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June 17, 2003

Property Owners  
Boulder King Ranch Estates Subdivision

To whom it may concern,

As many of you know, the Utah Division of Public Utilities (Division) has, over the last year and one-half, conducted an investigation of the Boulder King Ranch Estates Water Company (Boulder King). As a result of the Division's petition for an order to show cause against Boulder King and hearings held in May 2002, the Utah Public Service Commission canceled the Letter of Exemption previously granted to Boulder King and determined that the Water Company was subject to the Commission's regulatory jurisdiction. In its October 16, 2002 order, the Commission ordered that the rates being charged by Boulder King were to remain the same pending further rate making proceedings before the Commission.

The Division completed a financial audit of Boulder King in November, 2002, and filed testimony which recommended new monthly rates for Boulder King which were double those currently being charged. In addition, the Division identified the system costs which it believed should be recognized for rate making and recommended an equitable connection fee for the property owners in Boulder King Ranch Estates. Mr. Dale Clarkson retained counsel to represent Boulder King in the rate making proceedings. Over the last five months, the Division staff and Boulder King representatives have discussed the rate making recommendations made by the Division. Additional information has been provided by the Water Company which persuaded the Division staff that adjustments to the position previously taken were appropriate.

On June 10, 2003, the Division and Boulder King informed the Commission that they had agreed to a settlement of the case. The parties have agreed that monthly water usage rates should be increased from \$15 to \$35 per month and monthly standby ready to serve rates should be increased from \$5 to \$13 per month. The parties agree that the agreed upon rate increases will allow Boulder King the opportunity to recover its operating costs. In addition, the parties have agreed upon connection fees for lots within the subdivision to recover the system improvement costs which were prudently incurred for the water system. In general, the 44 lots served by the original water system will pay total connection fees of \$4,780. While the 17 lots served by the new system installed in 2001 will pay connection fees of \$6,909. These connection fees will be offset by improvement package payments previously collected by Boulder King and Mr. Clarkson. In addition, the Division has computed the credits attributable to each lot for Mr. Clarkson's contributed system costs for the original system and water rights included in lot purchase contracts. The connection fees receivable from each lot owner have been agreed upon and documented in the financial exhibits which will be filed by the Division in support of the settlement. The parties agreed that lot owners connected to the water system should have 12 months in which to pay the connection fee and that connection fees for standby and dry lots are not payable until the owner requests to connect to the system. Interest will begin to accrue on unpaid monthly water fees, standby fees and connection fees at 12% APR for lots currently connected to the system. The same interest rate will apply to unpaid connection fees for standby and dry lots after they apply for service. The Commission has scheduled a hearing to determine whether or not to approve the settlement, and the Notice of Hearing is enclosed for your information if you wish to participate in the hearing. Please feel free to call me at 800-874-0904 if you have any questions.

Sincerely,

Wesley Huntsman, Manager  
Customer Service & Water

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