Service Date: January 8, 1992

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 Great Falls for Authority to Increase Rates and Charges for Sewer Service to its Great Falls, Montana, Customers.	)))))	UTILITY DIVISION DOCKET NO. 90.10.66 ORDER NO. 5522l

ORDER ON MOTION FOR RECONSIDERATION

1. On November 20, 1991, the Montana Public Service Commission (Commission) issued Order No. 5522k disposing of all matters concerning cost-of-service (COS) and rate design then pending in this Docket. On December 6, 1991, Montana Refining Company (MRC), an intervenor, filed a Motion for Reconsideration on the issues of COS and rate design for its connection to the City's sewer utility.

2. At a December 17, 1991, work session scheduled at the regularly held agenda on December 16, 1991, the Commission considered the issues raised in MRC's motion.

3. MRC, in its brief in support of the Motion for Reconsideration, beginning on page 2 and concluding on page 4, argues that the sewer service contract between the City and MRC should control the development of appropriate rates for MRC's connection. The Commission in Order No. 5522k made specific findings regarding the contractual agreement and is of the opinion that those findings fully address the issue of the Commission's authorities regarding that contract and the Commission philosophy regarding establishment of rates when a contract has been executed between a utility and a subscriber.

4. On pages 4 through 7 of its brief MRC argues that the Commission inappropriately assigned costs to MRC by including it

in the pretreatment customer class. MRC presents several arguments why, in its opinion, it is entitled to a separate rate classification, similar to Malmstrom and Black Eagle. The only argument presented by MRC that was not addressed in Order No. 5522k is the assertion that, because MRC constructed its on-site collection facilities, it is entitled to special rate consideration.

5. MRC in its brief makes the following statements regarding special rate consideration "...MRC provided, at its sole cost, its own on site collection system, just as does Intervenor FEA" and the Commission "...directed the City to adjust the Malmstrom and Black Eagle rates downward... on the theory that the systems provided their own collection system at their cost and at no cost to the City." MRC attempts to represent that the major rationale underlying the Commission's recognition of a lower COS for Malmstrom and Black Eagle was their construction of on site collection system facilities. Every subscriber connected to the City's sewage facility, at its own cost, constructed the necessary facilities to collect and deliver its sewage to the City's system. Therefore, the assertion that MRC warrants special rate consideration because it constructed on-site collection facilities is without merit.

6. MRC at pages 7 and 8 of its brief points out that the Commission in Order No. 5522k omitted findings regarding MRC's assertion that infiltration/inflow (I/I) costs had been inappropriately assigned to its connection. MRC asserted that the City's method of assigning I/I costs results in MRC being charged twice for this cost. MRC predicates its challenge to the City's COS on the testimony of MRC's witness Mike Love.

7. In his testimony Mr. Love represented that all rain water or any other water finding its way onto refinery property is collected and pretreated by MRC prior to discharge to the City's system. Because all water entering the premise is collected and pretreated prior to discharge, thus passing through the meter, MRC contends that it is being charged twice for costs associated

with I/I.

8. In its COS study the City allocated costs associated with I/I to customer classes on the "premise that two-thirds of the total is distributable on the basis of the number of customers with the remaining one-third allocated on the basis of contributed volume" (Page 3-5, City of Great Falls Exhibit No. 12). The portion of I/I costs allocated to customer classes based on number of customers is not dependent on volume. Therefore, it does not, as MRC contends, represent a duplication of cost recovery. However, in the case of pretreatment customers, the one-third assigned on the basis of metered waste water volumes is a duplication of costs. The volumetric assignment of I/I costs in the COS assumes that the I/I has not passed through the meter of the consumer. With pretreatment customers all waters entering the premises should be collected and pretreated prior to discharge through the meter. That being the case the consumer is being assessed twice for the volume related I/I costs.

9. The Commission finds that I/I costs assigned to the pretreatment customer on the basis of volume should be omitted from the calculation of rates for this customer class. The City should revise its COS study and recover the volume-related I/I costs eliminated from the pretreatment customer class from the remaining customers.

CONCLUSIONS OF LAW

1. The Applicant, the City of Great Falls, 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

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The City of Great Falls shall file rates consistent with the Findings of Fact contained in Order No. 5522k as modified herein.

2. The rates approved herein shall not become effective until the tariffs, revenue bond ordinance(s), and necessary calculations relating to debt costs and cost-of-service have been submitted for review by the Commission.

DONE IN OPEN SESSION at Helena, Montana, this 6th day of January, 1992, by a 3 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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BOB ANDERSON, Commissioner

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JOHN B. DRISCOLL, Commissioner

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WALLACE W. "WALLY" MERCER, 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.