



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, 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 22, 2011

SUPPLEMENTAL RECOMMENDATION:

The Division provides a Supplemental Recommendation to the November 14, 2011 Final Recommendation. The Division received additional information on Friday afternoon, November 18, 2011 from the Corporation regarding current transactions for 2011 and additional loans the Corporation has made through November 11, 2011. (Please refer to Exhibit 2.10)

LOANS TO SELF, CABINET SHOP AND JON THOMPSON (Brother to Mr. Thompson)
The Division stated in its November 14, 2011 Final Recommendation that the rate of \$75.00 per hour from water master duties from Mr. Thompson is not reasonable and just and that \$8,825 should be disallowed as a cost to the Corporation. The cost of \$25 per hour for use of the office and resources have not been documented or justified by the Corporation. The Corporation made additional loans in the amount of \$29,000 payable over 18 months at 12% interest during 2011 to pay the costs of legal fees, accounting fees, bookkeeping cost and water master duties.

The Division finds the interest rate of 12% unreasonable and unjust. The Division also finds the amount of \$8,825.00 for water master duties not reasonable. The Division finds the cost of \$2,125.00 as unsubstantiated. Therefore the Division recommends the Commission disallow the amount of \$10,950.00 as a cost to the Corporation, replace the interest rate of 12% with 3.5% as allowed by the IRS guidelines, and have the Corporation reverse the costs and deduct the amount from the outstanding loans as illustrated in Exhibit 2.10.

CONCLUSION:

The Division recommends the Commission disallow the amount of \$10,950.00 as legitimate costs to the Corporation and order the Corporation to correct the invoice from Mr. Thompson and the Thompson & Son Cabinet with the corresponding amounts and repay the Corporation \$10,950.00. The Division recommends the Commission deduct the same amount from Corporate loans and adjust the interest rate on outstanding loans to 3.5%.

The Division modifies its Final Recommendation dated, November 14, 2011 under the heading Conclusions and listed as item 6) that Commission orders the Corporation to use the proceeds from the sale of the water well:

- 1) to the repay legitimate corporate loans with interest of 3.4% ,
- 2) to pay the original cost of meters and meter installation in the amount of \$49,500,
- 3) refund assessment fees paid by customers in the amount of \$13,210 with interest of 3.5%, and
- 4) to place the remaining balance of the \$190,000 into a capital reserve account for use in repairing leaks in the water mains, valves, storage tank, distribution lines of the infrastructure listed on the Schedule of Assets as adjusted by the Division.

All other recommendations in the Final Recommendation remain.

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