

## - BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Petition for a Proposed  
Rate Increase for Dammeron Valley Water  
Works )

DOCKET NO. 99-2025-01

REPORT AND ORDER

ISSUED: November 9, 1999

SYNOPSIS

The proposed rates appearing to be just and reasonable, the Commission granted the petition.

Appearances:

Laurie Noda, Assistant Attorney  
General

For

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 26<sup>th</sup> day of October, 1999, before A. Robert Thurman, Administrative Law Judge, at the Commission offices, 160 E. 300 South, Salt Lake City, Utah. 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

- Dammeron Valley Water Works (DVWW), Petitioner herein, is a water corporation certificated by this Commission. Its last previous rate increase was in April 1994.
- Pursuant to the petition, the Commission referred the matter to the Division of Public Utilities, Utah Department of Commerce (DPU), for review, analysis, and recommendation. In connection with its review, the DPU conducted an audit of DVWW's operations. The audit covered the Company's operations for the year ended December 31, 1998, as reported to the Commission in the Company's annual report.
- The DPU's audit found that DVWW is operating in full compliance with Commission rules and regulations. The Company is charging only those rates which have been previously approved by the Commission. The Company's records are kept in compliance with the accounting procedures set forth in the NARUC (National Association of Regulated Utility Commissions) chart of accounts for water companies, as required by the Commission. The DPU believes that the Company's 1998 annual report to the Commission is an accurate reflection of the Company's operations for that year.
- For the purpose of its analysis and recommendations in this case, the DPU used a test year of 1998 actual with adjustments as detailed in its Exhibit 2.1, page 2. In the April, 1994, rate case the Commission found that the rates would not cover all costs of the Company and recognized in its order that Dammeron Corporation, the Company's parent corporation, agreed to subsidize the water works for the time being.
- In addition to covering the Company's past losses, Dammeron Corporation has paid some expenses for the water company which are not reflected in the Company's financial statements. Dammeron Corporation has also

provided a portion of the time of one of its employees to the Company at no charge. Additionally, Mr. Brooks Pace, president of the company, has not taken any compensation for the time he spends on water company matters.

- The Company's rate proposal includes expense adjustments to show compensation to Mr. Pace and one employee of Dammeron Corporation for the time they spend on water company related activities (DPU Exhibit 2.1 lines 9 & 10). This adjustment is intended to make the Company's financial statements more accurately reflect the real cost of providing water service.
- The proposed rates would not cover all expenses of the Company; however, they are an important step towards having the water rates reflect the true cost of service. Mr. Pace has agreed to continue to subsidize the Company for the next few years through Dammeron Corporation if the proposed rates are approved.
- The Company proposes the following rates to become effective January 1, 2000:

### Monthly Culinary Water Rates

| Customer Type         | Current  | Proposed | Usage Allowed                                 |
|-----------------------|----------|----------|---|
| All Customers         | \$ 20.00 | \$ 25.00 | Base charge for the first 20,000 gallons      |
| 1 Tapping Customers   | 1.00     | 1.25     | Per 1,000 gallons for the next 4,000 gallons  |
|                       | 1.25     | 1.50     | Per 1,000 gallons over 24,000 gallons         |
| 1½ Tappings Customers | 1.00     | 1.25     | Per 1,000 gallons for the next 16,000 gallons |
|                       | 1.25     | 1.50     | Per 1,000 gallons over 36,000 gallons         |
| 2 Tappings Customers  | 1.00     | 1.25     | Per 1,000 gallons for the next 28,000 gallons |
|                       | 1.25     | 1.50     | Per 1,000 gallons over 48,000 gallons         |

### Monthly Irrigation Water Rates\*

The Division proposes a net rate base of \$429,593 (Exhibit 2.2) with a rate of

return of 3.04% (DPU Exhibit 2.3) for a total return of \$16,340 resulting in a total revenue requirement of \$100,965. At the proposed rates the Company would have total revenues of \$91,745, resulting in an annual shortfall of (\$9,220) (DPU Exhibit 2.4).

Based on its audit and the above analysis, DPU believes that the rates proposed by DVWW are just and reasonable and recommends that the Commission allow the rates to become effective January 1, 2000.

DVWW's water customers were notified of the rate application in meetings of the homeowner's Association Water Committee and a general homeowners' Association meeting. Additionally, notice of the instant hearing was published in the local newspaper a week before the hearing. Neither DPU nor the Commission have received any protests to the proposed increase.

### DISCUSSION

The proposed increase in rates is substantial on a percentage basis, ranging from 50% (for standby service) down to 20% for most of the tiered rates. In absolute numbers, the increase does not appear unreasonable. Since the proposal leaves the company still with an operating deficit, we cannot find the rates unjust to ratepayers.

### CONCLUSIONS OF LAW

The proposed rates are just and reasonable and should be approved.

### ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

Dammeron Valley Water Works' proposed increased rates be, and they are, approved as set forth *supra*, effective January 1, 2000.

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 9<sup>th</sup> day of November, 1999.

/s/ A. Robert Thurman, Administrative Law Judge

Approved and Confirmed this 9<sup>th</sup> day of November, 1999, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard, Commission Secretary