



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: October 1, 2012

SUBJECT: In the Matter of the Notice of Merger of Boulder King Ranch Estates Water Company with and into Boulder Farmstead Water Company

RE: Docket No. 11-2254-01

RECOMMENDATION: CANCEL CPCN AND ACKNOWLEDGE EXEMPTION

The Division recommends the Public Service Commission of Utah (Commission) cancel the Certificate of Public Convenience and Necessity (CPCN) for Boulder King, Certificate #2254. The Division also recommends the Commission acknowledge that the merger did not affect the status of the Letter of Exemption (LOE) issued to Boulder Farmstead #106 and that it remains valid.

EXPLANATION:

The Division of Public Utilities (Division) has had numerous discussions with Susan Heaton of Boulder King Ranch Estates Water Company (Boulder King) and Connie Reid of Boulder Farmstead Water Company (Boulder Farmstead) and their attorney, Jeffrey R. Gittins. The Division received and reviewed a number of documents to determine the impact of the merger on both entities. All shareholders and stockholders of both entities voted to merge and have Boulder Farmstead emerge as the existing water company for its shareholders and stockholders. Boulder Farmstead received a Letter of Exemption #106 from the Public Service Commission of Utah on December 1, 2003.

Based on the information provided, the merger does not impact or change the Letter of Exemption, except to:

- 1) increase the number of shareholders and stockholders Boulder Farmstead will serve from 126 to 181 customers, and

- 2) add the necessary water sources, water rights, infrastructure and financial resources to provide the required service.

BACKGROUND:

The DPU received a Letter of Intent to negotiate a merger with Boulder King and Boulder Farmstead on September 8, 2009 from Jim Arnold, President of Boulder King. The Division received a Notice of Merger from J. Craig Smith, attorney for Boulder Farmstead, on August 30, 2011 where the Plan of Merger had been adopted by the Board of Directors of both companies, Boulder King and Boulder Farmstead.

As of September 1, 2011, Boulder King served 21 unmetered customers and 34 stand-by customers for a total of 55 customers. The company's service area included 5 unimproved (dry) lots plus one lot where the well was sited. Connection fees for the improvements to the dry lots had not been paid or recovered through the sale of the lots. The well lot was owned by Dale Clarkson, the previous developer and owner of the water company. As part of the Plan of Merger, Mr. Clarkson was paid a negotiated amount for the well lot and the lost connection fees for the 5 unimproved (dry) lots.

On or about September 1, 2011, Boulder Farmstead served 126 customers (113 residential and 13 commercial). With the additional customers of Boulder King, Boulder Farmstead will serve 181 shareholders and stockholders (which does not include the 5 unimproved (dry) lots from Boulder King).

On November 18, 2011, a letter was issued by Boulder Farmstead to the current shareholders regarding the merger and its impact. A letter was issued by Boulder Farmstead to the customers of Boulder King regarding the process of becoming a shareholder/stockholder of Boulder Farmstead emphasizing only shareholder/stockholders would have water service. The customers of Boulder King were given 90 days (January 12, 2012) from the effective date of the merger (October 12, 2011) to surrender their Boulder King certificates and receive a Boulder Farmstead shareholder certificate. Boulder King customers/shareholders also received notice regarding the change in billing procedures since they had been paying their water bill quarterly with no meters. Boulder Farmstead issues monthly bills for metered water service. Current Boulder King shareholders who had water service received an installed meter and did not pay a meter installation fee. All dry lots (shareholders who have not connected to the water system and paid a connection fee) in Boulder King will be required to have water meters installed by Boulder Farmstead and pay an applicable meter installation fee when water service is requested and received.

On January 1, 2012 all shareholders of Boulder Farmstead will be charged \$30 per month and can use up to 50,000 gallons of water. Water use above 50,000 gallons will be charged \$2.00 per 1,000 gallons. The shareholders are represented by a Board of Directors elected by the all the shareholders in attendance at an annual election meeting. Currently the Board of Directors for

Boulder Farmstead has seven (7) board members, two of which were elected by Boulder King shareholders prior to the merger.

SOURCE CAPACITY:

Based on the calculations required by the Utah Division of Drinking Water, Boulder Farmstead is required to maintain a source capacity of 167 gallons per minute (gpm) for the combined populations of 181 connections to provide fire flow requirements, indoor water use and outdoor water use. Boulder Farmstead's Articles of Merger indicate that the maximum number of 253 shares can be issued. The combined source capacity of Boulder Farmstead is 185 gpm which exceeds the requirement of 167 gallons per for the current population.

STORAGE CAPACITY:

Boulder Farmstead's combined existing storage capacity after the merger provides 457,000 gallons of water storage. The Utah Division of Drinking Water requires 124,474 gallons or storage capacity for the combined populations of 181 connections. Boulder Farmstead exceeds the storage capacity requirement by 332,526 gallons.

WATER RIGHTS:

Boulder Farmstead shows ownership of 228.01 acre feet per year of water rights as recorded with the Utah Division of Water Rights. The Utah Division of Drinking Water requires 116.58 acre feet per year for the combine population of 181 connections. Boulder Farmstead adequately meets the water rights requirements.

CONCLUSION:

Boulder King and Boulder Farmstead have merged all financial resources, assets and obligations and completed all of the requirements of the merger documents. Boulder Farmstead has the required infrastructure for a public utility. Boulder Farmstead continues to provide water service only to shareholders and stockholders of the corporation based upon the amended Articles of Incorporation and minutes of board meetings presented.

The Division recommends the Public Service Commission of Utah cancel the Certificate of Public Convenience and Necessity for Boulder King, Certificate #2254. The Division also recommends the Commission acknowledge that the merger did not affect the status of the Letter of Exemption issued to Boulder Farmstead #106 and that it remains valid.

cc: Jim Arnold, Boulder King Ranch Estates Water Company
Susan Heaton, Boulder King Ranch Estates Water Company
Connie Reid, Boulder Farmstead Water Company
Jeffrey R. Gittins, Attorney at Smith Hartvigsen,
Patricia Schmid, Assistant Attorney General