



State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities

Chris Parker, Director

Bill Duncan, Telecommunications / Water Manager *BD*

Mark Long, Utility Analyst *ML*

Date: May 6, 2013

Re: In the matter of the Application of WaterPro, Inc. for a Culinary Water Rate Case, Docket No. 12-2443-01, supplement supporting notification of customers and the addition of customer numbers subject to the Private Fire Service User Fee.

Recommendation: Approve the proposed Fire Service User Fee

WaterPro, Inc. (WaterPro or Company) has complied with the Utah Public Service Commission's (Commission) Order dated February 22, 2013 requiring proper notification of this class of customers. The Division of Public Utilities (Division) supports this fee based on cost-based rate making since the fee applies only to those customers benefitting from the additional costs incurred by WaterPro. The Division believes that this fee is just and reasonable and consistent with the public interest and, therefore, the Division recommends that the Commission approve this fee.

Background on proposed Fire Service User Fee

On February 22, 2013, the Commission approved a 4% culinary water rate increase for WaterPro. In the same Order, the Commission declined to approve WaterPro's proposed Fire Service User Fee (Fee) because of the lack of customer notice. The Commission's Order allowed WaterPro 90 days to notify its customers of the pending Fees. The Commission's Order provided that after proof of notification is provided to the Commission by WaterPro, the Commission will schedule a public hearing regarding the Fee.

Notification

On April 25, 2013, the Commission received from WaterPro a copy of its letter notifying its customers about the Fee and includes a breakdown of the fees by pipe size. Also included with

the notification letter was a list of all the customers who received the letter. The Division has reviewed this letter and finds that it meets the Commission's Order regarding proper customer notification.

Revised Number of Customers subject to the Fee

In its review of the customer notification, the Division noted that the letter was sent to more than the 92 customers originally reported by WaterPro that would be subject to the Fee. The Division contacted the Company and requested they send to the Commission a revised schedule showing the breakdown by pipe size of the number of customers subject to the Fee. The Commission received this supplemental exhibit on or about April 30, 2013.

Please find attached the exhibit showing the fee with 92 customers and with 113 customers.

The aforementioned schedule shows the number of users impacted by the Fee increased by 21 users, from 92 to 113 and the total annual income from the Fee increased by \$1,975, from \$6,477 to \$8,452. Even adding the total Fee of \$8,452 to the original Net Income of \$6,962 for a total of total Net Income of \$15,414, the recommended rates and fees are within less than one third of a percent of WaterPro's revenue requirement. The net effect of the increase is immaterial.