

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Petition of EAST KANAB WATER )  
COMPANY, INC. for Water Usage Rates )

DOCKET NO. 01-2209-01

REPORT AND ORDER

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ISSUED: December 18, 2001

SYNOPSIS

The proposed rates appearing to be just and reasonable and no objection having been raised, the Commission granted the Application

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Appearances:

Kendall Heflin For East Kanab Water Company, Inc.  
Douglas Tingey, Assistant Attorney General " Division of Public Utilities, Utah Department of Commerce

By the Commission:

PROCEDURAL HISTORY

Pursuant to notice duly served, the above-captioned matter came on regularly for hearing the twelfth day of December, 2001, before A. Robert Thurman, Administrative Law Judge, at the Commission Offices, Salt Lake City, Utah. No one appeared in opposition to the Application. Evidence was offered and received, and the Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed findings of fact, conclusions of law, and the Order based thereon.

FINDINGS OF FACT

As its findings, the Commission adopts the factual matter contained in the memorandum from the Division of Public Utilities, Utah Department of Commerce (DPU) annexed hereto and incorporated herein by this reference. We find specifically that the proposed rates are just and reasonable. We find also that there is good cause for the Commission to waive its service regulation requiring at least bi-monthly meter readings.

CONCLUSIONS OF LAW

The rate application should be granted and the Commission should grant Applicant a waiver of its regulation requiring at least bi-monthly meter reading.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

East Kanab Water Company, Inc., be, and it is, authorized to charge rates as set forth in the memorandum from DPU annexed hereto and said Applicant is authorized to publish its tariff imposing said rates and charges on one day's notice.

- Said Applicant be, and it is, granted a waiver from the Commission's service regulations requiring at least a bi-monthly reading of meters, provided, nevertheless, that said Applicant shall read customer meters at least quarterly.
- This Order shall be effective the date of its issuance.

Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of this Order. Failure so to do will forfeit the right to appeal to the Utah Supreme Court.

Dated at Salt Lake City, Utah, this 18th day of December, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

G#27490

**Date:** December 11, 2001

**To:** Utah Public Service Commission

**From:** Division of Public Utilities

Lowell Alt

Wes Huntsman

Bary M. Golding

**Subject:** East Kanab Water Company - Docket No. 012209-01

The Division has completed its investigation in connection with the East Kanab Water Company's request for a change in rates and now submits its recommendation in this matter.

## **RECOMMENDATION**

The Division recommends that the Commission approve the rate changes proposed for East Kanab Water Company, with the exception of the proposed \$15.00 late charge. The Division proposes a late charge of 1.5% per month on the outstanding balance. The Division further recommends that the Company be allowed to continue to bill its shareholders on a quarterly basis.

The Division feels that the proposed rates are justified due to the Company's need to reduce excess usage by a number of its shareholders. The proposed rates will help reduce the demand on the Company's water system and help to insure that the Company can continue to provide a safe and adequate supply of drinking water to all of its shareholders.

## **DISCUSSION**

East Kanab Water Company is set up as a mutual company, however, since the majority of the outstanding shares are held by the developer the Company is regulated by the Commission.

Last year, in an effort to reduce demand on the water system, the Company started reading meters to determine the actual usage by shareholders. It was found that a few shareholders were using substantially more than their water allotment of .88 acre feet per year. In an effort to encourage water conservation, while not penalizing shareholders for high usage during a single billing period, the Company's vice-president developed the proposed conservation rates.

### Proposed Rates

<b>Description</b>	<b>Current Rate</b>	<b>Proposed Rate</b>
Base Monthly Rate	\$30.00	\$30.00
Excess Usage Rates:		
First 18,000 gallons over .88 acre feet (286,727 gallons) during a 1 year period	None	\$ 5.00 per 1,000 gallons
Next 18,000 gallons	None	\$10.00 per 1,000 gallons
All usage over 322,727 gallons during a 1 year period	None	\$20.00 per 1,000 gallons
Annual Stand-by Fee - (assessed on all privately held lots which have not connected to the water system)	None	\$25.00
Reconnection Fee - (after voluntary disconnection)	\$30.00	\$30.00
Reconnection Fee - (after involuntary disconnection)	\$250.00	\$250.00
Connection Fee - (One time fee for connection to the system when a meter is not already in place)	\$1,000.00	\$2,000.00
Late Charge - )to be assessed monthly on account balances not paid within 1 billing cycle)	None	1.5% of the outstanding balance

Since the proposed excess usage rates are intended to encourage conservation, are not cost based, and will not produce a significant amount of additional revenue, the Division did not perform an analysis as to whether these rates are financially justified. The Division does feel however, that the rates are appropriate because the Company has shown that a need exists to reduce water use within their community. Furthermore, since East Kanab is a mutual water company, all revenue generated by the new rates will be retained within the Company to finance future improvements or repairs to the water system.

The Division feels that the proposed Stand-by fee is justified because there are a substantial number of lots within the Company's service area whose owners have not built homes and have, therefore, not connected to the water system. The Company has to have adequate capacity to serve these lots and maintain those water facilities, regardless of whether the lot owners connect to the system. Furthermore, these lot owners enjoy increased property value due to the existence of the water system. The Division feels that it is reasonable to ask them to bear a portion of the cost of maintaining the water system.

The Company has had problems with a few shareholders not paying their bills in a timely manner. The proposed late fee is intended to encourage timely payment of water bills.

The Company was not aware of the Commission's rule requiring water bills to be sent at intervals not to exceed two months (R746-200-4) and has been billing its shareholders on a quarterly basis since its inception. The Company proposed to its shareholders changing to monthly billings in connection with implementation of the proposed rates. Most of the Company's shareholders said that they would prefer to continue with quarterly billings to avoid the additional cost of having to pay the water master to read meters monthly. The Company will allow customers who wish

to make monthly payments instead of quarterly payments to do so on a voluntary basis.

The Division is not opposed to the Company's proposal to continue to bill its customers on a quarterly basis rather than monthly, and recommends that the Commission issue a waiver to the rule in this case.