

Service Date: April 26, 1988

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

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IN THE MATTER Of The Montana Public )  
Service Commission's Investigation ) UTILITY DIVISION  
of Federal Tax Reform Impacts on ) DOCKET NO. 86.11.62(12)  
Public Utility Revenue Requirements.) ORDER NO. 5344  

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FINDINGS OF FACT

1. On November 24, 1986, the Montana Public Service Commission (Commission) initiated Docket No. 86.11.62 with an Order to Show Cause (Order No. 5236) that existing rates for public utilities remained just and reasonable following the 1986 Tax Reform Act (TRA). The water operations of Mountain Water Company (MWC or Company) were assigned to Docket No. 86.11.62(12).

2. MWC's response to the Show Cause Order was based on the cost of service the Company supported in its then current general water rate filing, Docket No. 86.9.51. The Company's response utilized a 40 percent Federal Income Tax rate and other minor adjustments it perceive due to the TRA. On September 15, 1987, the final order in Docket No. 86.9.51 was issued reflecting the amount of tax savings the Company experienced due to the TRA.

3. The final order in Docket No. 86.9.51, Order No. 5252c, provided MWC authorization to include in its revenue requirement an effective federal tax rate of 40% for calendar year 1987.

The Commission further ordered that MWC should file reduced rates to be effective for services on and after January 1, 1988, that reflect a federal income tax rate of 34%.

4. On December 8, 1987, in compliance with the Commission's order, MWC filed tariffs reflecting the reduced revenue requirement arising from the TRA. Those tariffs were effective for services on and after January 1, 1988.

5. No further matters concerning this Docket have come before the Commission. Therefore, the Commission finds that this Docket should be closed.

#### CONCLUSIONS OF LAW

1. MWC furnishes water service within the state of Montana and is a Public Utility under the regulatory jurisdiction of the Montana Public Service Commission.

2. The Montana Public Service Commission properly exercises jurisdiction over the Company's water utility operations pursuant to Title 69, Chapter 3, MCA.

#### ORDER

1. This Docket is hereby CLOSED.

DONE IN OPEN SESSION at Helena, Montana this 25th day of April, 1988 by a 5 - 0 vote.