

Service Date: May 3, 1983

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

* * * * *

IN THE MATTER of the Application)	
of the BUTTE WATER COMPANY for)	UTILITY DIVISION
Authority to Increase Rates and)	DOCKET NO. 83.3.15
Charges for Water Service to its)	ORDER NO. 4977
Butte, Montana Customers.)	

INTERIM RATE ORDER

FINDINGS OF FACT

1. On March 14, 1983, Butte Water Company (Applicant or BWC) filed an application with this Commission for authority to increase the water rates for its Butte, Montana customers on a permanent basis by approximately 6.03% which constitutes a revenue increase of approximately \$177,606.

2. Concurrent with its filing for a permanent increase in rates BWC filed an application for an interim increase in rates of 6.03% equaling a revenue increase of approximately \$177,606 or 100% of the proposed permanent increase.

3. The interim rate request includes adjustments not accepted in total or in part in previous Commission orders, such as: Rate Case Expense, Projected Labor Costs, Projected Increase in Cost of Operation and Maintenance Supplies, Anaconda Minerals Division Revenue Loss, Power Cost Savings due to Anaconda Minerals Cutback in Consumption and Modification of Calculation of Working Capital Derived from use of Property Tax Accruals.

4. 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 BWC general rate order provide the most appropriate means to measure financial performance. Applying these parameters to current test period operating income 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.

5. A schedule prepared consistent with the above criteria shows that BWC operations for the test period produced an overall return of 14.12% (Schedule 1). This compares with the overall return of 15.18% approved in Order No.4896a.

Schedule 1

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Booked Net Income, Test Period	\$ 538,210	<u>38.5.157</u>
Annualization Adjustments:		
Wages & Fringe	36,238	P.157.2
Employee Reduction	(61,817)	P.157.2
Salaries & Fringe	18,431	P.157.4
Electric Power Purchased	31,293	P.157.5
Natural Gas Purchased	625	P.157.5
Rate Case Expense	(6,372)	P.157.6
Big Hole Power Cost Dec.1982	8,246	P.157.7
Medical & Hospital	(7,029)	P.157.7
Workmen's Compensation	(128)	P.157.7
R D & D Allowance	(337)	P.157.7
Construction Labor Fringe	(7,943)	P.157.8
Depreciation	2,776	P.165
Taxes Other Than Income	<u>423</u>	P.173
Total Accepted Adjustments	\$ 14,406	
Total Adjusted Net Income	\$ 523,804	
Total Rate Base	3,708,731*	
Rate of Return	14.12%	
Allowed Rate of Return	15.18%	
Required Earnings	562,985	
Earnings Shortfall	39,181	

*Rate Base adjusted to reflect "Credit for Accrued Property Taxes" calculated in a manner consistent with that approved in Docket No. 82.3.13, Order No. 4896a.

6. 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 ratemaking standards, the utility may be entitled to rate relief at the time a final order is issued by the Commission in this Docket.

7. The Commission finds that BWC's rate of return has

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eroded and accordingly, finds BWC entitled to interim rate relief of \$39,181 on an annual basis (See Schedule 1, Finding of Fact No.5).

8. Based upon the Commission's findings in Docket No.82.3.13 (Order No. 4896a), the Commission finds here that interim relief determined appropriate in this Order should be generated by increasing the rate for all services provided by the Applicant on the basis of a uniform percentage increase.

9. The Commission also finds that to be consistent with Order No.4896a, those consumers having sand traps shall continue to receive a rate of \$2.55 below the rate for all other customers.

CONCLUSIONS OF LAW

1. The Butte Water Company is a public utility furnishing water service to customers in the Butte, Montana area, and 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. The Butte Water Company is hereby granted authority to implement on an interim basis increased rates for its Butte, Montana customers, designed to generate additional annual revenues in the amount of \$39,181 which, however, shall be reduced in accordance with the limitation in Finding of Fact No. 9.

2. The Butte Water 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 May 2, 1983.

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 an assessment for interest at 15.18% per annum.

DONE IN OPEN SESSION THIS 2nd day of May, 1983 by a vote of 4-0 at Helena, Montana.

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BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Clyde Jarvis, Vice-Chairman

John B. Driscoll, Commissioner

Howard L. Ellis, Commissioner

Danny Oberg, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

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