



ADMINISTRATIVE RULES OF MONTANA



38.5.2531 RESERVE ACCOUNT

- (1) The commission may authorize a small water or sewer utility to establish a reserve account. A reserve account is funded by customer contributions collected through rates for the purpose of making capital improvements to a utility plant pursuant to a long-range plan approved by the commission, or as required to assure compliance with state or federal safe drinking water statutes or regulations. The burden of demonstrating that actual or proposed expenditures are reasonable and in the public interest shall be borne by the utility.
- (2) The amounts to be allocated to the reserve account will be determined by the commission after review of the utility's proposed capital budget and the justification for that budget.
- (3) Funds in the reserve account shall be kept in a separate interest-bearing cash account. Interest accrued shall be credited to the reserve account and shall become part of the corpus of the reserve account.
- (4) The utility must deposit all funds collected from customers for the reserve account at the close of each customer billing period and, in any event, no less frequently than quarterly.
- (5) Funds from the account shall not be employed for a purpose other than those permitted under this section. Disbursements from the fund shall not be made without written authorization by the commission upon petition, shall be restricted to the uses in (1), and shall be made in accordance with a capital budget submitted with the initial rate filing or as modified with the consent of the commission.
- (6) The utility shall report all disbursements from the reserve account by written notice to the commission and to other persons as the commission may direct within ten days of disbursement. In addition, the utility must provide by March 1 of each year a verified statement from the financial institution that houses the reserve account that shows all account transactions for the preceding calendar year. Disbursements from the reserve account which are found by the commission to have been made improperly, or in violation of any statute, regulation, or order of the commission shall be returned to the account or be refunded to ratepayers as the commission may direct. A person who makes, authorizes, or directs an improper or illegal disbursement of reserve funds shall be subject to the provisions of 69-3-209, MCA.
- (7) Plant capitalized by means of the reserve account shall be accounted for as a contribution in aid of construction.
- (8) In the event of a change of ownership of the small water or sewer utility, all funds in the reserve account must remain the property of the utility to be used for commission-approved purposes.

Authorizing statute(s): 69-2-101, 69-3-103, 69-3-301, MCA

Implementing statute(s): 69-2-101, 69-3-103, 69-3-301, MCA

History: NEW, 2014 MAR p. 394, Eff. 2/28/14.