

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Request for a Rate )  
Increase of Hidden Creek Water Company ) DOCKET NO. 09-2440-01  
) REPORT AND ORDER  
)  
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ISSUED: February 9, 2010

By The Commission:

This matter is before the Commission on the Request of Hidden Creek Water Company (Company) for a Rate Increase. The Commission’s administrative law judge held a duly-noticed scheduling conference on January 20, 2010. Representing the Company were Tracy Tanner, the Company operator, and Jason Tanner, the Company treasurer and CPA. Assistant attorney general Patricia Schmid was counsel for the Division of Public Utilities (Division). Mark Long, Division utility analyst, testified for the Division.

The Division submitted its recommendation on December 31, 2009. That recommendation gives a brief description of the Company’s background:

On June 22, 1995 Hidden Creek Water Company registered as a non-profit corporation. On November 23, 1998, the Commission granted Hidden Creek a CPCN and approved its tariff through docket number 97-2240-01. The CPCN was granted with the provision that the developer, Five Star Financial, transfer title of the infrastructure, ultimately valued at \$550,000, and deed sufficient water rights to the Water Company per CPCN Findings of Fact, numbers 3 and 2, respectively. Hidden Creek Water Company’s infrastructure was constructed and/or funded by Five Star Financial as well as other development companies (hereafter “the Developer”). The Developers and Hidden Creek all have the same four (4) principals. In 2000, Hidden Creek changed its status from a non-profit to a for-profit corporation. Hidden Creek Water Company is located in Hobbles Creek Canyon’s Left Fork. Its physical address is 274 Hobbles Creek, Springville, UT. The service area includes Mountain Air Estates, The Cottages at Hobbles Creek and Cedar Knoll. The lot sizes range from 1 to 87 acres. The Water Company is serving 18-metered customers with an additional 30 lots on stand-by status. Of those 30 lots on stand-by status, nine lots are owned by the Developer.

*Division Recommendation, p. 1-2.*

The Company had opportunity to review the recommendation and raised no objections to the Division's recommendation, even though it differed in some respects from the Company's initial petition.

The Division, in its recommendation, laid out its basis for determining the rates as just and reasonable, and no party disputed that. Therefore, based on the Company's application, the Division's recommendation, and the testimony presented at the hearing, the Commission orders as follows:

**ORDER**

1. The Company's request for rate increase is just and reasonable and is approved. The rates recommended by the Division are approved, as listed in Table 1, page 7 of their recommendation, and as listed immediately below;

<b>Description</b>	<b>Recommended by Division</b>
System Expense	\$61.00 per month
First 12,000 gallons	\$49.50 per month
Usage per 1,000 gallons over 12,000 gallons	\$5.00 per 1,000 gallons
Water Service Turn-on & Turn-off charges	\$100.00
Late Fees: (To be assessed each billing period if there is a prior balance owing on a customer's account.)	\$15.00
First time service connection fee, up to a 2" service connection. (One time charge for hot tap and install meter and setter in can with lid.)	\$3,350.00

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First time service connection fee, up to a 2" service connection. (One time charge to set yoke and meter in can.)	\$2,850.00
Inspection Fee	\$100.00

2. Additionally, the Commission orders the following:
  - a. Capital reserve amounts generated from rates shall be deposited into a restricted account, such as a separate escrow account, within 30 days from the receipt of rate payments;
  - b. Withdrawals shall be made from the Capital Reserve Account for capital replacements and improvements only;
  - c. In accordance with Utah Administrative Rule R746-401-3A, expenditures in excess of five percent of total Utility Plant in Service, shall require the water company to file a report with the Commission, at least 30 days before the purchase or acquisition of the asset or project, and to obtain written Commission approval before transacting such acquisitions.
  - d. Hidden Creek shall provide an 'annual accounting' of the Capital Reserve Account with its Annual Report and at any such other time as the Commission requests. The 'annual accounting' shall be in the form of bank statement encompassing the entire calendar year showing a series of deposits made within 30 days from the

receipt of rate payments for each billing cycle and withdrawals that meet requirements a, b and c above.

e. The balance in the reserve account shall be clearly identifiable in the audited financial statements as a restricted account.

3. In identifying a qualifying expenditure for replacement or improvements that may be made from the Capital Reserve Account, the Company shall consider the following guidelines:

a. Capital improvements are typically high cost items with long service lives including: the distribution pipe mainlines, storage reservoirs, wells and surface water intakes, etc. Expenditures that qualify as capital expenditures are those which extend the life of an asset and/or enhance its original value with better quality materials or system upgrades.

b. Capital improvements do not include such minor expenses as repair clamps, inventory parts and fittings, spare pieces of pipe kept to facilitate repairs, small tools, maintenance supplies such as paint or grease, service contracts and other such day to day supplies. Expenses for these items are properly classified as “operating and maintenance” expenses.

c. Additionally, it is not appropriate to use capital replacement funds received from existing customers for system expansion, that is, to extend main lines to serve new areas or customers or to install new

services. Funds for the expansion of the system should come from new development, connection fees, assessments or other sources so that those benefiting from the improvement contribute the funds for its construction.

4. The Company's proposed changes to its current Rules and Regulations, as stated in its original petition, are approved so long as they are not inconsistent with this order, Commission Rules, or state statute.

Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of Sections 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah, this 9<sup>th</sup> day of February, 2010.

/s/ Ruben H. Arredondo  
Administrative Law Judge

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Approved and confirmed this 9<sup>th</sup> day of February, 2010 as the Report and Order  
of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#65173