

Service Date: January 9, 1995

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 Lone Mountain Springs for)	UTILITY DIVISION
Authority to Increase Rates and)	DOCKET NO. 92.9.55
Charges for Water Service to its)	ORDER NO. 5660h
Big Sky, Montana Customers.)	

FINAL ORDER ON REVENUE REQUIREMENT

APPEARANCES

FOR THE APPLICANT:

Thomas R. Anacker, Attorney at Law, Kirwan and Barret, 215
West Mendenhall, Bozeman, Montana 59771-1348.

FOR THE INTERVENORS:

Mary Wright, Staff Attorney, Montana Consumer Counsel, 34
West 6th Avenue, Helena, Montana 59620.

J. Robert Planalp, Attorney at Law, Landoe, Brown,
Planalp & Braaksma, Box 1, Bozeman, Montana, 59771-
0001. Representing Big Sky Owners Association.

Michael C. Coil, Attorney at Law, 125 West Mendenhall,
Bozeman, Montana 59715. Representing West Fork
Properties.

FOR THE COMMISSION:

Tim Sweeney, Staff Attorney, 1701 Prospect Avenue,
Helena, Montana 59620.

Robin McHugh, Chief Legal Counsel, 1701 Prospect
Avenue, Helena, Montana 59620.

Ron Woods, Rate Analyst, 1701 Prospect Avenue, Helena, Montana.

BEFORE:

BOB ANDERSON, Chairman
DAVE FISHER, Commissioner
NANCY MCCAFFREE, Commissioner

BACKGROUND

1. On August 24, 1994 the Montana Public Service Commission (Commission) issued Order No. 5660f identifying a need for increased rates and charges for Lone Mountain Springs Water Company (Applicant or LMS). Because of certain findings in Order No. 5660f, the Commission needed additional information from LMS to determine the appropriate revenue increase. The Commission ordered LMS to file revised information and schedules calculating a revised revenue requirement consistent with the findings in Order No. 5660f.

2. On November 18, 1994 the Commission issued Order No. 5660g disposing of all matters contained in properly filed motions for reconsideration. Order 5660g authorized one change affecting LMS's calculation of a final revenue requirement. The Commission in its Order on motions for reconsideration determined that it would be appropriate to refund pool and tract charges to the entities actually overcharged, rather than amortizing this refund to operating revenues.

3. At the January, 1994 hearing on this matter the Applicant adopted the revenue requirement calculation put forth by the Montana Consumer Counsel (MCC) as appropriate. The MCC determined that LMS was entitled to total annual revenues of \$313,903. For purposes of determining the appropriate revenue requirement, all adjustments ordered by the Commission will apply to this revenue calculation.

4. The Commission found that Mr. Kircher's salary should be reduced from the \$15,000 proposed by the Applicant to \$4,300. This represents a reduction of \$10,700 in LMS' annual revenue requirement.

5. The Commission determined that LMS was not an efficiently operated utility and therefore, was not entitled to a return on equity that assumed that it was. The Commission reduced the return on equity from the proposed 12.0% to 10.0%. This reduction in return on equity reduced the Applicant's overall rate of return by 1.0%. Applying a 1.0% reduction in overall rate of return to the Applicant's rate base produces a revenue requirement reduction of \$4,336 ($\$433,615 \times .01 = \4336.15).

6. The Commission required LMS to calculate the amount of lost revenues from provision of free water service for snowmaking activities. This calculation was to include interest at the rate of 10 percent per year and LMS was to amortize the amount to operating revenues over a three year period.

7. LMS has calculated that its snowmaking activity, including interest, would have generated \$149,961. Amortizing this amount over three years produces a revenue reduction of \$49,987.

8. Based on the preceding Findings of Fact the Commission finds that LMS is entitled to rates that generate annual revenues of \$248,880 ($\$313,903 - \$10,700 - \$4336 - \$49,987 = \$248,880$).

9. The Commission has received numerous letters from the condominium owners associations objecting to LMS's calculation of the amounts to be refunded for pool and tract charges. These letters all contain the same objection that LMS's calculation

includes simple interest and not compound interest. Upon review of the statutes the Commission has determined that the appropriate interest applicable to these refunds is simple interest. See Section 25-9-205, MCA.

CONCLUSIONS OF LAW

1. The Applicant, Lone Mountain Springs Water Company, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over Applicant's rates and service pursuant to Section 69-3-102, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The rates and rate structure approved in this order are just and reasonable. Sections 69-3-201, and 69-3-330, MCA.

ORDER

NOW, THEREFORE, IT IS ORDERED THAT:

1. Lone Mountain Springs Water Company shall file revised tariffs, consistent with the Findings of Fact in Order Nos. 5660f and 5660g, designed to generate annual revenues of \$248,880.

2. These rates shall be effective upon Commission approval.

DONE IN OPEN SESSION at Helena, Montana, this 5th day of January, 1995, by a 3-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, 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.