

Service Date: May 31, 1996

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

IN THE MATTER of the MONTANA POWER	)	
COMPANY's Request for an Accounting	)	UTILITY DIVISION
Order to Modify Amortization Methods for	)	DOCKET NO. D95.9.128
Accumulated Deferred Investment Tax	)	ORDER NO. 5865e
Credits.	)	

\* \* \* \* \*

**FINDINGS OF FACT**

1. Regulation of the utility industry has entered into a period of change and increased competition that is affecting the way companies do business. Montana Power Company (Company or Applicant) is responding to this change and is restructuring its operations. Later this year, the Company plans to file an electric restructuring docket that will realign the components of its rate structure but will not seek a rate increase.

2. The Company has agreed to a rate stipulation which establishes a rate structure for the next three years which is just and reasonable.

3. With increasing competition surrounding the electric business, the Company faces greater uncertainty than has normally been the case.

4. The general perception of the Company's financial health is dependent upon it being able to maintain its financial integrity during these uncertain times.

5. On December 31, 1995, the Company had in excess of \$41,000,000 of Accumulated Deferred Investment Tax Credits (ADITC) associated with its electric utility. Amortization of this amount is subject to the normalization provisions of the Internal Revenue Code of 1986, as amended (Code). Any violation of these provisions would be highly detrimental to the Company and its ratepayers.

6. The Montana Consumer Counsel and Large Customer Group recognize the additional uncertainty to which the Company will be subject and the importance of maintaining its financial integrity. As such, they have agreed to support the Company's request for this Accounting Order.

7. The Commission agrees with the importance of maintaining the financial integrity of the Company as the issues associated with increasing competitive pressures are explored and dealt with.

#### **CONCLUSIONS OF LAW**

1. The foregoing Findings of Fact are hereby incorporated as Conclusions of Law.

2. The Applicant is a public utility furnishing electric and natural gas service to consumers in the State of Montana and is subject to the supervision, regulation and control of the Montana Public Service Commission. Section 69-3-103, MCA.

#### **ORDER**

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS:

1. The Applicant continue amortizing ADITC using the same method employed immediately prior to issuance of this Order.

2. In the event that, for half of 1996, and all of 1997 or 1998, the Company's earned return on average common equity falls below 10.20 percent as calculated using Schedule No. 27 from MPC's Annual Report to the Montana Public Service Commission, Applicant will be permitted to amortize an additional amount of ADITC (the Additional amount@) necessary to increase earnings to 10.20 percent.

3. The additional amount of ADITC shall be amortized to Account 420, Investment Tax Credits-Amounts Not Passed on to Customers, and only to that Account. Account 420 will only be reflected in non-operating earnings. The additional amount of ADITC will affect earnings but shall not be reflected in operating income for ratemaking purposes. It shall inure to the permanent benefit of the Company's shareholders.

4. Applicant is prohibited from amortizing any additional amount of ADITC prior to receipt by it of a favorable private letter

ruling from the Internal Revenue Service indicating that such amortization on the terms and conditions set forth herein will not violate the normalization rules of the Code.

5. Applicant is directed to proceed as expeditiously as possible to secure such a ruling from the Internal Revenue Service. However, obtaining or failing to obtain such a ruling will not, in any manner, affect the rates that the Applicant charges for ratemaking and cost of services purposes.

6. In no event shall the aggregate additional amounts of ADITC amortized during the period 1996 through 1998, inclusive, exceed \$7 million.

DONE IN OPEN SESSION this 28th day of May, 1996 by a vote of 5 - 0.

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 that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.