



State of Utah
Department of Commerce
Division of Public Utilities

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--==-- **MEMORANDUM** ==--

TO: PUBLIC SERVICE COMMISSION OF UTAH

FROM: DIVISION OF PUBLIC UTILITIES
Chris Parker, Division Director
Bill Duncan, Manager, Telecom & Water Section
Shauna Benvegna-Springer, Utility Analyst

DATE: September 27, 2011

SUBJECT: In the Matter of Apple Valley Water Company Tariff Changes

RE: Docket No. 11-2178-T01

RECOMMENDATION:

The Division of Public Utilities (Division) recommends that the Commission deny approval of the changes to the Apple Valley Water Company (Company) tariff at this time. The Division recommends that the Commission acknowledge and accept the letter of September 19, 2011 as their notification of intent to file a complete application for a general rate case for an increase to their rates within 30 days.

DISCUSSION:

The Division has had conversations with the Company to file an application for a general rate case for an increase in base rates to their tariff as described in Rule R746-700-1 through R746-700-51. The minimum filing requirements for a complete filing must include the following sections:

700-10 Test Period Information:

A. Cases where the test period is first identified in the application.

1. The applicant will provide information which will demonstrate what adjustments are required to be made to the 12 months of actual, unadjusted results of operations data, including all regulated costs and revenues, contained in the most recent periodic reported results of operations submitted to the Commission, to arrive at the test period used by the applicant in its application, on both a Utah jurisdiction and total company basis. If the public utility does not submit periodic reported results of operations to the Commission, the applicant shall use the public utility's most recently audited 12-month period in lieu thereof as the base period upon which the test period used in the application is developed.

a. Adjustments to be demonstrated include, but are not limited to: normalization adjustments, annualization adjustments, accounting adjustments, adjustments to reflect prior Utah regulatory decisions and policies made by the Commission with respect to any item or matter (including those which are not supported or advocated by the applicant for use in the general rate case) contained in the application, and all further adjustments to arrive at the test period used by the applicant in the general rate case filing.

b. The applicant will provide information explaining why the test period used is the most appropriate for the case.

c. In addition to the information relating to each adjustment identified in compliance with R746-700-10.A1.a, the applicant will also provide a summary index which identifies each adjustment or portion of an adjustment made in the filing material which can be used to locate where each adjustment or portion thereof is addressed, treated, applied, etc. in the application, testimony, exhibits and other documentation submitted. The summary index may be presented in testimony, as a table embedded in testimony, as an exhibit to testimony, or in any other manner so long as it is clearly identified.

2. If the test period used in the application is a future test period, in addition to the demonstration of adjustments to be made for the test period used by the applicant in the general rate case application, the applicant will make the same demonstration for the 12-month period ending on the last day of June or December, whichever is closest, following the filing date of the application if this alternative period does not have an end date beyond the test period used in the general rate case application.

B. Cases where the test period is identified and approved prior to the filing of an application.

1. An applicant planning to file an application may first request Commission approval of a test period to be used prior to filing an application. The request to approve the proposed test period shall be accompanied by testimony and exhibits providing information supporting the proposed test period.

2. Subsequent to the Commission's approval of a test period, the applicant may then submit an application, using as the test period for the case the test period previously approved by the Commission and need not provide the alternative test period demonstration required by R746-700-10.A.2.

700-50 Information for a General Rate Case Application for Water Corporation

An applicant shall be in compliance with the reporting requirements of R746-400 prior to submitting an application for a general rate case. If the applicant is not in compliance with that rule, the applicant shall first submit any missing reports prior to submitting an application for a general rate case. An applicant submitting a general rate case application shall provide the following information with the application:

A. General Information:

1. *Most recent Division of Drinking Water certification/report.*
 2. *Certificate of Public Convenience and Need Number granted by the Commission and its date.*
 3. *Date the utility started operation.*
 4. *The number of connections approved and current area served, which may be shown by service area map.*
 5. *Ownership and officers.*
 6. *Associated companies (if any).*
 7. *A copy of its current tariff.*
- B. Engineering Information.*
1. *Source of water supply*
 2. *Information for all Wells*
 3. *Mains and meters information*
 4. *Reservoirs information*
 5. *Storage capacity*
 6. *Service deficiencies and remedies*
 7. *Service quality*
 8. *Additions or improvements in the last five years*
 9. *Any anticipated additions or improvements*
 10. *Efforts to encourage conservation*
- C. Customer Connection Information*
1. *Each connection identified by unique lot number or address*
 2. *The date first put into service*
 3. *Whether metered or unmetered.*
 4. *Whether classified as residential or commercial*
 5. *The water usage per month or billing cycle, showing minimum and overage gallons used*
 6. *The amount billed per month or billing cycle*
 7. *The anticipated growth, showing minimum and overage gallons used*
 8. *Water usage and billings projected for the next three years*
 9. *Information on any secondary/irrigation water system (the same information as C. 1, 2, 5, 6, 7 and 8 above).*
 10. *Identification whether secondary water is distributed through the culinary system.*
- D. Accounting and Financial Data, which shall include the prior two complete years and current up to the date of general rate case application, unless otherwise specified:*
1. *Identification (contact information) for any accountant used by the utility.*
 2. *Copies of the General Ledger.*
 3. *Copies of the Balance Sheet*

4. *Copies of the Income Statement*
 5. *Pro Forma Income Statements, categorized by the National Association of Regulatory Utility Commissions, NARUC, System of Accounts, to include:*
 - a. *the prior two years of revenues and expenses, and*
 - b. *the projected revenues and expenses for the next three years, to include the Company's anticipated growth rate and requested rate increase.*
 6. *A copy of or the utility's check register*
 7. *Billing documentation/reports, tied back to the tariff rates*
 8. *Information on the utility plant, including, but not limited to:*
 - a. *Acquisition date,*
 - b. *Acquisition price or cost,*
 - c. *Salvage value,*
 - d. *Expected useful life,*
 - e. *Annual depreciation amount per asset,*
 - f. *Accumulated depreciation per asset and reconciled to the total accumulated depreciation amount to the most recent Annual Report. (If these amounts do not match the most recent Annual Report provide detailed explanations for any needed adjustments),*
 - g. *If an asset was donated, the amount applied to Contribution in Aid of Construction per asset,*
 - h. *If donated, the accumulated amortization of the Contribution in Aid of Construction per asset and reconciled to the total accumulated amortization amount to the most recent Annual Report. (If these amounts do not match the most recent Annual Report provide detailed explanations for any needed adjustments), and*
 - i. *Projected future asset purchases for the next three years, providing the estimated acquisition date and price.*
 9. *Copies of tax returns for the prior two complete years,*
 10. *Information on all Notes Payable, Loans, and other Obligations, This will include all outstanding and those retired within the past two years, including:*
 - a. *Interest rate,*
 - b. *Beginning date,*
 - c. *Date of last scheduled payment (the Loan pay-off date), and*
 - d. *Amount of payment*
- E. Customer Notice Information*
1. *A copy of any notice sent to customers notifying them that the utility is seeking a rate increase.*

700-51 Cost of Service and Rate Design Information for a General Rate Case Application for Water Corporation

An applicant shall file the following Cost of Service and Rate Design information with any general rate case application.

A. A Class Cost of Service Study, if one has been prepared, based on the test period with supporting documentation including the development of allocation factors.

B. Its proposal for spreading any revenue requirement change among the rate schedules. This will include the dollar and percentage revenue requirement change for each rate schedule.

C. Its proposed rates for each rate component of each rate schedule and the billing determinants for the test period for all rate components used to calculate revenues necessary to recover the proposed revenue requirement.

D. Its proposed tariff sheets for all terms, rates, charges fees, etc. for which it proposes changes.

Since it is anticipated that the Division will conduct a compliance review and audit of the Company in connection with the general rate case, therefore the Company may provide information that is considered voluminous at the site visit and note as such on the application.

The Division recommends that the letter of September 19, 2011 be accepted, acknowledged and used as the Company's notification of intent to file a complete application for a general rate case for an increase to their tariff, understanding that the tariff changes will not be approved prior to the general rate case.

cc: Roger J Sanders, Attorney for Apple Valley Water Company
Curtis Gubler, Apple Valley Water Company
Frances Harper, Apple Valley Water Company
Steve Gubler, Apple Valley Water Company
Ken Wilde, Division of Drinking Water
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