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State of Utah
Department of Commerce
Division of Public Utilities

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Director, Division of Public Utilities

June 30, 2005

MEMORANDUM

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Irene Rees, Director
Kent Evans, Manager, Customer Service and Water
Bruce Scott Moio, Utility Analyst

RE: In the matter of the proposed rate change for Bridgerland Water Company
Docket 05-001-T01

RECOMMENDATION

Based on its audit and analysis the Division concludes that the rates proposed by Bridgerland Water Company are just and reasonable. The Division recommends that the Commission allow the rates to become effective immediately upon its final order.

SUMMARY

The Division of Public Utilities (DPU) has completed its audit of the operations of the Bridgerland Water Company (Company). The DPU audit found that the Company 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 DPU considers the Company's 2004 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 has used a test year of 2004 actual with adjustments as detailed in Schedule 1.

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DISCUSSION

The Company's current rates were approved by the Commission on July 20, 1988 (Docket No. 88-001-01). Since that time the Company has incurred higher costs to maintain, run, and expand the system. The Company has been reporting in its annual report net losses for several consecutive years. Mr. Ted Wilson, President of the Company, has subsidized the Company and will continue to do so.

Mr. Wilson performs most of the functions of running the Company with little compensation in relation to his time spent performing these functions. Further the Company's current connection fee is well below the actual cost of connecting a user to the system. The Company proposed a \$140 fee for replacement of meters. The Division rejects this portion of the proposed tariff. Once the meter is installed and the connection fee is paid, the replacement and maintenance of the meter remains with the Company.

The Company's rate proposal includes expense adjustments to show increased compensation for Mr. Wilson and connections fees in line with actual costs to connect. These adjustments are intended to make the Company's financial statements 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 toward having the water rates better reflect the true cost of service.

Rates

The Company proposes the following rates to become effective upon the Commission's final Order:

Monthly Water Rates

	<u>Current</u>	<u>Proposed</u>	<u>Usage Allowed</u>
All Customers	\$8.81	\$24.00	Base charge for first 6,000 gallons
	\$1.50	1.75	Per 1,000 gallons over 6,000 gallons

Monthly Stand-by Fee

<u>Current</u>	<u>Proposed</u>
\$10.00	\$10.00

Service Connection Fees

	<u>Current</u>	<u>Proposed</u>
¾" Service to property line with meter	\$750	\$2,250
1" Service to property line with meter	none	3,000

Turn-on service where meter is already in place	\$50	\$50
Turn-off service where meter is already in place	\$50	\$50

Rate Analysis

The Division proposes a net ratebase of \$106,292, see Schedule 2, with a rate of return of 9.18%, see Schedule 3, for a total return of \$12,194 resulting in a total revenue requirement of \$42,161. At the proposed rates the Company would have total revenues of \$18,434, resulting in an annual shortfall of (\$23,727), see Statement 4.