

BOOK

Service Date: October 20, 1992

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

\* \* \* \* \*

IN THE MATTER of the Application )	
of the Mountain Water Company for )	UTILITY DIVISION
Authority to Increase Rates and )	DOCKET NO. 92.6.30
Charges for Water Service to its )	ORDER NO. 5657
Superior, Montana, Customers. )	

INTERIM RATE ORDER

FINDINGS OF FACT

1. On June 24, 1992, Mountain Water Company (Applicant or MWC) filed an application with this Commission for authority to permanently increase water rates for its Superior, Montana customers by approximately 30.4% which constitutes an annual revenue increase of approximately \$27,876.

2. Concurrent with this filing for a permanent increase in rates, MWC filed an application for interim rate relief. MWC requested an interim increase in rates of 17.5%, equalling a revenue increase of approximately \$15,997 or 57% of the proposed permanent increase.

3. The interim rate request includes a significant increase in booked expenses of the utility and additional adjustments not accepted in previous Commission orders. Among these adjustments are projected insurance cost increases; increased main office expenses; power cost increases attributed to a Montana Power rate increase, and water sampling costs.

4. The Commission's interim rules and guidelines call for a clear showing that the petitioning utility is suffering an obvious income deficiency. Generally the Commission finds that reference to adjustments and rate of return approved in the most recent MWC general rate order provide the most appropriate means to measure MWC's financial performance. But in this instance the Commission finds that approach to be inappropriate.

5. For interim purposes the Applicant requested that the Commission authorize an overall rate of return of 11.769% on the 1991 year end rate base (the last Commission authorized rate of return). However, the Commission should be conservative in granting interim rate relief, given the current favorable capital markets, use of a hypothetical capital structure, and the unsubstantiated rate base value. Any substantive change to the components of the rate filing could significantly affect the Applicant's demonstration of need for rate relief. On an interim basis the Commission will authorize the Applicant sufficient revenues to generate the last Commission authorized net income based upon current test period expenses and rate base, sensibly annualized and corrected for accounting errors.

6. A schedule prepared according to the criteria outlined in Finding of Fact No. 5 shows that MWC operations for the test period has produced an overall rate of return of 6.281% (Schedule 1). This compares with the overall rate of return allowed for interim purposes of 11.124%, calculated using the last authorized net income and year end 1991 rate base.

Schedule 1

	At Present Rates	At Proposed Rates
Revenues	98,248	112,905
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Dollar Increase		14,657 14.918%
O & M Expense	62,226	62,282
Depreciation	6,359	6,359
Taxes Other Than Income	14,182	14,229
Income Taxes	522	3,540
Total deductions	83,289	86,410
Operating Income	14,959	26,495
Rate Base	238,177	238,177
Return on Rate Base	6.281%	11.124%

7. The Commission finds that this difference constitutes an obvious income deficiency and that deferring rate relief until a final order can be issued may adversely affect the utility's financial condition. Further, under current ratemaking standards, the utility may be entitled to rate relief at the time a final order is issued in this proceeding.

8. The Commission finds that MWC is entitled to interim rate relief of \$14,657 on an annual basis. (See Schedule 1, Finding of Fact No. 6)

9. The Applicant has requested that any interim relief granted by the Commission be generated by increasing the rate for all services, except fire protection, using a uniform percentage increase. The Commission finds that Applicant's request for a uniform percentage increase applicable to all services, except fire protection, is reasonable.

CONCLUSIONS OF LAW

1. The Mountain Water Company is a public utility furnishing water service to customers in the Superior, Montana area. As such, it is subject to the supervision, regulation and control of this Commission pursuant to Title 69, Chapter 3, Montana Code Annotated (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 as set forth is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

ORDER

NOW THEREFORE, IT IS ORDERED THAT:

1. Mountain Water Company is hereby granted authority to implement on an interim basis increased rates for its Superior, Montana customers, designed to generate additional annual revenues in the amount of \$14,657.

2. Mountain Water Company shall file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services, except fire protection.

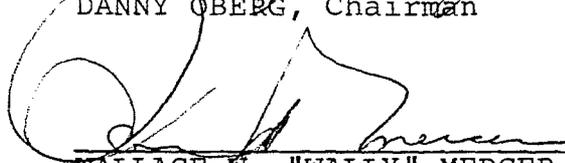
3. The increase granted herein is subject to rebate should the final order in this Docket determine that a lesser increase is warranted. Such rebate would include interest at 12.0% per annum.

4. The interim relief granted in this Order is to be effective for services rendered on and after November 1, 1992.

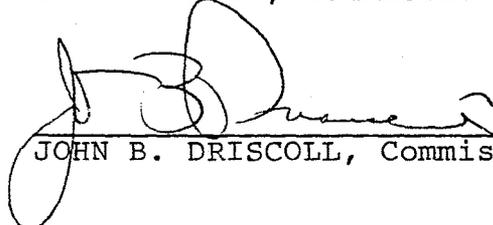
DONE IN OPEN SESSION THIS 19th day of October, 1992, by a vote of 5 - 0 at Helena, Montana.

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.