

Book

Service Date: June 10, 1992

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

* * * * *

IN THE MATTER Of The Application) UTILITY DIVISION
Of The Town of Philipsburg To Increase) DOCKET NO. 92.5.25
Rates And Charges For Water Service) ORDER NO. 5626
In Its Philipsburg, Montana Service Area.)

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ORDER GRANTING INTERIM WATER RATE INCREASE APPLICATION

BACKGROUND

1. On May 14, 1992, the Town of Philipsburg (Applicant or Town) filed a petition with the Montana Public Service Commission (Commission) pursuant to Sections 69-13-101 et seq., MCA, for an order authorizing the Applicant to permanently increase water rates in its Philipsburg, Montana service area. This increase will provide revenues to defray increased costs of operation and maintenance and finance a debt coverage and reserve for the water revenue bond sales. The rate increase will generate approximately \$24,730 in additional annual revenues, or an increase of 25.1% in total annual revenues from water rates.

FURTHER FINDINGS OF FACT

2. Concurrent with this filing for a permanent increase in rates, the Town filed a petition for interim rate relief. The Town requested an interim increase in rates of 25.1%, equalling a revenue increase of approximately \$24,730 or 100% of the proposed permanent increase.

3. The Town will soon have an outstanding revenue bond. Therefore, it must meet the requirements of the revenue bond indenture. In the sale of municipal bonds, the purchasers of the bonds must be assured that their investment is secure. To provide this security, the municipality makes a promise, called a covenant, to ensure that it will always be able to pay the principal and interest on the bonds as they come due. As part of its current bond indenture, the Town has agreed to a covenant requiring that it achieve a minimum bond coverage of 125%.

4. The Commission finds that the water utility will suffer an obvious income deficiency once the bonds are issued; that deferred rate relief until a final order can be issued may adversely affect the utility's financial condition; and, further, that under the Commission's current ratemaking standards the utility may be entitled to rate relief at the time a final order is issued.

CONCLUSIONS OF LAW

1. The Town of Philipsburg is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's rates. Title 69, Chapter 7, 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 conclude that either no increase or a lesser increase is warranted. Section 69-3-304, MCA.

ORDER

1. The Town of Philipsburg is hereby granted authority to implement, on an interim basis, increased rates for its Philipsburg, Montana customers designed to generate additional annual revenues in the amount of \$24,730.

2. The interim relief granted in this Order is to be effective upon issuance of the revenue bonds.

3. The Town shall file copies of the revenue bond ordinance with the Commission as proof of bond issuance.

DONE IN OPEN SESSION at Helena, Montana this 8th day of June, 1992 by a 5-0 vote.

BY THE ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION



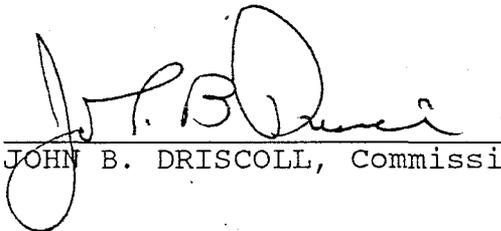
DANNY OBERG, Chairman



WALLACE W. "WALLY" MERCER, Vice Chairman



BOB ANDERSON, Commissioner



JOHN B. DRISCOLL, Commissioner



TED C. MACY, Commissioner

ATTEST:

Ann 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.