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Division of Public Utilities

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--==-- MEMORANDUM ==--

TO: PUBLIC SERVICE COMMISSION OF UTAH

FROM: DIVISION OF PUBLIC UTILITIES
Philip J. Powlick, Division Director
Bill Duncan, Manager, Telecom & Water Section
Shauna Benvegna-Springer, Utility Analyst

DATE: July 13, 2009

SUBJECT: In the Matter of the Request of White Hills Water Co., Inc. for Approval of a Rate Increase

RE: Docket No. 09-2199-T01

RECOMMENDATION:

The Division of Public Utilities (DPU or the "Division") completed an investigation and analysis to the requested tariff amendments filed by White Hills Water Co. (WHWCI or the "Company") on April 13, 2009. The Division recommends approval of the:

- 1) backflow prevention language,
- 2) late payment language,
- 3) decrease of interest rate and deposit amount change, and
- 4) institutional rate.

The Division recommends denying the proposed compliance charges and the insurance coverage tariff language.

INTRODUCTION:

On June 12, 2008, the Company filed an application for a rate increase under Docket 08-2199-01 due to the financial losses the Company has experienced during 2005, 2006 and 2007 in excess of \$10,000 each year. After the Division completed an audit and discussions with the Company, the Company filed a modified tariff change on October 20, 2008 under Docket No. 08-2199-T01. The Division recommended a modified version and the Commission approved tariff and rate changes on April 23, 2009.

ANALYSIS:

While the Division was working with the Company on the tariff document, various issues were identified by the Division and the Company which should have been included in the initial or modified rate increase and tariff change. They are the following:

Backflow Prevention:

Under the Utah Safe Drinking Water Act (Title 10, Chapter 4 of the Utah Code) and the Federal Safe Drinking Water Act (US EPA) which went into effect as of February 1, 2003, each water purveyor has responsibility to protect the water system from cross connection contamination and insure the water system has proper backflow prevention. As such the Division supports the Utah Cross Connection Control Program and developed the backflow protection language to be added to all new or amended tariffs.

Compliance Charge:

The Company requested to add a compliance charge of costs to a customer's account when access to their meter has been unavailable. The Commission has rules in place for this situation as referenced in Rule 746-200-4(B)(2) and (3) in addition to Rule 746-200-7(B)(1)(f). Since the actual cost could vary greatly and a fixed amount was not determined or justified, the Division recommends denying the approval of a compliance service charge.

Late Payment:

The Company's current late payment policy and bi-monthly billing practice provide a disincentive for a customer to pay promptly. The Division finds the proposed late payment language to be in compliance with the Commission's Rule 746-200-4(D) (1).

Deposit Interest Rate and Deposit Amount:

The Company has requested to change the current interest rate of 6% to 2% or a sliding scale comparable to market rates and the deposit amount from \$60.00 to \$210.00. The Commission Rule 746-200-3(A) (2) indicates a Commission approved rate and policy shall be submitted for approval. The Company bills bi-monthly and the minimum bill is \$38 per month, which three billing cycles would equal \$228, therefore the proposed amount of \$210.00 is a reasonable amount to collect for a security deposit. The Division recommends approval of the decrease of the interest rate to 2% APR and the security deposit of \$210.00.

Institutional Rate:

The Company requested an institutional rate schedule for customers who meet the definition of an institutional customer. Currently, the Company does not have any customers who might qualify for the institutional rate. The proposed rate is reasonable as compared with other institutional rates throughout the state, as analyzed in the previous rate case. The Division recommends approval of the institutional rate as proposed.

Insurance Coverage:

The Company has requested to limit its liability to \$50,000 or current insurance policy limits, whichever is greater, to each water user for any damage resulting from the Company's gross negligence. The Division believes this would be a civil matter and as such the Division recommends denying the insurance coverage tariff language.