

Service Date: July 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) UTILITY DIVISION
Of The Town of Flaxville To Increase) DOCKET NO. 92.2.10
Rates And Charges For Water Service) ORDER NO. 5633
In Its Flaxville, Montana Service Area.)

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ORDER GRANTING WATER RATE INCREASE APPLICATION

APPEARANCES

FOR THE APPLICANT:

Ralph Hammer, Town Clerk, Town of Flaxville,
P.O. Box 68, Flaxville, Montana 59222.

FOR THE INTERVENORS:

Mary Wright, Staff Attorney, Montana Consumer Counsel,
34 West Sixth Avenue, Helena, Montana 59620.

FOR THE COMMISSION:

Denise Peterson, Staff Attorney, 1701 Prospect Avenue,
Helena, Montana 59620-2601.

G. Joel Tierney, Utilities Engineer, 1701 Prospect Avenue,
Helena, Montana 59620-2601.

BEFORE:

Danny Oberg, Chairman and Hearing Examiner.

BACKGROUND

1. On February 18, 1992, the Town of Flaxville (Applicant or Town) applied to the Commission for authority to increase rates and charges for water service to its customers in its Flaxville, Montana service area. The Applicant requested an average increase of approximately 67.5%, which constitutes an increase of approximately \$7,685 in annual revenues.

2. On June 23, 1992, following issuance of proper notice a

hearing was held in the Flaxville Public School. 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.

FURTHER FINDINGS OF FACT

3. At the public hearing the Applicant presented the testimony and exhibits of Doug Smith, Administrative Consultant. Mr. Smith assisted the town in obtaining its Community Development Block Grant to fund the water treatment plant required to correct a major nitrate problem as mandated by the Montana Department of Health and Environmental Sciences (MDHES). The treatment plant, in operation since August of 1991, has increased annual costs by a projected \$8900 for salt and other chemicals, additional employees, newly mandated water hook-up fees of \$2.25 each, and additional utility costs for the new building, according to Mr. Smith's testimony. Mr. Smith further testified that the town ordinance was only for a \$7685 increase because that was what the Town determined collectable at this time.

4. Mr. Smith testified to the need for additional revenues to defray increased costs of reducing nitrate levels in the Town's water supply. In addition to the increased costs to remove nitrates, the Town has a bond repayment of about \$3600 on a DNRC Water Development Program loan, thus reducing the reserve by that amount, Mr. Smith testified.

5. The estimated annual cost of operating the Town's water utility with the treatment plant is \$16,291. Projections show that with the current 58 hookups and the school's equivalent 10 hookups, annual water revenues should equal \$19,056. The estimated water fund surplus of \$2,769 would be placed in the Town's general fund reserves to be used for replacement and depreciation, emergency repairs and developing additional sources of water supply in the future.

6. The Commission finds that the increase of 67.5% is just and reasonable, and is necessary to recover the increased costs

incurred from the mandated treatment plant, and also to generate a reasonable reserve fund for needed replacement and future acquisitions.

7. No one from the public appeared and offered testimony in opposition to the rate increase.

RATE DESIGN

8. The Town's proposed rate design was not challenged by any party in this proceeding. The Commission's examination of the rate structure indicates that the Applicant has attempted to equitably distribute the cost of providing service and it is, therefore, accepted. The rates shall be \$16.00 per month for the first 4,000 gallons (base rate) and \$3.00 per 1,000 gallons over the base rate. The Flaxville Public School shall pay a special rate: \$16.00 per month for every 10 students.

CONCLUSIONS OF LAW

1. The Applicant, the Town of Flaxville, 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

1. The rates as filed by the Town with its application are authorized.

2. The rates shall be effective for service rendered on and after July 8, 1992.

DONE IN OPEN SESSION at Helena, Montana on this 8th day of

July, 1992, by a 4-0 vote.

BY THE ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

TED C. MACY, Commissioner