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March 24, 2008

**TO: PUBLIC SERVICE COMMISSION**

**FROM: DIVISION OF PUBLIC UTILITIES**  
Philip J. Powlick, Division Director  
Bill Duncan, Manager, Telecommunications  
Shauna Benvegna-Springer, Utility Analyst

**SUBJECT: In the Matter of the Request of Dammeron Valley Water Works to Add a Conservation Rate to Its Tariff**

**RE: Docket No. 07-2025-T01**

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**INTRODUCTION:**

The Division has completed its review and analysis in this matter and now submits its recommendation for Commission action.

**RECOMMENDATION: APPROVE**

The Division recommends the Commission approve the conservation rate which Dammeron Valley Water Works (Company) as proposed with the following exceptions:

- 1) The Division proposes the Commission approve the following language be added to Dammeron Valley Water Works tariff. "All customers of record of the effective date of the conservation rate have a voluntary option to exercise the use of the conservation rate. Customers of record who DO NOT wish to exercise the conservation rate will remain with the current tariffs as approved on June 2004 or as amended by the Public Service Commission."
- 2) The Division proposes the Commission approve the proposed conservation rate with the understanding Dammeron Corporation (Parent Company) would subsidize any net losses incurred by Dammeron Water Valley Water Works for the next 4 years.

**DISCUSSION:**

The Division used the calendar year 2006 for the rate analysis to determine the financial impact and the comparison with other water companies of similar size. No adjustments were made to the financial information.

The Division proposed a net rate base of \$808,995 (Exhibit 1.3) with a weighted average rate of return of 3.09% (Exhibit 1.4) for a total revenue requirement of \$199,846 (Exhibit 1.4). The proposed rates would fall \$30,056 short of meeting the proposed revenue requirement.

**RATES:**

Conservation Rate

<u>Entitlement</u>	<u>Usage</u>	<u>Monthly Culinary Water Rate</u>
All new connections	First 12,000 gallons	\$18.00 Minimum Charge for Each service connection
1 Tapping	Next 12,000 gallons	\$2.00 per 1,000 gallons
	Over 24,000 gallons	\$3.00 per 1,000 gallons

An administrative fee of \$25.00 will be charged when an irrigation right is sold or leased.

All other rates would remain the same and in effect as approved by the Public Service Commission on June 4, 2004.

Currently there are 313 customers served by the Dammeron Valley Water Works. It is anticipated that 90 customers, based upon the 2006 utilization schedule provided by Dammeron Valley Water Works, could convert to the conservation rate. The remaining 223 could realize a 32% increase in their monthly bill, if 40,000 gallons or more per month were utilized. (See Exhibit 1.6)

In comparison to three (3) other water companies of similar size, (see Exhibit 1.6) the rates would be just and reasonable.

**SUMMARY:**

The Division feels that the proposed rates are just and reasonable and should be approved with the exceptions as outlined.