

Service Date: December 9, 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 Change Rates )       |                     |
| for Electric Service Based on its Allocated ) | DOCKET NO. D96.3.33 |
| Cost of Service and Rate Design Study. )      | ORDER NO. 5915a     |

**FINAL ORDER/RATE DESIGN**

APPEARANCES

FOR THE APPLICANT:

Michael Manion, Esq., Montana Power Company, 40 East Broadway, Butte, Montana  
59701

FOR THE INTERVENORS:

Robert A. Nelson, Esq., Montana Consumer Counsel, 34 West Sixth Avenue, P.O. Box  
201703, Helena, Montana 59620-1703

Donald W. Quander, Esq., Holland and Hart, 175 North 27th Street, Suite 1400, Billings,  
Montana 59101-2048, appearing on behalf of the Large Customer Group

FOR THE COMMISSION:

Michael H. Lee, Chief, Rate Design Bureau  
Robin A. McHugh, Chief Legal Counsel  
1701 Prospect Avenue, P.O. Box 202601, Helena, Montana 59620-2601

BEFORE:

NANCY MCCAFFREE, Chair  
DAVE FISHER, Vice Chair  
BOB ANDERSON, Commissioner  
DANNY OBERG, Commissioner  
BOB ROWE, Commissioner

## FINDINGS OF FACT

### Background

1. On March 15, 1996 the Montana Power Company (MPC) filed an application with the Public Service Commission (Commission) to change electric rates based on a new allocated cost of service and rate design study. As part of its application MPC submitted a stipulation between it and the Montana Consumer Counsel (MCC), the Large Customer Group (LCG) and the District XI Human Resource Council (HRC) recommending "specific allocated cost of service class revenue responsibility results." This cost of service (COS) stipulation was approved in Order No. 5915 (June 11, 1996) and has been reflected in rates since July 1, 1996.

2. On September 30, 1996 MPC submitted a stipulation between it, MCC, LCG, HRC and Colstrip Energy Limited Partnership that "addresses the individual rate designs that achieve the class revenue authorized by the Commission in ... Order No. 5915 ...." A hearing to consider the stipulation was held on November 8, 1996. At the hearing the stipulation, exhibits and prefiled testimony of MPC witnesses Thomas E. Wilde and Ceil A. Orr were admitted into evidence.

### Discussion

3. With the condition discussed below the Commission approves the stipulation and supporting appendices on customer class Rate Designs in this Docket.

4. The Commission has several concerns about the Real Time Pricing (RTP) tariff contained in the stipulation. First, it is not clear that incremental real time pricing loads cover their share of relevant costs. Aside from the program and standard bill charges, the stipulation only charges incremental loads a market price. Decrements in load below a customer's base load are credited a market price that will differ from the basis of the otherwise applicable standard rates. Second, it is not clear that a RTP tariff without explicit transmission charges is legal. Third, it is not clear that the aggregation allowed in the RTP tariff is not discriminatory.

5. Despite these concerns, MPC may offer RTP up to six months from the date of this Order. The longest RTP contract allowed by the stipulation is 30 months. Therefore, 36 months after the date of this Order RTP will cease and the RTP tariff will be reviewed. Over the

next three years MPC shall inform the Commission of subscriptions, loads and pricing and other information relevant to the implementation of the RTP tariff.

#### CONCLUSIONS OF LAW

1. All Findings of Fact are hereby incorporated as Conclusions of Law.
2. The Applicant, Montana Power Company, furnishes electric service for consumers in the State of Montana and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101, MCA.
3. The Montana Public Service Commission properly exercises jurisdiction over Montana Power Company's rates and operations. Section 69-3-102, MCA, and Title 69, Chapter 3, Part 3, MCA.
4. The Montana Public Service Commission has provided adequate public notice of all proceedings and an opportunity to contest and to be heard to all interested parties in this proceeding. Sections 69-3-303 and 69-3-104, MCA, and Title 2, Chapter 4, MCA.
5. The rate designs approved herein are just, reasonable, and not unjustly discriminatory. Sections 69-3-330 and 69-3-201, MCA.

#### ORDER

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS:

1. The electric rate design stipulation agreed to by certain parties to this Docket is approved.
2. The Montana Power Company shall coordinate this decision with its compliance with Order No. 5865d on January 1, 1997.
3. The Commission's interim approval for MPC's billing non-tariffed lights under an equivalent rate for existing tariffs is moot as of the implementation of this Order. *See* Notice of Commission Action, May 15, 1996, Docket No. N96.4.64. Docket No. N96.4.64 is closed.

DONE AND DATED this 3rd day of December, 1996 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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NANCY MCCAFFREE, Chair

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DAVE FISHER, Vice Chair

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BOB ANDERSON, Commissioner

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DANNY OBERG, Commissioner

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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.