

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Cedar)
Ridge Distribution Company for an Increase) DOCKET NO. 13-2423-01
in Rates for Water Usage Over 12,000) ORDER GRANTING INTERIM RATE
Gallons per Month to .50 per 1,000 Gallons) INCREASE
)

ISSUED: August 28, 2013

SYNOPSIS

By this order the Commission memorializes its bench ruling approving the interim rate increase request at the hearing held in this docket on July 29, 2013.

By The Commission:

BACKGROUND

On July 18, 2013, Cedar Ridge Distribution Company (“Cedar Ridge” or “Company”) filed an application (“Application”) for interim rate increase, pursuant to Utah Code Ann. § 54-7-12(4)(a).¹ The Division of Public Utilities (“Division”) submitted a memorandum to the Commission, stating it has reviewed the Company’s interim rate application and believes the Company has met its obligation under Utah Code Ann. § 54-7-12(4)(a) for approval and has presented adequate prima facie evidence that an interim rate increase is justified under Utah Code Ann. § 54-7-12(4)(a)(iii).²

¹ See Application for Interim Rate Increase, filed July 18, 2013. On May 6, 2013, Cedar Ridge filed a request for a general rate increase. See Request to Increase Water Rate, filed May 6, 2013. This Order pertains only to the application for interim rate increase.

² See Division Memo at 2, filed July 26, 2013.

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On July 16, 2013, the Administrative Law Judge (“ALJ”) for the Commission held a duly-noticed scheduling conference.³ Subsequently, the ALJ issued a Scheduling Order and Notices of Hearings, which, in part, scheduled the interim rate increase hearing in this docket.⁴ This notice also stated: “No later than July 22, 2013, Company is instructed to provide notice to its customers of the interim rate increase hearing. . . .”⁵

The Company seeks approval of the following rates on an interim basis:⁶

Current Rates		Recommended Rates	
Monthly Minimum Fee for Connected Customers (includes up to 12,000 gallons of water usage)	\$57.00	Monthly Minimum Fee for Connected Customers (does not include a minimum amount of water usage)	\$52.80
Overage Rate per 1,000 gallons (water usage in excess of 12,000 per month rounded up to the nearest 1,000 gallons)	\$.35	Water Usage Rate per 1,000 gallons (for all water used and any fraction of 1,000 gallons)	\$.50

These rates, if approved by the Commission, will affect 31 customers.⁷

On July 29, 2013, pursuant to a duly-noticed order, the ALJ convened an interim rate increase hearing. David Z. Thompson, President, and Jon Z. Thompson, Member, appeared *pro se* on behalf of Cedar Ridge. Justin Jetter, Assistant Utah Attorney General, appeared together with Shauna Benvegna-Springer, Utility Analyst for the Division. The Company

³ See Notice of Filing, Comment Period, Request for Proof of Notice to Customers, and Notice of Scheduling Conference, issued June 14, 2013. The scheduling conference was noticed before the application for interim rate increase was filed.

⁴ See Scheduling Order and Notices of Hearings, issued July 18, 2013.

⁵ *Id.* at 2.

⁶ See Division’s Memo, filed July 26, 2013, at 4. These rates reflect the rates discussed and agreed to by the Company. See *id.* See also Transcript of Hearing, July 29, 2013, at 7, lines 17-19.

⁷ See Transcript of Hearing, July 29, 2013, at 13, lines 1-3. See also Division’s Memo, filed July 26, 2013, at 3.

provided advance notice to its customers of the interim rate hearing as required by Commission order.⁸

Mr. David Z. Thompson testified at hearing that his initial request for a rate increase was in response to an increase in charge for wholesale water from Tremonton City from .35 cents per 1,000 gallons of water to .50 cents per 1,000 gallons of water effective July 1, 2012.⁹ Since the .15 cent increase charged by Tremonton City, Cedar Ridge has been operating at a loss of \$2,388.60, the Company seeks an interim rate increase to make up the loss.¹⁰ Additionally, Mr. David Z. Thompson testified the Division recommends a change in the basic rate, which the Company agrees with.¹¹ He further agreed to the Division's recommendation to rename the "overage rate" to "water usage rate"¹², and he testified that Cedar Ridge's proposal, as amended by the recommendations of the Division, is just and reasonable.¹³ Mr. David Z. Thompson testified he mailed a copy of the Division's July 26, 2013 recommendation to each of his customers that same day, and he received no opposition.¹⁴ No objection was raised at the hearing.¹⁵

The Division recommends the Commission approve the Division's recommended "monthly minimum fee for connected customers" of \$52.80 and "water usage rate per 1,000

⁸ See Transcript of Hearing, July 29, 2013, at 17, lines 20-25; at 18, lines 1-21.

⁹ See id. at 6, lines 18-23.

¹⁰ See id. at 10, lines 19-24. See also Request to Increase Water Rates at 1, filed May 6, 2013.

¹¹ See Transcript of Hearing, July 29, 2013, at 7, lines 17-19.

¹² Id. at 20, lines 10-14.

¹³ See id. at lines 15-19. Similarly, Mr. Jon Z. Thompson testified that approval of the interim rates as requested would be just, reasonable, and in the public interest. See id. at 37, lines 1-3.

¹⁴ See id. at 20, lines 23-25; at 21, lines 1-12. Mr. David Z. Thompson further testified that he mailed the notices from the Tremonton Post Office, and it is next-day delivery to Deweyville where his customers reside. See id. at 22, lines 20-22.

¹⁵ See id. at 37, lines 11-15.

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gallons” of \$.50, effective August 1, 2013.¹⁶ The Division explained why it recommended something different than originally proposed by the applicant:

. . . In reviewing the [Company’s] billing records, the bills have been done in such a fashion where, when the meter is read, the usage is rounded up to the next thousand usage. . . . There were some concerns and questions from a number of customers who were . . . wondering about that methodology. The actual tariff states for use of water over 12,000 gallons per 1,000. It doesn’t address the fraction thereof or a rounding methodology. And so [the Division] wanted to address that for clarification purposes.

Also, when the [Company’s] billing process is done, [the meter reader] . . . puts the meter readings into a spreadsheet . . . and then . . . round[s] up to the nearest thousand [gallons]. . . . Whereas, if [the Company] . . . left [the calculation] as-is for the actual usage and divided by [a] thousand, it would be a fractional use. And then the individuals would be billed at that fractional use in addition to the per thousand.

So [the Division is] recommending that [a] 50-cent water usage rate be calculated at the per thousand gallons and any fraction thereof that’s used, rather than having [the usage] rounded up, effective August 1st[, 2013].

[The Division is] not recommending that the Company go back and revise or refund because it’s a very small . . . immaterial amount for the last 12 months that this process has been going on. And it would cause the Company . . . a lot more time to . . . make the adjustments for very small amounts of 50 cents or less on the bills.

The other change . . . [the Division is recommending] . . . is reducing the amount in the minimum monthly rate by \$4.20. And the reasoning . . . is because when th[e] \$57 monthly rate was developed, it was based upon usage of up to 12,000 gallons per month. In that \$57, there is embedded \$4.20, which essentially is 12 times the 35 cents, in that cost. And so with Tremonton raising [its] bill, logically [the Division] would add \$1.80 to it. But when [the Division] do[es] that and . . . put[s] information back into the model that was previously used for these rates, it shows that the [C]ompany would be over earning.

¹⁶ See id. at 27, lines 24-25; at 28, lines 1-2.

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So . . . there's another concern . . . as many of the customers are not using 12,000 gallons per month seven months of the year, except for two customers. And now that [the Division] ha[s] the water usage history, that allows [the Division] to see that that [amount] really needs to come out of th[e] minimum amount and be used as an overall water usage rate at the cost of the wholesale contract.

. . . [A]lso, . . . going forward, as these types of increases come about, th[e water usage rate] would be the only rate . . . that would need to change in future requests. . . .¹⁷

According to the Division, the proposed interim rates as set forth in its memorandum filed with the Commission on July 26, 2013, will benefit both the Company and its customers and are just, reasonable, and in the public interest.¹⁸ The Division further testified that billing customers for actual usage benefits water conservation and the policies supporting water conservation.¹⁹ The Division recommends the proposed changes take effect August 1, 2013, but that customers not be billed under the new rate until September 1, 2013,²⁰ and the Company is in accord with the Division's recommendation.²¹

STANDARD OF REVIEW AND FINDINGS

Section 54-7-12 of the Utah Code Annotated sets forth the applicable standard when reviewing a rate increase, as proposed in this docket. Specifically, under Utah Code Ann. § 54-7-12(4)(a)(ii), “[t]he commission . . . may, after a hearing, allow a[] rate increase . . . proposed by a public utility . . . to take effect on an interim basis within 45 days after the day on which the request is filed....” Utah Code Ann. § 54-7-12(4)(a)(ii) (2010). The Company filed its application for an interim rate increase on July 18, 2013. Thus, applying the 45-day constraint set

¹⁷ See id. at 28, lines 8-25; at 29, lines 1-25; at 30, lines 1-10.

¹⁸ See id. at 31, lines 6-19. See also id. at 34, lines 22-25; at 35, lines 1-9.

¹⁹ See id. at 38, lines 12-25; at 39, lines 1-4.

²⁰ See id. at 35, lines 3-9.

²¹ See id. at 35, lines 13-20. See also id. at 36, lines 18-23.

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forth in the above rule, the Commission may allow the requested interim rate increase to take effect on or before September 1, 2013.

Utah Code Ann. § 54-7-12(4)(a)(iii) further states, “[t]he evidence presented in the hearing held pursuant to this Subsection (4) need not encompass all issues that may be considered in a rate case hearing . . . , but shall establish an adequate prima facie showing that the interim rate increase . . . is justified.” Utah Code Ann. § 54-7-12(4)(a)(iii) (2010) (emphasis added).

Based on the testimony presented at the hearing held on July 29, 2013, the Commission finds an adequate prima facie showing that the interim rate increase is justified.

ORDER

We approve the interim rates as proposed. These rates shall be in effect until final rates are ordered by the Commission.

DATED at Salt Lake City, Utah, this 28th day of August, 2013.

/s/ Melanie A. Reif
Administrative Law Judge

Approved and confirmed this 28th day of August, 2013, as the Report and Order of the Public Service Commission of Utah.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#246604

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Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the 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 fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, 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 Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 28th day of August, 2013, a true and correct copy of the foregoing ORDER GRANTING INTERIM RATE INCREASE, was served upon the following as indicated below:

By U.S. Mail:

David Z. Thompson
Cedar Ridge Distribution Company
12435 N Hillcrest Drive
Deweyville, UT 84309

By Electronic Mail:

David Z. Thompson (zcabinets@comcast.net)
Cedar Ridge Distribution Company

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Flr.
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Flr.
Salt Lake City, Utah 84111

Administrative Assistant