

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

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IN THE MATTER OF NorthWestern Energy's	)	UTILITY DIVISION
Application for Electric Supply Deferred Cost	)	
Account Balance and Projected Electric Supply	)	DOCKET NO. D2010.5.50
Cost	)	ORDER NO. 7093

**INTERIM ORDER**

**Findings**

1. On June 7, 2010, NorthWestern Energy (NWE) filed its electric default supply tracker filing with the Montana Public Service Commission (Commission). In the filing, NWE requested that electric rates be changed 1) to reflect a balance of zero in the Electric Supply Deferred Costs account for the 12 months ending June 30, 2010; and 2) to reflect projected load, supply, and related electric costs for the 12-month tracker period July 1, 2010 through June 30, 2011. NWE requested that the Commission grant an interim rate adjustment effective July 1, 2010.

2. On June 11, 2010, a Notice of Application and Intervention Deadline was issued.

3. The 2008-2009 prior period deferred supply costs account balance was an under-collection of \$3,246,652. The current account balance for the 12-month period ending June 30, 2010, was an under-collection of \$3,125,175. The 2008-2009 prior period deferred Colstrip Unit 4 (CU4) variable cost account balance was an over-collection of (\$1,407,135). The 2009-2010 current period CU4 variable cost account balance was an over-collection of (\$5,166,037). The net of the current and prior period electric supply deferred costs and CU4 variable costs account balances is (\$201,344) as of June 30, 2010. NWE proposes to set the electric deferred supply cost rate to zero because the over-collection amount is immaterial for the remainder of the tracking period ending June 30, 2011. After actual costs are recorded for the month of May and June 2010, NWE will review the account balance again and determine if the amount merits filing an updated rate adjustment.

4. There are four basic cost components of the electric default supply portfolio: 1) market-based electric supply; 2) transmission services, 3) administrative support, and 4) CU4.

5. Market-based supply includes NWE's electric supply contracts; short, medium and long-term market power purchases and sales with various suppliers; wind integration; expenses related to system imbalance adjustments and operating reserves; and demand side management (DSM) program costs and DSM-related transmission and distribution lost revenues.

6. Transmission services costs are associated with moving electricity off-system in point-to-point transmission for resource balancing or resource optimization benefits, as well as other ancillary services required for system integrity and reliability. Costs of the transmission facilities used to transmit and distribute energy to electricity supply customers are included in delivery rates and, as such, no additional revenue is collected for these costs in the tracker.

7. Administrative support expenses are incremental administrative and general costs above those recovered in the last general rate case filing of \$2,131,237 (or approximately 0.78% of total electric supply expenses). These costs include outside legal, real time trading (through the effective date of an interim order in Docket D2009.9.129), scheduling, software, broker costs and other incremental expenses directly related to the electric supply (such as outside consultants to assist with procurement activities).

8. The CU4 category includes the costs and credits that were approved for inclusion in the tracker by Order 6925f in Docket D2008.6.69.

9. The electric supply rate consists of a market-based supply rate, which during the 2010-2011 tracking year is designed to collect supply costs of \$254,818,346; the CU4 fixed cost of service totaling \$72,745,544; and the CU4 variable cost of service in the amount of (\$5,528,024). The overall net increase in jurisdictional electric supply revenues is \$5,173,496 for the 2010-2011 tracking period.

10. For the 2010-2011 tracking year, NWE forecasted total supply requirements, including distribution losses, of 6,332,879 MWhs, which reflected a 1.25 percent decrease from the prior tracking period. Projected normalized billed sales were expected to increase by 0.25 percent or 14,905 MWh more in 2010-2011 than in 2009-2010.

11. According to NWE, the utility will monitor the effect on the deferred account balance of the expiration of the Puget Sound Energy revenue credits in December 2010, which may cause a significant under-collection in the CU4 variable costs category. NWE stated it may submit monthly CU4 variable rate adjustments if needed to keep the balance from increasing excessively.

12. Beginning in January 2011, NWE has set regulation costs equal to zero. NWE's current regulation contracts will expire at the end of 2010, and NWE will no longer be incurring the related costs as these services will be provided by the Mill Creek Generating Station (MCGS).

13. This filing includes a projection of \$9,148,219 in DSM program and labor costs for the 2010-2011 tracker year. Pursuant to Commission direction in Order 6836c in Docket D2007.5.46, NWE's tracker does not include forecast or estimated DSM lost transmission and distribution revenues.

14. In the 2009-2010 tracking year, the target savings from DSM was 5.00 aMW. The reported savings for that tracking period was 6.93 aMW. For 2010-2011 the target savings is 6.00 aMW.

15. NWE is to continue using a monthly tracker. The monthly tracker is a 12-month rolling average tracker. The monthly tracker adjustment remains subject to an annual review and approval (or disallowance) by the Commission.

### **Conclusions of Law**

1. All findings of fact that are properly conclusions of law are incorporated herein and adopted as such.
2. The Commission supervises, regulates, and controls public utilities pursuant to Title 69, Chapter 3, MCA. § 69-3-102, MCA.
3. NorthWestern Energy is a public utility subject to the jurisdiction of the Commission. § 69-3-101, MCA.
4. The Commission has authority to temporarily approve increases or decreases in rates pending a hearing or final decision. § 69-3-304, MCA.

5. The rate levels approved in this Order are a reasonable means of providing interim relief to NorthWestern Energy. The rebate provisions of § 69-3-304, MCA, protect ratepayers until there is a Final Order in this Docket.

### **Order**

1. NWE shall implement, on an interim basis, rates designed to collect \$254,818,346 plus the fixed cost of CU4 of \$72,745,544 plus the CU4 variable cost of service of (\$5,528,024) for a total of \$322,035,867. This results in an overall net interim increase in jurisdictional electric supply revenues of \$5,173,496 for the 2010-2011 tracking period.

2. NWE may continue the use of a monthly electric tracker approved on an interim basis by the Commission.

3. NorthWestern Energy shall adhere to and abide by all Findings of Fact in this Interim Order. All rate schedules shall comply with all Commission determinations set forth in this Interim Order.

4. NorthWestern Energy must file tariffs in compliance with this Interim Order.

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

6. Any interest associated with a refund that may result from the revenue requirement determined in a Final Order in this Docket will be computed at 10.75 percent, the last approved cost of equity approved in Docket No. D2000.8.113, Order No. 6271c.

7. 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.

8. This Order is effective for service rendered on and after July 1, 2010.

DONE IN OPEN SESSION at Helena, Montana, on this 29th day of June by a vote of 4 to 1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GREG JERGESON, Chairman

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KEN TOOLE, Vice Chairman

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GAIL GUTSCHE, Commissioner

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BRAD MOLNAR, Commissioner (Dissenting)

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JOHN VINCENT, Commissioner

ATTEST:

Verna Stewart  
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 38.2.4806, ARM.