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June 26, 2008

MEMORANDUM

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Philip J. Powlick, Director
William Duncan, Manager, Telecom and Water Section
Paul Hicken, Utility Analyst

RE: Dammeron Valley Water Works – Division's response to questions raised at a technical conference with the parties at St. George, Utah on June 12, 2008; **Docket No. 07-2025-01**

The Division of Public Utilities issued a memorandum to the Public Service Commission on September 11, 2007 pertaining to the findings and recommendations that followed a review of Dammeron Valley Water Works billing practices. In that memo, the Division made some erroneous conclusions and issued some recommendations for the company, that are no longer applicable. There were some errors in the data that were used for the analysis, and consequently the analysis was not completely accurate. After further review of the data, the Division issued another memorandum on March 21, 2008 to clear up the findings and to restate its position. The parties met on June 12, 2008 for a technical conference and there were still a few lingering questions that will be addressed in this memo.

1) Recommendation #1 from the September 11 memo is no longer valid. Other than the one major billing discrepancy with the Bradley/Gasporra account, the Division's second review of actual account billings found only a few inconsistencies, which were not material and were due primarily to computer rounding. The numerous errors mentioned in the first memo were based on faulty spreadsheet calculations and

utilization records that were compiled separately and after correct billings had been mailed out. The Division believes the accounts have been reviewed sufficiently and additional review by an internal auditor is not necessary at this time.

2) Recommendation #2 from the September 11 memo is no longer applicable. While the company did authorize rates that were not part of their published tariff, the rates were offered to all customers without preferential treatment or prejudice. The Division believes the problem has now been corrected and the application of a fine or penalty would not serve any useful purpose.

3) Recommendation #3 from the September 11 memo is not valid. The Division concludes that account #596 held by the Markham/Gasporra family was actually billed correctly from May-October 2006. Prior to that time, the account was held by the Bradley family and there were billing errors from January 2004 through April 2006. The company did suffer significant losses in revenue from this account due to an oversight in the billing calculations. The loss of revenue was not reflected in rates and no other customers were affected by this occurrence. The Division believes the billing errors have been corrected and the issue of lost revenue from this account is a matter to be settled between the company and the Bradley family in a manner they deem appropriate and consistent with the tariff.

4) Recommendation #4 from the September 11 memo is not valid. The Division believes that the investigation of the billing complaint and the issue of the conservation tariff are separate matters. They have been reviewed separately and independently, and the conclusions from the complaint investigation should not affect the decision pertaining to the conservancy tariff.

5) The table shown in the March 21 memo did not include all of the consecutive billing periods. The reasons are generally because the table was meant to show the periods where billing discrepancies occurred. The billing for January-February 2006 was not included because utilization was minimal and no overage occurred. The 2006 billing periods of May-June, and July-August were not included because they were billed correctly. Data for the billing period of November-December 2006 were not included in the review and therefore were not included in the analysis. The 2005 billing periods of January-February and September-October were not included because utilization did not fall into overage amounts.

6) The September 11 memo stated that the Gasporra account was over billed by a total of \$1,304 for November-December 2006 usage. This statement is incorrect for two reasons. First, the data analyzed for this calculation pertained to November-December 2005 (not 2006) which was attributed to the Bradley account not the Gasporra account. Second, the data used for the analysis did not show any utilization for this period, when in fact the account was billed for 940,000 gallons. This billing period was included in the table of the March 21 memo. The \$1,304 calculation was derived from 652,000 gallons

of usage that should have been charged overage at the rate of \$2 per thousand (652 x 2 = 1304) to the Bradley account for November-December 2005 utilization.

It is our conclusion that the Markham/Gasporra account was billed correctly for water utilization for the 2006 billing periods of May-June, July-August, and September-October. We hope this clears up the lingering questions pertaining to this investigation.

cc: Steve Goodwill, Administrative Law Judge, Public Service Commission
Patricia Schmid, Assistant Attorney General
Gary Sackett, Attorney for Plaintiff
Brooks Pace, Dammeron Valley Water Works