



State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities

Chris Parker, Director

Bill Duncan, Telecommunications / Water Manager *WSD*

Mark Long, Utility Analyst *ML*

Date: March 25, 2014

Re: In the Matter of the Application of North Creek Ranch Homeowners Association for an Exemption from Public Service Commission Regulation. Docket No. 14-2454-01.

Recommendation:

Approve North Creek Ranch Homeowners Associations, Inc. (North Creek) request for an exemption from Public Service Commission (Commission) regulation.

Commission Regulation:

The Commission approved North Creek's Application for a Certificate of Public Convenience and Necessity (CPCN) on July 18, 2005. The original rates and fees approved by the Commission in its CPCN have remained unchanged.

North Creek remains an 'Active' corporation and is in 'Good Standing' according to the records of the Utah Division of Corporations.

On November 25, 2013 North Creek requested Commission approval to increase its connection fee from \$1,000 to \$2,000 to cover the contractor's \$2,000 charge to North Creek. North Creek also requested approval to increase its turn on fee from \$100 to \$200 to better reflect administrative costs incurred by North Creek. The Division verified the costs increases were accurate and justified, but indicated that it could find nothing in Utah laws or rules governing regulated Utah utilities allowing for changes to fees or charges without a rate case which includes a complete and comprehensive audit performed by the Division and recommended that the Commission deny North Creek's request for an increase. Subsequently, on January 7, 2014, North Creek withdrew its request seeking increases in its connection and turn on fees.

On February 21, 2014 North Creek filed an Application for Exemption with the Commission. In its customer notification regarding its reasons for its request for exemption from regulation, North Creek stated,

On February 7, 2014 at the Annual North Creek Ranch Home Owners Meeting in Beaver Utah, the members present at the meeting voted unanimously to apply for an exemption from regulation by the Utah Public Utility Commission to facilitate self-management. The exemption from regulation, if granted, will allow North Creek Ranch Home Owners and their Home Owner Association's Board of Directors greater flexibility in setting water rates and fees to ensure adequate funds for maintenance and replacement of water system infrastructure in the future. A need we have all been aware of and have a desire to protect.

Customer Notification

Pursuant to North Creek's Application for Exemption on February 21, 2014, the Commission issued an Order on February 24, 2014 requesting from North Creek the following:

Within 10 days following this notice, North Creek shall provide proof of notice of the proposed exemption to its affected customers. This proof should include a copy of any notice sent to customers notifying them that the utility is seeking an exemption from the Commission.

On March 5, 2014 North Creek submitted proof to the Commission about its notification to its customers. North Creek submitted proof of notification to the Commission within the ten days as required by the Commission. According to the submissions by North Creek, all 34 of the lot owners within its Water Service area were mailed via the US Mail a copy of the February 10, 2014 Commission Order as well as a cover letter regarding its application for exempt status. Also, 24 of the 34 customers that have an email on file with North Creek were also emailed an electronic copy of the aforementioned documents.

The Division believes that the North Creek has provided proof that it fulfilled its responsibility in notifying its customers that it is seeking an exemption from regulation from the Commission and notifying them of the Scheduling Conference to be held on April, 3, 2014.

Division Comments and Basis for its Recommendation

North Creek is serving only customers located within its service area boundaries that are members of the water company and therefore meets the requirements as established by the Commission to operate free of Commission regulation.

The Division wishes to note that it has every confidence that North Creek will continue to operate with exceptional business practices and customer service. North Creek has not raised its rates or fees for nearly a decade, and it has expressed a need to raise rates and fees soon to cover its costs and to maintain a reserve account for future repairs and replacements. The Division believes that any rate or fee increases will be done responsibly by North Creek Ranch

Homeowners Association, Inc. committee. The ability of the homeowners association to act quickly and responsibly to increase or decrease its costs will allow it to adjust rates up or down in a more timely and cost-effective basis than applying for a rate increase with the Commission.

CC: Phillip Jolley (pcjolley@msn.com)
Patricia Schmid (pschmid@utah.gov)