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DORSEY & WHITNEY LLP

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July 19, 2000

RECEIVED BY  
2000 JUL 20 PM 2:54  
PUBLIC SERVICE  
COMMISSION

Ms. Denise Peterson  
Montana Public Service Commission  
P.O. Box 202601  
Helena, MT 59620-2601

Re: Mountain Water - Superior Sale

Dear Denise:

In our discussion last week, you indicated that part of your review of Mountain Water's application to sell its municipal water system (the "System") to the Town of Superior, that the Public Service Commission had essentially three concerns relative to the Town. As I understand it, those concerns are: (1) Is the purchaser, in this case the Town, able to operate the System? (2) Can the Town obtain financing to purchase the System? and (3) Will the change in ownership result in an increase in the rates being charged to the customers of the System?

I am submitting this letter on behalf of the Town in the hopes that you will be able to approve Mountain Water's sale of the System expeditiously.

First, as you know, by Montana law the Town is authorized to acquire, own and operate a municipal water system. It is likewise authorized by Title 7, Chapter 7, Part 41 and 42, M.C.A., to issue water system revenue bonds to finance both the acquisition of the System and any needed improvements to that System as they may arise.

The Town has applied for and received tentative approval of Rural Development to lend the Town through the purchase of a water system revenue bond to pay the purchase price of the System as well as the costs related to the acquisition thereof. Rural Development proposes to issue its Letter of Conditions upon receipt of a signed Sale Agreement between the Town and Mountain Water. It is anticipated that will occur no later than July 24. As you may know, the Town currently operates a municipal wastewater system and it has a Director of Public Works. Thus the Town has experience in the operation of a public utility and it will hire the necessary personnel to operate the water system.

SL

## DORSEY & WHITNEY LLP

Ms. Denise Peterson  
July 19, 2000  
Page 2

The Town has evidenced its intention to issue its revenue bond to acquire the System in the approximate amount of \$1,500,000. This will cover the purchase price of the System, as well the costs associated therewith.

At the beginning of the negotiations to acquire the System, the Town hired MSE-HKM to advise them with respect to the acquisition of the System. Among the things MSE-HKM has done for the Town is to review the rates and charges currently being charged by Mountain Water and prepare for the Town estimates of costs of operation and maintenance of the System. The Town, after a public hearing, determined it was in the Town's best interest to initially maintain the Mountain Water rates and charges. The Town has by Resolution No. 231, a copy of which is enclosed with this letter, established the existing rates and charges system utilized by Mountain Water as its initial system of rates and charges. The Town and the Engineer have concluded that those rates and charges will be adequate to cover the Town's cost of operation and maintenance of the System as well as paying debt service on the Bond, without any increase in the schedule of rates and charges.

The Town does not believe that increases in rates and charges will be necessitated as a matter of change of ownership of the System, and because the Town is not in the business of making a profit, it should be able to operate the System at less of a cost to the users. Rural Development requires as a condition of funding that water use charges be based on consumption. So as soon as the System is fully metered, the Town will initiate proceedings to adopt a new system of rates and charges based exclusively on use. It is possible that some water users in the future will experience an increase in fees, while others may experience a decrease.

Again, I appreciated the opportunity to talk to you about this, and trust that Mountain Water will provide to you any information regarding them. I hope that this will adequately satisfy your concerns about the Town's capabilities.

If you need more specific information with respect to operations and maintenance estimates and the like, you may want to call Gary Rowe of MSE-HKM directly at 406/723-8213. If there is anything else I can do or provide, please let me know.

Very truly yours,

*Mae Nan Ellingson*

Mae Nan Ellingson

MNE/cp  
Enclosure

cc: John Alke  
Gary Rowe  
Bill Wagner  
Gordon Hendrick  
Brenda Schneider

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the Town of Superior, Mineral County, Montana (the "Town"), hereby certify that the attached resolution is a true copy of a Resolution entitled: "A RESOLUTION BY THE TOWN COUNCIL OF THE TOWN OF SUPERIOR, MONTANA ESTABLISHING A BASIS ON WHICH MUNICIPAL WATER CHARGES ARE IMPOSED" (the "Resolution"), on file in the original records of the Town in my legal custody; that the Resolution was duly adopted by the Town Council of the Town at a special meeting on June 12, 2000, and that the meeting was duly held by the Town Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Angelo Verpeis, Melanie Reiner, Paula Sahleen, Richard Feldbrugge, Robert Cathcart; voted against the same: \_\_\_\_\_; abstained from voting thereon: \_\_\_\_\_; or were absent: Michael Wood.

WITNESS my hand officially this 12 day of June, 2000.

  
\_\_\_\_\_  
Town Clerk-Treasurer

RESOLUTION NO. 231

A RESOLUTION BY THE TOWN COUNCIL OF THE TOWN OF SUPERIOR,  
MONTANA ESTABLISHING A BASIS ON WHICH MUNICIPAL WATER  
CHARGES ARE IMPOSED

RECITALS

WHEREAS, the Town Council (the "Council") of the Town of Superior, Montana (the "Town"), pursuant to Council Resolution No. 215, approved on June 8, 1998, determined it to be in the best interest of the community to pursue the acquisition of the water system from Mountain Water Company (the "System") by condemnation or by negotiated sale; and

WHEREAS, pursuant to Council Resolution No. 228, approved by this Council on April 10, 2000, the Council authorized the entering into, execution and delivery of a purchase agreement with Mountain Water Company for the purchase of the System; and

WHEREAS, the Town has committed to issuing water system revenue bonds in the amount of \$1,900,000 (the "Bonds") to complete the acquisition of the System, to fund needed improvements to the System, to pay the costs associated with the acquisition of the System and to provide for the sale and security of the Bonds; and

WHEREAS, under Section 69-6-101, Montana Code Annotated, the Town has the power and authority to regulate, establish and change, as it considers proper, rates, charges and classifications imposed for utility services to its inhabitants and other persons served by the municipal systems. Rates, charges and classifications must be reasonable and just; and

WHEREAS, a notice of public hearing was mailed to all users of the Town's System notifying them that pursuant to Resolution No. 229, adopted May 8, 2000, it was the intention of the Town to set forth rules and regulations for the use of the System and to establish the basis upon which charges for the use of the System will be imposed by the Town and notice of public hearing was published as required by Section 69-7-111. A public hearing was held on June 5, 2000 at 7:00 p.m. in the Superior Town Hall for the purpose of hearing comments from the public on the establishment of charges; and

WHEREAS, all persons appearing were given an opportunity to speak at the public hearing. At the public hearing, all persons testifying before the Council regarding the proposed rates and charges were in favor of continuing the system of rates and charges used by Mountain Water until all users of the System are metered and a new rates and charges structure is required; and

WHEREAS, the Council has determined that continuation of the existing system is in the best interest of the users of the System.

NOW, THEREFORE, BE IT RESOLVED by the Town Council (the "Council") of the Town as follows:

Section 1. Continuation of Rates and Charges Imposed by Mountain Water. This Council hereby establishes as its initial system of rates and charges for the System the rates and charges set forth in Order No. 5923 of the Montana Public Service Commission, dated as of August 12, 1997, attached hereto as Schedule I and incorporated herein by reference.

Section 2. Determination of Annual Budget for System. Each year the Council of the Town shall determine the amount of money needed to pay the costs of the System including but not limited to: (a) the payment of the reasonable expense of operation and maintenance of the System; (b) administration of the System; (c) the payment of principal and interest on any bonded or other indebtedness of the System; and (d) the establishment or maintenance of any required reserves, including reserves needed for expenditures for depreciation and replacement of facilities, as may be determined necessary from time to time by the Council or as covenanted in the ordinance or resolution authorizing any outstanding bonds of the System. Based on the annual needs of the System, the Council shall establish monthly charges for the use of the System.

Section 3. Rate Increase. Since this schedule is the current schedule imposed by Mountain Water Company and the City's anticipated cost of operation of the System and the payment of debt service on the Bonds does not currently require an increase in annual revenues, there is no increase in the monthly charges imposed on the users.

Section 4. Metered Rates and Charges. Adoption of a new system of rates and charges based on all users being metered will be made by resolution of the Town Council duly adopted after a public hearing with notice thereof given as provided by law. The adoption of the Mountain Water tariff schedule, which was approved by the Public Service Commission, shall not in any way be construed to suggest or imply that the rates and charges to be imposed by the City on the users of the System are subject to the approval of the Public Service Commission.

Section 5. Effective Date of Resolution. This resolution shall become effective within 10 days after being filed with the Town Clerk. Upon approval of the Town Council, the Town Clerk is directed to immediately file this resolution in the office of the Town Clerk and with the Public Service Commission.

Passed and approved this 12th day of June, 2000.

  
Mayor

ATTEST:



Town Clerk-Treasurer

**PUBLIC SERVICE COMMISSION  
STATE OF MONTANA**



1701 Prospect Avenue  
PO Box 202601  
Helena, MT 59620-2601  
Telephone: (406) 444-6199  
FAX: (406) 444-7618  
<http://www.psc.mt.gov>

Steve Fisher, Chairman  
Lancy McCaffree, Vice Chair  
Bob Anderson  
Danny Oberg  
Bob Rowe

September 25, 1997

Arvid M. Hiller  
Vice President & General Manager  
Mountain Water Company  
P.O. Box 4826  
Missoula, MT 59806

RE: Rate Increase-Superior

Enclosed please find the approved tariff schedules listed as follows:

Docket No.:	D96.6.97
Approved:	August 12, 1997
Order No.:	Final Order #5923b
Effective:	September 1, 1997

MONTANA PUBLIC SERVICE COMMISSION

  
Robin Baker  
Utility Division

Enclosure

# Public Service Commission of Montana

MOUNTAIN WATER COMPANY  
SUPERIOR DIVISION

(Name of Company)

Sheet No. 50

Cancelling Sheet No. 43

FLAT RATE WATER

Service

Schedule Superior 77-F

Available For: Superior and vicinity - To only those customers served by this schedule as of the effective date of this schedule.

Applicable to: Domestic, Commercial, Government & Municipal and Sprinkling Customers in Superior and vicinity.

Rate: Monthly

Single Family Dwellings & Cabins - Mobile Homes Individual 3-room or larger apartments or duplexes:

4 rooms or less with one toilet and bath .....	S	30.02
Each additional room .....	S	5.01
Each additional bath, shower or toilet .....	S	5.01

Commercial Establishments and Halls - not over two Employees:

Each room or office .....	S	17.64
Each bath, shower, toilet or kitchen/store sink .....	S	6.81

Church .....S 32.73

Contractor for Normal Construction - if not metered:

Residence construction .....	S	27.59
Commercial construction .....	S	45.09

Public Building (Municipal, County, State or Federal):

Each room or office .....	S	24.98
Each bath, shower or toilet .....	S	5.01

(Continued)

Issued August 14, 1997  
(Date)

By M. Susan Huntz, Asst. Sec.  
(Signature of Office or Utility)

FOR OFFICE USE ONLY - DO NOT PRINT BELOW THIS LINE

Date Approved: August 12, 1997 Effective for services rendered on or after  
Docket No.: D96.6.97 September 1, 1997  
Order No.: Order #5923b

PUBLIC SERVICE COMMISSION



# Public Service Commission of Montana

**MOUNTAIN WATER COMPANY  
SUPERIOR DIVISION**

(Name of Company)

Sheet No. 51

Cancelling Sheet No. 44

FLAT RATE WATER (CONT.) Service

Schedule Superior 77-F

Available For: Superior and vicinity - To only those customers served by this schedule as of the effective date of this schedule.

Applicable to: Domestic, Commercial, Government & Municipal and Sprinkling Customers in Superior and vicinity.

Rate Per Month:

Hydrants: .....\$ 23.47

Fire Lines:

1".....S	11.30	1-1/2".....S	15.58	4".....S	53.27
1-1/4".....S	13.69	2".....S	24.54	6".....S	96.59
		3".....S	38.92	8".....S	151.20

Swimming Pool:

Apply meter rates to calculated volume of water per filling including make up water (Seasonal basis only)

Each bath, shower or toilet.....S 2.45

Sprinkling Water Per Season:

All square feet, per 100 square feet.....S 2.7262 per 100 square feet

Minimum Bill.....S 28.45 per season

Prompt Payment Discount: None

(Continued)

Issued August 14, 1997  
(Date)

By M. Susan Hunt, Asst. Sec.  
(Signature of Officer or Utility)

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PUBLIC SERVICE COMMISSION

[Signature]  
(Secretary)

# Public Service Commission of Montana

**MOUNTAIN WATER COMPANY  
SUPERIOR DIVISION**

(Name of Company)

Sheet No. 52

Cancelling Sheet No. 45

FLAT RATE WATER (CONT.) Service

Schedule Superior 77-F

Available For: Superior and vicinity - To only those customers served by this schedule as of the effective date of this schedule.

Applicable to: Domestic, Commercial, Government & Municipal and Sprinkling Customers in Superior and vicinity.

**Special Terms and Conditions:**

- ~~1. Employee residence discount 25%.~~
2. These rates are not available beyond the present limits of Flat Rate Service.
3. This flat rate sprinkling rate is not available to those customers receiving metered water service.
4. The normal size service pipe for dwellings will be 5/8 inch.
5. The normal size service pipe for sprinkling shall be 3/4 inch.

~~6. Any customer has the privilege of paying for water by meter measurement under the regular rules and rates, the meter being furnished and maintained by the Water Company. In all cases not covered by the established flat rates and for Tank Trucks and Portable Tanks which shall be filled at a metered hydrant, water will be furnished by meter measurement and applicable meter schedule. The Company reserves the right to install a meter on any service when the Company determines that a customer is using water in an unusual or wasteful manner.~~

7. Any consumer, under this schedule, can choose to be billed either for the entire sprinkling season at the beginning of the season; one-fifth of the per season bill in each of the five months of the sprinkling season; or under the Budget Billing Plan offered by the Company. If the consumer does not indicate to the Company an election of either the one-fifth or the Budget Billing alternatives, then the consumer will be billed for the entire season at the beginning of the season.

(Continued)

Issued August 14, 1997  
(Date)

By W. Susan Hunt, Asst. Sec.  
(Signature of Officer or Utility)

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Order No.: Order #5923b

PUBLIC SERVICE COMMISSION

*(Signature)*

## Public Service Commission of Montana

MOUNTAIN WATER COMPANY  
SUPERIOR DIVISION

(Name of Company)

Sheet No. 53

Canceling Sheet No. 46

FLAT RATE WATER (CONT.) ServiceSchedule Superior 77-F

Available For: Superior and vicinity - To only those customers served by this schedule as of the effective date of this schedule.

Applicable to: Domestic, Commercial, Government & Municipal and Sprinkling Customers in Superior and vicinity.

- ~~8. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the Commission.~~
9. Company will specify the hours and days during which sprinkling will be permitted and will publish notice thereof in newspapers at the start of the sprinkling season or whenever conditions require a change and will permanently post such notice in its local office.
10. If service has been temporarily discontinued at the customer's request for less than eight months, a reconnection charge of \$21.63 must be paid before service is reconnected.
11. If service has been disconnected for non-payment, a \$92.66 reconnection fee will be charged prior to reconnection of service.
12. In situations where more than one user is being provided with water from a single service line, with a single shut-off valve device controlling the water flow, and if any one or more of the water users either will not sign up for service or will not pay for that service, then the responsibility for payment of the future water charges must be assumed by the property owner until such time as the piping configuration has been modified to provide an individual shut-off valve for each water user in order to prevent the service from being disconnected for non-signup or non-payment.

Failure to provide payment, or satisfactory arrangements for payment, may result in total discontinuance of service even though one or more users may not be in arrears with their account.

Issued

August 14, 1997

(Date)

By

Susan Hunt, Asst. Sec.

(Signature of Officer or Utility)

FOR OFFICE USE ONLY - DO NOT PRINT BELOW THIS LINE

Date Approved: August 12, 1997 Effective for services rendered on or after  
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PUBLIC SERVICE COMMISSION

[Signature]  
(Secretary)

# Public Service Commission of Montana

**MOUNTAIN WATER COMPANY**  
**SUPERIOR DIVISION**

(Name of Company)

Sheet No. 54  
Canceling Sheet No. 47

METERED WATER Service

Schedule Superior 77-M

Available For: Domestic, Commercial, Industrial, Government & Municipal and Sprinkling Customers in Superior and vicinity.

Quantity Rates:

For all usage, per 100 cu ft .....S 1.3631

Prompt Payment Discount: None

Service Charges, per month:

5/8".....S	13.26	3".....S	153.12
3/4".....S	18.26	4".....S	253.02
1".....S	28.25	6".....S	502.77
1-1/2".....S	53.22	8".....S	802.46
2".....S	83.19	10".....S	1,152.11
		14".....S	2,001.25

This Service Charge is applicable to all metered water service. It is a readiness to serve charge to which is added the charge, computed at the Quantity Rates for water used during the month.

Special Terms and Conditions:

1. Employee residence discount - 25%.
2. Company will specify the hours and days during which sprinkling will be permitted and will publish notice thereof in newspapers at the start of the sprinkling season or whenever conditions require a change and will permanently post such notice in its local office.
3. All services provided by the Company under this and all other schedules are governed by the rules and regulations approved by the Commission.
4. 100 Cu. Ft. = 748.019 Gal., 1,000 Gal. = 133.6806 Cu. Ft.  
(Continued)

Issued August 14, 1997  
(Date)

By Mr. Duran Hunt, Asst. Sec.  
(Signature of Officer or Utility)

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PUBLIC SERVICE COMMISSION

[Signature]  
(Secretary)

# Public Service Commission of Montana

**MOUNTAIN WATER COMPANY  
SUPERIOR DIVISION**

(Name of Company)

Sheet No. 55

Cancelling Sheet No. 48

METERED WATER (CONT.) Service

Schedule Superior 77-M

Available For: Domestic, Commercial, Industrial, Government & Municipal and Sprinkling Customers in Superior and vicinity.

- 5. If service has been temporarily discontinued at the customer's request, for less than eight months, a reconnection charge of \$21.63 must be paid before service is reconnected.
- 6. If service has been discontinued for non-payment, a \$92.66 reconnection fee will be charged prior to reconnection of service.
- 7. In situations where more than one user is being provided with water from a single service line, with a single shut-off valve device controlling the water flow, and if any one or more of the water users either will not sign up for service or will not pay for that service, then the responsibility for payment of the future water charges must be assumed by the property owner until such time as the piping configuration has been modified to provide an individual shut-off valve for each water user in order to prevent the service from being disconnected for non-signup or non-payment.

Failure to provide payment, or satisfactory arrangements for payment, may result in total discontinuance of service even though one or more users may not be in arrears with their account.

Issued August 14, 1997  
(Date)

By M. Susan Hunt, Asst. Sec.  
(Signature of Officer or Utility)

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PUBLIC SERVICE COMMISSION  
[Signature]  
(Secretary)

# Public Service Commission of Montana

MOUNTAIN WATER COMPANY  
SUPERIOR DIVISION

(Name of Company)

Sheet No. 56

Cancelling Sheet No. 49

Low Income Discounts Service

Schedule

Superior 77-M

### ELIGIBILITY

Customers must annually qualify for the low income discount by annually qualifying for the Low Income Energy Assistance Program. The Customer must provide the Company with satisfactory evidence of qualification under LIEAP.

### DISCOUNT

Eligible Mountain water customers will receive a \$4.00 reduction in the applicable flat rate, or demand charge if metered. The discount applies only to services provided during the current billing period and not to arrearages from prior billing periods.

### COST RECOVERY

The cost of the low income discount will be recovered in the rates Mountain Water charges as follows:

1. The dollar amount of the discount actually provided by Mountain Water to its low income customers will be recorded in a balancing account.
2. Amounts in the balancing account established above will accrue interest at the weighted cost of capital last authorized by the Montana Public Service Commission.
3. In each rate case succeeding the approval of this tariff, the balance in the balancing account, including accrued interest, at the end of the year used as the test period in that rate case, will be treated as an extraordinary expense and amortized over two years in the cost of service prepared in that rate case.

### SUNSET PROVISION

This tariff is an experimental tariff, authorized on a limited basis in order to collect data on the costs and benefits of a low-income discount on the Mountain Water system in Missoula, Montana. Unless specifically reauthorized by the Commission, this discount applies only to utility services rendered between the initial effective date of this tariff and December 31, 1999. Unless specifically reauthorized by the Commission for services rendered after that date, no discounts will provided after that date.

Issued August 14, 1997  
(Date)

By W. Susan Hunt, Asst. Sec.  
(Signature of Officer or Utility)

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Date Approved: August 12, 1997 Effective for services rendered on or after  
Docket No.: D96.6.97 September 1, 1997  
Order No.: ~~Order #5923b~~

PUBLIC SERVICE COMMISSION

William A. Anderson  
(Secretary)