

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Cedar)	<u>DOCKET NO. 13-2423-01</u>
Ridge Distribution Company for an Increase)	
in Rates for Water Usage Over 12,000)	<u>REPORT AND ORDER</u>
Gallons per Month to .50 per 1,000 Gallons)	
)	

ISSUED: October 21, 2013

By The Commission:

SYNOPSIS

The Commission approves the Division's recommended rates.

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APPEARANCES:

David A. Thompson, *Pro Se*
President and Water Master
Cedar Ridge Distribution Company
12435 N Hillcrest Drive
Deweyville, UT 84309

For Cedar Ridge Distribution Company

Patricia E. Schmid
Utah Assistant Attorney General

For The Division of Public Utilities

I. PROCEDURAL BACKGROUND

1. On May 6, 2013, Cedar Ridge Distribution Company (“Cedar Ridge” or “Company”) filed an application for a general rate increase.¹ The Company’s application requests a rate increase for water usage over 12,000 gallons per month from \$0.35 per month to \$0.50 per month based on the wholesale rate Tremonton City began charging the Company effective July 1, 2012.²

2. On July 18, 2013, the Company filed an application for an interim rate increase, pursuant to Utah Code Ann. § 54-7-12(4)(a).³

3. On May 23, 2013, the Commission issued an action request to the Division of Public Utilities (“Division”) to examine Cedar Ridge’s application.

4. The Division responded to the Commission’s action request on June 11, 2013.⁴ The Division’s memo states: “On May 6, 2013[,] Cedar Ridge . . . filed a request for a culinary water rate increase The Division . . . has reviewed the information filed by Cedar Ridge . . . in its rate case . . . and has verified that it is a substantially . . . complete filing per [Utah Admin.

¹ See Request to Increase Water Rate, filed May 6, 2013.

² See *id.*

³ See Application for Interim Rate Increase, filed July 18, 2013. On August 28, 2013, the Commission approved the following interim rates:

Recommended Rates	
Monthly Minimum Fee for Connected Customers (does not include a minimum amount of water usage)	\$52.80
Water Usage Rate per 1,000 gallons (for all water used and any fraction of 1,000 gallons)	\$.50

⁴ See Division Memo, filed June 11, 2013.

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Code] R746-700-50. The Division requests that the . . . Commission hold a scheduling conference in this matter.”⁵ The Division subsequently filed a recommendation to approve interim rates in this docket.⁶

5. On June 14, 2013, the Commission issued a notice of filing, comment period, and request for proof of notice from Cedar Ridge of notice to its customers.⁷ No opposition to the Company’s application was filed, and the Company filed proof of notice to its customers.⁸

6. On July 16, 2013, the Administrative Law Judge for the Commission (“ALJ”) held a duly-noticed scheduling conference.⁹ David Z. Thompson (“Mr. Thompson”) appeared *pro se* for Cedar Ridge. The Division also appeared. Also on July 16, 2013, Cedar Ridge filed the Direct Testimony of David Z. Thompson.¹⁰ Mr. Thompson’s testimony states: “I am asking for a rate increase to reflect the direct cost of wholesale water delivered from Tremonton City to our system. The rate increase requested is from .35 to .50 per 1,000 gallons or any portion thereof.”¹¹

7. Based on the discussions at the scheduling conference, the Commission set a schedule and hearing dates for this docket.¹²

8. The Scheduling Order set July 29, 2013, for the interim rate hearing, and October 7, 2013, for the general rate increase and public witness hearings.¹³

⁵ Id.

⁶ See Division Memorandum, filed July 26, 2013.

⁷ See Notice of Filing, Comment Period, Request for Proof of Notice to Customers, and Notice of Scheduling Conference, issued June 14, 2013.

⁸ See Notice to Customers of Rate Increase Filing, filed July 15, 2013.

⁹ See supra n.7.

¹⁰ See Direct Testimony of David Z. Thompson, filed July 16, 2013.

¹¹ Id. at 2.

¹² See Scheduling Order and Notices of Hearings, issued July 18, 2013.

¹³ See id.

9. On August 28, 2013, the Commission issued an order granting interim rates in this docket.¹⁴

10. On September 6, 2013, the Division filed the Direct Testimony of Shauna Benvegna-Springer, Utility Analyst.¹⁵

11. No party filed rebuttal testimony.

12. On October 7, 2013, the ALJ held a duly-noticed hearing in this docket.¹⁶ Mr. Thompson appeared *pro se* on behalf of Cedar Ridge, and was accompanied by John Thompson, Board Member. Patricia Schmid, Utah Assistant Attorney General, appeared on behalf of the Division, and was accompanied by Shauna Benvegna-Springer, Utility Analyst and witness for the Division.

13. On October 7, 2013, the ALJ also held a duly-noticed public witness hearing in this docket.¹⁷ No one attended the hearing to provide comments or testimony.¹⁸

II. CEDAR RIDGE'S REQUEST FOR A GENERAL RATE INCREASE

In this docket, Cedar Ridge seeks a rate increase from the interim rates approved by the Commission on August 28, 2013, to the proposed rates recommended by the Division in its direct testimony filed on September 6, 2013. The Company requests these rates take effective November 1, 2013.

¹⁴ See supra n.3.

¹⁵ See Direct Testimony of Shauna Benvegna-Springer, filed September 6, 2013.

¹⁶ See supra n.12.

¹⁷ See id.

¹⁸ See Transcript of Public Witness Hearing, October 7, 2013, at 3, lines 22-25; 4, lines 11-15.

A. Position of the Parties

1. Cedar Ridge's Position

Cedar Ridge testified it needs to increase its water usage rate to cover the wholesale rate it is being charged by Tremonton City. To accomplish this and other changes recommended by the Division, Cedar Ridge “fully support[s]” the Division’s proposed recommended rates as “just, reasonable and in the public interest.”¹⁹

2. Division's Position

The Division recommends these four changes: a) a monthly system fee of \$55.50 for all connected and standby customers; b) a monthly usage fee of \$4.50 for all connected customers; c) a water usage rate of \$0.50 per thousand gallons or any fraction thereof for all connected customers; and d) implementing a budget payment plan to be available to all connected customers.²⁰ In addition, the Division is not recommending a conservation rate be implemented.²¹

The Division testifies the Company is a nonprofit organization and, therefore, no return on rate base is required; only recovery of the cost of providing the service is required.²² The Division testifies the revenue requirement for the company is \$37,070.²³ The Division recommends the proposed rate changes outlined below to meet the Company’s revenue requirement:

¹⁹ Transcript of General Rate Hearing, October 7, 2013, at 45, lines 24-25; 46, lines 1-4.

²⁰ See Direct Testimony of Shauna Benvegna-Springer, filed September 6, 2013, at 5-11.

²¹ See *id.* at 10, line 145.

²² See Transcript of Hearing at 42, lines 5-7.

²³ See Direct Testimony of Shauna Benvegna-Springer, Exhibits 1.1 and 1.5.

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Rate Summary			
	Previous Tariff	Interim Rates	Division Proposed
Monthly System Fee	\$50.00	\$ 52.80	\$ 55.50 (does not include a minimum amount of water usage; to be paid by all connected and standby customers)
Monthly Usage Fee	\$7.00		\$ 4.50 (does not include a minimum amount of water usage; to be paid by connected customers)
Water Usage Rate	\$0.35	\$ 0.50	\$ 0.50 (per 1,000 gallons or any fraction thereof; to be paid by connected customers)

The Division testifies these proposed rates are just and reasonable, and in the public interest.²⁴

²⁴ See Transcript of Hearing at 46, lines 5-8.

a. Monthly System Fee

The Division testifies the proposed monthly system fee includes the cost of the water master and billing clerk, legal cost amortized for three years, accounting costs, repairs to the system, insurance, regulatory costs, training, depreciation which was increased by the metering project, and property taxes.²⁵ The Division proposes the monthly system fee be paid by all customers, including 31 connected customers and 2 standby customers, as these costs are common across all customers whether or not they are connected to the system.

b. Monthly Usage Fee

The Division also testifies the proposed monthly usage fee includes the fixed costs of testing, chemicals, back-up power costs, and materials and supplies related to the usage of delivering water. The Division testifies the previous tariff rate of \$7.00 included 12,000 gallons a month of usage, but under the proposed rate of \$4.50 no monthly usage is included. The Division proposes the connected customers pay this fee as these costs are directly associated with water delivery to customers.

c. Water Usage Rate

In addition, the Division testifies the proposed water usage rate be set at the wholesale cost of purchasing water from Tremonton City. Because the Company utilizes a “gravity pull system”, there are no other pumping costs associated with water delivery.²⁶ The

²⁵ See Direct Testimony of Shauna Benvegna-Springer at 7, lines 73-76. The Division testifies the reason the monthly system fee increases from \$50.00 in the previous tariff to \$55.50 in its proposed recommendation is due to the higher than expected capital costs associated with the metering project. See Transcript of Hearing at 34, line 25; 35, lines 1-5.

²⁶ Transcript of Hearing at 10, lines 21-23.

wholesale rate was formerly \$0.35 per 1,000 gallons, but was amended to \$0.50 per 1,000 gallons by the Tremonton City Council effective July 1, 2012.²⁷

d. Budget Payment Plan

The Division also recommends the Company's tariff include a budget payment plan for customers to pay a set monthly amount at the customer's request.²⁸ The amount will be calculated by using the past 12 months water usage prior to the customer's request for budget billing, dividing the amount by 12 and applying the current tariff system fee, monthly usage fee, and water usage fee to the average monthly water used.²⁹ If a customer wishes to discontinue the budget plan or does not pay the monthly payment plan on time each month, the budget payment plan is terminated and the other tariff schedule rates and due dates would apply.³⁰ The Division explains similar rules are in place for electric and natural gas customers.³¹ The Company supports this recommendation,³² and the Division testifies that some customers have already requested such a plan.³³

²⁷ See Direct Testimony of Shauna Benvegna-Springer at 9, lines 113-16. See also *supra* n.1 at 2 (Letter from Paul Fulgham, Tremonton City, Public Works Director, to Cedar Ridge (Mar. 26, 2012) ("The new rate of \$0.50 per 1,000 gallon[s] will not take place until July 1st, 2012.")).

²⁸ See Direct Testimony of Shauna Benvegna-Springer at 9, lines 122-24.

²⁹ See *id.* lines 124-26; 10, line 127.

³⁰ See *id.* at 10, lines 136-39.

³¹ See *id.* lines 139-41. Presumably the "rule" the Division refers to is Utah Admin. Code R746-200 et seq., which sets forth Residential Utility Service Rules for Electric, Gas, Water, and Sewer Utilities, and addresses, in part, "budget billing."

³² Transcript of Hearing at 45, lines 3-5.

³³ See *id.* at 44, lines 6-8.

e. Conservation Rate

Lastly, the Division recommends no additional conservation rate be implemented at this time.³⁴ The Division explains that since customers are charged based on their actual usage rather than based on a minimum amount of gallons included in a monthly usage rate, this in itself provides a measure of conservation for the customers. Also, since meters were installed, usage has decreased each year since 2010; for example, total customer usage decreased by 24% in 2011 and 23% in 2012.³⁵ Additionally, some customers have replaced their landscaping with drought resistant plants.³⁶ Other customers have stopped irrigating or watering sections of their lots to reduce usage.³⁷

Further, the Division explains the rate charged by Tremonton City essentially has a built in conservation incentive to Cedar Ridge customers because Tremonton City is not charging the full cost of delivering the water to Cedar Ridge, and if water consumption by Cedar Ridge customers continues to drop, Tremonton City will not increase rates.³⁸

B. Discussion and Findings

Based on the testimony presented, we find the proposed monthly system fee of \$55.50 and the proposed monthly usage fee of \$4.50 will be sufficient to cover the Company's fixed costs associated with operating its water system. We also find the proposed water usage rate of \$0.50 per 1,000 gallons or any fraction thereof will cover the Company's variable costs of

³⁴ See Direct Testimony of Shauna Benvegna-Springer at 10, line 145.

³⁵ See id. at 11, lines 149-50, 154. The Division explains that a meter was placed on the overall water system in 2010 when Tremonton City purchased the well. Then, in 2012, customer meters were installed. See id. lines 150-52.

³⁶ See id. lines 156-57.

³⁷ Transcript of Hearing at 39, lines 9-10.

³⁸ See Direct Testimony of Shauna Benvegna-Springer at 11, lines 159-61.

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supplying water to its customers. Therefore, we find the rates as proposed by the Division sufficient to cover the Company's revenue requirement. Accordingly, we approve the Division's proposed rates as just and reasonable. Additionally, we approve the Company's use of "budget billing"³⁹ as defined in Utah Admin. Code R746-200-2.

III. ORDER

Pursuant to our discussion, findings, and conclusions:

We approve the rates as proposed by the Division in this docket. These rates shall take effect November 1, 2013.

DATED at Salt Lake City, Utah, this 21st day of October, 2013.

/s/ Melanie A. Reif
Administrative Law Judge

³⁹ Utah Admin. Code R746-200-2 defines "budget billing" as a "[m]onthly residential payment plan under which the customer's estimated annual billing is divided into 12 monthly payments."

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Approved and confirmed this 21st day of October, 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#248057

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.

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CERTIFICATE OF SERVICE

I CERTIFY that on the 21st day of October, 2013, a true and correct copy of the foregoing was served upon the following as indicated below:

By U.S. Mail:

David Z. Thompson
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By Electronic Mail:

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Administrative Assistant