



State of Utah
Department of Commerce
Division of Public Utilities

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Deputy Director

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Director, Division of Public Utilities

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Governor
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Lieutenant Governor

--= MEMORANDUM =--

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Chris Parker, Director
William Duncan, Manager, Telecommunication & Water Section
Shauna Benvegna-Springer, Utility Analyst

SUBJECT: In the Matter of the Request of Highlands Water Company Revise its Existing Schedule of Rates, Rules and Regulations, Tariff No. 4

RE: Docket No. 14-010-T01

DATE: March 11, 2014

RECOMMENDATION: APPROVE

The Division of Public Utilities (Division) recommends the Commission approve the proposed infrastructure expansion fee of \$2,675.00 per equivalent residential unit (ERU) and a water right fee of \$5,000.00 per ERU as requested by Highland Water Company (Company). The Division has reviewed the proposed fees. The Division has determined that the fees are just and reasonable and in the best interest of the public.

BACKGROUND:

The purpose of the tariff revision is to add the two fees identified for future developer/owners requesting to connect and have water service inside the defined service area.

INFRASTRUCTURE EXPANSION FEE:

On October 17, 2011, the Company entered into an agreement with BNCAAA, LLC (BNCAAA) to construct new infrastructure for the Company for expansion. BNCAAA wished to build on 64 lots within the Company service area and requested water service. Because the current infrastructure could not support the area requesting water service, BNCAAA agreed to build infrastructure for 700 new connections. The excess 636 connection capacity cost will be paid back to BNCAAA by the water company, via the infrastructure expansion fee of \$2,675 per ERU, when other developers, who are interested in building in the remaining portion of the service area, connect to the water system. Currently, there are three developers actively pursuing developing 586 connections. The new infrastructure cost \$1,872,500 which included building a 700,000 gallon storage reservoir, drilling a new well (which produces 1,400 gallons per minute), and adding valves, hydrants, transmission and distribution lines. The infrastructure expansion fee is calculated by taking the infrastructure project cost of \$1,872,500 and dividing it by 700 connections which equals \$2,675 per ERU. BNCAAA has contributed the infrastructure for the 700 connections as Contributions in Aid of Construction (CIAC). The remaining developer/owners will do likewise by paying the Company \$2,675 per ERU, which the Company will re-pay to BNCAAA.

WATER RIGHTS FEE:

The new infrastructure also requires additional water rights. The Company has secured 500 plus acre feet of water rights for the new connections. The market rate for water rights in the Morgan County area is \$5,000 per acre rate. The water rights proposed fee of \$5,000 per ERU allows the Company to purchase water rights on behalf of the developer/owner and pass the cost to the user, if they are not able to obtain water rights on their own. If a developer or owner is able to procure water rights and conveys the necessary water rights to the Company, the Company will waive the water right fee in lieu of the conveyance of water rights.

CONCLUSION:

The Division recommends the Commission approve the proposed infrastructure expansion fee of \$2,675.00 per equivalent residential unit (ERU) and a water right fee of \$5,000.00 per ERU as requested by Highland Water Company (Company).

cc: Roger Smith, Highland Water Company
Wendy Bowden Crowther, Attorney for Highland Water Company
Patricia Schmid, Assistant Attorney General