### **CONCLUSIONS OF LAW**

1. Montana Power Company provides electric and gas service within the State of Montana and as such is a “public utility” within the meaning of § 69-3-101, MCA.

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

3. The Commission may, in its discretion, make temporary approvals of requests pending a hearing or final decision. § 69-3-304, MCA.

4. The rate levels and spread approved in this Order are a reasonable means of providing interim relief to MPC. The rebate provisions of § 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. The Montana Power Company shall implement, on an interim basis, rates designed to increase annual Montana jurisdictional electric revenues by \$14,525,959 and gas revenues by \$5,277,978.

2. The Applicant shall adhere to and abide by all Finding of Fact in this Interim Order. All rate schedules shall comply with all Commission determinations set forth in this Interim Order.

3. The Applicant must file tariffs in compliance with the Findings of Fact in this Interim Order.

4. Nothing in this Order precludes the Commission from adopting in its Final Order a revenue requirement different from that contained in this Interim Order.

5. Any interest associated with a refund that might result from the revenue requirement determined in a Final Order in this Docket and this Interim Order will be computed at 11 percent for the electric utility and 11.25 percent for the natural gas utility, the approved returns on equity for these Interim increases.

6. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Order.

7. This Order is effective for service rendered on and after November 28, 2000.

DONE IN OPEN SESSION at Helena, Montana on this 28<sup>th</sup> day of November, 2000, by a vote of 4 to 1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

The original signed copy of this order is on file at the Commission's office.

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DAVE FISHER, Chairman

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NANCY MCCAFFREE, Vice Chair  
DISSENTED

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BOB ANDERSON, Commissioner

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GARY FELAND, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.

CERTIFICATE OF SERVICE

I hereby certify that a copy of an INTERIM ORDER, ORDER NO. 6271b, issued in D2000.8.113 in the matter of Montana Power Company - Application for Authority to Change Rates for Electric and Natural Gas Service dated November 28, 2000 has today been served on all parties listed on the Commission's most recent service list, updated 9/24/00, by mailing a copy thereof to each party by first class mail, postage prepaid.

Date: December 7, 2000

*Rachel Thompson*  
For The Commission

Intervenors:

American Association of Retired Persons (AARP)  
Commercial Energy of Montana, Inc.  
Colstrip Energy Limited Partnership (CELP)  
Cut Bank Gas Company  
District XI Human Resource Council (HRC)  
Jefferson Energy Trading, LLC (Jetco)  
Large Customer Group  
Montana Consumer Counsel  
Montana Department of Natural Resources and Conservation  
Yellowstone Energy Limited Partnership (YELP)