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Exhibit DPU 2.1

--==-- 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

DATE: December 9, 2009

SUBJECT: In the Matter of the Request of Cedar Point Water Company for Approval of a Rate Increase

RE: Docket No. 09-2404-02

RECOMMENDATION: AMENDED APPROVAL

The Division of Public Utilities (DPU or the "Division") recommends that the Public Service Commission of Utah (PSC or the "Commission") approve a rate increase to be effective January 1, 2010. However, Cedar Point Water Company's (Cedar Point or the "Company") proposed rate increase is excessive as determined by the DPU. The Division recommends that the Commission approve the Division recommended rates.

CHANGES TO PREVIOUS RECOMMENDATION:

The Division met with the Company on November 25, 2009 to discuss the Division's recommendation as filed on November 16, 2009. Through the discussion, the Company noted an

increase to the utility expense and the liability insurance to the water system. Additionally, the Company requested a change to the standby fee, connection service fees, non-payment disconnect charge, non-payment reconnect charge, late payment fee, credit deposit minimum days, credit deposit amount and interest rate of the credit deposit. The Division received additional information to document the utility costs and requests to the tariff changes on December 7, 2009. The changes are as follows:

Current Rates		Company Proposed Rates	
Water Usage Rates			
Residential Rate		Effective 1/1/2010	
Min. Rate: up to 12,000 gallons	30.00 per month	Min. Rate: up to 12,000 gallons	48.00 per month
Tier 1: usage per 1,000 gal over 12,000 gallons	1.18 per 1,000 gal	Tier 1: usage per 1,000 gal over 12,000 gallons	\$2.75 per 1,000 gallons
Connection Fees			
Turn on service fee	\$100.00	Turn on service fee	\$100.00
Non-Payment Disconnect Charge	Not applicable	Non-Payment Disconnect Charge per incident	\$50.00
Non-Payment Reconnect Charge	Not Applicable	Non-Payment Reconnect Charge per incident	\$50.00
5/8" service line	\$1,000.00	5/8" service line	\$6,000.00
3/4" service line	\$1,000.00	3/4" service line	\$6,500.00
Stand-By Fees			
Developed Lot	\$10.00	Developed Lot	\$20.00
Additional Charges			
Late Fee for non-payment	Not Applicable	Late Fee for non-payment	\$15 or 1.5% on the unpaid balance whichever is greater

ANALYSIS:

The Division reviewed the additional documentation submitted by the Company for the utility expenses and found the expenses should be \$4,000 per year instead of \$2,400 as originally submitted. The insurance costs for general liability of the water system were originally estimated at \$2,000, but currently the Company has not been able to secure a policy for this amount. As such, the estimated amount has increased to \$4,000 annually.

DIVISION RECOMMENDATIONS:

RATES:

The Division's analysis shows the original Company proposed rates would allow the Company to over earn. The adjusted rate base is \$232,940 based upon 4% of the usefulness of the water system to the current customers. The rate of return on rate base was not calculated since currently there is a negative common equity in the Company, no contributed capital of the system and debt service has been suspended for the next five years. Operating expenses were recently adjusted to be \$37,436 bringing the revenue requirement for the Company to \$37,436. The amount the Company would collect by implementing the original Company's proposed \$100.00 rate and tier rate overage fees would be \$57,556 hence the Company would be over-earning by \$20,120 (see DPU Exhibit 2.5). Therefore, the Division recommends a minimum rate of \$47.50 per month, a stand-by rate of \$18 per month and an overage rate of \$2.40 per 1,000 gallons per month over the minimum 12, 000 gallons received in the base amount. The amount the Company will collect will be \$37,455; thus over-earning by \$19.81 (See calculation from DPU Exhibit 2.6). However, projected revenues are based on current usage amounts. Should the increased tariff be adopted, usage may decline by the residents. Therefore, the Company's may not reach the forecasted revenue and would realize a potential loss of \$5,523. The increase

represents a 58% increase for the minimum amount and the standby amount, with an 80% increase in the overage amount.

Below, the Division has illustrated the impact to customers due to the rate increase. The percentage of change from current to recommended rates on Customer 1 is 58%, Customer 2 is 80%, and Customer 3 is 94%, respectively.

CURRENT MONTH BILL

Customer	Usage in gallons	Min Rate (30.00)	Tier 1 (\$1.18) 12,000+	Total Bill
Customer 1	10,000	30.00		30.00
Customer 2	37,000	30.00	29.50	59.50
Customer 3	110,000	30.00	115.64	145.64

RECOMMENDED MONTH BILL

Customer	Usage in gallons	Min Rate (47.50)	Tier 1 (\$2.40) 12,000-	Total Bill
Customer 1	10,000	47.50		47.50
Customer 2	37,000	47.50	60.00	107.50
Customer 3	110,000	47.50	235.20	282.70

ADDITIONAL TARIFF FEE CHANGES:

Standby Fee - The Company is requested to increase the standby fee from \$10.00 per month to \$20.00 per month. The Division recommends the fee be increased to \$18.00 per month to be in line with the increased fixed costs for the water system.

Service Connections Fees - The Company requested the service connection fee for any lots that were platted, deeded, or recorded with the county and Company after January 1, 2010 be \$6,000 and \$6,500 for 5/8” and 3/4” connection, respectively. The developer is not able to recover the

cost in the sale of lots, nor will they be able to donate the contributed capital for the water system. Therefore, the cost of the water system infrastructure must be recovered by those who connect to the system in the future, rather than through the purchase price of the land or developed lot. The Division recommends the service connection fees be approved as requested.

Non-Payment Disconnect Fee & Non-Payment Reconnect Fee – The Company has requested a fee of \$50.00 for each incident where disconnecting and reconnecting the customer is required due to non-payment. The Division recommends the non-payment disconnect fee and non-payment reconnect fee of \$50.00 be approved as requested.

Late Payment Fee - The Company has requested a late payment fee of \$15.00 or 1.5% on the unpaid balance, whichever is greater, for each incident where payment was not paid by the required due date. The Division recommends the late payment fee be approved as requested.

Credit Deposit Minimum Days, Amount, and Interest Rate – The Company has requested a deposit shall be for a minimum of 60 days of service cost or the amount of \$200.00 held over a 12-month period with the interest rate of 2.0% per annum. The Division recommends the minimum of 90 days of service costs or the amount of \$142.50 based upon the recommended minimum rates as discussed above be approved. The Division recommends the interest rate be approved as requested.

Effective Date - The Division recommends the rates and fees as recommended be effective January 1, 2010. The Company is currently not able to pay its expenses and the new rate and fee schedule will provide financial stability to the Company.

CONCLUSION:

The Division concludes that the proposed rates as recommended by the Company are not just and reasonable. The Company has incurred financial losses for the past three (3) years. The Division recommends:

- a) the residential minimum rate be increased to \$47.50 per month from \$30.00 per month minimum charge,
- b) the overage rate be increased from \$1.18 per 1,000 gallons per month to \$2.40 per 1,000 gallons per month for usages over 12,000 gallons;
- c) increase the standby rate per month to \$18 from \$10;
- d) deposit the amount of annual depreciation expense into a reserve savings/investment account for future replacement of the current system;
- e) increasing the service connection fee from \$1,000 and \$1,500 to \$6,000 and \$6,500 for the 5/8" and 3/4" connections respectively for those lots platted, deeded and recorded after January 1, 2010;
- f) approving a non-payment disconnect fee of \$50.00 per incident;
- g) approving a non-payment reconnect fee of \$50.00 per incident;
- h) approving a late payment fee of \$15.00 or 1.5% on the unpaid balance whichever is greater per incident;

- i) increasing the minimum days cost from 30 to 90 days with the amount increased from \$25 to \$142.50 with deposits to be held over 12 months at an interest rate of \$2.0 per annum.