

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Request for)	<u>DOCKET NO. 03-2199-01</u>
Rate Increase for WHITE HILLS)	
WATER COMPANY)	<u>REPORT AND ORDER</u>

ISSUED: July 28, 2003

SYNOPSIS

White Hills Water Company sought to increase various rates to be charged. The Commission established new rates.

By The Commission:

White Hills Water Company (the "Company" or "White Hills") filed a request for a rate increase on April 3, 2003. The matter was set for hearing with notice given. Customers of White Hills were provided information about the rate request and the hearing through a mailing made by the Company to all of its customers. The matter was heard July 17, 2003, before the Commission's Administrative Law Judge. Alan Walsh represented the Company, and Ken White offered testimony for the Company. Patricia Schmidt represented the Division of Public Utilities ("DPU"), and Wesley Huntsman and Dan Bagnes offered testimony on behalf of the DPU. Prior to the hearing customers were given the opportunity to file written comments with the Commission. Two customers, Dan Jackman and Julie Barnum, appeared and offered testimony during the hearing.

Mr. White testified as to the reasonableness of the proposed rates and the correctness of the supporting material submitted by the Company and used by the DPU in its analysis. He also addressed some of the concerns raised by customers in their written comments.

Several written comments from customers were received prior to the hearing. Those comments addressed the size of the proposed rate increase, pressure problems, leaks, customer service issues, pump issues, the sale of water to a dust control contractor, and the need for a new tank recently installed. Customer testimony at the hearing raised two additional issues: an inconsistency in the base amount per month included in the monthly minimum charge, and the presence of a class of customers that have one-inch meters and have historically been charged a higher monthly minimum amount. The issues raised by the customers were addressed in the testimony offered at the hearing.

On June 11, 2003, the DPU submitted its Memorandum and recommendations, and indicated that based upon its analysis of the Company's 2002 annual report the requested increase was needed. The DPU also stated that it was performing an audit of the Company. At the hearing the Division submitted the results of its audit, and an exhibit containing the projected income and expenses of the Company if the requested rates were approved. According to the DPU's projection even with the increased rates the Company will experience a net loss in excess of \$25,000 for the coming year. Mr. White, on behalf of the Company, indicated that the Company was willing to accept those rates, and probable losses arising from the rates.

DISCUSSION

White Hills has not requested a change in rates for about nine years. During that time costs have increased. As a result, the proposed increase in rates in this docket is sizeable. The specific rate changes and other issues raised in this proceeding are discussed below.

RATES

With their application the Company submitted a proposed tariff sheet with the following rates for each two month period:

First 10,000 gallons	\$30.00 minimum charge for each service connection
Over 10,000 gallons	\$1.50 per 1,000 gallons.

At the hearing customers explained that the current rates were a \$20.00 minimum charge for two months, which included 20,000 gallons each two months. In response, the Company explained that its filing was incorrect, and the requested rates were a \$30.00 minimum charge every two months, which includes 20,000 gallons each two months. Or, stated on a monthly basis, a \$15.00 minimum charge with 10,000 gallons included in that charge.

Customer testimony also raised the issue of a class of customers served with one-inch meters. According to the customer, and the Company, those customers have historically been charged a minimum charge \$10.00 per two month period more than other customers. No provision for those customers was included in the proposed rates submitted by the Company. In the hearing the Company indicated that it requested that the \$10.00 per two month differential be maintained, and that one-inch meter customers be charged a minimum of \$40.00 each two-month period.

OTHER ISSUES

Water tank: The company testified that a third water tank had recently been installed at a cost of about \$167,000. The testimony at the hearing was that the tank became available at a good price and the Company purchased and installed it to provide for future expansion of the system. The testimony at the hearing made it clear that the tank was and is not necessary to provide for current service or fire protection needs. As a result, we find that the tank should not be included as used and useful in the Company's rate base at this time. However, given the fact that the Company is expected to experience a loss even with the new rates, this finding does not cause an adjustment to the rates approved herein. The DPU testified that with the tank removed from ratebase, the Company will still suffer a loss in the coming year.

Sale of Water for Dust Control: The customers brought to the attention of the Commission the fact that the Company is allowing the water trucks of a company providing dust control for a nearby construction project to take water from the White Hills system. Mr. White explained that the Company had contracted to provide water to the dust control company at the rate of \$1.50 per 1000 gallons. No tariff provisions, or other authority for the Company to sell this water, was cited during the hearing. Counsel for White Hills indicated that the Company would file and request approval of the necessary tariff provisions for the Company to make such sales.

Customer service issues: The filed customer comments, and the customer testimony in the hearing, raised various customer service issues, including the inability to contact the company in a timely manner. Mr. White responded, indicated an intention to make improvements, and also offered to be personally more available to customers. The customer service issues raised must be addressed by the Company. They are, however beyond the scope of this proceeding. We direct the Division of Public Utilities to follow-up on the customer service issues raised, and bring any issues needing further attention to the Commission.

Pressure problems: Customer comments indicated that some homeowners experienced pressure problems at times. Mr. White testified that system pressure is constantly monitored and that the Company provides service to all customers at pressure consistent with applicable regulations. This issue may also be beyond the scope of a rate case proceeding. We also do not have sufficient evidence to determine if pressure problems exist. If customers are not provided service at least at the amount of pressure set forth in applicable regulations, that issue too should be brought before the appropriate regulatory agencies.

Pump issues: Some customers indicated that the water system pump caused problems with the electric service in the area due to its large draw of electricity when it starts up. At times, customers said, the pump cycled on and off repeatedly during the day causing problems. Mr. White testified that due to the failure of a piece of equipment the pump did cycle on and off repeatedly for a short time. He testified that upon discovering this was happening, repairs were made that solved the problem. Mr. White also indicated that normally the water system pump is run only during nighttime hours, after 11:00 p.m., to take advantage of lower electrical rates. We are satisfied that the pumping issue has

been adequately dealt with.

Conclusion: Company rates have not been changed in about nine years. Customers have benefited from unchanged rates for some time. The increase is needed at this time to cover the expenses of the Company. The proposed rates, as modified during the hearing, should be approved.

Based upon the evidence presented, the Administrative Law Judge recommends entry of the following:

FINDINGS OF FACT AND CONCLUSION OF LAW

1. White Hills Water Company is a certificated water corporation operating in the State of Utah, subject to Commission jurisdiction.

2. White Hills Water Company's current rates are insufficient to provide adequate revenues to recover the Company's reasonable operating expenses.

3. The proposed rates requested by the Company, as modified during the hearing, are just and reasonable. The proposed rates are:

a. Base charge per month, including the first 10,000 gallons: \$15.00.

b. Usage rates per month:

Over 10,000 gallons: \$1.50 per 1,000 gallons.

The Company may continue its practice of billing on a bi-monthly basis.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

The proposed rates set forth in this Report and Order are approved by the Commission. White Hills Water Company may make the rates effective September 1, 2003. White Hills Water Company shall submit revised tariff sheets reflecting the new rates approved by the Commission. The Division of Public Utilities shall review the revised tariff sheets for compliance with this Report and Order.

Any person aggrieved by this Order may petition the Commission for review/rehearing pursuant to *Utah Administrative Procedures Act, Utah Code Ann. §63-46b-1 et seq.* Failure to do so will preclude judicial review of the grounds not identified for review. *Utah Code Ann. §54-7-15.*

Dated at Salt Lake City, Utah, this 28th day of July, 2003.

/s/ Douglas C. Tingey
Administrative Law Judge

Approved and Confirmed this 28th day of July, 2003, as the Report and Order of the Public Service Commission of Utah.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

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