D E C I S I O N  M E M O R A N D U M

TO:COMMISSIONER NELSON

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DON OLIASON

GARY RICHARDSON

WORKING FILE

FROM:  BOB SMITH

DATE: FEBRUAY 9, 1996

RE:CASE NO. GNR-W-95-2; APPLICATION OF BITTERROOT WATER CO.; STAFF’S RECOMMENDATION FOR RATES.

On October 24, 1995, Bitterroot filed an application for a Certificate of Public Convenience and Necessity and to set rates.  The Commission issued a Notice of Modified Procedure and Notice of Application on November 13, 1995, addressing the Certificate of Public Convenience and Necessity.  The notice specifically indicated that the question of rates for water service would be addressed at a later time.  The Commission Staff (Staff) filed comments on November 20, 1995.   No other comments were filed.  The Staff Comments recommended approval of the request for a Certificate of Public Convenience and Necessity and indicated it would file recommendations regarding rates at a later date.

The Commission issued Order No. 26268 on December 13, 1995, approving Certificate of Public Convenience and Necessity No. 319 for this company.  The order did not establish rates for water service; rather the Commission indicated that “...the Commission will determine rates for Bitterroot at a later time in a subsequent order.”

The Staff has completed its report (copy attached) on this system and recommends that a flat rate of $20 per month be established with a review in approximately one year.  Staff makes this proposal because this is a new company without any historical data upon which to base a rate recommendation.  The Company has agreed to this approach and will begin reading customers' meters immediately in order to accumulate use data upon which a metered rate design can be established.  The $20 is approximately the amount requested by the Company.  The Company's estimated costs do not appear unreasonable and the $20 rate is comparable to rates established for other small water companies.

The developer will install all facilities necessary to serve customers as the subdivision is developed.  These facilities will include main line connections, meter bases, meters and stop valves.  The Company has been charging a connection fee of $750 to recover the cost of these facilities.  The development company, Denali Vandals, Inc., is owned in common with the water company.  This connection fee is comparable with fees charged by other water companies.  Staff recommends approval of this connection fee through the water company which will be refunded to the development company.

Staff recommends the Commission issue a Notice of Modified Procedure with the minimum 21-day notice period.  The notice should include the Commission’s intent to establish a flat rate of $20, followed in approximately one year by an audit review and implementation of metered rates.  The notice should also indicate the Commission's intention to approve the $750 connection fee.  We recommend the notice be sent to all customers and other interested parties.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Modified Procedure to establish rates as recommended by the Staff?

Should the Notice indicate the Commission's intention to approve the $750 connection fee?

Something else?

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Bob Smith

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