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Public Service Commission of Utah
160 East 300 South
Salt Lake City, Utah 84114

Re: Highlands Water Company
Request for Tariff Revision

Commissioners:

Highlands Water Company, Inc. ("Highlands") submits this request to revise its existing Schedule of Rates, Rules and Regulations, Tariff No. 4 ("Tariff"). Highlands' existing Tariff correctly recognizes that all of the cost associated with the new development that occurs within Highlands' service area must be paid by the developer. However, the Tariff should be revised to specifically identify infrastructure and water rights costs that Highlands will charge all future developers seeking water service from Highlands.

On October 17, 2011, Highlands entered into an Infrastructure Development Agreement with BNCAAA, LLC ("Agreement") documenting the agreement of the parties that BNCAAA, in connection with its development of the Whisper Ridge Phase I subdivision, would construct and dedicate to Highlands excess infrastructure capacity that could be used to serve future development in Highlands' service area. Highlands would repay to BNCAAA the cost of the excess infrastructure capacity by collecting the cost of the infrastructure capacity from future developers benefitting from the system. A copy of the Agreement is attached for your information.

It is common for water companies to request that the initial developer in an area construct infrastructure in excess of their immediate need to serve additional future development. It is much more cost efficient to upsize storage tanks and lines during the initial construction than to build multiple systems in an area. The initial developer, however, should not be expected to bear the cost of infrastructure that will serve other development. Therefore, Highlands entered into the Agreement providing the mechanism for future developers to repay the costs of the excess infrastructure capacity constructed by BNCAAA. The cost of the excess infrastructure capacity built by BNCAAA was $1,701,300.00 and the excess capacity is sufficient to serve 636 equivalent residential units ("ERU). Thus, the cost appropriately transferred to new developers who will benefit from the use of the excess system capacity is $2,675.00 per ERU.

Highlands requests that its Tariff be revised to include a charge to developers for infrastructure costs of $2,675.00 per ERU. This fee will not impact Highlands existing rate payers but appropriately allocate the cost of development to the developer.

New development also requires the dedication of water rights to serve the project. The cost of securing water rights to serve development must be paid by the developer and should not be a cost incurred by Highlands' existing customers. Therefore, Highlands also requests that its Tariff be revised to include a charge to developers for the cost of securing water rights in the amount of $5,000.00 per ERU (Highlands requires one acre-foot of water for each ERU). Highlands may waive this fee if a developer conveys to Highlands sufficient water rights, acceptable to Highlands and approved for use within the Highlands system, to serve the development at the rate of one acre-foot per ERU.

Thank you for your consideration. If you have any questions regarding the foregoing, please call.

Sincerely,

PARSONS BEHLE & LATIMER

Wendy Bowden Crowther
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WBC:cmg
Attachment