

DOCKET 09-2440-01

Utah Public Service Commission
Box 146751
Salt Lake City, Utah 84144-6751

RE: **Hidden Creek Water Company** request for rate increase

Dear Commission,

Hidden Creek Water Company (the "Company") became an approved drinking water source through the Utah State Division of Environmental Quality Division of Drinking Water in May 1998. The Company has maintained the approved status by complying with State and Federal regulations and the changes in the Safe Drinking Water Act. The Company was granted a Certificate of Convenience and Necessity to operate as a water corporation on November 23, 1998.

Described below you will find an analysis of the Company's projected annual operating costs for 2010.

This proposed rate increase will be the first one in eleven (11) years of operation. It is long overdue and has reached a point that needs immediate attention. It is hoped that the Company can expedite this as soon as possible.

The proposed change in the rate structure is designed to accomplish 3 objectives for the Company: 1) cover the total cost to provide water including asset depreciation and debt service; 2) promote conservation of the water resource; 3) prevent the over appropriation of water rights (therefore use of over 65,000 gallons a month during the outside watering season is charged a significantly higher rate).

The significant changes in operation costs projected for 2010 include payment for a water master/system manager, debt service, depreciation expense and payment for replacement of the 1&1/2 hp pump at the pump house.

Proposed Water Rate Schedule

The Company's present rate charge (includes up to 6,400 gallons) is \$38.00 per month (\$5.00 plus \$33 access charge) and has been in place since the inception of charges to customers. The Company charges \$.783 per 1,000 gallons overage per month. A stand-by fee of \$20.00 per month is charged for those lots that are approved for access to connect to the water system.

The Company's current rate structure is grossly inadequate to cover the total cost to provide water consistent with the requirements of the Division of Drinking Water.

Although the proposed rate increase and structure represent a substantial increase to the ratepayers and may be high in relation to other water utilities, it is

warranted due to the very small size of the current total connections available (approximately 51) on the system. The economy of scale as related to the number of ratepayers to cover the system's costs of operation and maintenance, repairs, regulatory requirements as related to water quality and debt service is therefore not as efficient as systems with larger ratepayer bases.

Because of the very small number of metered ratepayers (18) it is proposed to eliminate the previous stand-by fee aspect of the current rate structure in favor of a minimum monthly charge for all ratepayers which have the equal benefit of immediate access to drinking water. Other wise, the cost burden for the current 18 metered ratepayers would be extraordinary.

The proposed minimum monthly charge includes a substantial increase to 12,000 gallons/month which is consistent with the Utah Division of Water Rights allocation of .45 acre feet of water for inside domestic use and which is required to be available to all residential lots for inside use by Utah County zoning ordinance. The Company thinks it is appropriate that the required minimum amount of water mandated to be allocated/ available/provided to each lot should cover the fixed costs of the Company to provide it.

The proposed overage charge of \$6.50 per 1000 gallons over a use of 65,000 gallons in a month encourages water conservation during the outside watering season while discouraging all ratepayers from causing the water company to over appropriate it's water rights.

The Company also proposes changes to it's current Rules and Regulations as outlined in Exhibit A attached hereto.

Proposed Water Rate Schedule:

Minimum Monthly Charge: (includes 12,000 gallons)	\$130.00 (\$.010 per gallon)
12,001 - 27,000 gallons	\$4.00 per 1000 gallons
27,001 - 65,000 gallons	\$4.50 per 1000 gallons
65,001 gallons or more	\$6.50 per 1000 gallons

	Cost of Operation 12 Month Period Ending 6-30-09	Projected Costs Year 2010
Contractual Services:Billing	\$ 2,400.00	\$ 2,400.00
Contractual Services:Professional	4,800.00	8,400.00
Contractual Services:Testing		1,200.00
Contractual Services:Legal	125.00	500.00
Contractual Services:Maintenance/Repairs		1,500.00
Dues & Subscriptions	155.00	155.00
Insurance*		
Interest Expense	19,040.00	38,080.00
Miscellaneous Expense	1,263.64	1,200.00
Purchased Power	6,084.55	7,500.00
Equipment Repairs/Maintenance	247.50	7,500.00**
Office Supplies	800.42	500.00
Other Supplies	99.74	250.00
Water Right Fees	213.50	225.00
Water Testing	2,085.00	900.00
Totals	\$37,314.35	\$70,310.00
Actual Revenue	16,169.78	
Projected 2010 Revenues (at current rates)		16,169.78***
Utility Deficit	\$-21,144.57	\$-54,140.22

Depreciation expense was not included in the above operational costs as it isn't a cash expense.

* Seeking Insurance coverage

** 1&1/2 hp pump to be replaced in 2010

*** no growth/new builds projected

DOCKET 09-2440-01

Exhibit A

(proposed changes in bold italics)

Hidden Creek Water Company

Water Rate and Service Schedule

Applicability

Applicable in the entire service area, ***water service for culinary/drinking water purposes*** at one point of delivery.

Rates as herein set forth shall apply to each service/consumer unit. A consumer unit is defined as ***a single family dwelling or residential building lot or a business or a profit or non-profit concern or other establishment that might apply for and/or has the legal right to apply for water service for domestic and/or other use purpose. Developer lots shall not be charged as a consumer unit until such time that the Developer lot is sold to a third party.***

The following rates will apply for a one-month billing period each month of the year. Each consumer unit will pay a minimum monthly service charge for a 12 month period.

<i>USEAGE</i>	<i>CHARGES</i>
<i>Up to 12,000 gallons</i>	<i>\$130.00/month</i>
<i>12,001 to 27,000 gallons</i>	<i>\$4.00 per 1,000 gallons</i>
<i>27,001 to 65,000 gallons</i>	<i>\$4.50 per 1,000 gallons</i>
<i>65,001 or more gallons</i>	<i>\$6.50 per 1,000 gallons</i>

Consumer units temporarily without a meter will be charged the minimum monthly service charge (developer lots excluded).

Service Connection Charges

<i>Metered service connection to Company water main (all pipe sizes)</i>	<i>\$3,000.00</i>
<i>Water Service Turn-on & Turn-off charges (each disconnect & reconnect action taken)</i>	<i>\$ 100.00</i>

DOCKET 09-2440-01

RULES AND REGULATIONS

1. Connections: No unauthorized person *will* tap any water main..... No person/**persons will**, without first obtaining.... (no other changes)
2. Application for Permit: A permit shall be obtained.... (Strike the last paragraph beginning with "Owner applicant shall....") **Applicants shall furnish and install all material to be used in said connection at their own and sole expense. The applicant's installation will require an on site inspection to insure quality of work and material, by a representative of the Company qualified to do so. Applicant shall give Company written notice a minimum of 5 working days prior to applicants's anticipated completion of the Company approved connection and a minimum 48 hour notice to Company after completion of installation construction but before backfilling any such construction activities so that Company can complete inspection of applicant's connection installation.**
3. Metering of Service: (No changes)
4. Meter Adjustments: (No changes)
5. Service Connection: Any party desiring a **service connection** from the Company shall make such application in writing. (Strike all current language hereafter) **The applicant shall place the meter, yoke, meter box, cover and a shut off valve as described in number 6 below, in a non-traffic area that is accessible during all months of the year and free from any obstructions such as landscaping, cars, trash, rocks, dirt, or buildings, The meter lid shall be placed at least four inches (4") above grade and no landscaping shall be installed closer than two feet (2') to the meter lid. Any material furnished by the Company shall remain the property of the Company.**
6. Service Line: **A service line is defined as any and all water system features and/or materials installed on the applicant's side of the Company's water meter and which materials and installation reside on the applicant's property. All service line materials and installation shall be provided by the applicant at their sole expense. The applicant shall provide a shut-off valve on the water service line in an accessible location separate from the water meter box and as reasonably close to the water meter box as is possible.**
7. Water Use Restriction: (No change)
8. Service Turn-on and Turn-off: (no change)
9. Disruption Liability: The Company shall use reasonable diligence to provide continuous water service to its customers, and shall make a reasonable effort to furnish them with a clean, pure supply of water **that meets the State and Federal guidelines**, but the Company, **it's directors, officers, independent contractors or**

DOCKET 09-2440-01

employees shall not be held liable for damages to any water user by reason of any stoppage or interruption of his water supply caused by scarcity of water, accidents to works, water main alteration, additions or repairs, acts of God or other **unforeseeable or** unavoidable causes.

10. Damage to Facilities: Costs of any damage resulting from the failure of the owner, agent, or tenant to properly protect the water meter **or service line to their own house or building**, or other facilities of the Company installed upon **the** premises supplied by with water, **including but not limited to vandals, fire, freezing or construction work** shall be assessed against the Owner applicant, agent or tenant. **No person/persons** or Owner applicant shall tamper with or remove the meter, or interfere with the reading thereof.

11. Reading of Meters: All meters shall be read by the Company (strike "as early") in the spring and (strike "as late") in the fall and monthly during the period in between. (Strike remainder of paragraph 11 a and 11 b) **The minimum monthly charge shall apply during non-meter read months as with every other month of the year. The monthly invoice showing the first meter reading in the spring shall reflect the meter reading from the last meter reading taken in the preceding fall and shall calculate the actual gallons used (if any) in excess of that included in the minimum monthly charge.**

12. Billing and Payments: (Delete last paragraph) **In lieu of assessing a disconnect and reconnect charge as established by the Tariff, the Company at it's sole discretion can assess a \$5.00 late fee for a prior balance owing on a customer's account until such time the prior balance owing is paid in full. The Company shall have the right to place a lien pon the premises of any customer that is over 60 days delinquent for any Company charges billed.**

13. Discontinuance of Service: (no changes)

14. Regulated Useage: (no changes)

15. Changes and Amendments: (no changes)

16. Credit Deposit: The Company may at its option, and in lieu of established credit, require a deposit from the customer to assure payment of bills; such deposits shall be **or equal to one billing period.** (strike remainder of paragraph) **The deposit after six months may be refunded or credited to said bill.**

17. Special Assessments: (no changes)

18. Standby Fee: **DELETE**

Facility Extension Policy (no changes proposed)