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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Applica-)
tion of DAMMERON VALLEY WATER)
WORKS for Approval of Its Pro-)
posed Changes to Its Rates and)
Charges.)

CASE NO. 87-2025-01

SUMMARY ORDER

ISSUED: May 8, 1987

By the Commission:

On January 28, 1987, Dammeron Valley Water Works ("Applicant") filed an application requesting changes to its rates and charges. Said application represented that present rates and charges resulted in substantial operating losses. The application proposed an increase in the minimum charge imposed on all customers. In addition, Applicant proposed the establishment of an irrigation rate in the form of a wheeling charge to water users who choose to purchase water rights in single acre/foot units. All water users were to be given the opportunity to purchase such rights. The proposed irrigation rate was represented to be revenue neutral in that the costs of pumping and wheeling the irrigation water would be covered by the rate charges. All irrigation users would be required to first meet their total culinary requirement at the culinary rate. Applicant represented that without the irrigation rate, very little irrigation water would be used and the revenue associated with such use would be lost. The result would be that the culinary rate might have to be increased to meet fixed costs.

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Following the filing of Applicant's application, the Division of Public Utilities ("Division") conducted an audit of Applicant and engaged in extensive discovery and settlement negotiations.

Thereafter, Applicant, the Division and the Dammeron Valley Landowners Association ("Landowners") jointly submitted for Commission approval a Stipulation and Settlement Proposal for the purpose of resolving most of the issues in the above-entitled and numbered proceeding. Based upon such Stipulation and Settlement Proposal, the Commission will make the following:

FINDINGS AND CONCLUSIONS

1. The annual sales volume of the Applicant is 18,662,000 gallons for culinary usage and 80,180,000 gallons for irrigation usage.

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

3. An operating expense level of \$36,264.00 is just and reasonable.

4. 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

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thousand gallons, thereafter up to a maximum allotted gallonage per customer, which will depend on the customer's tapping size. The charge for usage beyond the maximum individual allotment is \$1.25 per thousand gallons.

In addition to the culinary water rates, an irrigation rate of \$.10 per thousand gallons is proposed. That rate would be applicable where the customer has previously purchased water rights in one-acre foot increments (325,480 gallons or one acre-foot per year) from the Dammeron Corporation. As of March, 1987, the cost of each one-acre foot water right is \$2000.00. The irrigation customer will be allowed 40,000 gallons per month for each increment until 325,480 gallons for each increment is consumed. Applicant can allow up to 50,000 gallons per month as long as the capacity of the system will permit. Irrigation customers must first use their total culinary allotment at the culinary rate before utilizing any irrigation water. After the culinary and irrigation allotments have been utilized by the customer, the Applicant proposes to charge \$1.25 per thousand gallons for any additional water. The Commission concludes that the proposed changes are just and reasonable.

5. Current revenues do not meet expenses of operations and the rates and charges proposed by Applicant and approached herein are not calculated to exceed such expenses and are just and reasonable.

6. The irrigation rate does not cover its own fixed costs on an average cost basis. 80 percent of the total water

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usage is that of Mr. Brooks Pace, Mr. Pace has agreed that the Applicant will receive \$8400 per year for the next two years from him, either through irrigation usage or payment by him.

7. The Applicant has agreed that it will notify the Commission prior to construction of any additions to plant serving existing lots originally platted during development of the Dammeron Valley project.

8. One issue remains contested by the Division, Applicant and Landowners. The Division asks that the Commission order that a disclosure statement issue from the Applicant to prospective landowners and water right purchasers stating that the Division believes that the irrigation rate could change substantially because Mr. Pace (President of Dammeron Corporation) may be unwilling to absorb the same level of utility costs in the future or because a future cost-of-service study might show that the irrigation rate is not cost based.

The Landowners and Applicant favor either no statement or one which reads that the irrigation rate could be increased in the future if it is found that the incremental cost is in excess of the present tariff rate.

Based upon the fact that the Landowners and the Applicant are in agreement and the fact that the disclosure will, at a minimum, indicate the impermanence of utility rates, we will approve the disclosure statement recommended by them. The issuance of that particular disclosure statement to prospective water users, however, shall in no wise preclude consideration and

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disposition of any issue in any subsequent rate case involving the Applicant.

Based upon the foregoing, the Commission will make the following

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, That the Stipulation entered into by the parties and presented to the Commission in this matter be and the same is approved. The rates formulated pursuant to such Stipulation are hereby approved.

IT IS FURTHER ORDERED, That Applicant provide to prospective water users a disclosure statement in the form recommended by Applicant and the Landowners.

DATED at Salt Lake City, Utah, this 8th day of May, 1987.

/s/ Brian T. Stewart, Chairman

(SEAL)

/s/ Brent H. Cameron, Commissioner

/s/ James M. Byrne, Commissioner

Attest:

/s/ Stephen C. Hewlett, Secretary