

Service Date: May 24, 1978

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

In the Matter of the Application)	DOCKET NO. 6496
MOUNTAIN STATES TELEPHONE AND)	
TELEGRAPH COMPANY, for authority)	ORDER NO. 4389c
to establish increased rates for)	
TELEPHONE SERVICE.)	<u>AMENDED</u>
		<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. If approved for services rendered on or after May 1, 1977, the proposed interim increases would have-generated pretax revenues of approximately \$4.246 million during 1977. The permanent rate increase request was for \$11.8 million before taxes.

2. Following Phase I of hearings on the Applicant's proposed rates, the Commission ordered an interim rate increase of \$870,918 on March 20, 1978 to be derived from the regrouping of forty-four exchanges which had out-grown their existing classifications.

3. At the close of Phase II, hearings on April 12, 1978, Mountain Bell renewed its request for approval of interim rates. The Motion for Further Interim Relief filed by the Applicant later in April listed fourteen service categories in which the proposed rate changes were either not contested in the proceeding or were alleged to be too low, rather than too high. Additionally, the Applicant requested that five exchanges be moved to the classification which properly reflects their size.

4. On page 4 of its Motion, Mountain Bell recommended that the proposed rate changes for PBX, key, private line and exchange regrouping be accorded priority in the Commission's deliberations on rate relief.

5. In his Reply to Mountain Bell's Motion for Further Interim Relief, the Consumer Counsel agreed that rate increases in private line and vertical services of the magnitudes proposed by Applicant were cost-justified according to the testimony of his expert witness. As a cross-motion, Consumer Counsel moved the Commission to reduce rates for basic exchange service concurrent with increases in private line and vertical service rates.

6. The Commission finds that regrouping of the five exchanges which have outgrown their present classification is equitable and consistent with its ruling in Order 4389a. According to the testimony of witness Marquardt, such regrouping would produce approximately \$72,000 of additional annual revenue.

7. Pending its determination of the permanent increase warranted in these proceedings, this Commission believes that interim relief to the level of the permanent need conceded by Consumer Counsel's witnesses in Phase I is appropriate. Through Order 4389a and Finding 6 in this order, increased revenues of \$942,918 have been allowed by exchange regrouping. To bring total interim relief granted to the conceded level of \$2,326,000, further rate increases are necessary.

8. In accord with Applicant's priorities expressed in its Motion for Further Interim Relief, the Commission finds rates for PBX, multi-line, private line and centrex services should be increased. The requisite increase is determined as follows:

\$2,326,000	Permanent Increase Recommended by Consumer Counsel in Phase I
<u>- 942,918</u>	Interim Increase Generated by Exchange Regrouping
\$1,383,082	Further Increase to be Recovered from PBX, Multi-line, Private Line and Centrex Services

9. By Commission order, Service Date May 15, 1978, the Commission found that the additional derived revenue increases of \$1,383,082 was to be realized from increased charges from PBX, Multi-Line, Private Line and Centrex Services.

The Applicant subsequently submitted tariff sheets for Commission approval in an attempt to comply with the Commission's May 15, 1978 Order. It was determined at that time that a portion of the telephone company's Multi-line offerings involved service charges and that projected revenue increases under the interim order for said increase in service charges amounted to \$76,000. Increases in service charges for Multi-Line offerings were not among the fourteen service categories that were non-contested nor were service charges conceded to be too low (See Finding 3, above). The Commission did not contemplate nor does it choose to authorize an increase in service charges for this offering. By eliminating this service charge increase from consideration, the Commission determines that the additional revenue increase derived in Finding 8 equals 52.81% of the increase requested by Applicant for the four items mentioned therein, determined as shown below:

2,228,700	Private Branch Exchange and Multi-Line Service
175,636	Private Line
<u>214,554</u>	Centrex
2,618,890	Requested Increase for these Services

$$\$1,383,082 \div 2,618,890 = 52.81\%$$

10. With filing of proposed tariffs on May 18, 1978, the Commission became aware of the Applicant's contention that \$326,000 of revenues included in the \$2,304,700 proposed increase for PBX and Multi-line services would be realized only if the Company were allowed to move some PBX and Multi-line offerings to the obsolete-services section of its tariff. Examination of the record in this Docket reveals no evidence to support Applicant's claim of these lost potential revenues; therefore, the Commission finds that revenues of \$2,228,700 could be anticipated were PBX and Multi-line rates increased by the total amount proposed by Mountain Bell. If rates are increased by a portion of the requested increases, the Commission believes that total revenues for PBX and multi-line will rise by a like percentage.

11. On May 22, 1978, the Commission approved those tariff sheets submitted by Applicant regrouping certain local exchanges thereby increasing anticipated revenues of \$72,000.

12. In view of the revenue deficiency conceded by Consumer Counsel witnesses, the Commission finds that rates for each PBX, multi-line, private line and centrex service should be increased by 52.81% of the amount requested in the full-filing tariff.

CONCLUSIONS OF LAW

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

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

3. Full and adequate public notice of all proceedings in this Docket has been provided.

4. The rate levels and the rate structures approved herein are a reasonable means of providing interim relief to the Applicant. The rebate provision of Sec. 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. Mountain Bell has been allowed to effectuate Temporary Rate Increases of approximately \$72,000 pertaining to exchange regrouping.

2. Mountain Bell may institute further Temporary Rate Increases of approximately \$1,383,082 using the 52.81% as described herein by filing tariffs effective upon their approval by

the Commission. These revenues shall be derived from increases in PBX, multi-line, private line and centrex rates.

3. The rate charges herein authorized shall involve only the re-pricing of existing service offerings and not the implementation of new rate structures, such as two-tier pricing for items where these options are not currently available.

4. The increase granted is subject to rebate should the final order in this Docket determine that an increase less than that authorized by this Order is warranted.

5. In the event that 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 ten percent on an annual basis from the time collected.

DONE IN OPEN SESSION THIS 23rd day of May, 1978, by a vote of 4 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION:

GORDON E. BOLLINGER,
Chairman

P. J. GILFEATHER , Commissioner

THOMAS J. SCHNEIDER,
Commissioner

JAMES R. SHEA, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)