DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

DON OLIASON

BOB SMITH

ROSE SCHULTE

GARY RICHARDSON

WORKING FILE

FROM:SUSAN HAMLIN

DATE:APRIL 19, 1996

RE:CASE NO. GNR-W-95-2;  BITTERROOT WATER COMPANY  --  COMMENTS ON RECOMMENDED RATES PURSUANT TO MODIFIED PROCEDURE

On October 24, 1995, Bitterroot Water Company (Bitterroot, Company) filed an Application for a Certificate of Public Convenience and Necessity and to set rates. On November 13, 1995, the Commission issued a Notice of Modified Procedure and a Notice of Application addressing the Certificate of Public Convenience and Necessity. On December 13, 1995, the Commission issued Order No. 26268 approving Certificate of Public Convenience and Necessity No. 319 for the Company.  The Order specifically stated “the Commission will determine rates for Bitterroot at a later time in a subsequent Order.”

On March 28, 1996, the Commission issued a Notice of Modified Procedure seeking comments on Staff’s proposed flat rate of $20 per month, a $750 new service connection fee and an audit to be conducted within one year for the purpose of designing metered rates.

Bitterroot currently has 13 customers and has collected no fees from these customers.  Bitterroot is a new company and has few historical records to develop revenue requirements or the rates required to produce the revenue.  Staff and the Company have agreed that a flat rate of $20 per month is reasonable.  The Company has agreed to begin reading meters in order to accumulate the data necessary to design a metered rate structure.

STAFF’S COMMENTS

Staff was the only party to file comments in this case.  According to Staff, Bitterroot has installed meters to measure the use of water, however, Bitterroot has not measured the use of water nor charged any customers for water service at this time.  Absent records regarding the use of water by customers, Staff claims it is difficult to design a metered rate structure and thus has proposed a flat monthly rate.  Staff has recommended to Bitterroot to begin reading its customer meters immediately and establish an accounting system for the water company to track its operating expenses. Therefore Staff has recommended a flat rate of $20 per month, a $750 new service connection fee and an audit to be conducted after one year for the purpose of designing metered rates.

COMMISSION DECISION

Does the Commission wish to approve a flat rate of $20 per month and a $750 new service connection charge?  Does the Commission wish to include in the Order an audit of the Company after one year of operation for the purpose of designing metered rate structure?  Does the Commission have another alternative?

Susan Hamlin

vld/M:GNR-W-95-2.sh