

Service Date: December 31, 2002

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

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IN THE MATTER OF MOUNTAIN WATER)	
COMPANY, Application for Authority to)	UTILITY DIVISION
Establish Uniform Tariffs for Missoula, East)	DOCKET NO. D2002.5.60
Missoula, and Linda Vista Customers and to)	ORDER NO. 6423b
Increase Rates and Charges for Water Services.)	

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FINAL ORDER APPROVING STIPULATION

FINDINGS OF FACT

1. On May 20, 2002, Mountain Water Company (MWC) filed an application before the Public Service Commission (PSC) for approval of increased rates and charges for water service in MWC's Missoula Division. MWC states the reason for the proposed changes in rates and charges is to allow recovery of increased operational and maintenance expenses, depreciation and amortization expenses, taxes other than income, and income taxes, and to earn a return of 10.01 per cent on rate base. MWC requests an overall increase in annual revenues of \$1,612,889, an average 13.44 percent increase in rates. In its filing MWC requested interim relief of \$419,059.

2. On July 29, 2001, MWC acquired Linda Vista Water Company which was merged into MWC on January 1, 2001. On June 13, 2001, the PSC approved a MWC filing to make the non-rate terms and conditions applicable to MWC's Linda Vista Division customers the same as the non-rate terms and conditions applicable to all other MWC customers. *PSC Docket No. D2001.4.42, Order No. 6349.*

3. On December 3, 2001, MWC filed with the PSC an application for authority to implement a uniform rate structure throughout its service territory, so that a single set of tariffs would apply to all customers, including its Linda Vista Division customers, for both rate and non-rate tariff provisions. *PSC Docket No. D2001.12.158.* Upon motion of MWC, the

proceedings in that docket were first suspended, then consolidated into the present docket. *PSC Order No. 6423a.*

4. MWC proposed in its initial filing the following changes in service, rates, and charges:

- a) That all flat rates and schedules, excluding Fire Protection Service and Flat Rate Sprinkling, be increased by 13.6328 percent which will result in an increase in the minimum monthly bill for a single family home from the present rate of \$37.19 per month to a proposed rate of \$42.26 per month.
- b) That metered service rates be increased by 13.6400 percent which will result in an increase in the monthly bill for a 5/8 x 3/4-inch meter with 15 ccf usage from \$32.08 to \$36.36.
- c) That rates for Public Fire Protection Service be increased by 9.8493 percent which will increase the monthly bill for a 6 inch fire hydrant from \$29.14 at present rates to \$32.01 at proposed rates.
- d) That rates for Public Fire Protection Service be increased by 0.2507 percent which will increase the monthly bill for a 6 inch sprinkler line from \$38.39 at present rates to \$38.49 at proposed rates.
- e) That the rate for Flat Rate Sprinkling Water service be increased 14.3513 percent which will increase the annual bill for 5000 sq. ft from \$119.78 at present rates to \$136.97 at proposed rates.

5. The Montana Consumer Counsel (MCC) has intervened on behalf of customers in this proceeding. During the period June 17 through June 21, 2002, MCC staff and PSC staff conducted a discovery audit at Park Water Company (parent company of MWC) offices, Downey, California. MCC staff and PSC staff continued the discovery audit at MWC offices, Missoula, Montana.

6. On August 15, 2002, the PSC authorized MWC's requested Purchased Power Tracking Adjustment, on an interim basis. The tracking adjustment allows yearly rate adjustments based on power costs incurred by MWC in providing service. Trackers are a common regulatory mechanism to address utility recovery of costs which may fluctuate month to month or seasonally.

7. On October 30, 2002, a stipulation was filed by MWC and MCC, agreeing to the following:

- a) MWC should be authorized, on a final basis, to implement a general rate increase in the water rates for its Missoula customers in the amount of \$983,937;
- b) MWC should be authorized, on a final basis, to implement the purchased power tracking adjustment which was approved on August 15, for a period of two calendar years after the date of the final order in this case;
- c) MWC should be authorized to implement the single unified rate structure proposed by it in its December 3, 2001, filing in PSC Docket No. D2001.12.158, now consolidated in this docket;
- d) For amortization purposes, all amortizations should be on an as filed basis, except as otherwise reflected (in Stipulation Appendix 1).

8. MWC and MCC request the PSC issue a final order approving, adopting, and implementing the terms of the stipulation. If approved the stipulation will result in monthly bills for typical residential and commercial customers as follows:

Metered 15 Ccf 5/8 x 3/4	\$34.76
Flat Rate Res. 1 room 4 bath	\$36.03
Flat Rate Commercial	\$38.60

9. On November 13, 2002, the PSC issued a public notice of hearing to all on the PSC service list in this matter. The notice was also published in the Missoulian. A press release was sent to local newspapers and other media outlets at that time. In addition, in accordance with PSC rules, MWC notified its customers of the proposed rate increase at the time of filing.

10. On November 26, 2002, in the City Council Meeting Room, Missoula, at 4:00 p.m., a technical hearing was held. Arvid Hiler, MWC vice president and general manager, along with John Kappes, MWC assistant general manager and vice president, testified on behalf of MWC. Frank Buckley, utility rate analyst, MCC staff, testified on behalf of MCC. MWC and MCC testified that the PSC's adoption of the stipulation would be in the public interest. On the same date, at 6:30 p.m., a public hearing was conducted to take public comment on this docket.

No members of the public attended. The PSC has received written comments from the public. A complete set of customer comments was provided to MWC and MCC. At hearing each party responded to PSC questions pertaining to customer comments and the requested approval of the stipulation.

11. MWC witnesses Hiler and Kappas testified increased MWC costs result from a number of factors, including: security costs prompted by "9-11" and resulting national attention to safeguarding critical public infrastructure such as water supply and service; insurance rate increases; investments to reduce operating and maintenance costs, including telemetry and alarm systems. These witnesses testified that proposed non-meter customer rates are higher because usage for these customer is generally higher than that for metered customers, but metering will be allowed to any customer so requesting. These witnesses described the Linda Vista consolidation and rate unification as producing benefits for both former divisions through increased supplies and levels of service. The witness noted that MWC has no connection fee. MCC witness Buckley testified that audits and discovery supported adjustments to MWC's initial request and these adjustments were accepted by MWC and the stipulation was entered. Exhibits were introduced at hearing, generally including the pleadings, data responses, and stipulation. MWC and MCC support the stipulation.

12. MWC's filing involves typical ratemaking procedures. It includes a test year basis, costs incurred prudently, with adjustments for known and measurable changes. Upon review and consideration the PSC finds the stipulation between MWC and MCC to have fully considered all factors and result in just and reasonable rates. The stipulation is approved. MWC and MCC have waived a hearing examiner proposed order and have stipulated to a final order by the PSC.

CONCLUSIONS OF LAW

13. MWC is a public utility furnishing water service to customers in the Missoula, Montana area. As such, MWC is subject to the supervision, regulation, and control of the PSC pursuant to Title 69, Chapter 3, MCA. The PSC concludes that the approval of the stipulated rate increase as set forth in this order is just and reasonable.

ORDER

MWC is hereby granted authority to implement a general rate, on a final basis, for its customers in Missoula, Montana, in the amount of \$983,987. MWC is authorized to implement all aspects of the stipulation. MWC shall file revised tariff schedules to all services as outlined in the Stipulation. Tariffs shall be effective for services rendered on and after December 23, 2002.

Done and dated this 18th day of December, 2002, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GARY FELAND, Chairman

JAY STOVALL, Vice-Chairman

BOB ANDERSON, Commissioner

MATT BRAINARD, Commissioner

BOB ROWE, Commissioner

ATTEST:

Rhonda Simmons
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.