Service Date: April 21, 1981

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 CITY OF HARDIN To Increase Water Rates.	) UTILITY DIVISION) DOCKET NO. 80.8.65) ORDER NO. 4793)

APPEARANCES

FOR THE APPLICANT:

Clarence T. Belue, City Attorney, 201 West Fourth Street, Hardin, Montana 59032.

FOR THE INTERVENORS:

John Allen, Staff Attorney, Montana Consumer Counsel, 34 West Sixth Avenue, Helena, Montana 59620

FOR THE COMMISSION:

Robert F. W. Smith, Staff Attorney, 1227 Eleventh Avenue, Helena, Montana 59620

BEFORE:

Thomas J. Schneider, Commissioner and Hearing Examiner

FINDINGS OF FACT

1. On August 8, 1980, the City of Hardin (Applicant) filed an application with this Commission for authority to increase rates and charges for water service in its Hardin, Montana service area.

2. A Notice of Opportunity For Public Hearing was published in the Billings Gazette and the Hardin Herald to inform consumers of the water utility that an application for increased rates had been filed. Pursuant to that notice,

protests and requests for public hearing were received therefore a public hearing was scheduled in this matter.

3. On December 31, 1980, the Commission issued a notice of public hearing on the City's application. Pursuant to that notice, a hearing was held January 28, 1981 in the Community Service Facility, Hardin, Montana.

4. The City presented the testimony of William Hemmings, City Engineer, and Elizabeth Brennan, Administrative Assistant, in support of the proposed increase in rates.

5. Two public witnesses testified relative to the requested increase in water rates Tom Mill testified that if the proposed increase in rates were justified that the increase should be granted. Jim Rugamer stated that he wanted an explanation for the increase in expense of approximately $40,000 between fiscal years 1979 and 1980. The City addressed Rugamer's question in a late filed exhibit and explained that the increase was attributable to the water department assuming its responsibility for bond payments on a water revenue bond that previously had been funded by monies from other funds.

6. The parties have stipulated to a final order being rendered in this docket.

7. The City's witnesses stated that the proposed increase in rates is necessary to cover increased costs of operation and to cover the cost of meters and meter related equipment.

8. The City's witnesses stated that the operation and maintenance expense has increased due to inflationary

pressures and that a rate increase was necessary to offset these increases.

9. The City's witnesses further stated that it had been the City's past practice to assess the consumer the cost of meters and meter installation but that they had been informed by this Commission that it was the responsibility of the water utility to provide meters at its expense since the meters were owned by the utility. Continuing, the witnesses stated that due to the fact that it had been the City's past practice to assess the consumer the cost of meters the City had not included this expense for purposes of determining the revenue need of the water utility.

10. The City in determining the minimum rates to be charged for the various sizes of meters utilized a five year amortization period. The discussion on the record does not indicate the City had any evidence to substantiate the use of a five year amortization period. It is the Commission's experience that the useful life of a new meter is longer than five years. Therefore, the Commission would order that the City utilize a ten year amortization for purposes of determining the minimum charge to be assessed against the various meter sizes but in no case shall the minimum charge determined by the use of a ten year amortization period be below that currently in effect for the water utility.

11. Examination of the revenues generated during the test year indicate that the City generated approximately $177, 450 from water sales and received approximately $13, 500 in miscellaneous revenue for a total of $190,950. The City is requesting rates that Will generate approximately $206,660 from water sales; this figure is also the City's projected

total revenue need for the projected year's operation.

12. The City's operating statement for the projected year indicates that the water department would realize an operating profit of approximately $8,000. It is generally the position of this Commission that municipally owned water utilities should not be allowed an operating profit but at the hearing it became evident that the City was not properly allocating its administrative expenses to the water utility and late filed information indicates that charges for a shop building should also be included as a water utility expense. Given these facts it is the Commission's finding that the profit would be more than offset by these unaccounted for expense items.

13. In examining a rate increase request it is incumbent upon the Commission to consider both the revenues generated from rates and the revenues generated from miscellaneous other sources, in seeking to satisfy the total revenue need of the utility. Therefore the Commission must consider the miscellaneous revenue item in determining the amount of increased rates to be granted.

14. Examination of the miscellaneous revenue account indicates that the City cannot expect to receive $13,500 in the projected year, as it did in the test year. The City re ceived $5,000 for hook-up charges, and refunds in the amount of $5,660; neither of these items are expected to be recurring. The Commission finds that the City can expect to receive approximately $2,850 in miscellaneous revenues for the projected year.

15. Therefore, the Commission finds that the City should generate $203,810 from water sales. This is determined by

deducting miscellaneous revenues from the projected revenue needs of $206,660.

16. The City has requested in its filing authorization to modify its present rate structure. Absent actual consumption figures by rate block makes it impossible for the Commission to determine the equity of the proposed rate restructure. Therefore, the Commission finds that the City should not be allowed to implement the restructured rates and the increase granted herein shall be applied to all customer classes on a uniform percentage basis.

17. The Commission finds that the City should be allowed to increase rates and charges to all customer classes by 14.9%. This is determined by dividing $203,810 by$177,450.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over parties and proceedings in this matter.

2. Interested persons were given proper notice and an opportunity to participate.

3. The rates approved herein are reasonable and just.

ORDER

NOW THEREFORE, at a session of the Montana Public Service Commission, Department of Public Service Regulation, held in its offices at 1227 - 11th Avenue, Helena, Montana on the

13th day of April, 1981, there being present a quorum of Commissioners, there regularly came before the Commission for final action the matters and things in Docket No. 80.8.65, and the Commission being fully advised in the premises;

IT IS ORDERED by the Commission that the City of Hardin file minimum charges consistent with Finding of Fact No.10.

IT IS FURTHER ORDERED by the Commission that the City of Hardin file tariff schedules increasing rates by a uniform percentage of 14.9% to all customer classes with the exception of the minimum charge rates.

IT IS FURTHER ORDERED that the rates approved herein shall be effective for water service rendered on and after April 13, 1981.

IT IS FURTHER ORDERED that a full true and correct copy of this order be sent forthwith to the Applicant herein and all parties of record.

THE FOREGOING ORDER was adopted by the Department of Public Service Regulation of the State of Montana, Public Service Commission, IN OPEN SESSION at Helena, Montana, this 13th day of April, 1981 by a 4 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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Gordon E. Bollinger, Chairman

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John B. Driscoll, Commissioner

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Howard L. Ellis, Commissioner

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Thomas J. Schneider, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion For Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion For Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp 38.2.4806 ARM.