**Instructions for Simplified Regulatory Treatment filings**

**from small water and/or sewer utilities**

Two simplified regulatory treatment options are available to a small water and/or sewer utility that allow it to propose rates by a method other than a rate application. See Mont. Admin. R. 38.5.2527 through 38.5.2532. The utility may file for adoption of rates based on the Montana Department of Natural Resources and Conservation’s (DNRC) most recent water and sewer rate study (standard rate) or they may file for adoption of rates based on an operating ratio methodology.

Mont. Code Ann. § 69-3-303 requires the Commission to publish notice of the filing in one or more newspapers within the area affected by the proposed change. The small water or sewer utility will be billed by the Commission for the publication.

**Section A: Standard rate tariff filings (Mont. Admin. R. 38.5.2528) AND Operating ratio methodology filings (Mont. Admin. R. 38.5.2529). This section applies to a company applying for either the standard rates or rates based on the operating ratio methodology.**

A rate application for either of the simplified regulatory treatment options shall contain, at a minimum, the following information:

⃝ A cover letter to the Commission. See [Appendix A](Appendix%20A%20Sample%20Letter%20to%20Commission.docx) for a sample letter. The cover letter must include:

► A statement verifying that notification was mailed to customers, including the date the notifications were mailed.

► A list of names and billing addresses of all customers.

► A copy of the written notification sent to customers.

⃝ A copy of the proposed tariffs;

⃝ A red-lined version of the existing tariffs showing the proposed changes (if customers are currently being charged rates based on tariffs);

⃝ The full legal name and title of the owner of the utility, its principal place of business and mailing address, the date that it began providing service to customers, and contact information (i.e., name, address, telephone number and email) of the individual(s) representing the utility before the Commission;

⃝ A detailed description of the utility system and its potential for expansion, including the number of wells, feet of main, and filtration system;

⃝ The total number of existing water service connections and meters and existing sewer service connections and meters, and the billing frequency for each type of service;

⃝ The total number of potential water service connections and meters and potential sewer service connections and meters;

⃝ The number of existing and potential multi-residence dwellings (e.g., apartments or condos) served by a single service connection or meter, and the number of units in each multi-residence dwelling;

⃝ The current rates being charged for each type of service, when the current rates went into effect, and whether the current rates have been approved by the Commission;

⃝ If known, the date that utility assets were first placed in service, the date of any sales or transfers that have occurred since utility assets were first placed in service, and the full legal name and title of any previous owner(s);

⃝ In the event that the utility is not a new utility, two years of income statements and balance sheets, separately for water and sewer utilities, indicating how these statements were prepared (i.e., cash basis or accrual basis) and who prepared them;

⃝ In the event that the utility is not a new utility, a list of any revenue generated during the two years referenced in (i) from sources other than the rates charged to customers, including the source and amount of revenue;

⃝ In the event that a utility is not a new utility, a list of each transaction that occurred with an affiliate or related party during the two years referenced, involving more than $750, the amount paid, service(s) provided, and counterparty;

⃝ If a utility is requesting the standard rate tariff, it must file an annual report with the Commission; if the utility is requesting the operating ratio tariff, it must file a copy of each annual report for the last three calendar years;

⃝ Copies of any water rights owned or leased by the utility, percentage usage of the available water right, and any documentation from the Department of Natural Resources and Conservation involving water right usage or violations;

⃝ An affidavit from an owner or manager of the utility attesting to the accuracy of the information provided;

⃝ The original cost of utility plant in service, an accounting of any capital improvements made, the amount of depreciation that has been taken on plant in service, and the depreciation schedule(s) used for the different utility asset accounts; and

⃝ A complete copy of the information regarding the utility's financial capacity that the utility provided to the Montana Department of Environmental Quality as part of that agency's public water system review process.

**Section B: Standard rate tariff filings (Mont. Admin. R. 38.5.2528). This section applies only to a company applying for the standard rates.**

***\*\*\*This option is not available to a utility that has previously had rates on file with the Commission.\*\*\****

A small water or sewer utility filing for rates using the standard rate tariff filing method must provide all information in Section A, as well as the information below:

Within 10 days of filing a standard rate tariff application with the Commission, a small water or sewer utility must notify every customer in writing. See [Appendix B](Appendix%20B%20Sample%20Letter%20to%20Customers-Standard%20Rate.docx) for a sample letter to customers. The customer notification must:

 ⃝ be mailed to each customer’s billing address;

 ⃝ inform customers of the proposed rates and provide information that shows the typical bill impact of the proposed rates for average customer usage;

 ⃝ provide contact information for the utility, the Montana Public Service Commission (1701 Prospect Ave, P.O. Box 202601, Helena MT, 59620-2601, 800-646-6150) and the Montana Consumer Counsel (111 North Last Chance Gulch, Suite 1B, P.O. Box 201703, Helena MT, 59620-1703, 406-444-2771).

The current standard rate and ancillary fees can be found in Appendix E.

Standard rate tariffs adopted by a small water or sewer utility expire three years after the effective date. At least three months prior to the expiration of the standard rate tariff, the utility must file a rate application in accordance with the minimum rate case filing standards of Mont. Admin. R. 38.5.101, et seq., or an application in accordance with the operating ratio methodology pursuant to Mont. Admin. R. 38.5.2529.

**Section C: Operating ratio methodology filings (Mont. Admin. R. 38.5.2529). This section applies only to a company applying for rates based on the operating ratio methodology.**

***\*\*\*This option is only available to a small water or sewer utility that has been operating under Commission-approved tariffed rates for at least three years.\*\*\****

A small water or sewer utility filing for rates using the operating ratio methodology must provide all information in Section A, as well as the information below:

No later than ten days after filing an operating ratio methodology application, the utility must notify its customers in writing of the application and the proposed rate changes. See [Appendix C](Appendix%20C%20Sample%20Letter%20to%20Customers-ORM%20Rate.docx) for a sample letter to customers. The notice shall provide, at a minimum:

 ⃝ the filing date of the rate application;

 ⃝ a statement that the utility filed its application without the necessary costs of preparing for a hearing; however, a formal public hearing will be held if at least 20 percent of the utility's customers or the Montana Consumer Counsel submits a written request for hearing;

 ⃝ the current rate, the proposed rate, and the percentage of the difference between the two;

 ⃝ a statement that customers may contact the utility, the Montana Consumer Counsel, or the Commission regarding the application;

⃝ contact information for the utility, the Montana Public Service Commission (1701 Prospect Ave, P.O. Box 202601, Helena MT, 59620-2601, 800-646-6150) and the Montana Consumer Counsel (111 North Last Chance Gulch, Suite 1B, P.O. Box 201703, Helena MT, 59620-1703, 406-444-2771).

An Excel document to fill out and submit for calculating the operating ratio methodology, along with instructions, can be found on our website at <https://psc.mt.gov/Regulated-Utilities/Compliance-Materials>

**Section D: Waiver Requests**

If a utility is unable to provide any of the requested information, they may file a waiver request. That request must include a description of the requirement to be waived, along with an explanation of why the utility is unable to provide the information.

**Section E: Checklists**

√ Cover Letter to Commission

√ Copy of notification sent to customers, along with list of names and addresses of customers

√ Application including all information requested in Section A

√ Additional information required in Section B (standard rate) or Section C (operating ratio methodology)

√ Entire package filed electronically on the Public Service Commission website at http://psc.mt.gov (“Account Login/Registration” within the “Electronic Documents” tab).

√ A copy of the entire package mailed or delivered to the Montana Consumer Counsel at the address provided in Section B and Section C.

√ Contact Montana Department of Revenue, Miscellaneous Tax Department at (406) 444-6900 for information on paying the Montana Consumer Counsel and Public Service Commission funding fees. See Mont. Code Ann. 69-1-223, 69-1-224, 69-1-402, and 69-1-403.

√ Contact Montana Secretary of State, Business Services at (406) 444-3665 to find out about requirements of that office.

√ Upon Commission action submit a cover letter and compliance tariffs, reflecting rates and fees approved by the Commission. See [Appendix D](Appendix%20D%20Sample%20Letter%20to%20Commission%20for%20Compliance%20Tariffs.docx) for a sample letter.

**Section F: Links to Appendices:**

Appendix A: [Sample Letter to Commission](Appendix%20A%20Sample%20Letter%20to%20Commission.docx)

Appendix B: [Sample Letter to Consumers (Standard Rate)](Appendix%20B%20Sample%20Letter%20to%20Customers-Standard%20Rate.docx)

Appendix C: [Sample Letter to Consumers (ORM)](Appendix%20C%20Sample%20Letter%20to%20Customers-ORM%20Rate.docx)

Appendix D: [Sample Letter to Commission for submittal of compliance tariffs](Appendix%20D%20Sample%20Letter%20to%20Commission%20for%20Compliance%20Tariffs.docx)

Appendix E: [Tariffs-standard rates water and sewer.docx](Appendix%20E%20Tariffs-standard%20rates%20water%20and%20sewer.docx)

Shared:Regulatory:Water

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