

The DPS agreed with the Company that administrative convenience and the projected low, or nonexistent, revenue loss associated with the change justified its approval.

2. The Company proposed to reduce the usage level at which customers qualify for large-customer rates from 100kW to 80 kW.

The DPS recommended approval on grounds that current market conditions give customers at the 80 kW usage level greater ability to use alternative fuel sources than they had when the 100 kW cut-off point was set. Large-customer rates are offered to allow the company to compete for the business of large volume users, who can engage in comparison shopping for fuel. The usage level at which comparison shopping becomes practical has gone down. The DPS recommends that the cut-off point for large-customer rates be adjusted downward accordingly.

3. The Company proposed to reduce its large-customer Controlled Service rates from 3.224 cents per kWh in the winter and 3.074 cents per kWh in the summer to 2.4 cents per kWh year around.

The DPS recommended approval of the rate reduction on grounds of competitive necessity. Usage levels in the Company's large-customer Controlled Service class have dropped 65% since 1985, suggesting that the current rate is not competitive. Since the proposed rate still equals or exceeds marginal costs, and since the projected increase in sales will benefit all ratepayers, the DPS recommended approval.

The DPS recommended approval of eliminating the distinction between summer and winter rates, even though the Company's production costs are higher in the winter, for purposes of rate simplification and competitiveness. Only 10% to 20% of the Company's Controlled Service sales occur in the summer, making administration of summer rates cumbersome. Since the Company's competitors in this rate class offer lower rates in the winter, the current seasonal differential puts the Company at a competitive disadvantage.

4. The Company proposed to discontinue its practice of combining its facilities charge with its charge for the first 25 kWh of energy. The Company proposes that the amount of the new facilities charge be the amount of the current combined charge.

The DPS recommended approval of the change on grounds that the current rate design suggests to customers that the first 25 kWh are free and cost nothing to produce. The DPS also found that the current combined charge is a good approximation of the Company's actual control and metering costs.

COMMISSION FINDINGS AND CONCLUSIONS

The Commission finds that the Company's first three proposals are reasonable and in the public interest. The Commission will accept and adopt the DPS recommendations on them.

The Commission finds that the Company's proposal to make its current combined charge for service and the first 25 kWh a charge for service only is not reasonable. The Commission will disapprove the proposed change, because the Company has not supplied adequate evidence showing that service costs alone are equal to the proposed facilities charge. Furthermore, the Commission believes that a general rate case, with the full factual development it affords, is a more appropriate vehicle for evaluating a rate increase of this nature.

The Commission's views on rate increases outside the context of rate cases are set forth more fully in its April 17, 1985 Order In the Matter of the Request of Northwestern Bell Telephone Company for Authority to Implement a Premises Maintenance Plan and a Trouble Isolation Charge, Docket No. P-421/M-84-453.

ORDER

1. The Company's proposal to eliminate the difference in the rates it charges 9-month and 12-month approved load customers is approved.
2. The Company's proposal to reduce the usage level at which customers qualify for large-customer rates from 100 kW to 80 kW is approved.
3. The Company's proposal to reduce its large-customer Controlled Service rates from 3.224 cents per kWh in the winter and 3.074 cents per kWh in the summer to 2.4 cents per kWh year around is approved.
4. The Company's proposal to make its current combined charge for service and the first 25 kWh a charge for service only is disapproved.
5. The Company will file revised tariff pages reflecting the terms of this Order within ten days of the date of this Order.

6. This Order is effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)