

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 of)	UTILITY DIVISION
MOUNTAIN WATER COMPANY to)	DOCKET NO. D2003.8.122
Implement Annual Power Cost Tracking)	ORDER NO. 6515b
Adjustment)	

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STIPULATED FINAL ORDER

FINDINGS OF FACT

1. On August 27, 2003, Mountain Water Company (MWC) filed an application with the Montana Public Service Commission (PSC) requesting approval of its annual power cost tracking adjustment (PTA). This filing was made pursuant to authorization to implement a purchased power tracking adjustment granted by the PSC in its Order 6423b entered in PSC Docket D2002.5.60 for water service in MWC’s Missoula Division. On September 17, 2003, MWC filed a Motion for Interim Approval of Power Tracking Adjustment in which MWC requested approval to implement the proposed increase on an interim basis for bills rendered on and after October 1, 2003.

2. MWC states that its current tariffs are based on power costs effective July 1, 2002, and that power costs have risen dramatically. As of July 15, 2003, the commodity portion of these electric costs has increased approximately 21 per cent for the customer classes under which MWC is charged. To meet these increases MWC is requesting to increase the rates it is authorized to charge its customers in the Missoula Division by an average of 1.86 per cent or approximately \$240,279.

3. MWC is asking that the tariffs read for bills rendered on and after October 1, 2003. By using the term “bills rendered” rather than “services rendered” MWC hopes to prevent any claims of retroactive rate making. The PSC agreed to this request for interim purposes.

4. The cost of purchased power, according to MWC, is one of the most significant components of MWC's costs of providing water service to its customers. The PTA, it says, was designed to be implemented on a regularly scheduled annual basis, in order to timely reflect the cost of purchased power in rates it is authorized to charge. MWC states that its annual power bill is now projected to exceed one million dollars.

5. On September 9, 2003, the Montana Consumer Counsel (MCC) petitioned the PSC for general intervention in this proceeding. The PSC received written notification from the MCC that it does not oppose the issuance of an interim order in this docket.

6. On September 30, 2003, the PSC granted on an as-filed basis interim approval to MWC's request for additional annual revenues in the amount of \$240,279 for bills rendered on and after October 1, 2003.

7. On March 23, 2004, MWC and MCC filed a Stipulation with the PSC. In the Stipulation MCC said it believes that the Power Cost Tracking Adjustment tariff filed and approved by the PSC, specifically the provisions governing the calculation of the unreflected power cost adjustment, produce an undesirably volatile reflected power cost adjustment given the variations that can occur between water volumes produced and units of power purchased. MCC feels that the provisions of the Power Cost Tracking Adjustment Tariff governing the calculation of the unreflected power cost adjustment should be modified. MWC agrees with that modification.

8. The power tracker as it is now, tracks the actual changes to the per kilowatt hour costs as compared to the cost used in MWC's last cost of service calculations. As the costs per kilowatt changes, those changes are tracked, and an adjustment is made to the water rates at the end of the adjustment period to account for the over or under collection.

9. The power tracker assumes that the ratio of kilowatt hours to the amount of water pumped is constant. This does not take into account the possibility that for the same number of kilowatt hours MWC may have collected more or less revenue based on the amount of water produced as compared to what was used in the cost of service calculations.

10. The adjustments proposed by both MWC and MCC, in the stipulation, not only compare the kilowatt costs but also compare what actually was collected in water sales to what was assumed in the cost of service calculations.

11. Both MWC and MCC agree that “it would be better, more stable rate making not to change the rates already established on an interim basis, but instead maintain them, capture the resulting over-collection in the unreflected power cost adjustment, and flow it back to the rate payers in the next power cost adjustment period.”

12. Both parties agree the PSC should issue a final order in this docket and waive their right to a contested case hearing. Should the PSC decide not to approve this Stipulation, this waiver is void.

13. Upon review the PSC finds this Stipulation to be just and reasonable and hereby approves.

CONCLUSIONS OF LAW

1. Any Finding of Fact that is properly a Conclusion of Law is hereby adopted as such.
2. MWC is a public utility furnishing water service to customers in the Missoula, Montana area. As such, it is subject to the supervision, regulation and control of the PSC pursuant to Title 69, Chapter 3, Montana Code Annotated (MCA).
3. The PSC concludes that the approval of the Annual Power Cost Tracking Adjustment as outlined in the Stipulation is just and reasonable. The Stipulation is a negotiated settlement, subject to PSC approval, and does not establish any principle or precedent, except as expressly provided therein.

ORDER

1. MWC is hereby granted authority to implement the Annual Power Cost Tracking Adjustment as outline in the Stipulation for its customers in the Missoula, Montana area.
2. The PSC approves the modified Power Cost Tracking Adjustment by which the appropriate portion of the projected power costs and the Unreflected Power Cost Account for each class of customers is amortized over the twelve month period comprising the next adjustment period. The items to be included in the Unreflected Power Cost Account and the procedure for calculating the account are set forth on proposed tariff sheets 208.1, 210.1 and 211.1 attached to the parties’ Stipulation as Appendix 1 filed in this docket.

3. The PSC approves the restatement of the unreflected power cost adjustment to \$31,077.94 from \$103,628.05 and total power cost tracking adjustment to \$167,728.94 from \$240,279.05.

4. The PSC approves the interim rates previously authorized by Interim Order 6515 in this docket with instructions that the over-collection resulting from interim rates will be captured in the unreflected power cost adjustment and flowed back to the ratepayers in the next adjustment period.

5. The tariffs will be allowed to continue using the term bills rendered as was approved in the Interim Order.

DONE IN OPEN SESSION in Helena, Montana the 18 day of May, 2004, by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ROWE, Chairman

THOMAS J. SCHNEIDER, Vice Chairman

MATT BRAINARD, Commissioner

GREG JERGESON, Commissioner

JAY STOVALL, Commissioner

ATTEST:

Connie Jones
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.