



State of Utah
Department of Commerce
Division of Public Utilities

KLARE BACHMAN
Executive Director

JASON PERRY
Deputy Director

IRENE REES
Director, Division of Public Utilities

OLENE S. WALKER

Governor

GAYLE F. MC KEACHNIE

Lieutenant Governor

MEMORANDUM



Date: June 4, 2004

To: Public Service Commission

From: Division of Public Utilities
Irene Rees, Director
Wesley Huntsman, Manager
Bary M. Golding, Analyst

Subject: Dammeron Valley Water Works Request for Rate Increase
Docket No. 04-2025-01

INTRODUCTION

The Division has completed its audit in this matter and now submits its recommendation for Commission action.

RECOMMENDATION

The Division recommends that the Commission approve the rates which Dammeron Valley Water Works (Company) proposed with the following exception. The proposed \$10.00 late fee would only be applied to accounts which have received two 48 hour shutoff notices within a one year period. All other delinquent accounts would be charged interest at a rate of 18% per annum.

The Division proposes that the Commission approve the proposed rule changes, except as noted in the "Discussion" section of this memorandum.

DISCUSSION

The Division proposes a test year of 2003 actual with a adjustments as listed below. The Division proposes a \$25,646 reduction in the Company's Repairs and Maintenance Expense (Exhibit 1.1) because this expense was unusually high during 2003 due to the cost of pump repairs and replacements caused by power surges. The Company incurred approximately \$38,400 in extra expenses related to pump failures. Rather than have the Company capitalize this expense the Division proposes that the Commission allow the Company to recover these costs over three (3) years because the costs were incurred due to replacing two pumps within one year. The Company is working with Utah Power and the Commission to resolve the power problems.

The Division also proposes a \$2,210 reduction in the Company’s annual depreciation expense. The Division found that the depreciation rates the Company has been using since its last rate case were not in line with the depreciation rates required under Commission rules (R746-332-1). The depreciation rates the Company has been using were the result of an oversight and were inadvertently approved in the Company’s last rate case (Docket No. 99-2025-01).

The Division also proposes elimination of the \$2,000 donation expense which should be moved below the line so it is not included in rates.

The Division proposes a net rate base of \$399,295 (Exhibit 1.2), with a weighted average rate of return of 6.39% (Exhibit 1.3), for a total revenue requirement of \$178,784 (Exhibit 1.3). The proposed rates would fall \$4,228 short of meeting the proposed revenue requirement (Exhibit 1.4).

Rates

Culinary Rates

<u>Entitlement</u>	<u>Usage</u>	<u>Monthly Culinary Water Rate</u>
All	First 20,000 gallons	\$30.00 Minimum Charge for each service connection
1 Tapping	Next 4,000 gallons	\$1.50 per 1,000 gallons
	Over 24,000 gallons	\$2.00 per 1,000 gallons
1 ½ Tappings	Next 16,000 gallons	\$1.50 per 1,000 gallons
	Over 36,000 gallons	\$2.00 per 1,000 gallons
2 Tappings	Next 28,000 gallons	\$1.50 per 1,000 gallons
	Over 48,000 gallons	\$2.00 per 1,000 gallons

Irrigation Rates

<u>Entitlement</u>	<u>Usage</u>	<u>Monthly Irrigation Water Rate*</u>
All	40,000 gallons/month to a maximum of one acre foot per year (320,000 gallons)	\$0.25 per 1,000 gallons

- *1) This rate is applicable to customers that have previously purchased a 1 acre-foot water right (320,000 gallons) from the Dammeron Corporation. The current charge for a 1 acre-foot right is \$3,000. Supply of these rights is limited and there is no guarantee that a customer will have the right to buy an irrigation water right.
- 2) Irrigation customers must first use their total culinary allotment at the culinary rate before the irrigation rate applies. Once the culinary and irrigation allotments are used the culinary overage rate of \$2.00 per 1,000 gallons will apply.

Service Connection Fee

Service to property line one time charge for each service requiring new meter installation, to be paid in full before water service will be provided. \$1,500

Standby Fee

Monthly Standby fee (Ready to serve charge)** \$20.00

**Any unpaid standby fees for a particular premise must be paid in full before water service will be provided.

Other Charges

- | | |
|---|---------|
| 1. Turn on service for a new customer where a meter is already in place | \$15.00 |
| 2. Reconnection fee after disconnection | \$25.00 |
| 3. Customer Account Change | \$25.00 |
| 4. Meter Tested (more than once per year) | \$10.00 |
| 5. Late fee per billing cycle (after a second 48 hour shutoff notice within one year) | \$10.00 |

Rules

The proposed rules regarding past due standby and water bills state that the current owner of a premise can be held responsible for fees incurred by a previous owner. The Commission's rules do not allow a utility to charge a customer for charges incurred by a previous owner.

SUMMARY

The Division feels that the proposed rates are just and reasonable and should be approved.