



ADMINISTRATIVE RULES OF MONTANA



38.5.2529 OPERATING RATIO METHODOLOGY

- (1) This option is available only 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 electing this simplified option must file a rate application with the commission using the operating ratio methodology to determine the appropriate rates to be charged by the utility.
- (2) The commission will make available the forms and schedules to calculate the operating ratio which must be completed and included by the utility in the rate application. The forms are available upon request from the commission or by obtaining them from the commission's web site at www.psc.mt.gov.
- (3) The commission will determine whether an increase or decrease in operating revenues is justified by dividing the utility's reasonable and legitimate operating expenses by the target operating ratio of 80 percent, and subtracting that amount from the operating revenues. A positive difference will result in a rate decrease; a negative difference will result in a rate increase.
- (4) No later than ten days after filing the application, the utility must notify its customers in writing of the application and the proposed rate changes. The notice shall provide, at a minimum:
 - (a) the filing date of the rate application;
 - (b) 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;
 - (c) the current rate, the proposed rate, and the percentage of the difference between the two;
 - (d) a statement that customers may contact the utility, the Montana Consumer Counsel, or the commission regarding the application and contact information for the utility, the Montana Consumer Counsel, and the commission.
- (5) A copy of the notice and the mailing list of customers to whom the notice was, or will be mailed, must be submitted to the commission with the rate application.
- (6) There will be no hearing on the application unless 20 percent or more of the utility's customers or the Montana Consumer Counsel request it, or the commission schedules a hearing on its own motion. Upon request for hearing, the commission will use a contested case procedure to conduct its review of the application. In any event, an individual commissioner may schedule a hearing to obtain public comment on the application.
- (7) In the event a hearing is held, the utility may elect to designate its application to serve as its prefired evidence; however, the utility is not precluded from filing additional evidence.

- (8) Rates approved pursuant to the operating ratio methodology are subject to periodic review to ensure their continued justness and reasonableness.

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.