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Exhibit DPU 1.1

--==-- MEMORANDUM ==--

TO: PUBLIC SERVICE COMMISSION OF UTAH

FROM: DIVISION OF PUBLIC UTILITIES
Philip J. Powlick, Division Director
Bill Duncan, Manager, Telecom & Water Section
Shauna Benvegna-Springer, Utility Analyst
Mark Long, Utility Analyst
Kasi Boede, Intern

DATE: January 15, 2009

SUBJECT: In the Matter of the Request of Pineview West Water Company for Approval of a Special Assessment

RE: Docket No. 08-2438-01

RECOMMENDATION: APPROVE

The Division of Public Utilities (DPU or the “Division”) completed a compliance audit on January 13, 2009 of Pineview West Water Company (Pineview or the “Company”). Pineview requested a rate increase as well as a special assessment to allow them to pay some of their past-due bills and start needed repairs until the rate case analysis can be completed to determine the appropriate rate increase. Due to Pineview’s pressing need to repair the water system, the Division has analyzed and verified the amounts requested by Pineview for consideration to be included in the special assessment and will address the rate increase in the near future.

Therefore, the Division recommends that the Commission approve the proposed special assessment with an effective date of January 1, 2009 and due in equal monthly amounts over one year.

INTRODUCTION:

On November 20, 2008, Pineview submitted a request for a special assessment and rate increase. At the time Titan Development acquired Pineview in 2006, the water system was in varying degrees of disrepair with no reserve funds set aside to fund any necessary repairs. As a result, Pineview's expenses have far exceeded their income. Subsequent to acquisition, Titan Development has paid many of Pineview's expenses through personal loans and several vendors are still owed sizeable sums. Due to the current market conditions, Titan Development is no longer able to fund Pineview's operations. It should be noted that the recommended special assessment, if approved, will only cover a portion of Pineview's outstanding obligations and a rate increase will be needed to cover the remaining debt and future repairs.

Pineview's operations are in Weber County, near Ogden City, Utah, and include 58-metered customers. The service area includes Pineview West, Radford Hills, Arave, Southwick, Snowberry Inn, the Pineview Yacht Club, HOA clubhouse and related landscaping, and Crimson Ridge. All areas are largely developed, except Crimson Ridge, and the present system provides ample water.

BACKGROUND:

The tariff was issued on September 30, 2004 and the Company received a Certificate of Public Convenience and Necessity (CPCN) Number 2438 on September 30, 2004 with a service area approved for up to 133 connections. The president of Pineview was Edward E. Radford. The

Company has operated since 1971 as a non-profit corporation. In 2004, Mr. Radford expanded the water system from 58 connections to 133 connections to accommodate anticipated growth.

Pursuant to Pineview's request for a special assessment, the Division has met with the Company on several occasions and had numerous conversations regarding the proper items to include in the special assessment. Since it would not be just to require Pineview's present customers to pay for future development costs in this special assessment, any expenses associated with future development of the water system in Crimson Ridge were identified and not included. Additionally, the Division directed Pineview that the only amounts that can qualify under the special assessment are those that are considered extraordinary and unforeseen. Any amounts not recommended for the special assessment will be reviewed as part of the rate increase.

ANALYSIS:

Pineview readily provided the information as requested by the Division. The Division has found the Company to be cooperative, organized and agreeable during our meetings to determine the appropriate expenses.

The Division reviewed annual reports, general ledger and copies of invoices substantiating the expenses requested by Pineview to be included in the special assessment for the years ending December 31, 2006 through December 31, 2008. Each expense requested by Pineview to be included in the special assessment was traced back to the originating invoice. If the invoice had more than one line item, each line was reviewed to verify that it was an expense qualifying for the special assessment.

During the Division's analysis of the above expenses, Titan Development stated there were outstanding loans made to Pineview. Pineview's general ledger shows Titan Development loaning the Company in excess of \$40,000. To date, Titan Development has only provided documentation for loans made during 2008 showing \$4,500 due and owing. This amount is made up of two loans; one for \$6,000 and another for \$2,500 and is offset by a \$4,000 payment. Since neither Pineview nor Titan Development has provided the Division with documentation substantiating the remaining loan amount for the years of 2006 and 2007, additional amounts owed to Titan Development are not considered in this special assessment. However, documentation can be presented for consideration in the rate case.

ADJUSTMENTS TO THE PROPOSED SPECIAL ASSESSMENT:

The expenses submitted by Pineview, see Exhibit DPU 1.3, indicate the expenditures that they are requesting to be included in this special assessment. After careful review of the nature of the expense, the Division reviewed each requested expense and applied the following two criteria in determining if the expense should be recommended:

1. The expense must be unforeseen/unanticipated. *(Normal, day-to-day, expenses are disallowed in this special assessment, but can be considered in the rate case.)*
2. The expense must be clearly for work to repair the present/existing water system and not for potential new development. Currently, Pineview is incurring expenses on their water system to benefit a new development, Crimson Ridge. No expenditures linked to Crimson Ridge are recommended.

The column on the far right includes brief comments explaining the reasons that an amount was either recommended or disallowed. The amounts disallowed in this special assessment will be reviewed again in the rate case since they do not meet criterion 1, as described above.

ALLOCATION BASIS:

Exhibit DPU 1.2 calculates each connection's recommended assessment based on customers of record as of January 1, 2009. The total cost of the assessment is \$35,657.40 divided by 58 connections for a customer portion of \$614.78 one-time assessment. In order to avoid placing an undue burden or hardship on Pineview's customers, the Division recommends that this assessment be payable in 12 equal monthly installments of \$51.23. To this end, each individual assessment was divided by 12 months to determine a monthly payment amount.

CONCLUSIONS:

The Division concludes that the proposed special assessment amounts are just and reasonable. Pineview's expenditures have far exceeded their revenue since acquired by Titan Development, requiring them to subsidize Pineview. Most of these expenses and general disrepair of the water system were not disclosed by Mr. Radford, thus leading Titan Development to believe that the Company was financially self-sustaining. The Division recommends:

- a) the amount of the special assessment, as listed on Exhibit DPU 1.2, is assessed in 12 monthly equal payments, effective January 1, 2009.
- b) that the amount of the special assessment for any and all connections belonging to Titan Development be credited against the amount Pineview owes Titan Development, not to exceed \$4,500.

The Division concludes that the recommended special assessment amounts as are just and reasonable.

cc: June Anderson, Pineview West Water Company
Patricia Schmid, Assistant Attorney General