

\$2,395,166 for DGGs variable costs/credits. The net of the current and prior period Deferred Account Balances is a net over-collection of (\$746,835) as of June 30, 2013. NorthWestern proposes to amortize this net over-collection balance in rates over the 12-month period ending June 30, 2014.

4. The three basic cost components of the electric supply portfolio are electricity supply expenses, transmission costs, and administrative expenses.

5. Electricity supply expenses include: (1) off system transactions, most of which are at the Mid-Columbia (Mid-C) trading hub and used for hedging purposes; (2) on-system transactions, including fixed price transactions involving rate-based assets and base fixed price contract purchases, and index price transactions, including market power transactions to balance demand with supply and imbalance charges; (3) ancillary and other, which are supply-related costs that are not actual power purchase agreements but are required to address needs of the supply portfolio; and (4) demand-side management (DSM) program costs.

6. Transmission service costs are associated with moving electricity off-system via point-to-point transmission service for resource balancing or optimization, as well as other ancillary services required for system integrity and reliability. Other than the DGGs, the 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. Since January 1, 2011, regulation and frequency response service has been provided by the DGGs.

7. Administrative support expenses are incremental administrative and general costs in excess of those recovered through the last general rate case filing of \$1,594,818, or approximately 0.71% of total electric supply expenses. These costs include outside legal services, scheduling, software, broker costs, and other incremental expenses directly related to the electric supply function (such as outside consultants to assist with procurement activities).

8. The overall Electricity Supply Rate of \$387,357,989 consists of: a market-based supply rate, which during the 2013-2014 tracking year is designed to collect Electricity Supply Costs totaling \$238,472,742; the CU4 fixed cost of service totaling \$75,915,751; the CU4 variable cost of service totaling \$25,837,848; the DGGs fixed cost of service totaling \$28,586,541, the DGGs variable cost of service totaling \$12,215,388; the Spion Kop fixed cost of service totaling \$6,245,924; and the Spion Kop variable cost of service totaling \$83,795. The

total supply revenue at current rates is \$376,660,580. This represents an increase in electric supply costs of \$10,697,409 for the 2013-2014 tracker period.

9. For the 2013-2014 tracker period, NorthWestern's forecasted total supply requirements are estimated at 6,491,589 megawatt-hours.

10. This filing includes a projected cost of \$9,618,958 for DSM programs and labor during the 2013-2014 tracker period. Pursuant to Commission Order 7154b in Docket D2011.5.38, it includes forecasted DSM lost transmission and distribution revenues.

11. In the 2012-2013 tracker period, the target savings from DSM were 6.00 average megawatts (aMW), and the reported savings were 7.08 aMW. For 2013-2014, the target savings are 6.00 aMW.

12. In Docket D2012.5.49, the cost of the replacement contracts due to the outage of the DGGS in 2012 is a contested issue which is not yet decided by a Commission final order. NorthWestern's rebuttal testimony in that docket indicates this cost is \$1,419,172. (Docket No. D20012.5.49, Ex. NWE-5, p. 7) To be consistent with the Interim Order No. 7219a in D20012.5.49, the Commission will reduce the 2011-2012 under-collected prior period DGGS variable account balance by \$1,419,172.

13. NorthWestern may 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

14. The Commission regulates the rates and services of public utilities. Mont. Code Ann. § 69-3-102 (2011).

15. NorthWestern is a public utility subject to the jurisdiction of the Commission. *Id.* at § 69-3-101.

16. The annual Electric Supply Tracker is the mechanism by which the Commission allows NorthWestern to fully recover prudently incurred electricity supply costs. *Id.* at § 69-8-210(1).

17. "Electricity supply costs" are the actual costs incurred in providing electricity supply service through power purchase agreements, demand-side management, and energy efficiency programs, including but not limited to:

- (a) capacity costs;
- (b) energy costs;
- (c) fuel costs;
- (d) ancillary service costs;
- (e) transmission costs, including congestion and losses;
- (f) planning and administrative costs;
- (g) any other costs directly related to the purchase of electricity and the management and provision of power purchase agreements.

Id. at § 69-8-103(8).

18. The Commission has authority to temporarily approve increases or decreases in rates pending a hearing or final decision. *Id.* at § 69-3-304.

19. The rate levels approved in this Interim Order are a reasonable means of providing interim relief to NorthWestern. If the final decision is to disapprove the requested increase, the Commission may order a rebate to all consumers for the amount collected retroactive to the date of the temporary approval, including interest.

ORDER

20. NorthWestern shall implement, on an interim basis, supply rates designed to collect Electricity Supply Costs totaling \$238,472,742, plus the fixed cost of service of CU4 of \$75,915,751, plus the CU4 variable cost of service of \$25,837,848, plus the DGGGS fixed cost of service of \$28,586,541, plus the DGGGS variable cost of service of \$12,215,388, plus the Spion fixed cost of service of \$6,245,924, plus the Spion variable cost of service of \$83,795, for a total of \$387,357,989.

21. NorthWestern shall implement, on an interim basis, a Deferred Supply Rate designed to refund the over-collection for Electricity Supply Costs of \$(3,477,111), to refund the over-collection for CU4 variable costs/credits of \$(1,868,066), and to recover the under-collection for DGGGS variable costs/credits of \$4,598,342, reduced by \$(1,419,172).

22. Taken together, NorthWestern's Electricity Supply Rate and Deferred Supply Rate shall be designed to collect a total of \$385,191,982 in revenue.

23. Within 60 days of the service date of the final order in D2012.5.49, NorthWestern shall adjust rates in the current monthly electric tracker to incorporate any findings related to revenues authorized in this Interim Order.

24. NorthWestern may continue using a monthly electric tracker approved on an interim basis by the Commission.

25. NorthWestern shall file tariffs in order to implement the Electricity Supply Rate and Deferred Supply Rate approved by this Interim Order.

26. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies. Nothing in this Interim Order precludes the Commission from adopting a different revenue requirement in its final order from that approved in this Interim Order.

27. Any interest associated with a refund that the Commission may order in this Docket will be computed at 10.25%, which is the cost of equity approved by the Commission in Docket D2009.9.129.

28. This Interim Order is effective for service rendered on and after July 1, 2013.

DONE IN OPEN SESSION at Helena, Montana, on this 18th day of June 2013 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

W. A. GALLAGHER, Chairman

BOB LAKE, Vice Chairman

KIRK BUSHMAN, Commissioner

TRAVIS KAVULLA, Commissioner

ROGER KOOPMAN, Commissioner

ATTEST:

Aleisha Solem
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. Admin. R. Mont. 38.2.4806.