

Service Date: October 29, 1992

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

IN THE MATTER of the Application )  
of the Lone Mountain Springs for ) UTILITY DIVISION  
Authority to Increase Rates and ) DOCKET NO. 92.9.55  
Charges for Water Service to it's ) ORDER NO. 5660  
Big Sky, Montana Customers. )

INTERIM RATE ORDER  
FINDINGS OF FACT

1. On September 30, 1992, Lone Mountain Springs (Applicant or LMS) filed an application with this Commission for authority to permanently increase water rates for its Big Sky, Montana customers by approximately 250% which constitutes an annual revenue increase of approximately \$283,825.

2. Concurrent with this filing for a permanent increase in rates, LMS filed an application for interim rate relief. LMS requested an interim increase in rates of 250%, equaling a revenue increase of approximately \$283,825 or 100% 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 increased depreciation expense; salary for a financial manager; 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 LMS general rate order provide the most appropriate means to measure LMS's financial performance. The last general rate order for LMS was issued by this Commission in February, 1980. In this instance the Commission finds use of the previous rate order as a measure of financial performance to be inappropriate.

5. The Commission should be conservative in granting interim rate relief, given the current favorable capital markets, the Applicant's unsubstantiated rate base value and the significant increase in proforma operation and maintenance expense. Any substantive change to these components of the rate filing could significantly affect the Applicant's demonstration of need for rate relief. For interim purposes the Commission will authorize the Applicant sufficient revenues to recover current test period expenses and interest expense.

6. A schedule prepared according to the criteria outlined in Finding of Fact No. 5 shows that LMS operations for the test period would experience an operating loss of \$75,180 (Schedule 1).

Schedule 1

	At Present Rates	At Proposed Rates
Revenues	133,557	208,737
	_____	_____

Dollar Increase		75,180
		56.29%

O & M Expense	107,718	107,718
Depreciation	80,424	80,424
Taxes Other Than Income	3,580	3,580
Interest	17,015	17,015
Income Taxes	<u>0</u>	<u>0</u>
Total deductions	208,737	208,737
Operating Income	(75,180)	-0-

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 rate making 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 LMS is entitled to interim rate relief of \$75,180 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 using a uniform percentage increase. The Commission finds that Applicant's request for a uniform percentage increase applicable to all services is reasonable.

#### CONCLUSIONS OF LAW

1. The Lone Mountain Springs is a public utility furnishing water service to customers in the Big Sky, 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. Lone Mountain Springs is hereby granted authority to implement on an interim basis increased rates for its Big Sky, Montana customers, designed to generate additional annual revenues in the amount of \$75,180.

2. Lone Mountain Springs shall file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

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 26th day of October, 1992 by a vote of 4 - 0 at Helena, Montana.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner

ATTEST:

Kathlene M. Anderson  
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.