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Department of Commerce
Division of Public Utilities

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Director, Division of Public Utilities

19 December 2005

MEMORANDUM

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Constance B. White, Director
Kent Evans, Manager, Customer Service and Water
Bruce Scott Moio, Utility Analyst

RE: In the matter of the proposed rate change for Wilkinson Cottonwood Mutual Water Company
Docket 05-019-01

RECOMMENDATION

The Division recommends the Commission not approve the proposed rate change requested by Wilkinson Cottonwood Mutual Water Company.

SUMMARY

In response to Wilkinson Cottonwood Mutual Water Company's request for a rate increase the Division audited the Company's financial records for the year ending December 31, 2004. The proposed tariff filed with the Commission does not request a change in the rates charged to its customers. The Company is seeking an increase in the connection fee to be charged to new customers in a new development. Specifically the Company is seeking to charge a hook-up fee of \$1500 and a "project improvement fee" of \$2500, for a total connection fee of \$4000.

In the process of the audit the Division had requested more documentation which took the company and its representatives some time to compile. The Division met with the company's representatives many times over a period of several months discussing this matter. The Division's recommendation to not allow the increase in the connection fee is based on the Utah Title Code 54 Rule 746-330-6 which states; "There is a rebuttable presumption that the value of original utility plant and assets has been recovered in the sale of lots in a development to be served by a developer-owned water or sewer utility." The Company is controlled by the developer who is expanding the development and the water

system to serve the newer development. The expansion of the water system is estimated to cost \$2,787,000. Documents provided to the Division clearly show the new connection fee being derived by dividing the cost of expansion by the estimated number of new connections. This leads the Division to believe the Company was to recover the expansion of the water system through this new connection fee and not through the sale of lots¹.

Therefore the Division recommends the increase in connection fee not be approved and that the developer may recover the expansion costs in the sale of lots.

¹ See attached engineering summary.