Service Date: January 24, 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)	UTILITY DIVISION
Of Woods Bay Water System To Increase)	DOCKET NO. 94.3.14
Rates And Charges For Water Service)	ORDER NO. 5829
In Its Big Fork, Montana Service Area)	

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FINAL ORDER GRANTING WATER RATE INCREASE APPLICATION

APPEARANCES

FOR THE APPLICANT:

Mike and Jacque Pitzen, Owners, Woods Bay Water System, P.O. Box 991, Bigfork, Montana 59911.

FOR THE INTERVENORS:

Mary Wright, Staff Attorney, and Frank Buckley, Rate Analyst, Montana Consumer Counsel, 34 West Sixth Avenue, P.O. Box 201703, Helena, Montana 59620-1703.

FOR THE COMMISSION:

Denise Peterson, Staff Attorney, and G. Joel Tierney, Utilities Engineer, 1701 Prospect Avenue, P.O. Box 202601, Helena, Montana 59620-2601.

BEFORE:

Bob Rowe, Commissioner and Hearings Examiner

BACKGROUND

1. On March 17, 1994, Woods Bay Water System (Applicant) filed an Application with the Montana Public Service Commission (Commission) requesting that the Commission authorize a water rate increase to defray increased costs of operation and

maintenance. Applicant proposed a three year phased-in rate increase which would allow a 10 percent per year increase based on the revenues determined for the test year 1993, or $776 a year. In Year 1, the rate increase would generate additional revenues of $776; in Year 2, the additional revenues would be $1552 ($776 x 2); and in Year 3, ratepayers would pay an amount in addition to present base rates resulting in additional annual revenues of $2,328 ($776 x 3). The Applicant proposed to implement the $2,328 increase over a three year period instead of a one year period to avoid rate shock. The total rate increase, if implemented now, would amount to a 30 percent increase based on present rates, phased in yearly in one-third increments. At the end of the three years, the rates will remain at that level unless the utility applies for any changes to the rates.

2. Applicant presented prefiled testimony on the need for a rate increase to cover increasing costs and to help repay a loan taken to make improvements to the system.

3. On April 18, 1994, the Commission issued a Notice of Application and Opportunity for Public Hearing. The Commission received one protest and request for hearing. On December 5, 1994, the Commission conducted a public hearing in the evening at the Big Fork Senior Citizens Center for the benefit of the public. The technical portion of the hearing began at 9:00 a.m.

at the same place on December 6, 1994. At the conclusion of the hearing, Parties stipulated to a final order.

FINDINGS OF FACT

4. At the evening session of the hearing, three customers presented testimony. Edward M. Mitchke testified that the system had bad water pressure in the summer and wanted to know if steps were being taken to correct that problem. He stated that he was not against the rate increase, but wanted assurance that the current problems are being corrected. Mildred Mitchke then testified about the smell of the water. She questioned whether customers should pay the same rate as others who use more water. Bonnie Culbert, the former owner of the system, testified that the rate increase was needed and felt that the increase should be implemented all at once instead of over a three year period.

5. At the technical part of the hearing the Applicant presented the testimony and exhibits of Jacque Pitzen, Owner. Mrs. Pitzen testified on the need for the proposed increase to defray the cost of increasing operation and maintenance expenses and to make capital improvements to the system

6. Five customers of the system also testified at the technical hearing on December 6, 1994, including the three who had testified the previous evening repeating and expanding their

testimony for the technical portion. In addition, Janie Cantrell testified that the water had a bad smell and Mark Cantrell testified that the system had water pressure problems.

7. The Commission recognizes that there are legitimate public and customer concerns with the system. The Commission also finds that the Applicant has tried to alleviate some of those problems, although operating with limited resources. The rate increase should relieve the customer complaints by improving service and facilities. The Commission instructs the Applicant to develop procedures to record complaints. If customers are not satisfied with the resolution, they may contact the Commission to determine if there is a possible remedy, formal or informal.

CAPITAL IMPROVEMENT PROGRAM

8. In its Application, the Applicant set forth improvements made to the system, which included installation of five new pressure tanks and a chlorinator. Applicant testified at the hearing that the company had installed three new hydrants and intended to install one more to help flush the system one or two times per month. Applicant funded these capital improvements to the system through a $7000 loan taken out in January of 1994.

9. The Commission finds that Applicant has made capital improvements in a reasonably prudent attempt to correct problems with the water system. The Commission accepts the capital improvement program.

OPERATION AND MAINTENANCE EXPENSE

10. The operation and maintenance expenses presented by the Applicant were not challenged by any party participating in this proceeding. The expenses presented were $121.00 for lead and copper testing, $500.00 for Department of Health and Environmental Sciences testing, and various other expenses including property taxes. Therefore, the Commission accepts these expenses.

REVENUE NEED

11. The Applicant testified that under the proposed rate structure, the additional annual revenue generated at the end of the three year rate implementation would be $2328. This was not contested by any party in this proceeding and is accepted by the Commission.

RATE DESIGN

12. Mildred Mitchke was the only witness to challenge the Applicant's proposed rate design. She questioned whether customers should pay the same rate as others who use more water. In order to solve those concerns, Applicant would need to install water meters on each customer, which would be cost prohibitive. In examining the rate structure, the Commission finds that the Applicant has attempted to equitably distribute

the cost of providing service to the various customer classifications and accepts the rate design.

CONCLUSIONS OF LAW

1. The Applicant, Woods Bay Water System, furnishes water service for consumers in Big Fork, Montana, and is a "public utility" under regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over Woods Bay Water System's rates and operations. Section 69-3-102, MCA, and Title 69, Chapter 3, Part 3, MCA.

3. The Montana Public Service 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 (Montana Administrative Procedures Act.)

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

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS:

1. The rates as filed by the Applicant with its Application are authorized.

2. The rates shall be implemented as proposed over the three (3) year phase-in period.

3. The rates shall be effective for service rendered on and after January 23, 1995.

DONE IN OPEN SESSION at Helena, Montana on this 23rd day of January, 1995, by a 5-0 vote.

BY THE ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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NANCY McCAFFREE, Chair

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DAVE FISHER, 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 that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.