

## Narrative

### WaterPro, Inc.

WaterPro, Inc. (“WaterPro”) is a Utah business corporation, organized in 1997 as a wholly-owned subsidiary of Draper Irrigation Company, a Utah nonprofit corporation (“DIC”), to provide water delivery, management, and administrative services for DIC and, to a limited extent, third parties.

DIC was organized in 1888 as a mutually-owned water company to manage the collection, distribution, and delivery of irrigation water to early residents of the southeast corner of Salt Lake Valley, which was then rural, except for a small cluster, which eventually grew into the city of Draper, organized in 1978. For decades, DIC only provided irrigation water, as residents within the area relied on individual wells and ditches for drinking water.

As the population density of DIC’s Service Area increased, so did demands for a reliable supply of quality culinary water. In 1928, DIC constructed culinary water storage, treatment, and distribution facilities to deliver water initially to approximately 200 culinary customers in addition to its irrigation service throughout the Service Area. As a result of a significant acceleration of urbanization in the 1970’s and the resulting demand for additional culinary service, DIC determined that it could best serve residents within the Service Area by converting its existing ditch irrigation system to a pressurized pipeline irrigation system in addition to and separate from its burgeoning culinary system.

Several years of engineering and design culminated in the commencement of construction in 1993 of DIC’s pressurized irrigation system to deliver pressurized irrigation service to approximately 600 users. The storage, pumping, distribution, and delivery system, at an aggregate cost of approximately \$9.5 million, was funded principally from the proceeds from a \$8.5 million loan from the Utah Department of Water Resources, which provides low-cost loans to water companies. When DIC’s entire pressurized irrigation system was completed and placed in service in 1995, DIC delivered pressurized irrigation water to approximately 600 users and culinary water to approximately 1500 users.

Predictably, DIC’s Service Area continued to migrate from a predominantly rural landscape to an urban area, with substantially accelerated growth commencing in the 1970s and continuing. This urbanization is perhaps best illustrated by the following numbers of culinary customers served by DIC:

Year	Customers
1975	700
1980	800
1985	925
1990	1,075
1995	1,500
2000	4,641
2004	6,500*
	*approximate

### Reliance on Exemption from Public Service Commission Regulation

Historically, DIC has relied on the exemption from Public Service Commission (“Commission”) regulation generally provided in UTAH CODE ANN. § 54-2-1(27) (2001), and predecessors of substantially

like tenor, that excludes from the definition of water corporation considered to be a public utility “private irrigation companies engaged in distributing water only to their stockholders.”

To obtain comfort respecting meeting this exemption from regulation, DIC obtained Letter of Exemption No. 0082, from the Public Service Commission, dated June 13, 2001, which was obtained based on a review of DIC’s amended and restated articles of incorporation and bylaws, which had then been recently revised in response to the adoption of the Utah Revised Nonprofit Corporation Act. Prior to that date, DIC had relied on the Public Service Commission’s Order of January 27, 1977, dismissing a petition that would have subjected DIC to Public Service Commission regulation.

In early 2004, the Department of Public Utilities reviewed the conditions for finding of exemption from Commission regulation under Commission Rule 746-331-1 and the Commission’s findings in the case *In Re: Exemption of Mutually-Owned Water Company from Commission Regulation*, Docket No. 91-331-01 (June 12, 1992), and advised DIC informally that it had concluded that Letter of Exemption No. 0082, dated June 13, 2001, could no longer be relied upon by Draper Irrigation Company.

Upon receiving such advice, DIC has proceeded with diligence and dispatch to make available to the Commission its financial, business, and other books and records; investigate and implement internal reorganization required to operate a subsidiary as a regulated utility; and prepare and file this application. The internal restructuring and the application to the Commission for a certificate of convenience and necessity to operate as a public utility rendering service have been formally authorized by the boards of directors of DIC and WaterPro.