

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

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IN THE MATTER of the Application of)
the Mountain States Telephone and) UTILITY DIVISION
Telegraph Company (Mountain Bell))
for Authority to Change Rates and) DOCKET NO. 83.11.81
for Approval of Tariff Changes Due)
to Divestiture.)

IN THE MATTER of the Application of)
the Mountain States Telephone and) UTILITY DIVISION
Telegraph Company (Mountain Bell))
for Authority to Increase Rates) DOCKET NO. 84.4.19
and for Approval of Tariff Changes)
for Telecommunications Service.) INTERIM ORDER NO. 5046c

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FINDINGS OF FACT

1. On April 26, 1984 Mountain Bell filed an application for authority to increase rates to generate an additional \$28,004,000 annually. Concurrently with the application for permanent rates Mountain Bell filed an application for an interim rate increase in the amount of \$9,125,000.

2. On July 5, 1984 the Commission issued Order No. 5046b in this docket which denied Mountain Bell¹'s request for interim relief which was based solely on budgeted 1984 results of operations. The Commission reviewed the actual results of operation for the first three months of 1984 and concluded that the level of actual earned returns did not indicate that Mountain Bell was in need of interim relief.

3. On September 7, 1984 Mountain Bell filed a Renewed Verified Application for Interim Rate Increase based on six months of actual financial data and six months of budgeted data. In this renewed interim request Mountain Bell seeks an additional \$4,510,000 in annual revenues.

4. Mountain Bell is currently authorized an 11.23% overall return on rate base. The attachments to Mountain Bell's application show an adjusted test year rate of return of 10.14%.(1)

Two of the adjustments Mountain Bell makes in arriving at its adjusted test year exclude certain refunds from AT&T. These refunds decrease net operating income by \$473,000. Refunds of similar nature have been the subject of controversy in past rate cases. If ratepayers paid the costs being refunded, then ratepayers should receive the benefit of any refunds from AT&T. Therefore, for purposes of examining a need for an interim increase the Commission will assume that these refunds are a proper offset to any revenue requirement. If a clear showing is made that these costs were not originally borne by ratepayers, the Commission may exclude them in a final revenue requirement determination. Including these refunds results in an adjusted test year return 10.39%.

5. The Commission continues to be concerned about the accuracy of Mountain Bell's budgeted numbers. For the first six months of 1984 the Company over budgeted expenses by \$1,207,000.

(1) $(\$19,349,000 \div \$190,778,000)$.

The budget for the last six months of 1984 shows total operating revenues almost equal to the first six months. However, budgeted expenses exceed the first six months actual expenses by \$3,400,000. If the expense budget variances experienced in the first half of 1984 continue, Mountain Bell's adjusted results at year end could be substantially higher than 10.39%.

6. Robert Blanz, Mountain Bell's president has announced a corporate intent to trim Mountain Bell's total company expenses by \$40 million in the second half of 1984. This cutback in expenses amounts to approximately 5.5% of each department's direct expenses in the months August through December. (1) The Commission fully supports efforts by Mountain Bell to cut costs. If this kind of savings is achieved, it should certainly bolster Mountain Bell's earnings, including its Montana earnings.

7. It is not the role of this Commission to guarantee Mountain Bell its authorized rate of return. It certainly seems that Mountain Bell's current rates allow the Company the opportunity to earn its authorized rate of return on an adjusted basis in 1984. Therefore the Commission finds that Mountain Bell does not need any further interim relief in this docket.

CONCLUSIONS OF LAW

1. Applicant, The Mountain States Telephone and Telegraph Company, is a corporation providing telephone and other communications services in the State of Montana, and as such, is a public utility in the meaning of 69-3-101, MCA.

(1) See August 10, 1984 Mountain Bell Times.

2. The Montana Public Service properly exercises its jurisdiction over Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides in part:

“The Commission may, in its discretion, temporarily approve increase pending hearing of final decision.”

ORDER

1. The application of Mountain States Telephone and Telegraph Company for interim relief is hereby DENIED.

DONE AND DATED this 9th day of October by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

THOMAS J. SCHNEIDER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.