

Service Date: March 13, 1996

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
Montana Power Company to Revise the) DOCKET NO. D95.10.150
Electric Line Extension Policy.) FINAL ORDER NO. 5872a

FINAL ORDER

FINDINGS OF FACT

Introduction and Background

1. On October 10, 1995 Montana Power Company (MPC) filed an application to revise the line extension service rules and tariffs for the Electric Utility with the Montana Public Service Commission (Commission). The present line extension tariffs have been in effect since January 1, 1994 as a result of MPC's application filed in April 1993 (Docket No. 93.4.16, Order No. 5715a, issued December 22, 1993). MPC's primary goal in Docket No. 93.4.16 was to eliminate a contradiction between MPC's conservation programs and its residential line extension policies.

2. Montana Consumer Counsel (MCC), Great Falls Gas Company and the Large Customer Group intervened in Docket D95.10.50. MPC's witness Philip E. Maxwell filed testimony (PEM) in support of the application. The Intervenors did not file testimony.

3. On December 15, 1995 MCC and MPC filed a Stipulation Agreement on a new line extension policy, modifying the initial request and submitting clarifying language to Tariff Rule Nos. 6-5 and 6-9, requesting implementation on January 1, 1996, or as soon thereafter as possible. Counsel for the other Intervenors had no objections to the Stipulation.

MPC's Line Extension Proposals

Free Extension Allowance

4. In this Docket, MPC employs the "revenue/cost ratio" method to compute that portion of the total cost of a line extension that will not be charged to the customer, i.e., the "free extension allowance." The free extension allowance becomes a cost which may be recovered in MPC's rates. MPC divides the expected revenues by the expected costs. A ratio from this division which exceeds 1.0 (revenues exceeding costs) will justify a free extension allowance. MPC uses current rates to compute revenues in the revenue/cost ratio method and embedded costs to compute the denominator in this ratio. The proposed electric line extension policy also provides a recalculation of the allowance as costs and revenues change (PEM testimony, p. 12).

Residential

5. MPC's present line extension tariff allow a free extension of 300 feet of primary and/or secondary line (250 feet underground) for new residential electric service, plus the service drop, transformer and meter. The proposed line extension tariff would allow a maximum free primary extension of \$500 for the residential class, plus the service drop, transformer and meter.

Commercial

6. Under the existing tariff, the free extension allowance equals \$0.15 times a commercial customer's expected annual energy (kwh) use. In this application, MPC separates the "commercial" class into two parts. For the general service non-demand-metered customers and demand-metered customers with a peak demand of less than 1 MW, MPC proposes a free extension allowance of \$0.04/kwh, replacing the existing \$0.15/kwh. For the general service class with a peak demand of 1 MW or greater, MPC proposes to determine line extension allowance on an individual basis.

Industrial

7. For industrial customers, MPC proposes to continue analyzing the free extension allowances on an individual case basis. Out of the last line extension docket, MPC used a "net benefits" method to compute the free extension allowance. The "revenue/cost ratio" method will replace the "net benefits" method.

Refund and Other Changes

8. The present tariffs allow a refund to a previously connected customer, on a later application for new service on the line received within 60 months of completion of the new line. The refund is determined by reducing the advance to the average which would have resulted if the new applicant had been part of the original extension.

9. As proposed under MPC's initial application, MPC would make the refund to previously connected customers for additional requests for service from the line extension received within 24 months from the date the extension is completed where the connection would not increase the average advance per customer. The Stipulation Agreement provides that the customer contributions exceeding the free allowance will be protected from additional requests for service for 60 months from the date the extension is completed.

10. MPC proposes to clarify the use of the word "minimum" in the line extension tariff Rule 6.9. Customers had interpreted the word to mean that they could negotiate a larger free extension allowance than was in the tariff, which was not the intent of the language.

11. Additional clarification to the language of the tariffs includes two changes to Rule No. 6.5 and one change to Rule No. 6.9. Pursuant to Rule No. 6.5, the actual cost of the extension will be based on the "minimum-sized facilities" concept; and where

facilities could be extended from several locations, MPC will take the shortest route. The change to Rule 6.9 will allow MPC to oversize an extension without additional cost to the customer originally requesting the extension.

The Commission's Decision

12. The Commission approves the Stipulation Agreement between MPC and MCC, modified as follows to protect the rights of the few customers of MPC who have requested service under the existing tariffs and not yet received a line extension. The Commission requires MPC to include the following language in its line extension tariff:

For Residential, General Service, Irrigation non-demand metered and General Service and Irrigation demand metered with less than 1 MW of demand customers who requested service between January 1, 1995 and the effective date of Order No. 5872a, the free line extension allowance shall be determined according to the line extension allowance approved pursuant to Docket No. 93.4.16, Order No. 5715a. This tariff provision expires on December 31, 1996.

CONCLUSIONS OF LAW

1. Montana Power Company (MPC) furnishes electric service to consumers in the State of Montana and is a public utility subject to the jurisdiction of the Montana Public Service Commission (Commission) pursuant to Title 69, Chapter 3, Montana Code Annotated (MCA).

2. The Commission properly exercises jurisdiction over MPC's rates and operations. Section 69-3-102, MCA.

3. The Commission approves the changes to the tariff schedules for line extensions, pursuant to Section 69-3-302, MCA.

4. The Commission has provided adequate notice and opportunity to be heard in this Docket, pursuant to § 69-3-303, MCA and Title 2, Chapter 4, MCA (Montana Administrative Procedures Act or MAPA).

ORDER

Wherefore, the Montana Public Service Commission issues the following order:

MPC shall file with the Commission its revised electric tariff schedules and service rules as approved in this order, setting forth the free extension allowances for electric line extensions.

The tariff shall become effective upon filing.

DONE IN OPEN SESSION at Helena, Montana on the 6th day of March, 1996, by a 5 to 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 the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.