

J. Craig Smith (4143)
 jcsmith@smithlawonline.com
 Bryan C. Bryner (10276)
 bbryner@smithlawonline.com
 SMITH HARTVIGSEN, PLLC
 Walker Center
 175 South Main St., Suite 300
 Salt Lake City, Utah 84111
 Telephone: (801) 413-1600
 Facsimile: (801) 413-1620
Attorneys for Applicant

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH	
<p>IN THE MATTER OF THE APPLICATION OF GRAND STAIRCASE WATER COMPANY, L.L.C., FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO OPERATE AS A PUBLIC UTILITY RENDERING CULINARY WATER SERVICE</p>	<p>ISSUES MATRIX Docket No. 10-2529-01</p>

Applicant Grand Staircase Water Company (“GSW”) and the Division of Public Utilities (“Division”) hereby state that the following remaining issues are to be heard and determined by the Commission regarding GSW’s application for approval of its proposed Tariff:

Issue	GSW	Division
<p>1. Rate base: what assets should be included in the rate base</p>	<p>The value of original utility plant in service should be included in the rate base. It is not contribution in aid of construction (CIAC) because it cannot be recovered through the sale of lots. The majority of the investors and owners of GSW are not developers and do not own any the villa lots in the resort. Therefore, the presumption under Utah Admin. Rule R746-330-6 does not arise; even if it does, it is rebutted by the evidence of GSW’s ownership.</p>	<p>Based on the information given to the Division, the original utility plant in service should be recoverable through the sale of lots.</p> <p>The Division has not received any evidence demonstrating that the majority of the investors and owners of GSW are not the developers of GSW and therefore GSW has not rebutted the rebuttable presumption sent forth in R746-330-6 regarding recovery of the value of the</p>

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	GSW is in the process of gathering the necessary evidence informally requested by the Division that demonstrate that the majority of the investors and owners of GSW are not the developers of the Resort.	original plant and assets.
1b. Rate Base	The Project Cost Recovery component of the Connection Fees will be allocated as CIAC and will thus reduce the rate base as the Connection Fees are collected.	Based on the information received from GSW, the Division believes that the GSW is seeking to recover the infrastructure costs twice: a. once in its proposed connection fees which would reimburse the investors' investment in GSW and b. again by including these same (reimbursed) infrastructure costs in the rate base, effectively recovering their investment twice
2. Rate of Return	A rate of return of 12.5% is just and reasonable in today's economic climate.	The Division proposes a rate of return of 12.0%. The Division has, for the past several years, used 12, which it deems appropriate in light of today's declining interest rates.
3. Connection Fees	The Connection Fees, which include a CIAC component and revenue component, are just and reasonable. The CIAC components (Hookup Fee and Project Cost Recovery Fee) are based on actual system costs. The balance is revenue to GSW. GSW is in the process of gathering evidence to show that the Hookup Fee is based on the actual cost to connect to the system, and the Project Cost Recovery Fee is based on the actual cost of the original system infrastructure.	Connection fees are significantly higher than the cost recovery of the materials and labor to connect a lot to the main water line. No evidence has been provided to the Division to demonstrate that anything other than recovering the actual costs of connection is appropriate. Connection fees should offset the costs to make the connection and are not considered a revenue source.

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	<p>The Commission has approved connection fees in the past split between CIAC and revenue.</p> <p>Infrastructure cost recoveries from the connection fees, i.e. the Project Cost Recovery Fee, will be allocated 100% to CIAC.</p>	<p>Each case is unique and this has no bearing on this case.</p> <p>The Division asserts that the proposed connection fees are set to recover the costs of the infrastructure and should not be considered as revenue. If approved, these infrastructure cost recoveries from the connection fees should be allocated 100% to CIAC and not included in the rate base to earn a rate of return on.</p>
	<p>GSW agrees that the Project Cost Recovery Fee component of the Connection Fee cannot exceed the total infrastructure investment by the GSW owners and investors. GSW will provide evidence demonstrating that the majority of GSW's investors and owners are not the developers of the Resort.</p>	<p>Based on the information received by the Division, it shows that GSW's proposed connection fee amounts exceed the total infrastructure investments by the Developer(s) and the Division has not received any evidence demonstrating that the majority of the investors and owners of GSW are not the developers of GSW.</p>
	<p>A revised Tariff will be provided showing the breakdown of the Connection Fee, i.e. Hookup Fee and Project Cost Recovery Fee.</p>	<p>The tariff needs to include an itemized breakdown of each of the components included in the hookup fee, including, but not limited to, meter, meter box, cover, valved service lines and fire lines to the property line, developer recovery of costs and any and all other components included in the hookup fee..</p>
<p>4. Rates and Charges</p>	<p>The proposed usage rates and other charges are just and reasonable considering the unique circumstances of GSW.</p>	<p>The Division has received no evidence demonstrating that unique circumstances exist for GSW to justify its high fees and charges and thus the proposed usage rates and other</p>

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		charges are not just and reasonable.
	GSW agrees that the Division needs additional information, and will provide that information in GSW's response to the Division's 2nd Set of Data Requests.	The Division requires complete information to take a final position regarding usage rates.
5. Capital Reserve Account	GSW agrees that the Capital Reserve Account needs to be funded and included in the rates.	GSW must include the Capital Reserve Account as part of the rate components on all rate schedules, financial statements and tariff.
	GSW agrees with the calculation for the Capital Reserve Account, and merely notes for clarification that the annual accumulated depreciation should not include the annual amortization of CIAC assets.	GSW must properly fund the Capital Reserve Account. The annual funding amount of the Capital Reserve Account is the sum of the amounts calculated for the annual depreciation expense plus the annual amortization amount of the contribution in aid of construction.
6. Financial Statements	GSW is in the process of developing a response to the Division's pending data requests, and will answer the Division's questions regarding GSW's financial statements.	The Division requires responses to its pending data requests concerning the following items regarding GSW's Financial Statements: a. An accurate, complete and current Balance Sheet and Income Statement. b. An explanation for any differences between the regulatory book numbers and the tax book numbers. c. A reconciliation between the audited financial statements and the financial statements used for regulatory purposes.
7. Developer/Investors Subsidizes	GSW will respond to the Division's pending data request.	The Division requires responses to its pending data requests concerning the following items regarding the subsidies for GSW by the

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		<p>developers or investors:</p> <p>a. How long is the developer willing to subsidize the water company?</p> <p>b. Under what conditions may the developer cease subsidization?</p> <p>c. The annual amounts that the developer will subsidize for the next five years?</p> <p>d. A complete and accurate Balance Sheet of the developer or others that are subsidizing GSW.</p>
8. Tariff	GSW will provide a revised Tariff including these elements.	<p>a. GSW must include in its tariff the elements listed in the sample tariff provided by the Division to GSW. .</p> <p>b. GSW must include the Capital Reserve Account and its uses and restrictions need in its tariff. An example of this is included in the sample tariff provided by the Division to GSW.).</p> <p>c. GSW must include an itemized breakdown of all elements of the connection fees in its tariff (see Connection Fees above).</p>
9. Second Data Request	GSW will respond to the Division's pending data request.	The Division requires responses from GSW to the Division's pending Second Data Request, issued May 2, 2011 by the Division to GSW..
10. Legal Ownership of Grand Staircase Water Co. and Amangiri Resort	GSW will provide the requested information regarding ownership of GSW and the Resort. GSW believes this information will help the	The Division requires complete information as specified in its pending request to GSW for evidence regarding the ownership of

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	parties resolve many, if not all, of the issues identified herein.	GSW and of Amangiri Resort. Such information may have an impact on the Division's position of fees, charges and utility plant investments.

The parties may supplement or amend this Issues Matrix as these issues are resolved or as other issues come to light.

Respectfully submitted this ____ day of July, 2011.

J. Craig Smith
 Bryan C. Bryner
Smith Hartvigsen, PLLC
Attorneys for Applicant Grand Staircase Water Co.

Patricia E. Schmid
 Assistant Attorney General
Attorney for the Division of Public Utilities