

Service Date: September 29, 1976

BEFORE THE UTILITY DIVISION

DEPARTMENT OF PUBLIC SERVICE REGULATION
MONTANA PUBLIC SERVICE COMMISSION

IN THE MATTER OF the Application)
of PACIFIC POWER AND LIGHT COMPANY) Docket No. 6417
for Authority to Increase Water Rates.) Order No. 4287

On November 14, 1975, PACIFIC POWER AND LIGHT COMPANY (Applicant), filed an application with this Commission for authority to increase water rates. A hearing on the application was held on June 22, 1976, in Bigfork, Montana.

APPEARANCES

For the Applicant:

Leonard A. Girard, Attorney at Law, Rives, Bonyhadi & Drummond, 1400 Public Service Building, 920 Southwest Sixth Avenue, Portland, Oregon 97204

C. Eugene Phillips, Attorney at Law, Murphy, Robinson, Heckathorn & Phillips, One Main Building, Kalispell, Montana 59901

For the Consumer Counsel:

Geoffrey L. Brazier, Attorney at Law, Montana Consumer Counsel, 330 Fuller Avenue, Helena, Montana 59601

For the Commission:

Dennis Lopach, Deputy Administrator, Public Service Commission, 1227 Eleventh Avenue, Helena, Montana 59601

BEFORE:

George Turman, Commissioner

The Commission, having taken evidence and being fully advised in the premises, makes the following findings, conclusions and order:

FINDINGS OF FACT

1. That Pacific Power and Light Company (Pacific or Applicant) is a public utility furnishing water service in the State of Montana subject to the jurisdiction and authority of this Commission.
2. That on November 14, 1975, Pacific filed an application to increase its rates for water service in Bigfork, Montana.
3. That a hearing to receive Pacific's direct evidence, and to allow cross-examination and presentation of evidence by all other parties was held on June 22, 1976 in Bigfork, Montana.
4. That at such hearing Pacific was represented by its counsel, C. Eugene Phillips and Leonard A. Girard; Consumer Counsel, Geoffrey L. Brazier, appeared; and the Commission was represented by its counsel, Dennis Lopach.
5. That Pacific's proposed test year, using actual data for the year ending December 31, 1974, is reasonable and is accepted.
6. That Pacific's actual operating revenues from Bigfork, Montana water customers during the test year were \$24,147.
7. That Pacific's operating revenue deductions directly incurred and as assigned and allocated to its Bigfork, Montana water operations during the test year were \$43,852.
8. That Pacific's proposed adjustments reducing test year operating revenue

deductions at Bigfork, Montana by \$6,963 are accepted.

9. That Pacific's adjusted operating revenue deductions during the test year for Bigfork, Montana were \$36,889.

10. That Pacific's adjusted Bigfork, Montana net operating revenues during the test year were (\$12,742), under existing rate schedules.

11. That the adjusted net operating revenues under present rate schedules produced a rate of return which is neither adequate, fair nor reasonable.

12. That the existing schedule of rates and charges will not provide Pacific with a fair return on the value of its water properties devoted to its Bigfork, Montana water customers, based on the test year.

13. That the present rates and charges must be increased to provide Pacific with an opportunity to reduce the operating loss sustained by its Bigfork, Montana water properties for the test year.

14. That the rates proposed by Pacific will produce net operating revenues of (\$1,506) and a rate of return from the Bigfork, Montana water operations, which will not exceed a fair and reasonable return on the value of Pacific's Bigfork, Montana water properties for the test year.

15. That Applicant submitted no allocated cost of service studies for either the Bigfork or Libby water systems in these proceedings. As a consequence, the Commission has no way of determining the relative rate of return earned by Pacific on its several classes of service.

16. That Applicant's witnesses knew of no cost studies prepared for earlier proceedings.

17. That Applicant proposes to spread any increased revenues authorized herein on a

uniform percentage basis to all classes of its customers.

18. That this approach would, without justification in the record, create an even greater disparity in rates paid by different classes of customers than now exists.

19. That a more reasonable approach, in the absence of an allocated cost of service study, is to spread the increase on a volumetric basis.

20. That the increase in Bigfork revenues under proposed rates, generated upon sales of approximately 28,592,000 gallons of water, is \$12,074. Subtracting from this figure the \$405 fixed charge for hydrants results in a figure of \$11,669. Spread upon a volumetric basis, the increase in rates would be \$.4081 per 1,000 gallons.

CONCLUSIONS OF LAW

1. That the Commission has provided proper notice and opportunity for participation in this proceeding by all interested parties, including the Consumer Counsel, members of the public, and their representatives, in accordance with Montana law.

2. That the rates and charges and the rate structure authorized herein are just and reasonable.

3. That in the absence of allocated cost of service data in the record, a volumetric rate increase is justified.

NOW, THEREFORE, the Public Service Commission orders that;

1. Pacific file schedules for its Bigfork water system which will permit it to earn net operating revenues of (\$1,506).

2. The above-authorized increase in rates shall be collected upon a uniform, constant volumetric increase to all classes of customers. The minimum charge shall be raised to bear apportionate part of the increase.

DONE IN OPEN SESSION at a meeting of the Public Service Commission on September 1, 1976, by a vote of 4-0 with Commissioner George Turman voting at a later time to concur.

GORDON E. BOLLINGER, Chairman

P.J. GILFEATHER, Commissioner

THOMAS G. MONAHAN, Commissioner

JAMES R. SHEA, Commissioner

GEORGE TURMAN, Commissioner

ATTEST:

Gail E. Behan
Secretary

(Seal)

NOTICE: You are entitled to judicial review of this Order. Judicial review may be obtained by filing within thirty (30) days from the service of this Order, a petition for review pursuant to Section 82-4216, R. C. M. 1947.