

Service Date: August 26, 1992

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

IN THE MATTER of the Application)
of LaCasa Grande Estates Water) UTILITY DIVISION
Company for Authority to Increase) DOCKET NO. 91.2.3 Rates
and Charges for Water Service) ORDER NO. 5610a
in its East Helena, Montana Service)
Area.)

* * * * *

INTERIM RATE ORDER

FINDINGS OF FACT

1. On August 4, 1992, LaCasa Grande Estates Water Company (Applicant or LWC) filed an amended application (amending and incorporating its February 26, 1991, application) with this Commission for authority to increase water rates and charges to its East Helena, Montana, customers on a permanent basis by approximately 37.2%. This constitutes a revenue increase of approximately \$10,800.

2. Concurrent with this filing for a permanent increase in rates LWC filed an application for an interim increase in rates of 37.2%, equaling a revenue increase of approximately \$10,800, or 100% of the proposed permanent increase.

3. Previously, on January 17, 1992, LWC had requested interim rate relief in Docket No. 91.2.3 and filed an affidavit in support of its petition. In the affidavit LWC itemized costs totaling \$8,754 allegedly incurred for capital maintenance to the system. Further, the Applicant indicated that it would borrow \$9,000 at 13% interest, with a repayment period of 36

months. The petition requested that the Commission authorize an annual revenue increase of approximately \$3,640 to service the three year, \$9,000 debt obligation.

3. On February 24, 1992, the Commission, having considered the merits of the Applicant's January 17th interim request, issued Order No. 5610 authorizing the Applicant interim rate relief. Order No. 5610 authorized the Applicant to amortize \$9,000 in construction funding from loan proceeds to be obtained from a financial institution. This order provided that, if the interim rates were implemented by the Applicant, this committed the Applicant to completing an engineering assessment of the water system. This order also provided that if the Applicant failed to complete the engineering assessment the Commission would revoke the interim increase. LWC never implemented the increased rates authorized in Order No. 5610.

5. The amended interim and permanent rate increase application filed on August 4, 1992, by LWC, is in lieu of LWC's previous applications. LWC requests that the Commission authorize rates to service a proposed loan totaling \$27,000, to be retired over a three year period. The Applicant states that the proceeds from the loan will be used to pay for water system improvements that were completed in 1991 that cost of approximately \$10,200 (detailed above) and to pay for an engineering assessment costing approximately \$17,000 (detailed below).

6. The Commission in its Order No. 5610 has already made findings regarding the recovery of debt costs associated with 1991 improvements and will not reiterate those findings in this order. The Commission finds, for interim purposes, the recovery of debt costs associated with the 1991 improvements

is reasonable.

7. The Montana Department of Health and Environmental Sciences (DHES) has obtained a court order in DHES v. LaCasa, Cause No. CDV-90-444, directing LWC to complete an engineering assessment for its water utility operation. The Commission, in previous orders regarding LWC, has stated that it supports the engagement of an engineer to conduct an engineering assessment of the water system because consumers have been experiencing service problems. LWC is obligated, under the terms of the court order, to complete an engineering assessment that identifies existing facility deficiencies and contains recommended improvements for correcting these deficiencies. The cost of this assessment is estimated at \$17,000, and the Commission finds, for interim purposes, the amount to be reasonable.

8. LWC, in its request for interim rate relief, has proposed that it execute a loan with a financial institution in the amount of \$27,000 to be repaid over a three year period. Based on the preceding Findings of Fact the Commission finds the Applicant proposal to be reasonable. This funding authorization is in lieu of the funding authorized in this Commission's Order No. 5610.

9. The Applicant shall generate the increased annual revenue authorized, by increasing all rates and charges on the basis of a uniform percentage.

CONCLUSIONS OF LAW

1. LaCasa Grande Estates Water Company is a public utility furnishing water service to customers in the East Helena, 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.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. LaCasa Grande Estates Water Company is hereby granted authority to implement on an interim basis increased rates for its East Helena, Montana, customers. The amount of the interim rate increase shall be equal to the annual cost of debt service on the loan.

2. The increased revenue authorized herein shall be generated by increasing all rates and charges on the basis of a uniform percentage.

3. The interim rate relief granted in this Order is to be effective upon Commission approval, which will occur once the Applicant has submitted the completed loan documents to the Commission.

DONE IN OPEN SESSION THIS 17th day of August, 1992, by a vote
of 5 - 0 at Helena, Montana.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner

ATTEST:

Ann Purcell
Acting 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.