

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

\* \* \* \* \*

In the Matter of the Applica-	)	
tion of MOUNTAIN STATES TELE -	)	DOCKET NO. 6496
PHONE AND TELEGRAPH COMPANY,	)	
for authority to establish	)	ORDER NO. 4389a
increased rates for telephone	)	
service.	)	<u>INTERIM RATE ORDER</u>

1. On March 14, 1977, the Commission received the application of Mountain Bell (Applicant) for both temporary, and permanent rate increases. The application sought interim rates, which, if approved for services rendered on and after May 1, 1977 would have generated approximately \$4.246 million in pretax revenues in 1977. The permanent rate increase request was for \$11.8 million before taxes.

2. Applicant sought to implement its interim rate request by: a) adjusting the basic exchange rates throughout its system to conform to the tariffs already approved by the Commission; b) bringing intra-state toll rates into conformity with inter-state rates; c) increasing service charges associated with installation, move or change of telephone service; and d) increasing; the charge for local coin telephone service from \$.10 to \$.20.

3. On August 2, 1977, Applicant's request for an interim rate increase was denied..

4. Following this denial, Applicant raised a question as to the legal impact of the Commission's action. To clarify this situation, the Commission's Revised Order for Procedure, issued August 19, 1977, stated that the denial had been without prejudice to Applicant's right to renew the request, and was not intended as a disposition of any of the matters raised by the temporary application.

5. On September 12, 1977, the Commission received the testimony and exhibits of Montana Consumer Counsel witness George F. Hess. Based on a historical test year ending June 30, 1977, adjusted for known changes, Consumer Counsel conceded an annual revenue deficiency of \$2,326,000. Mr. Hess also indicated that he believed an interim rate increase was unjustified in this Docket, as he felt a utility should show an unusual need prior to the approval of an interim increase.

6. On October 6, 1977, Applicant renewed its request for an interim rate increase. This request was noticed to the public by means of legal publication, and was scheduled for hearing in conjunction with the hearing on Applicant's permanent increase request which hearing commenced on November 1, 1977.

7. On February 8, 1978, the Commission received from Applicant a "Petition for Immediate Implementation of Interim Rates". Applicant alleged in this document that continued erosion of its Montana earnings made interim relief imperative.

8. Consumer Counsel on February 21, 1978, filed an Answer to Applicant's February 8 Petition. Consumer Counsel argued that the four service items for which Applicant sought interim increases were all profit-making as shown by Applicant's cost of service study, and that earnings in these service categories were excessive.

9. On March 3, 1978, the Commission received from Applicant a Reply to Consumer Counsel's Answer. Applicant contended that, contrary to Consumer Counsel's assertions, only message toll service was shown by its cost studies to be making a contribution to basic exchange service, while the other three items revealed a revenue deficiency.

10. On March 7, 1978, the Commission received Consumer Counsel's "Response to Applicant's Reply". Consumer Counsel generally questioned Applicant's conclusions; as well as certain of its costing methods, and concluded that any, interim increase should be applied allegedly to non-compensatory items such as vertical and private line services.

11. On March 9, 1978, Applicant amended its pending application for an interim rate increase. Applicant stated that interim increases on its private line service would not be possible until an inventory of this portion of its system was completed. However, Applicant asked that the Commission immediately authorize both re-grouping and the proposed rates for vertical services under the business case.

12. In view of the revenue deficiency conceded by Consumer Counsel witness Hess, and the fact that many exchanges have outgrown their existing classifications, the Commission finds that Applicant should be permitted to adjust its exchange rates in accordance with existing tariffs on an interim basis. This reclassification offers the Commission an equitable means of distributing this interim rate increase to Montana customers.

13. Other items of Applicant's requested interim increase may be reviewed and considered by the Commission as this case proceeds and the Commission has an opportunity to further study the testimony.

### CONCLUSIONS OF LAW

1. Applicant is a public utility furnishing telephonic services to consumers in this state. Applicant's service and rates are subject to the regulatory jurisdiction of this Commission.

2. Revised Codes of Montana 1947, §70-113, as amended, provides in part "The Commission may, in its discretion., temporarily approve increases pending a hearing or final decision".

3. The Commission has provided full and adequate public notice of all proceedings in this Docket.

4. The rate level and the rate structures approved herein are a reasonable means of providing interim relief to the Applicant. The rebate provision of §70-113 is a safeguard against any charges approved herein which might ultimately be determined unreasonable.

### ORDER

#### THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT :

1. Applicant may institute the Temporary Rate Increase approved herein of \$870,918, effective for services rendered in the next full billing period after March 20, 1978. These revenues shall be generated by a reclassification of exchanges in accordance with existing tariffs.

2. The increase granted is subject to rebate should the final Order in this Docket determine that a lesser increase than authorized by this Order is required.

3. In the event a rebate is directed by the Final Order in this Docket, provision shall be made in that Order to cause all uncollected rebates to be escheated to the State of Montana in the manner provided by law. Any rebate ordered shall bear an interest rate of 10% on an annual basis from the time collected.

DONE IN OPEN SESSION THIS 13<sup>th</sup> day of March, 1978, by a vote of 4 – 1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

---

GORDON E. BOLLINGER, Chairman

---

P.J. GILFEATHER, Commissioner

---

THOMAS J. SCHNEIDER, Commissioner

---

JAMES R. SHEA, Commissioner  
Voting to Dissent

---

GEORGE TURMAN, Commissioner

ATTEST:

Madeline L. Cottrill

Commission 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.