

Service Date: November 9, 1982

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

IN THE MATTER Of The Application )  
Of PACIFIC POWER AND LIGHT COMPANY ) UTILITY DIVISION  
For Authority To Increase Rates And ) DOCKET NO. 82.9.61  
Charges For Water Service To Its ) INTERIM RATE  
Customers In Its Bigfork, Montana ) ORDER NO. 4945  
Service Area. )

FINDINGS OF FACT

1. On September 9, 1982, Pacific Power and Light Company (Applicant or PP&L) filed an application with this Commission for authority to increase the water rates for its Bigfork, Montana customers on a permanent basis by approximately 37.2% which constitutes an annual revenue increase of approximately \$34,458.

2. Concurrent with its filing for a permanent increase in rates, PP&L filed an application for an interim increase in rates of approximately 18.9% equaling a revenue increase of approximately \$17,493 or 51% of the proposed permanent increase.

3. The Commission's interim rules and guidelines call for "a clear showing that the petitioning utility is suffering an obvious income deficiency." The Commission finds that reference to the adjustments and rate of return approved in the most recent PP&L general rate order, for its electric operations, provide the most appropriate means to measure financial performance. Applying these parameters to the current test year booked income (with revenue at the level approved in Order No. 4705) and rate base

sensibly annualized and corrected for accounting errors not only provides a financial picture consistent with the most recent Commission order (thus providing a basis for accurate comparability), but also avoids prejudging issues in the current case.

4. The Applicant prepared and submitted, with its interim rate request, a schedule consistent with the above criteria indicating that PP&L's Bigfork water operations for the test period produced an overall return of 6.38% (Exhibit A, Interim Rate Request). This compares with the overall return of 11.12% approved in Order No. 4881a.

5. The Commission finds that this difference constitutes an obvious income deficiency in this instance, that deferred rate relief until a final order can be issued may adversely affect the utility's financial condition and further that under its current rate making standards, the utility may be entitled to rate relief at the time a final order is issued in this docket.

6. The interim rate request by PP&L includes the revenue requirement effect of the Economic Recovery Tax Act (ERTA) of 1981. ERTA requires rate making normalization of Accelerated Cost Recovery System (ACRS) depreciation and investment tax credits on post-1980 plant additions. This order includes revenues sufficient to provide normalization as required by ERTA for all post-1980 additions to the Company's rate base.

7. The Commission finds that PP&L's rate of return has eroded and accordingly, finds PP&L entitled to interim rate relief of \$17,493 on an annual basis. (See Exhibit A, Interim Rate Request)

8. The Applicant, for interim rate purposes, proposes to increase rates on a uniform percentage basis to all customer classifications except Interdepartmental. The Commission, for interim increase purposes, finds it inappropriate for the Applicant to exclude this revenue source from bearing its fair share of the increased costs recognized in this order, and further finds that the Applicant should increase rates to all customer classifications by 18.7% ( $\$17,493 \div \$93,649 = 18.7\%$ , See Tables 6B-1 and 6BA-2, Prefiled Testimony and Exhibits).

#### CONCLUSIONS OF LAW

1. Pacific Power and Light Company is a public utility furnishing water service to customers in the Bigfork area. As such, it is subject to the supervision, regulation and control of this Commission pursuant to Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that the grant of an interim rate increase in the manner set forth herein is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

#### ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Pacific Power and Light Company is hereby granted authority to implement on an interim basis increased rates for its Bigfork, Montana customers, designed to generate additional annual revenues in the amount of \$17,493.

2. Pacific Power and Light Company is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

3. The interim relief granted in this order is to be effective for services rendered on and after November 8, 1982.

4. The increase granted herein is subject to rebate should the final order in this Docket determine a lesser increase is warranted. Such rebate would include interest at 15.0% per annum.

DONE IN OPEN SESSION this 8th day of November, 1982 by a 4 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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GORDON E. BOLLINGER, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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CLYDE JARVIS, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary

(SEAL):

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for

Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806 ARM.