

Service Date: October 10, 1990

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

* * * * *

IN THE MATTER of the Application of)
the TOWN OF NASHUA for Authority to)
Increase Rates and Charges for Water)
Service in its Nashua, Montana Service)
Area.)
_____)

UTILITY DIVISION
DOCKET NO. 89.12.58
ORDER NO. 5508

* * * * *

APPEARANCES

FOR THE APPLICANT:

Alan Bunk, Alderman, Town of Nashua, 705 Front Street, Nashua, Montana 59248

FOR THE COMMISSION:

Denise Peterson, Staff Attorney, 2701 Prospect Avenue, Helena, Montana 59620.

Ron Woods, Rate Analyst, 2701 Prospect Avenue, Helena, Montana 59620.

BEFORE:

Danny Oberg, Commissioner and Hearing Examiner

BACKGROUND

1. On December 13, 1990, the Town of Nashua (Applicant or Town) applied to this Commission for authority to increase rates and charges for water service to its customers in its Nashua, Montana service area. The Applicant requested an average increase of approximately 60%, which constitutes an increase of approximately \$11,700 in annual revenues.

2. On September 27, 1990, following issuance of proper notice a hearing was held in the Civic Center, Nashua, Montana. The purpose of the public hearing was to consider the merits

of the Applicant's proposed water rate adjustment. At the close of the public hearing, all parties stipulated to the issuance of a final order in this docket.

ANALYSIS AND FINDINGS OF FACT

3. At the public hearing the Applicant presented the testimony and exhibits of the following witnesses:

Alan Bunk, Alderman
Marilyn DeSonia, Town Clerk
Don Grimsrud, Alderman
David Rexhausen, City Foreman

These witnesses testified on the need for the proposed capital improvements, the estimated cost of the proposed capital improvements, the financing of proposed capital improvements, and rate structure.

4. During the hearing one public witness appeared and offered public testimony. The public witness did not object to the Town's proposed capital improvement program or financing proposal. This witness expressed concerns that the Town's proposed rate structure did not increase the rate to the school system a sufficient amount when compared to the proposed increase for other customer classes.

RECURRING ANNUAL CAPITAL IMPROVEMENT PROGRAM

5. The Town in this case has requested approval of revenues sufficient to provide funds for a Recurring Annual Capital Improvement Program (RACIP). The Town is requesting that the Commission grant revenues sufficient to provide \$11,700 annually for funding of the RACIP. In its filing the Town has outlined a 5 year RACIP with a total estimated cost for the improvements of approximately \$127,500. Table 1 sets out the proposed costs associated with the capital improvement program as follows.

TABLE 1

1.	Replace Water Storage Tank	\$ 94,750
2.	30 Shut-off Valves	\$ 9,000
3.	8 Fire Hydrants	\$ 6,800
4.	Cast Iron Water Main Replacement	\$ 5,950
5.	Water Main Under Railroad Track	\$ 3,000
6.	Purchase Land for Water Tank	\$ 3,000
7.	Master Meter at Well	\$ 1,250
8.	Engineering Fees	\$ 2,500
9.	Administration	\$ 1,500
	Total	\$127,750

6. The Town's proposed water system improvement program, as testified to by the Town's witnesses, includes the replacement of water distribution mains, replacement of distribution system valves, placement of new hydrants and replacement of hydrants throughout the system, and construction of a 200,000 gallon storage tank.

7. The Applicant's witnesses testified that problems are occurring with the water utility's existing facilities. Some of the distribution system deficiencies identified by the witnesses include an existing storage facility that is severely deteriorated and inadequate for fire protection purposes; deteriorated shut-off valves; fire hydrants needing replacement; and distribution lines that are susceptible to failure.

8. The Commission fully supports the adequate funding of a RACIP when that funding is tied to a schedule of contemplated system improvements. The Commission finds that adequate funding of this type of account is prudent management and regulation, in that it allows for proper system maintenance.

9. The Commission finds, based upon the testimony in this Docket, that the RACIP as proposed by the Applicant is reasonably prudent and therefore accepts the Town's assertion that the improvements outlined in the filing need to be constructed.

10. The Town proposes to fund construction of the capital improvements under consideration in this Docket be funded in part through the RACIP, with the balance of the needed funding to be obtained through a loan/grant from a state or federal agency. The capital improvement funding under consideration in this Docket is that part associated with the current revenues of the

utility. The Commission finds the City's request for annual funding in the amount of \$11,700 to be reasonable.

11. The Commission, based upon the Findings of Fact contained herein, finds that the Applicant should be allowed to increase revenues by \$11,700.

RATE DESIGN

12. The one public witness that testified in this case expressed concern over the Town's proposed rate structure. This witness indicated that it was his opinion that the Town had not increased the rate to the largest water consumer, the public schools, a sufficient amount.

13. At present the school district pays a monthly rate of \$148.75 or the equivalent of 19.2 residential rates ($\$148.75 \div \$7.75 = 19.19$). Under the proposed rate structure the school district will pay \$150.00 monthly for water service, or the equivalent of 11.8 residential rates ($\$150.00 \div \$12.75 = 11.76$).

14. To test the reasonableness of the Town's proposed rate for the school, the Commission will examine comparative estimated water consumption of the school and a typical residential connection. The Town of Nashua provides water service on an unmetered basis; therefore, no actual consumption information for the school or a typical residential connection is available. To determine the reasonableness of the proposed rates based on comparative consumption the Commission takes notice of recognized technical facts within its specialized knowledge, that is engineering consumption estimates for a typical household and school. Based on water consumption data provided by engineering firms, the average domestic water consumption for a residential connection is 9,658 gallons monthly, and for a school the estimated consumption is 315 gallons per month per student. For the Nashua school district monthly estimated consumption would be 61,740 gallons ($315 \times 196 \text{ students} = 61,740$). Dividing the amount of school water consumption by the amount of residential consumption, the schools estimated consumption is 6.39 times that of a residential connection ($61,740 \div 9,658 = 6.39$). Based on estimated comparative consumption, under either the proposed or existing rate structure, the monthly rate for the school district appears to be sufficient.

15. The Town did not present a fully allocated cost of service study as part of its application. Without such a study the Commission cannot determine the exact level of revenue contribution that should be derived from each customer class. However, the Town's proposed rate structure to generate the requested revenue increase appears to be an equitable method of implementing the revenue increase authorized herein and is accepted by the Commission.

CONCLUSIONS OF LAW

1. The Applicant, the Town of Nashua, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's rates. Title 69, Chapter 7, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

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

ORDER

NOW, THEREFORE, IT IS ORDERED THAT:

1. The Town of Nashua shall file rate schedules which reflect an increase in annual revenues of \$11,700 for its Nashua, Montana service area. The increased revenues shall be generated by increasing rates and charges as provided herein.

2. The rates approved herein shall become effective upon Commission approval.

DONE IN OPEN SESSION at Helena, Montana, this 8th day of October, 1990, by a 3-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Vice Chairman

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

ATTEST:

Ann Peck
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.