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PSC Chair Cautions against Speculating on Future Four Corners Utility Rates

Montana Public Service Commission (PSC) Chair Greg Jergeson cautions against speculation regarding water and sewer rates for residents in the Four Corners area if the utility serving that region came under PSC Jurisdiction. Utility Solutions, the current provider of water and sewer service for the Elk Grove Subdivision, has requested that the PSC determine allowable rates for them, but the PSC has not yet taken final action on the issue. A hearing on the topic is set for March 31, 2010. Any conjecture on the outcome of that hearing is very premature, Jergeson said.

"Sweeping comments about customers paying substantially more because of profit margins allowed by the PSC are unfounded and reckless," he added. "Montana law does allow utilities regulated by the PSC to earn a rate of return on investments but that amount varies widely depending on each situation; it is impossible for anyone to know at this point what the rates in Four Corners would be under PSC jurisdiction," Jergeson continued.

What is known, the Chairman observed, is that if the Four Corners Water and Sewer District moves forward with its plan to purchase Utility Solutions for \$22.9 million with 40-year bonds at 4.75 percent, the debt service will equal almost \$107,000 a month. Divided among the current 186 Four Corners residents, that comes out to nearly \$575/month each for 40 years. At full build out of 1022 lots, this figure is still over \$100/month.

Jergeson went on to say, "I strongly encourage the Elk Grove Residents to look closely at their options. If they decide not to join the Four Corners Water and Sewer District, they will not be responsible for most of these debt service costs." Furthermore, the debt service costs would be in addition to what the District's customers will be paying for the utility's regular service.

"Most of this debt service," Jergeson added, "would not be recoverable in rates because, as a general rule, the PSC does not consider the selling price of an asset when determining a utility's rates. Instead, the net historical cost of the asset is considered, a figure that in this instance is anticipated to be only a fraction of \$22.9 million."

Also, the state agency tasked with representing the utility's customers, the Montana Consumer Counsel (MCC), recently submitted comments to the PSC recommending lower rates than those identified by Utility Solutions. Specifically, rather than a rate of \$5.32 per 1000 gallons of water requested by Utility Solutions, the MCC recommends approximately \$3.24 per 1000 gallons, almost 40 percent less. Also, Utility Solutions is making the case for a \$113/month flat sewer rate, while the MCC states around \$78/month, or 40 percent lower, is reasonable. (See accompanying chart for more information.)

"Disparate suggestions on rates is exactly the kind of information the PSC is currently examining and will hear more about at the hearing March 31, and why is it is impossible to predict the outcome," concluded Jergeson. Additional information about this issue can be found under dockets D2005.11.163 and D2009.11.152 on the PSC website at <http://psc.mt.gov/eDocs>. The Commission anticipates ruling on Utility Solutions rates by late spring.

Made up of 5 elected commissioners, the PSC works to ensure that Montanans receive safe and reliable service from regulated public utilities while paying reasonable rates. Utilities regulated by the PSC generally include private investor-owned natural gas, electric, telephone, water, and sewer companies. In addition, the PSC regulates certain motor carriers, and oversees natural gas pipeline safety and intrastate railroad safety.

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Elk Grove Water and Sewer Rate Proposals Comparison

The Montana Public Service Commission uses information like the below chart to determine rates for regulated utilities.

More information is available on the PSC Website under docket D2005.11.163 or by calling the PSC office at 1-800-646-6150.

Current Water Rates	Utility Solutions Requested Water Rates	Montana Consumer Counsel Proposed Water Rates
\$14.68/month Flat Rate + \$1.64/1000 gallons of water	\$33.22/month Flat Rate + \$5.32/1000 gallons of water	\$28.95/month Flat Rate + \$3.24/1000 gallons of water
Current Sewer Rates	Utility Solutions Requested Sewer Rates	Montana Consumer Counsel proposed Sewer Rates
\$53.79/month Flat Rate	\$113.76/month Flat Rate	\$78.32/month Flat Rate