

Service Date: December 23, 1997

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	)	UTILITY DIVISION
LINDA VISTA WATER COMPANY	)	
for Approval of Initial Rates and Authority	)	DOCKET NO. D97.4.62
to Increase Rates and Charges	)	
for Water Services in Missoula, Montana.	)	ORDER NO. 5979a

**FINAL ORDER APPROVING STIPULATED RATE SETTLEMENT**

**APPEARANCES**

FOR THE APPLICANT:

Edward Janecek III, Attorney at Law, Christian & Samson, P.C., 4th Floor Savings Center Bldg., 110 East Broadway, P.O. Box 8479, Missoula, Montana 59807

FOR THE PROTESTANT:

Mary Wright, Staff Attorney, and Frank Buckley, Rate Analyst, Montana Consumer Counsel, 34 West Sixth Avenue, Helena, Montana 59620

FOR THE COMMISSION:

Denise Peterson, Staff Attorney, and Scott Fabel, Rate Analyst, 1701 Prospect Avenue, Helena, Montana 59620

BEFORE:

Bob Rowe, Commissioner and Hearing Examiner

## INTRODUCTION

1. On April 4, 1997, Linda Vista Water Company (Linda Vista) filed an application with the Montana Public Service Commission (Commission) for authority to establish initial rates for water service in its service territory on the south edge of Missoula, Montana. Although Linda Vista had been providing water service, the utility had not previously submitted its rates to the Commission for review based on its cost of service. Linda Vista had been charging \$13.00 per month for flat rate residential water service. Linda Vista requested approval of an initial residential flat rate of \$27.75 per month, exclusive of irrigation, for its 281 customers. Approval of the rate increase as requested would amount to a 113 percent increase over the existing rates for water service. Linda Vista proposed a 99.19 percent increase of \$82,026 to annual revenues, calculating its rate base to be \$562,086 for this filing and requesting a rate of return on rate base of 10.6 percent.

2. The physical plant of the water system is relatively new, constructed in 1989, with major additions in 1993 and 1994. The system was primarily constructed by the shareholders of the Company, using engineered plans approved by the predecessor agency to the Montana Department of Environmental Quality.

3. The Montana Consumer Counsel (MCC) intervened on behalf of ratepayers.

4. On May 7, 1997, the Commission issued Procedural Order No. 5979 in Docket No. 97.4.62, setting a hearing date of September 17, 1997.

5. On June 4, 1997 MCC and PSC staff conducted a discovery audit.

6. On July 28, 1997, Linda Vista and MCC filed their Stipulation with the Commission in Docket No. D97.4.62. The parties agreed that a fair and equitable resolution of the issues in this docket consists of the following:

- A. Establishment of a valuation for division utility plant of \$725,387;
- B. Establishment of a reserve for depreciation of \$89,354;
- C. Increase in annual revenues of \$76,578 (92.6 percent).

Approval of the stipulation would result in a residential flat rate of \$26.76 per month. Parties agreed that the value of the rate base should be \$624,480, based on recalculation, and the return on rate base would be 9.848 percent.

7. The Commission issued and published a Notice of Stipulated Rate Settlement Hearing, first scheduling the hearing for September 17, 1997 in Missoula. As a result of scheduling conflicts, the hearing was rescheduled and renoticed twice. On October 14, 1997, the Commission conducted a duly noticed public hearing on the application and the Stipulation between Linda Vista and MCC at the Linda Vista Golf Course, 4915 Lower Miller Creek Road, Missoula, Montana. Commissioner Bob Rowe presided. No members of the public appeared to testify at either the technical hearing at 3:00 p.m. or the evening hearing held for the benefit of the public at 7:00 p.m. The hearing was noticed as an opportunity for the public to air general concerns in the rate case with Linda Vista. Linda Vista and MCC presented testimony in support of the Stipulation. Parties waived the right to a Proposed Order.

#### **FINDINGS AND DISCUSSION**

8. Don Cox, C.P.A., Anderson ZurMuehlen & Company, testified on the application and the need for increased revenues. Frank Buckley, Rate Analyst for the Montana Consumer Counsel, testified that the stipulated settlement was a just and reasonable resolution of the Docket.

9. The Commission questioned the cost of \$155 to disconnect and then reconnect a customer's service for non-payment, including the time necessary to deliver the notices of shutoff. In response to Data Request PSC-1, Linda Vista provided a worksheet which showed the calculation of the \$155. Linda Vista stated that it has never terminated a customer's service for non-payment. MCC testified that these costs were reasonable.

#### **COMMISSION DECISION**

10. After a review of the record in this matter, the Commission accepts the stipulation between MCC and Linda Vista as a reasonable settlement of all revenue requirement issues in this Dockets.

### **CONCLUSIONS OF LAW**

1. The Linda Vista Company is a public utility furnishing water service to customers in the Missoula, 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. The Commission has provided adequate public notice and an opportunity to be heard as required by § 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The Commission concludes that the approval of the stipulated rate increase as set forth in this Order is just and reasonable.

### **ORDER**

#### **THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:**

1. Linda Vista Company is hereby granted authority to implement a general rate increase for its customers, designed to generate additional total annual revenues in the amount of \$76,578.

2. The stipulation filed by Linda Vista and MCC on July 21, 1997, is approved.

3. These increased rates are effective for meters read on and after January 1, 1998.

4. Linda Vista is ordered to file with the Commission compliance tariffs within twenty (20) days from the service date of this Order, which incorporate the provisions of this Order. Rates in the compliance tariffs shall remain unchanged, except to reflect the issuance of this Order.

DONE IN OPEN SESSION AT HELENA, MONTANA THIS 22nd day of December, 1997,  
by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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DAVE FISHER, Chairman

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NANCY MCCAFFREE, Vice Chair

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BOB ANDERSON, Commissioner

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DANNY OBERG, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
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 ARM 38.2.4806.