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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the matter of the Application)	
of DAMMERON VALLEY WATER WORKS for)	CASE NO. 87-2025-01
approval of its proposed changes)	
to its rates and charges.)	

JOINT STIPULATION AND SETTLEMENT PROPOSAL OF

DAMMERON VALLEY WATER WORKS
AND
DAMMERON VALLEY LANDOWNERS ASSOCIATION
AND
UTAH DIVISION OF PUBLIC UTILITIES

Pursuant to the Utah Code Annotated, Dammeron Valley Water Works ("Applicant"), the Dammeron Valley Landowners Association ("Landowners"), and the Division of Public Utilities, Utah Department of Business Regulation ("Division") jointly present for Commission approval this Stipulation and Settlement Proposal to resolve issues brought forward in the above entitled proceeding. The Applicant, Landowners and the Division are sometimes referred to herein collectively as "the parties".

PROCEDURAL BACKGROUND

On January 28, 1986, Applicant filed an Application requesting changes to its rates and charges, together with Standard Filing Requirements. The Division subsequently conducted an audit on the Dammeron Valley Water Works Company, and conducted extensive discovery and settlement discussions.

STIPULATED ISSUES

1. Annual Sales Volume The annual sales volume of the Applicant should be determined to be 18,662,000 gallons for culinary usage and 80,180,000 gallons for irrigation usage.

2. Rate Base Rate Base is not an issue in this proceeding. Applicants annual revenues will not recover any funds for return on equity or for depreciation. If in a future proceeding, the Applicant desires to have rate base, it must demonstrate that the utility's investment in plant was not recovered in the sale of lots in any other fashion as discussed by the Commission in Dammeron Valley Water Company Case No. 84-061-01.

3. Operating Expenses. An Operating Expense level of \$36,264 has been agreed to by all parties to be just and reasonable.. This figure represents the parties' best estimate of test-year operating expenses as set forth in Section D-1 of the Application.

4. Calculation of Customer Rates. Attached hereto and incorporated by reference herein is Exhibit 1 which reflects the foregoing adjustments in rate calculations for culinary and transportation customers. The parties stipulate and agree to accept said Exhibit and recommend approval of those rates by the Commission. The culinary water rates proposed will increase the minimum monthly billing amount from the current billing of \$7.50 to \$10.00 per month for the first 10,000 gallons, and \$1.00 per thousand gallons thereafter up to a maximum allotted gallonage per customer, which will depend on the customer's

tapping size. Finally, the utility will charge \$1.25 per thousand gallons for water consumption beyond the maximum individual allotment per landowner.

In addition to the culinary water rates, a transportation or irrigation rate of \$0.10 per thousand gallons is proposed. This rate is applicable where the customer has previously purchased a one-acre foot water right or 325,480 gallons per year from the Dammeron Corporation for the amount of \$2,000. The irrigation rate will be applied in 50,000 gallon increments every month until 325,480 gallons is consumed. Irrigation customers must first use their minimum culinary allotment at the culinary rate before utilizing any irrigation water. After the culinary and irrigation allotments have been utilized by the customer, the utility will charge \$1.25 per thousand gallons for any additional water.

5. Revenue The parties agree that the revenue projected to be generated by rates in effect as set forth in Exhibit 1 is \$35,400. This revenue does not cover Dammeron Valley's operating expense of \$36,264.

6. Irrigation Rate The parties stipulate and recognize that the irrigation rate does not cover its own fixed costs, and that Brooks Pace's irrigation water requirement is approximately 80% of the total system water requirement. It is recognized that the culinary water rate design adopted in this case is subsidizing the irrigation rate, and that in future years, if a full cost of service analysis is requested from the Commission, the irrigation rate could increase substantially. Mr. Pace's agrees that the utility will receive \$8400 per year

for the next two years either through his irrigation usage or payment from him.

7. Disclosure The parties stipulate and agree that the Dammeron Valley Water Company will advise all present and future rate payers that the culinary rate payers are subsidizing the irrigation rate and that sometime in the future the culinary water rates and the irrigation water rates could be higher. Future rates would depend on the number of customers that are utilizing water service, the extent to which Mr. Pace contributes to the system costs, and the extent to which culinary users subsidize the irrigation users. The Applicant hereby agrees to issue a disclosure statement to prospective landowners and to prospective water right owners stating that the transportation or irrigation rates could be affected by Mr. Paces contribution to system costs and/or by subsidization from culinary rates, and that these irrigation rates may not vary significantly from culinary rates if a cost of service is performed.

8. Future Plant The Applicant hereby stipulates and agrees to seek approval from the Commission before constructing additions to the plant in service for the purpose of providing water to existing lots originally platted during development of the Dammeron Valley project.

Agreed to this _____ day of February, 1986.

DEPARTMENT OF BUSINESS REGULATION
DIVISION OF PUBLIC UTILITIES

BY _____

Bernard M. Tanner

Assistant Attorney General

Dammeron Valley Water Works

By _____

Brooks Pace, President

Dammeron Valley Landowners Association

By _____

William DeWeert, President