

Service Date: September 5, 1990

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 VALLEY WEST WATER COMPANY)	UTILITY DIVISION
for Authority to Increase Rates)	DOCKET NO. 90.5.30
and Charges for Water Service to)	ORDER NO. 5494
its Missoula, Montana Customers.)	
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INTERIM RATE ORDER

FINDINGS OF FACT

1. On May 8, 1990, Valley West Water Company (Applicant or VW) filed an application with this Commission for authority to increase water rates for its Missoula, Montana customers on a permanent basis by approximately 96% which constitutes an annual revenue increase of approximately \$25,823.

2. On July 19, 1990, VW filed an application for an interim increase in rates of 96% equalling a revenue increase of approximately \$25,823 or 100% of the proposed permanent increase.

3. VW provides water service along an area of Reserve Street in Missoula, Montana. The construction of the water system leased and operated by VW was financed through special improvement district assessments that were/are paid for by owners of properties in VW's service area. The City of Missoula owns the water system in the Reserve Street area of Missoula which is leased to VW. It is VW's responsibility to operate and maintain the water facilities leased from the City. The lease by the City of Missoula to the

private entity occurred in the latter part of 1981. Since construction of the utility plant in service was financed through an SID VW has no investment in the utility plant that existed as of 1981. The information in this finding is provided so that parties will have an understanding why the Commission is not affording this privately owned utility the generally accepted rate base treatment for determining reasonable rates.

4. The Commission has insisted on a clear showing that the petitioning utility is suffering an obvious income deficiency before the Commission will authorize interim rate relief. Generally, the Commission finds that reference to the adjustments and rate of return approved in the most recent general rate order of the petitioning utility provides an appropriate means to measure financial performance.

5. VW has not previously filed a general rate increase application with the Commission. Since VW has not previously filed a general rate increase application with the Commission previous rate decisions cannot be used as a basis for determining the financial performance of VW.

6. The financial information submitted to the Commission in support of the Applicant's request for increased rates indicates that during the past three years of operation the utility has sustained operating losses. The utility has sustained operating losses of \$11,717, \$16,020 and \$11,169 for the years 1987, 1988 and 1989 respectively. In the Commission's opinion these losses constitute an obvious income deficiency in this instance, and that deferring rate relief until a final order can be issued may adversely affect the utility's financial condition. Further, the Commission finds that under current ratemaking standards the

utility may be entitled to rate relief at the time a final order is issued in this proceeding.

7. Because VW has sustained operating losses, the Commission finds that VW is entitled to interim rate relief. For interim purposes the Applicant requested an annual revenue increase of approximately \$25,823. Included in the Applicant's request for interim rate relief are proforma adjustments that, at the time of the hearing, will in all probability be contested by parties to this proceeding. To avoid prejudging any issues surrounding proforma adjustments in this Docket, the Commission will rely on the historic losses of the Applicant as a basis for determining interim rate relief.

8. During the last three years of operation the Applicant has sustained an average operating loss of \$12,968. The Commission finds the Applicant is entitled to interim rate relief in the amount \$12,968.

9. The Applicant shall generate the increased annual revenue authorized in this order by increasing all rates and charges by a uniform percentage.

CONCLUSIONS OF LAW

1. Valley West Water Company is a public utility furnishing water service to customers in the Missoula, 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 is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

4. The increase granted herein is subject to rebate should the final order in this Docket determine that a lesser increase is warranted. 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Valley West Water Company is hereby granted authority to implement on an interim basis increased rates for its Missoula, Montana customers designed to generate additional annual revenues in the amount of \$12,968.

2. Valley West 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 upon Commission approval of the revised tariff schedules.

DONE IN OPEN SESSION at Helena, Montana this 4th day of September, 1990 by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

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