State of Utah
Department of Commerce
Division of Public Utilities

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-=-= M E M O R A N D U M =-=-

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Chris Parker, Director
William Duncan, Manager, Telecommunication & Water Section
Shauna Benvegnu-Springer, Utility Analyst

SUBJECT: In the Matter of the Application of Cedar Ridge Distribution Company for an Increase in Rates

RE: Docket No. 11-2423-02

DATE: November 14, 2011

FINAL RECOMMENDATION:

Based on the Corporation's request for a rate increase dated April 21, 2010, the Division of Public Utilities (DPU or the Division) completed a compliance audit and rate case analysis of Cedar Ridge Distribution Company (the Corporation). The Public Service Commission approved its current tariff rates on July 11, 2011 along with their Certificate of Public Convenience and Necessity (CPCN).

The Corporation has requested a rate increase in order to provide funding for the legal and accounting costs of the CPCN, ongoing operating costs, and costs to install meters to each connection. The Division is not recommending a special assessment, but is recommending 1) an increase in the minimum rate, 2) implementation of a stand-by fee for vacant lots, 3) implementation of an overage fee for those customers using in excess of 12,000 gallons per month, 4) a rate for repairs to the customer's service line from their property line to the residence and 5) implementing a capital reserve account.

A conservation rate (excess overage rate) is not being recommended until 12 months of water usage with meters installed to each connection has been obtained. The Corporation will need to request a conservation rate be added to their tariff at that time.

The Division is recommending funds in the amount of $190,000 from the sale of the water well to Tremonton City be deposited and recorded as property of the Corporation. The Division also recommends the Commission deny the special assessment issued by the Corporation on August 9, 2010 of $970 per customer. The Division recommends the Commission order the Corporation to issue a credit in the amount of $970 to each customer's account who did not pay the assessment charge and issue a refund with interest of 3.5% APR (same as the IRS guideline for 2010-2011) , to those customers who paid the $970 assessment.

The Division recommends the original cost of the meter installation should be borne by the developer and funded from the proceeds of the sale of well. The Division recommends all loans owed to Mr. Thompson or Thompson & Son Cabinets be paid in full from the proceeds after the Division has had an opportunity to review any loans issued after April 16, 2010, since this could impact rates if they are reasonable and just. The Division further recommends that the replacement cost of the meters and installation of same be recovered in customer rates. Reasonable legal fees for the CPCN and the rate increase should also be recovered by the Corporation in rates paid by the customers.

BACKGROUND

The water company is serving 31 non-metered customers and 2 vacant lots on stand-by status. Currently, the Corporation is authorized by the Commission to operate 33 connections.

On July 11, 2011, the Commission granted the Corporation a conditional CPCN and approved its tariff through Docket Number 11-2423-01. The rates approved by the Commission were $45 per month for unlimited water use, a late fee of $5.00 per incident, a reconnect fee of $75.00 per incident.

During the year 1977 through 1981 Mr. Thompson began developing the Cedar Ridge Subdivision by improving 25 lots each averaging one and half acres in size. The first eight (8) inch well was drilling, but was not acceptable. A second eight (8) inch well was drilled high on the hill above the subdivision near the storage tank site. Two 75,000 gallon concrete water storage tanks were constructed with a power line to the second well and pump house with pumping equipment. Distribution mains and transmission lines were laid connecting the subdivision lots to the storage tanks. Valves were installed throughout the system and at each lot connection. Four fire hydrants were installed to comply with county fire requirements. Upon completion of the system a bill of sale was executed on March 23, 1981 from David and Trudy Thompson to the Corporation in consideration of $1 for the water system which cost $212,126.63. The cost of the improvements was or should have been recovered in the sale of the improved lots, therefore, that is why the water system was donated to the Corporation. The value of the water system was verified by documents presented for review by the Division.

The Thompsons applied for two water rights identified as 29-2099 and 29-2768. The first water right was applied for on September 3, 1976 for 25 acre feet of water use for domestic use, 25 acre feet for irrigation use and 50 stock units for stock water. The second water right 29-2768 water right application on October 22, 1981 was for 0.5 cubic second feet of water with a point of diversion at the second well. The purpose for the water was to provide use for 325 connections. A Quit-Claim Deed was executed and recorded with Box Elder County on March 23, 1981 for 0.5 cubic second feet of water with the two diversion points for two 8 inch wells to the Corporation. A conveyance report was completed on April 11, 2011 on water right 29-2066 to transfer ownership to the Corporation. However this report was not filed with Box Elder County or the Division of Water Rights. A conveyance report has not been completed or filed for water right 29-2768. Water rights were held in David Thompson's name, not the name of the Corporation. The CPCN requires that sufficient water rights be transferred to the Corporation.

On the second water right an extension of time to provide beneficial use was applied for a granted in 1996 to August 31, 2001. Another extension of time was requested in 2001 and granted until March 31, 2006. Another extension of time was requested in 2006 and granted until March 31, 2011. On March 31, 2011 another extension was requested, an additional point of diversion, that being the location of the third well, was added and the use was modified to 94.25 acre feet. In a letter dated March 31, 2011 to the Division of Water Rights, Mr. Thompson states "because of current rules and requirements I felt that I needed to clearly identify how much more development I could handle." The extension was granted on August 3, 2011 that the uses for 260 homes and 133.75 acres of irrigation "are considered lapsed and not extended". The water right has two points of diversion which are the second well site and the third well site.

In 1986 problems with the second well arose. It was determined that a third well was necessary. At that time 18 customers were using the water system. The actual cost of the third well with pumping equipment cost $49,098 according to the Corporation's general ledger and payments made to various vendors. This was financed by a private note of $20,000 and individual notes to each customer. The individual notes were in the amount of $1,250 which included interest at the rate of 7% APR and a maturity date of 15 years from issuance. In 1996 the land that the well site is on was purchased by the Corporation for $9,000.

<u>ANALYSIS:</u>

In its filing dated April 15, 2011, the Corporation requested a rate increase to $114.99 per month and a standby fee of $26.05 per month. The Division reviewed the annual report submitted by the water company for the years ending December 31, 2010 and has reviewed the general ledger for the Corporation from April 15, 1981 to the September 6, 2011. Please refer to Table 3 which demonstrates the revenue and expenses experienced by the Corporation for the past five years. A technical conference was held in Deweyville on September 14, 2011 where a draft recommendation by the Division was presented. Also at that time the Division renewed its requests for certain information from the Corporation and requested additional information. On September 30, 2011 the Division received a letter from the Corporation's attorney requesting changes to the scheduling order to assist the Division and the Corporation in exchanging information. On October 16, 2011 the Division received a letter from the Corporation's attorney stating that the Corporation would respond with information by October 21, 2011 with an anticipated meeting with the Division the last week of October. On October 31, 2011 the Division received a memorandum from the Corporation's attorney responding to the Divisions Draft Recommendation. On November 2, 2011 the Division sent the Corporation an email with the proposed schedule and again restating the additional information needed. On November 8, 2011 the Corporation confirmed that the proposed hearing date of November 16, 2011 was acceptable. A meeting between the Division and the Corporation was held on November 10, 2011 where the Division received most of the requested information, except the items as outlined below. The Division is still waiting for the following:

A report provided by the specialist hired to search for leaks, identification of the leaks, and the cost of repairing the leaks to date;

Estimated cost of legal fees for the rate increase;

Invoices of the unknown $7,549 paid in legal fees;

List of duties the water master performs since January 1, 2011.

Because the Division did not receive information concerning those items, those costs were not included in the rate calculations.

Managing the Water System and Identifying and Fixing Leaks:
Of grave concern to the Division and the customers are leaks currently existing in the system. Tremonton City produces a report which identifies the average water used by the Corporation each week, day and minute. During the month of February 2011 the Corporation used 1,618,000 gallons of water which was the lowest amount of water used during the past 10 months. This meant that each connection (household) was using an average of 1,864 gallons per day (1,618,000 / 31 connections / 28 days). During the month of October 2011 the Corporation consumed 1,938,000 gallons of water for a 28 days period. Again this demonstrates that on average each household is using 2,232 gallons of water per day. In October and during February outside water is reduced to a minimum if at all. For comparison, the Division of Water Resources 2009 Residential Water Use Report issued November 2010 it states that their survey showed “that the average residential indoor water use was 70 gallons per capita per day (gpcd) and outdoor water use was approximately 134 gpcd” for a total average of 204 gpcd. Assuming there are 4 individuals in a household the average daily use in the State of Utah is 816 gallons per day. Comparing 816 gallons to 1, 864 to 2,232 gallons of water per day is a large difference.

On September 6, 2011, the Division requested information regarding the status of the leaks. The Corporation hired a specialist through Tremonton City to identify leaks in the Corporation’s water system. Some leaks were repaired between June 2011 and September 6, 2011. The Division has requested a copy of the report identifying where the leaks were located and what the cost to repair the leaks. The Corporation has stated the leaks were in water lines on the customer side on the valve. The Division recommends that the Commission order the Corporation either to hire leak detection specialists or install meters rapidly, or both, to assist in identifying the leaks. The Division recommends the Commission approve a leak repair rate of $25 per hour for labor and actual cost of equipment and materials to be charged directly to a customer when a leak is located between the customer’s meter/valve to the residence, if the Corporation repairs the leak. When leaks are located on the customer property, the Corporation must notify the customer immediately and provide reasonable time for the customer to repair the leak. If leaks are not repaired in a timely manner, the Corporation will need to fix the leaks and charge the customer.

Test Year
The Division used the most recently completed calendar year, as the base year or test year for the rate increase. Adjustments were made based on normal use over the past five years, as well as operating activities during 2011 to arrive at a reasonable and sound forecast for 2011. No growth, and therefore, no additional connections are anticipated to occur in 2011. On December 31, 2010 operation of the well was transferred to Tremonton City. Costs to repair the pump, to test the system and electricity have been eliminated in exchange for the contract with Tremonton City to provide water at $0.35 per 1,000 gallons. The remaining part of the Corporation's system includes transmission and distribution mains and water lines, valves at each connection, two water storage tanks of 75,000 gallons each, a remaining original well with pump and pump house, and an alarm system and controls on the storage tank.

Revenue Adjustments:
Assuming the present levels of consumption of water, revenues were adjusted to cover the actual fixed and variable costs. The Division recommends an increase in revenues of 26.7%. This increase in the revenues is necessary to cover all the expenses of a viable utility company. This includes funds dedicated to the capital reserve account, which is addressed below. See DPU Exhibits 2.2 and 2.7 for specific line item adjustments and detailed explanations.

Operating Expense Adjustments
The 2010 Annual Report shows the Corporation recorded a net operating profit of $26,442 when $31,040 of special assessment income was reported. Without the special assessment income, a $4,598 loss was reported from the operations of the water company. In the past, the Corporation has operated on a cash-basis for accounting for revenue and expenses. When the Corporation reported revenue and expenses for the 2010 Annual Report they used an accrual-basis and recorded revenue and expenses that were not have been reported or recorded in the Corporation's records in the past. Operating expenses were adjusted based on historical trends, prior year amounts, and future anticipated needs with reasonable rates. See DPU Exhibit 2.2 for specific line item adjustments and detailed explanations. However, adjustments requiring specific explanation are as follows:

1. ***Sale of Assets***
   On March 15, 2010, Mr. Thompson, and Cedar Ridge Distribution entered into a Water Well Purchase Agreement with Tremonton City. Records of the Corporation to include invoices and checks for payment to various vendors demonstrate the Corporation constructed, paid for and owned the water well was an asset of the Corporation. The well agreement states that for consideration of $190,000 the parties sold and transferred the well to Tremonton City. Generally accepted accounting principles dictate that the proceeds of

the sale of a corporate asset are to be recorded by the corporation and deposited into the Corporation's cash (bank) account.

The agreement does not state that water rights were sold or forfeited. The agreement states "the Buyer (Tremonton City) will obtain the necessary water rights from the State of Utah".

The Division talked with Ken Jones, the State Engineer on November 8, 2011 to determine if water rights were transferred to Tremonton City under the arrangement. On February 22, 2010 Tremonton City applied for water right 29-4476 requesting 3.34 cubic feet per second with a point of diversion using a the 16" well. Water right 29-2768 was not separated, split, or transferred to provide excess water to Tremonton City.

In discussions with Paul Fulgham, Tremonton City Utility Manager, Tremonton City only purchased "a hole in the ground" meaning the sixteen inch (16") water well, related facilities, the land that it resides on, easements, and the pump (which was returned to Cedar Ridge with no salvage).

Based on the research completed by the Division, Tremonton City did not purchase any water rights nor were any water rights included with the transfer, sale, or conveyance of the water well. There was not a sale of water rights.

Disposition of Sale Proceeds: The Division requested information regarding the disposition of the $190,000 proceeds. The Division was provided a copy of a 1099 form for 2010 from Tremonton City in the amount of $190,000 to Mr. David Z. Thompson. The Division was told by Mr. Thompson that the funds are in a personal savings account and have not been spent. The Division reviewed the Corporation bank statements and records, and $190,000 was not deposited into the Corporation accounts.

Based on the documentation presented and the research completed, the Division does not identify where water rights were sold for $190,000 to Tremonton City and recommends the Corporation properly record the sale of the water well on the Corporation records and deposit the funds in the Corporation's bank account. Additionally the land, water well and pump were not retired on the Corporation records as of December 31, 2010. Division made adjustments to the Utility Plant account for the sale of the assets.

2. Debt Service

The rate increase request included loan repayment amounts of $22,267 for principal and interest of loans from David Thompson personally and Thompson and Son Cabinet, Inc for repairing the pump in 2009 and 2010. The attached debt analysis exhibit shows the Corporation had $27,500 in loans prior to the sale of the water well, an additional $4,000 loan was issued on December 19, 2010 and a $6,000 loan made on September 6. 2011. The Division recommends strongly that these loans should be repaid by proceeds from the sale of the water well and pumps, and is recommending the debt interest expense be disallowed. The Division made an adjustment of $2,000 to eliminate the interest on these loans.

The Division was notified on November 10, 2011 during discussions with the Corporation that additional loans have been made to the Corporation since September 5, 2011. The Division has not received the loan documents nor had the opportunity to review these additional loans.

The Division recommends that future loans made by Mr. Thompson to the Corporation use the interest rate allowed by the IRS guidelines, currently 3.5%, if they are not made through a financial institution.

3. Special Assessment Income

The Corporation issued a special assessment to each customer on August 9, 2010 in the amount of $970.00 due immediately with interest accruing after August 15, 2010 at a rate of 7% APR. The Commission did not authorize the special assessment. The sale of the water well commenced on or before March 5, 2010, with one payment being received on or before December 31, 2009 for $63,333 and another payment received on or before July 31, 2010 in the amount of $63,333 and the final payment of $63,333 being paid before December 31, 2010. The Division's analysis recognizes that the sale of the water well provided enough income and equity to the Corporation, to render the special assessment unnecessary, unjust and unreasonable. The Division recommends the Commission deny the special assessment issued by the Corporation on August 9, 2010 of $970 per customer. The Division recommends the Commission order the Corporation to issue a credit in the amount of $970 plus an interest (if the Corporation accrued interest at 7% APR) to each customer's account where the charge is outstanding and issue a refund with interest of 3.5% APR (same as the IRS guideline for 2010-2011), to those customers who paid the $970 assessment.

4. Depreciation Expense

The Division verified the amounts listed as the value of the assets and found $10,861 was not supported by invoices or the Corporation's transaction records. The Division's analysis determined that the assets listed under Utility Plant in Service were incorrectly depreciated due to improper classification of the water system infrastructure, the disposal of pumping equipment, the sale of the water well. The Division made an adjustment of $99,400 to correct the Utility Plant in Service accounts amounts for pumping equipment that was disposed of and not removed from the accounts and the sale of the water well. The Corporation listed all equipment as purchased by the Corporation and did not record Contributions in Aid of Construction. The Division made an adjustment in the amount of $212,127 to Contributions in Aid of Construction and an adjustment of $163,603 for the Accumulated Amortization of Contribution in Aid of Construction. The Division made an adjustment of $42,691.00 to correct the depreciation for equipment classified incorrectly, equipment taken out of service, or sold assets in 2009 and 2010, respectively. (Refer to Exhibit 2.4)

5. Meter Installation

The Division recommends the original cost of the meters and meter installation should be a cost borne by the Corporation. The meter replacement cost will be added to rates through the depreciation of the assets with a service life of 35 years per Commission Rule 746-332. The Division recommends the Commission orders the Corporation install the meters by March 31, 2012. Since the rates being proposed require the meter equipment, the meters would assist in identifying where leaks may be occurring and provide a fair measurement for the customers to be able to pay for only what they use.

6. Legal and Accounting Fees

The Corporation has paid $27, 247 in legal fees and $2,226.50 in accounting fees as of September 2, 2011. The legal fees are divided into four categories; $2,673 for the Order to Show Cause representation, $17,025 for work related the CPCN, $7,549 which is unknown and legal fees for the rate case which are not yet determined. The Division is recommending disallowing the amount of $2,673 related to the Order to Show Cause that should not be borne by the ratepayers. The Division has been working with the Corporation since May 2004 to become compliant with the Public Service Commission. If Mr. Thompson cooperated with the Division an Order to Show Cause would not have been necessary. The accounting fees and $17,025 in legal fees for the CPCN are organization costs that are amortized as an expense over a five year period based on the IRS tax code. The rate case fees for accounting and legal expenses likewise are amortized over the five year period. The Division has made an adjustment for these two types of expenses and included $500 for accounting fees and $3,400 for legal fees in the rates.

7. Water Master and Billing Expenses:

On November 11, 2011 the Division received a copy of two invoices from Mr. Thompson and Thompson and Son Cabinet for the amounts of $13,291.50 and $3,575.10 respectively. Mr. Thompson billed 176.5 hours at $75 per hour for water master duties, and 108 miles at $0.50 per mile for calendar year 2010. Thompson and Son Cabinet billed 85 hours at $17.06 per hour for bookkeeping and 85 hrs uses of office resources at $25.00. On November 10, 2011 the Division asked the Corporation to provide a list of duties the water master performs, which was not received. In reviewing the bookkeeping time during normal operations, Jennifer spends on average three hours per month paying bills, making deposits and tracking payments. Water bills are only sent if payment has not been received. Many of the hours for bookkeeping in 2010 were posting the Corporation's transactions into Quicken from 1981 to present, gathering information for the Public Service Commission dockets, and dealing with customer questions related to the dockets. Mr. Thompson's number of hours appears reasonable, but the rate of $75 per hour is not reasonable and is an excessive rate for a water master. In the other rate case before the Commission bids for water masters were obtained with the average rate in the state being $25.00 per hour and billing services is an average of $200 per month. The Division has included $2,400 for billing services in the rates and $4,400 (176 hour at $25 per hour) for water master services for the year when the meters are installed.

Capital Reserve Account:

The Division is concerned about the Corporation's lack of financial reserves. Reserves are a necessary part of a sound financial management plan for an on-going and effective water system. Setting aside reserves is critical to developing and maintaining financial stability and can mean the difference between a system that is self-sustaining and one that may fall victim to disrepair or become financially unstable during even a relatively small emergency. Capital reserves are funded through rates and should be maintained in a restricted account and allowed to accumulate or be used for qualifying expenses as the need arises.

In past cases, the reserve amount informally consisted of the amounts accumulated in an accumulated depreciation account with no oversight as to its use. In the past several rate case orders, the Commission has approved funding a reserve account at an amount equal to the annual depreciation expense plus the annual amortized CIAC using the same service life years as if it had been depreciated.

For example, many of the regulated water companies commonly have several hundred thousand dollars in accumulated depreciation and should therefore have a like amount in reserves to replace or improve capital assets. If not, there should be an accounting of the capital assets for which the funds were used to replace or improve. Inspection of the records of the aforementioned companies show that many of these same companies have negative retained earnings, meaning that the depreciation expense amounts paid by ratepayers through rates were likely used for day-to-day expenses and not properly saved to replace capital assets. This situation poses the question as to what were these ratepayer generated funds that were supposed to be set aside for capital asset replacement and improvement spent on. To answer this question and to safeguard the ratepayers' funding of the Capital Reserve Account via the annual depreciation expense and the amortized CIAC the Division recommends the following:

1. Capital reserve amounts generated from rates are to be deposited into a restricted account, such as a separate savings account or escrow account within 30 days from the receipt of customer payments equal to $12.25 per month per customer who paid their bill.

2. Withdrawals are to be made from the Capital Reserve Account for capital replacements and improvements only.

3. In accordance with Utah Administrative Rule R746-401-3A, expenditures in excess of five percent of total Utility Plant in Service require the water company to file a report with the Commission, at least 30 days before the purchase or acquisition of the asset or project, and to obtain written Commission approval before transacting such acquisitions. Now, in this case, expenditures over 5% or a project exceeding $12,000.00 would require submission of a written report and Commission approval.

4. The Corporation shall provide an 'annual accounting' of the Capital Reserve Account with its Annual Report and at any such other time as the Commission requests. The 'annual accounting' shall be in the form of bank statement encompassing the entire calendar year

showing a series of deposits made within 30 days from the receipt of rate payments for each billing cycle and withdrawals that meet requirements 1, 2 and 3 above.

5. The balance in the reserve account must be clearly identifiable in the audited financial statements as a restricted account.

To further clarify, what should be considered qualifying expenditures for replacement or improvements that may be made from the Capital Reserve Account, the following guidelines are provided:

a). "Capital improvements" are typically high cost items with long service lives including the distribution pipe mainlines, storage reservoirs, wells and surface water intakes, etc. Expenditures that qualify as capital expenditures are those that extend the life of an asset and/or enhance its original value with better quality materials or system upgrades.

b). Capital improvements do not include such minor expenses as repair clamps, inventory parts and fittings, spare pieces of pipe kept to facilitate repairs, small tools, maintenance supplies such as paint or grease, service contracts and other such day to day supplies. Expenses for these items are properly classified as "operating and maintenance" expenses.

c). Additionally, it is not appropriate to use capital replacement funds received from existing customers for system expansion, that is, to extend main lines to serve new areas or customers or to install new services. Funds for the expansion of the system should come from new development, connection fees, assessments or other sources so that those benefiting from the improvement contribute the funds for its construction.

Rate Base

Rate base represents the Corporation-supplied plant facilities and other investments required to supply water service to customers. The Division recommends a rate base of $27,799. Refer to Exhibit 2.4. The Division has verified and reconciled the assets and depreciation schedule with the adjustments as discussed above.

Rate of Recovery and Recovery on Investment

The rate of recovery, representing the amount allowed to be recovered of the original cost, is expressed as a percentage of the utility's rate base. In this case, the rate of recovery is 10%. Therefore, the recovery on investment is $ 2,778 annually.

Revenue Requirement Adjustments:

The revenue requirement represents the total amount of money that must be collected from customers to pay all costs including a reasonable return of recovery and ensuring the continual operation with reserves. The Division's analysis shows an Annual Revenue Requirement of $ 33,165.00.

The Revenue Requirement consists of the following amounts:

Annual Recovery of Cost (10%):	$2,778
Capital Reserve of:	$ 4,844
Estimated state and federal income taxes of:	$0
Operating expenses & interest expense of :	$25,543
TOTAL:	$ 33,165

DIVISION RECOMMENDATIONS:

Rates and Charges

The following table illustrates the current, requested, and recommended tariff rates and fees. The Division is recommending adding additional fees to cover those incidents through the course of business where a customer may place an additional expense on the water company.

Rate Changes:		*(Table 1)*	
Description	**Current Tariff**	**Requested by Cedar Ridge**	**Recommended by Division**
System Expense	$0.00 per month	$114.99 per month	$50.00 per month
First 12,000 gallons	$45.00 per month	$0 per month	$7.00 per month
Usage per 1,000 gallons over 12,000 gallons	$0.00 per 1,000 gallons	$0.0 per 1,000 gallons	$.35 per 1,000 gallons over 12,000
Disconnect Fee per incident	75.00	No change	No change
Reconnect Fee per incident	75.00	No change	No change
Late Fees:	$5.00 per incident	No change	No change
Customer Pipe Repair Fee (upon customer request)*	Not Applicable	Not Applicable	$25 per hour labor and actual cost of materials and equip

Hook- up Fee**	Not applicable	Not applicable	$1,500.00

*If performed by an "arm-length" third party the charged rate would be the actual cost charged.
**Actual costs for placing the radio meter, parts, average line, and labor warrant the hook-up fee to be increased to $1,500.

CUSTOMER IMPACT

Below, the Division has shown the increase in monthly rates (impact) on four (4) of the Corporation's customers based on actual month usage amounts.

(Table 2)

Customer	Monthly Usage in Gallons	Monthly Amount @ Current Rates	Monthly Amount @ Proposed Rates	Monthly Increase	% Increase
A	12,000	$45.00	$57.00	$12.00	26.67%
B	48,000	$45.00	69.60	$24.60	54.67%
C	188,000	$45.00	118.60	$73.60	163.56%
D *(Not Connected)*	0	**$0.00**	$50.00	$50.00	

CONCLUSION:

The Division asserts that the rates and charges set forth in Table 1 are just, reasonable, and consistent with the public interest and, therefore, the Division recommends that the Commission approve these new rates and charges, except the "usage per 1,000 gallons over 12,000 gallons" effective January 1, 2012. The usage per 1,000 gallons over 12,000 gallons rate is recommended to be effective April 1, 2012 if all the meters are installed by March 31, 2012.

The Division also recommends the Commission order the Corporation to:

1) record the sale of the water well appropriately on its books and deposit the funds into Corporations bank accounts,

2) issue a credit memo to all customers for the $970 assessment fee on their account,

3) issue a refund with interest to customers, who paid the assessment fee,

4) implement the capital reserve account as discussed,

5) proceed with the meter installation to be completed by March 31, 2012 with confirmation to the Division when they are completed,

6) use proceeds from the sale of water well to finance the meter installation of $49,500, refund assessment fees to customers who paid approx $13,000, repay loan amounts of $33,500 and place remaining portion of approx $94,000 in the capital reserve fund.

cc: David Thompson, Cedar Ridge Distribution Company
Lee Kapaloski, Attorney for Cedar Ridge Distribution
Trisha Schmid, Assistant Attorney General
All Interveners
Service List