

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)	
Lakeview Water Corporation for)	<u>DOCKET NO. 06-540-T01</u>
Approval of it's Proposed Water Rate)	
Schedules and Water Service Regulations)	<u>REPORT AND ORDER</u>
)	

ISSUED: November 29, 2007

By The Commission:

PROCEDURAL HISTORY

On December 8, 2006, Lakeview Water Corporation ("Lakeview" or "Company") filed an Application to Approve Proposed Water Service Schedules and Rates seeking to increase its base culinary water rates, tiered usage rates, and fees.

On January 16, 2007, Frank J. Cumberland, a resident of the area served by Lakeview, filed a Notice of Intervention seeking to intervene in this matter. On February 5, 2007, the Commission issued an Order Granting Intervention to Mr. Cumberland ("Intervenor").

On August 1, 2007, the Commission issued a Notice of Hearing setting an evidentiary hearing in this matter to convene on August 7, 2007.

On August 7, 2007, the Division of Public Utilities ("Division") filed a memorandum recommending the Commission approve the proposed rates as filed. The Division also stated that if the Commission has concerns about the immediate and significant rate increase proposed, it should consider an incremental increase phased in over the next several years. Also on August 7, 2007, Mr. Cumberland filed a Hearing Brief of Intervenor outlining his opposition to the proposed rate increase.

DOCKET NO. 06-540-T01

-2-

On August 7, 2007, hearing was held before the Administrative Law Judge. J. Craig Smith appeared on behalf of the Company. Krystal Fishlock testified via telephone on behalf of the Company. Patricia E. Schmid, Assistant Attorney General, appeared for the Division. Mr. Paul Hicken, utility analyst, testified on behalf of the Division. Intervenor Frank Cumberland appeared and testified on his own behalf.

Pursuant to Commission Notice of August 1, 2007, a public witness hearing was held in conjunction with the evidentiary hearing.¹ Four residents of the Lakeview service territory appeared via telephone. Two of these residents made a statement, one sworn and one unsworn, in opposition to the proposed rate increase.

On September 25, 2007, the evidentiary and public witness hearings reconvened in Huntsville, Utah. Mr. Smith, Ms. Schmid, Mr. Cumberland, Mr. Hicken, and Ms. Fishlock appeared as before. In addition, Mark Babbitt, Vice President of Great Basin Engineering, testified on behalf of the Company. Twenty-one individuals attended the public witness hearing. Eight of these individuals made statements in opposition to the proposed rate increase while one voiced support for said rates. Because parties were not able to complete presentation of all evidence prior to close of the hearing, the ALJ announced the evidentiary hearing would be continued to a later date to conclude the presentation of evidence.

¹The Administrative Law Judge began the public witness portion by notifying those present and on the telephone that he intended to reconvene the public witness proceedings in a month's time at a location more convenient to Lakeview customers to provide them an additional opportunity to provide comments on the proposed rate increase. The ALJ also announced that, because the Intervenor had not received the Division's recommendation until the day of the hearing, the evidentiary hearing would remain open to permit the Intervenor to respond on the record to said recommendation.

DOCKET NO. 06-540-T01

-3-

On November 16, 2007, the Division filed a memorandum detailing its analysis of a three-year phased-in base rate increase and recommending its approval by the Commission.

Pursuant to duly-issued Notice, the evidentiary hearing reconvened on November 19, 2007. All parties, attorneys and witnesses present at the previous evidentiary sessions were once again present. At hearing, Lakeview stipulated its agreement with the phased-in rate increases proposed by the Division in its memorandum filed November 16, 2007. Intervenor Cumberland likewise stipulated his agreement with the phased-in base rate increases and stated he would not oppose the Division's recommendation that the Commission approve increases in the Company's tiered usage rates and fees as originally proposed.

BACKGROUND AND DISCUSSION

The Division notes the Company received its Certificate of Public Convenience and Necessity to operate as a water utility in 1982 and its rates have not changed since that time.

The Company's current and proposed rates are as follows:

CURRENT RATES		PROPOSED RATES	
Water Usage Rates			
Base Rate: up to 12,000 gal	\$16.00 per month	Base Rate: up to 12,000 gal	\$36.00 per month
Tier 1: 12,001 to 15,000 gal	\$1.50 per 1,000 gal	Tier 1: 12,001 to 20,000 gal	\$3.25 per 1,000 gal
Tier 2: 15,001 to 25,000 gal	\$1.75 per 1,000 gal	Tier 2: 20,001 to 40,000 gal	\$3.75 per 1,000 gal
Tier 3: 25,001 or more gal	\$2.25 per 1,000 gal	Tier 3: 40,001 to 60,000 gal	\$4.25 per 1,000 gal
		Tier 4: 60,001 to 80,000 gal	\$5.50 per 1,000 gal
		Tier 5: 80,000 or more gal	\$7.00 per 1,000 gal

Connection Fees			
Single Family Dwelling Unit (Development) $\frac{3}{4}$ in	\$1,000	Single Family Dwelling Unit (Development) $\frac{3}{4}$ in	\$3,500
Other Single Family Dwelling Unit $\frac{3}{4}$ in	\$1,500	Other Single Family Dwelling Unit and Single Business Connections $\frac{3}{4}$ in	\$4,000
Multi-family Unit	\$1,000	Multi-family Unit	\$3,000
Stand-By Fees			
Single Connection	\$5.00	Single Connection	\$10.00

Having reviewed the Company's financial data, the Division noted in its memorandum filed August 7, 2007, that the proposed rates would result in a revenue requirement shortfall of \$14,491 per year based on a rate base of \$438,154 and rate of return on rate base of 8.25%. Although the proposed base rate, connection fees and standby fees are more than double the existing rates, the Division concluded the proposed rates are within an acceptable range of other regulated water companies and are just and reasonable. The Division recommended their approval.

The Intervenor's primary objections to the proposed rates included the fact that they would more than double the current rates and that he believed the Company was seeking the proposed increases to fund its real estate development activities in the area.

In its memorandum filed November 16, 2007, the Division continued to recommend approval of the proposed tiered usage rates and connection and standby fees. However, based on its economic analysis, the Division now recommends the proposed base rate increase be phased-in over a three year period as follows: a \$10 increase in 2008, resulting in a base rate for 2008 of \$26 per month; an \$8 increase in 2009, resulting in a base rate for 2009 of

\$34 per month; and a \$1 increase in 2010, resulting in a base rate for 2010 of \$35 per month. The Division no longer recommends increasing the base rate to the proposed \$36 per month because its most recent analysis indicates the three-year phase-in ending with a \$35 per month base rate in 2010 will yield a profit for the Company after three years. The Division concludes approval of the phased-in base rate and the proposed tiered usage rates and fees as indicated above is just and reasonable and in the public interest. The Company concurs and supports the Division's recommendations with respect to said rates and fees. The Intervenor concurs and supports Commission approval of the three-year phased-in base rate as recommended by the Division and does not oppose approval of the proposed tiered usage rates and fees.

Having reviewed the evidence and testimony presented in this matter, the Administrative Law Judge concurs with the Division's recommendation and finds the proposed rates to be just and reasonable. The ALJ therefore recommends the Commission approve the three-year phased-in base rates and the proposed tiered usage rates and fees as indicated above.

Wherefore, based on the foregoing information, and for good cause appearing, the Administrative Law Judge, having been fully advised in the matter, now enters the following Report, containing proposed findings of fact, conclusions of law, and the Order based thereon.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Lakeview Water Corporation is a certificated water corporation operating in the State of Utah, subject to Commission jurisdiction.
2. The rates proposed by the Company, as modified by the Division above, are just and reasonable, and in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

- The three-year phased-in Base Rates proposed by the Division of Public Utilities and agreed by Lakeview Water Corporation as discussed *supra* are approved.
- Lakeview Water Corporation's proposed tiered usage rates, connection fees and standby fees as discussed *supra* are approved.
- Lakeview Water Corporation shall file revised tariff sheets reflecting the new rates. The Division of Public Utilities shall review the revised tariff sheets for compliance with this Report and Order.

Pursuant to *Utah Code Annotated* §§ 63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of *Utah Code Annotated* §§ 63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

DOCKET NO. 06-540-T01

-7-

Dated at Salt Lake City, Utah, this 29th day of November, 2007.

/s/ Steven F. Goodwill
Administrative Law Judge

Approved and Confirmed this 29th day of November, 2007, as the Report and
Order of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard,
Commission Secretary
G#55458