

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of SOUTH  
DUCHESNE CULINARY WATER INC., for  
Certificate of Convenience and Necessity to Operate as  
a Public Utility Rendering Service, or for an  
Exemption from PSC Regulation

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DOCKET NO. 01-2372-01  
INTERIM ORDER

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ISSUED: October 23, 2001

By the Commission:

PROCEDURAL HISTORY

On June 27, 2001, the Applicant above named filed its application. The matter was referred for review and recommendation to the Division of Public Utilities, Utah Department of Commerce (DPU), which filed a memorandum August 31, 2001, detailing certain deficiencies in the information submitted with the Application. DPU's memorandum is annexed hereto and incorporated herein by this reference. We agree with DPU that the information is insufficient for us to act on the Application at this time, and, accordingly, we enter the following

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

Commission action on the pending Application be, and it is, suspended pending receipt of the information delineated in the annexed DPU memorandum and further recommendation from DPU.

Dated at Salt Lake City, Utah, this 23rd day of October, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary

G#26357

August 30, 2001

TO: Utah Public Service Commission

FROM: Division of Public Utilities  
Lowell Alt, Director  
Wesley Huntsman, Manager  
Dan W. Bagnes, Auditor

RE: Certificate of Convenience and Necessity for South Duchesne Culinary Water, Inc.  
Case No. 01-2372-01

RECOMMENDATION:

The Utah Public Service Commission should not issue a Certificate at this time. Some of the information the Division requested of the developer has not been supplied, other information is incomplete and raises additional concerns about the water company's financial viability.

EXPLANATION:

By a letter dated June 27, 2001 (copy attached) the Division indicated to the developer that additional information was needed to make a recommendation to the Commission on granting a certificate to the South Duchesne Culinary Water Company, Inc. (South Duchesne). The Division staff subsequently met with an accountant representing the developer and in late August received additional information. However, there still remain questions which need to be answered before the Division can recommend approval of the certificate.

The first item the Division requested was a financial statement and the information submitted was not sufficient to address the Division's concerns. The Balance Sheet submitted for South Duchesne shows Fixed Assets as "Water Sys, Engineer, Equipment" valued at \$300,000 for which the water company has a long term liability to "Highland Develop". The Division believes that Highland Development (Highland) is a company owned by the developer but has no information to substantiate that, nor any kind of a financial statement for Highland. The Division has no information as to whether the water system has been paid for by Highland nor any idea of whether Highland, South Duchesne or the developer himself is financially viable.

Further, it appears that South Duchesne is expecting to collect \$210,000 in \$3,000 Connection Fees from 70 customers. This concept raises additional concerns for the Division both as to whether the system is over valued and to how the \$300,000 debt is to be paid since the connection fee probably also has to cover some meter and installation expenses that have not yet been incurred. It is the Division's position that water system development costs should be recovered in revenue from the sale of lots. The Division's worst case concern is that the water users could pay for the system in their lot purchase, again with a connection fee and be left the water company and some debt by default of the developer.

In its June letter, the Division stated: "The importance of the balance sheet is to show the cost of the water system and to determine if it paid is for, bonded or subject to debt." The information provided so far does not satisfy this concern. Further, since a \$3,000 connection fee is proposed, the Division is more concerned about the cost of the water system and the detail of what it consists. The Developer has hired a professional engineer and the Division supports engineering costs as part of the cost of the water system (the Division has encountered serious problems in other water systems because the system was built without an engineer). For this reason the Division is requesting a detailed breakdown of all the parts and costs of the water system.

Another serious concern of the Division is in the "Agreement To Buy and Sell Surplus Water" that has been provided. The agreement is with Duchesne City and is for a thirty year term except that is cancelable on 90 days notice at any time if surplus water is not available from Duchesne City. The Division is concerned about that possibility and is requesting additional information from the developer as to the possibility of such an occurrence and to what if any alternatives are available.

Finally, no tariff information has been provided other than the "Agreement to Purchase Culinary Water Hook-up" which does include a \$3,000 hook up fee and rate of \$.706 per 1,000 gallon purchase price from Duchesne City. There is no monthly rate for the Commission to approve.

It is probable that the Division's concerns can be greatly reduced if not eliminated by complete responses from the developer. With the Division's limited information, it is the position of the Division that a Certificate of Convenience not be issued until the division's concerns are addressed.