

Service Date: September 5, 1980

DEPARTMENT OF PUBLIC SERVICE REGULATION  
MONTANA PUBLIC SERVICE COMMISSION

IN THE MATTER of the Application ) UTILITY DIVISION  
of the CITY OF HELENA, to Increase ) DOCKET NO. 6811  
Sewer Rates. ) ORDER NO. 4648a

APPEARANCES FOR THE APPLICANT:

Jeffrey Sherlock, City Attorney, 10 North Last Chance  
Gulch, Helena, Montana 59601.

FOR THE INTERVENORS:

James C. Paine, Montana Consumer Counsel, 34 West  
Sixth Avenue, Helena, Montana 59601.

FOR THE COMMISSION:

Robert F. W. Smith, Staff Attorney

BEFORE:

GORDON BOLLINGER, Chairman  
CLYDE JARVIS, Commissioner  
JAMES R. SHEA, Commissioner  
THOMAS J. SCHNEIDER, Commissioner

FINDING OF FACT

1. On March 31, 1980, the City of Helena, (Applicant or City) filed an application for authority to increase sewer rates, on a permanent basis, by 53.3%, equaling an annual revenue increase of approximately \$301,879.
2. Concurrent with the filing of the permanent application for increased rates, the City filed an application for an interim increase in rates of 40%, equaling an annual revenue increase of approximately \$226,551 or approximately 75% of the proposed permanent increase.

3. The Commission on May 12, 1980, having considered the justification submitted by the City, issued an order granting the City interim rate relief equal to \$92,355. (Order No. 4648.)

4. The interim rate relief granted the City was to be spread to all classes of customers by raising all rates and charges a uniform 16.3%.

5. On June 4, 1980 a public hearing was held to consider the City's permanent rate increase application. The City introduced six exhibits and presented the following four witnesses:

Alden Beard, Robert Peccia and Associates, Environmental Engineer, testified to the wastewater Treatment Plant Sludge Handling Study prepared by his firm.

Mark Weston, Department of Health and Environmental Sciences, water Quality Bureau, testified to the Notice of Violation and Order to Take Corrective Action issued by DHES and the Compliance Schedule submitted by the City and accepted by DHES.

Dick Nisbet, Public Works Director, City of Helena, testified relative to the proposed costs associated with the implementation of the interim sludge handling procedure, the equipment and vehicle replacement schedule adopted by the City and the general increased operation and maintenance expense of the Sewer Department.

Bill Verwolf, Finance Director, City of Helena,

testified to the revenue requirements of the City's Sewer Department.

6. No protestants appeared at the public hearing to offer testimony in opposition to the City's proposed increase in sewer rates.

7. At the hearing the City's witnesses introduced exhibits revising the Sewer Departments Revenue Requirements for Fiscal Year 1981 and Sewer Consumption for Billing.

8. The City is currently under Order from the Department of Health and Environmental Sciences to take corrective action relative to its sludge treatment facility, to eliminate the noxious odors emitted by said facility.

9. This Commission's Order No. 4587 recognized a revenue level for the City's Sewer Department of \$566.378 the City's Exhibit D alleges the Sewer Department has a revenue requirement of \$885,674 for the Fiscal Year 1981.

10. The City's original revenue requirement as submitted in this docket was \$852,832, as reflected in Applicants Exhibit B and was revised by the City at the hearing by the introduction of Exhibit D which reflects a revenue requirement of \$885,674.

11. Direct testimony and cross-examination of the Applicant's witnesses concerning Exhibits B and D indicate that the expenditures as outlined in those exhibits are uncontested with the exception of deficits

claimed by the Applicant.

12. The base exhibit relating to the expenditures of the Sewer Department is Exhibit B; this exhibit was updated by the City with the introduction of Exhibit D.

Exhibit D contained both increases and decreases relating to the anticipated expenditures for the Sewer Department.

13. The City made the following adjustments to accounts in Exhibit B:

- a) Increased Salaries and Employee Benefits by \$3,087 due to revision of budget for Sewer Department.
- b) Equipment Rental was decreased by \$24,000 due to the deletion of lease expense of \$50,000 for the sludge injection vehicle which is now being purchased, and the addition of \$26,000 in rental fees for a nurse tanker for hauling sludge to the injection site.
- c) Interest on registered warrants was increased by \$11,000 due to an increase in the interest rate from 6% to 7 1/2% interest on the outstanding warrants.
- d) Expense for the public Utility Director and Billing Fees were increased by \$11,088 due to a budgetary revision.
- e) Capital Outlay was increased by \$31,667 due to the City's purchase of the sludge injection vehicle as opposed to the lease of said vehicle.  
The \$31,667 is the annual principal and interest payment for the purchase of the sludge injection vehicle for three years.
- f) The above adjustments to Exhibit B as reflected on Exhibit D result in a net increase in expenditures of \$32,842.

14. Pursuant to the July 11, 1979 ruling of Judge Meloy in Cause No. 42568, and for the reasons stated in the Analysis portion of this Order, this Commission

disallows the inclusion of the past deficit amount claimed by the City of \$49,832.

15. The Commission finds that based upon the record in this case it cannot determine the exact amount of deficit that accrued after the filing of the case, or if in fact any deficit was incurred subsequent to the filing. This is due to the reduction in interim sludge handling costs from those estimated by the City at P.17 of Exhibit B, and the City's failure to take account of the additional revenues granted in May by Order 4648.

16. Under Cross-examination Mr. Nisbet testified that the City would realize a decrease in expenses related to the hauling of sludge to burial sites after Fiscal Year 1981 and was requested to file a late filed exhibit indicating the approximate decrease that would be realized in this expense. On June 19, 1980 Mr. Nisbet submitted a late filed exhibit which indicates the City will realize an approximate decrease in expense of \$23,220.

17. Enumerated below, in Column C, are the acceptable test year expenditures for the City of Helena Sewer Department:

TEST YEAR EXPENDITURES	A FY 1981 as per Applicants	B Adjustments per	C Test Year 1981
Salaries & Employee Benefits			
Salaries	180,746	-	-
Employee Benefits	37,526	-	-
	218,272	3,087	221,359
Maintenance & Operation			
Telephone	1,300	-	1,300
Printing & Advertising	700	-	700
Conference & Education	2,400	-	2,400
Utility Charges	37,000	-	37,000
Construction &			

Maintenance Materials	17,000	-	17,000
Repairs to Buildings	10,000	-	10,000
Gas & Oil	17,600	-	17,600
Repairs to Equipment	51,200	-	51,200
Office Supplies	800	-	800
Chemical & Lab Supplies	40,000	-	40,000
Janitorial Supplies	1,200	-	1,200
Small Tools	1,000	-	1,000
Equipment Rental	109,100	(24,000)	85,100
Insurance	9,900	-	9,900
Analysis Fees	3,000	-	3,000
Audit Fees	2,500	-	2,500
Contract Payments	4,000	-	4,000
Interest on Warrants	10,000	11,000	21,000
Expense	2,300	-	2,300
Rate Case Expense	2,700	-	2,700
Contingency	12,300	-	12,300
TOTAL M & O	336,000	(13,000)	323,000

TEST YEAR EXPENDITURES	A	B	C
	FY 1981 as	Adjustments	Test Year
	per Applicants	per	1981
	Exhibit B	Exhibit D	Expenditures

#### Administrative

General Government	38,891	-	38,891
Public Utility			
Director	20,000)		(
		11,088	(66,664
Billing Fees	35,576)		(
	94,467	11,088	105,555
Capital Outlay	65,600	31,667	97,267
Debt Service			
1960 Issue principal	-	-	-
interest	-	-	-
1972 Issue principal			
interest	55,461	-	55,461
TOTAL	769,800	32,242	802,642

#### ANALYSIS

For several reasons, the Commission is unable to accept the City's proposals in the only contested area in this Docket, that of deficits (Findings 14 & 15). Finding 15 is self-explanatory as far as the disallowance of the \$33,200 of interim sludge handling costs. Some further discussion of Finding 14 should be added, however.

In his Opinion and Order in Cause No. 42568, Judge Meloy was careful to limit his discussion to the amortization of past losses of a utility. In this case, the City maintains that the \$49,832 is a current deficit, and is thus at least open to consideration by the Commission as a legitimate expense. However, several considerations undermine the veracity of this figure, first, this figure -- as computed on P. 20 of the City's Exhibit B -- is an entirely constructed deficit; i.e. it is calculated using the Fiscal Year 79-80, the January 1, 1980 implementation date of Order No. 4587 (the City's last sewer rate increase), and the City's 78-79 figures for number of customers and annual consumption. From these figures the City constructs an annual revenue figure for FY 79-80; the City does not take an actual figure from its books, as one was not available. For several reasons, the Commission cannot trust this constructed figure. It was established in the record in this case that for the Fiscal Year 79-80 the City Sewer Department had 7080 rather than 6929 customers. Also, after January 1980, the City billed on the basis of 200,827 hundred cu.ft. of consumption rather than the 188,757 ccf. the City used. These known and measurable changes were available to the City but were not used in constructing the deficit, therefore the Commission concluded that the City's deficit was not well supported and should be disallowed.

#### CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding.
2. All interested persons were given proper notice and an opportunity to participate in this proceeding.
3. The rates set herein are reasonable and just.

#### ORDER

NOW THEREFORE, at a session of the Public Service Commission, Department of Public Service Regulation of

the State of Montana, held in its offices at 1227 11th Avenue, Helena, Montana, on the 25th day of August, 1980, there being present a quorum of Commissioners, there came regularly before the Commission for final action the matters and things in Docket No 6811, and the Commission being fully advised in the premises;

IT IS ORDERED by the Commission that the City of Helena file rate schedules that will produce an annual revenue of \$802,642. The new rates for the City of Helena Sewer Department shall be effective for services rendered on and after August 25, 1980.

IT IS FURTHER ORDERED that the City on or after July 1, 1982 shall file rates that reflect a decrease of \$23,220 from those approved in the preceding ordering paragraph so that the decrease in sludge hauling expense is reflected.

IT IS FURTHER ORDERED that a full true and correct copy of his 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 25th day of August 1980, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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Gordon E. Bollinger, Chairman

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Thomas J. Schneider, Commissioner

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George Turman, Commissioner

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Clyde Jarvis, Commissioner

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James R. Shea, 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 2.2(64)-P2750, ARM.