



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

Mark Long, Utility Analyst *ML*

**Date:** November 24, 2014

**Re:** COMMUNITY WATER COMPANY RATE APPLICATION In the Matter of the Application of Community Water Company for an Increase in Rates, Docket Number 14-098-01

**\* CONTAINS CONFIDENTIAL INFORMATION \***

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**RECOMMENDATION:**

- **Do not proceed with Community Water Company's rate application on the basis that it is not a complete filing.**
- **Do not start the 240 day time limit on the Commission's time frame to issue a final order until a complete filing is submitted by Community Water Company.**
- **Cancel the Comment Period and Scheduling Conference dates until a complete filing is submitted by Community Water Company.**

**Procedural History**

On November 6, 2014 Community Water Company LLC ("Community Water") filed an Application to Approve Proposed Water Service Schedules and Rates with the Public Service Commission of Utah ("Commission"). On November 10, 2014 the Commission issued an Action Request to the Utah Division of Public Utilities ("Division") tasking the Division to review the application for completeness and make a recommendation to the Commission on or before December 8, 2014.

**Issues:**

Utah Administrative Rule R746-700-1. C. Lists general information regarding minimum filing requirements for a complete filing for all public utilities. Rule R746-700-50 lists the specific

filing requirements for a general rate case application of a water corporation. The Division analyzed and compared the information contained in Community Water's application to the filing requirements listed in Rules R746-700 and R746-700-50.

Furthermore, Utah Code 54-7-12. (2) (b) (i) indicates that a public utility's application for a general rate increase or decrease will be considered a complete filing unless within 30 days after the day on which the Commission receives the public utility's application, the Commission issues an order describing information that the public utility must provide for the application to be considered a complete filing.

**Division Review:**

The information required in Rule R746-700-50 contains the minimum information the Division needs in order to fully analyze the financial situation of a water corporation and make a recommendation for rates that will ensure the safe and ongoing operation of the water company in question.

The Division found 14 main areas where more information is required for the application to be considered a complete filing. The Division's response is as detailed as possible to assist Community Water in completing the application for a rate increase efficiently.

The missing or incomplete information is listed below.

**1. Requirement per Rule R746-700-50 A. 5. Ownership and Officers.**

**Community Water's response:**

Owned 100% by ASC Utah, LLC.

**Divisions Questions/Concerns:**

- Who are the owners/officers of ASC Utah, LLC?
- What is the relationship between ASC Utah LLC and Community Water Company?
- What other companies do ASC Utah, LLC own and/or what other companies own ASC, Utah, LLC?
- Applicant's response, attachment 15, indicates "the previous 'manager of the water company' did not keep adequate or accurate information." Provide the name of the previous management company as well as all disclosures, including, but not limited to, all officers, attorneys, management and employees of the previous 'manager of the water company.' Provide the same disclosures for the current 'managers of the water company.'

**2. Requirement per Rule R746-700-50 A. 6. Associated companies (if any).**

**Community Water's response:**

"Not Applicable"

**Divisions Questions/Concerns:**

Applicant shows "Not Applicable." A cursory search conducted by the Division of the Department of Commerce, Corporation records shows associated companies of the following:

ASC Utah LLC

National Registered Agents, Inc.

United Corporate Services, Inc.

C T Corporation System

TCFC Finance Co LLC

FIERA LLC

- Explain the relationship between Community Water Company LLC and the above companies as well as any and all other associated companies.
- Provide a time-line showing the corporate ownership for the past five years.
- Additionally, explain the reason that Community Water Company LLC has several corporate layers of corporate ownership and controls.
- Provide a full disclosure of officers, legal counsel, management and employees of the above referenced companies.

**3. Requirement per Rule R746-700-50 B. 8. Additions or improvements in the last five years.**

**Community Water's response:**

"Information unknown. The previous managers of the water company did not keep adequate or accurate information to provide this information. We are new managers to the company within the last 12 months and we are not able to find records of additions or improvements. From our inspections of the water infrastructure, there have been minimal or no improvements in the last five years."

**Divisions Questions/Concerns:**

- This information is critical to the rate case. The rate base, depreciation expense, capital reserve account funding all rely on this information. In order to be considered in the rate case and to recommend reasonable rates this information must be known.
- Who were the previous managers of the water company and what is their relationship to the associated companies listed in Questions 2 and 3 above?

**4. Requirement per Rule R746-700-50 B. 9. Any anticipated additions or improvements.**

**Community Water's response:**

“Community Water has hired Bowen & Collins to do a completed evaluation and asset management plan. This evaluation will provide water rights evaluation, supply and demand evaluation and infrastructure improvements/replacement information. After initial field observations, we have compiled a list of items that will require immediate action and others that need attention in the next 1 to 5 years. There are a number of anticipated additions or improvements as shown on the Community Water Additions & Improvements (Attached). The attached shows needs of over \$400,000.”

**Divisions Questions/Concerns:**

In order to be considered in the rate case, all bids and all documentation related to the proposed additions needs to be provided. A statement regarding the necessity and urgency should also be included with each item. This information is critical to the rate case. The rate base, depreciation expense, capital reserve account funding all rely on this information. In order to be considered in the rate case and to recommend reasonable rates this information must be known.

*Note: the following Administrative Rule applies to several of the following items and is referenced in the Division's requests.*

**Rule R746-700-1. E.1.** *If a document, spreadsheet, schedule, etc. has internal formulas or other types of inter-cell relationships, the electronic media version shall be provided with such formulas or cell relationships intact.*

**5. Requirement per Rule R746-700-50 C. 5. The water usage per month or billing cycle, showing minimum and overage gallons used.**

**Community Water submitted:**

A hard copy only of the water usage or billing cycle.

**Required:**

An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.

**6. Requirement per Rule R746-700-50 C. 6. The amount billed per month or billing cycle.**

**Community Water submitted:**

A hard copy only of the monthly billings and billing cycle.

**Required:**

An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.

*Note: the following Administrative Rule applies to several of the following items and is referenced in the Division's requests.*

**Rule R746-700-50 D.** *Accounting and Financial Data, which shall include the prior two complete years and current up to the date of general rate case application, unless otherwise specified:*

**7. Requirement per Rule R746-700-50 D. 2. Copies of the General Ledger.**

**Community Water submitted:**

A hard copy only of the general ledger for 2013 only.

**Required:**

- An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.
- 2012 and 2014 (to date) in accordance with Rule R746-700-50 D.
- Ensure that all amounts can be traced into financial statements below.

**8. Requirement per Rule R746-700-50 D. 3. Copies of the Balance Sheet.**

**Community Water submitted:**

A hard copy only of the balance sheet for 2013 only.

**Required:**

- An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.
- 2012 and 2014 (to date) in accordance with Rule R746-700-50 D.

**9. Requirement per Rule R746-700-50 D. 4. Copies of the Income Statement.**

**Community Water submitted:**

A hard copy only of the income statements.

**Required:**

An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.

**10. Requirement per Rule R746-700-50 D. 6. A copy of or the utility's check register.**

**Community Water submitted:**

A hard copy only of the check register for 2014 showing only three (3) checks written for the entire year.

**Required:**

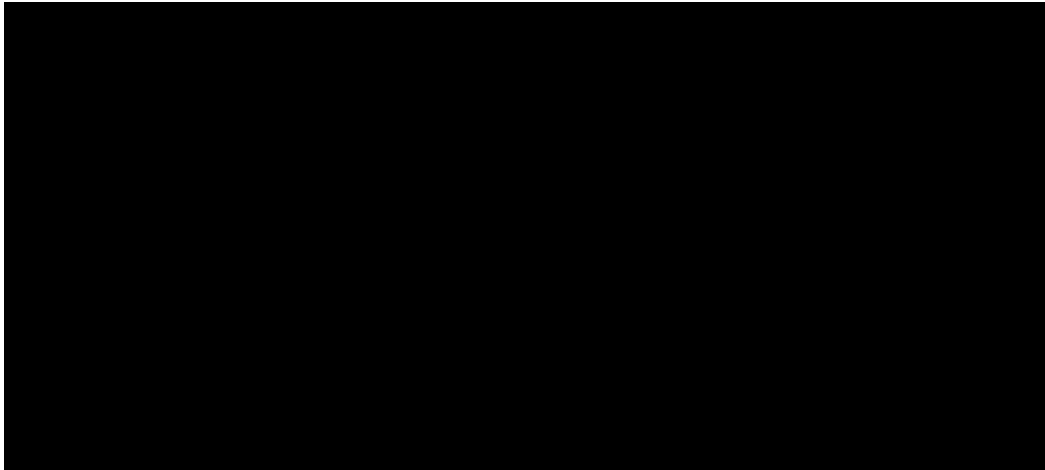
- An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.
  
- Spreadsheet showing all checks written for 2012, 2013 and 2014 (to date) in accordance with Rule R746-700-50 D.

**11. Requirement per Rule R746-700-50 D. 8. Information on the utility plant, including, but not limited to:**

- a. Acquisition date,
- b. Acquisition price or cost,
- c. Salvage value,
- d. Expected useful life,
- e. Annual depreciation amount per asset,
- f. Accumulated depreciation per asset and reconciled to the total accumulated depreciation amount to the most recent Annual Report. (If these amounts do not match the most recent Annual Report provide detailed explanations for any needed adjustments),
- g. If an asset was donated, the amount applied to Contribution in Aid of Construction per asset,
- h. If donated, the accumulated amortization of the Contribution in Aid of Construction per asset and reconciled to the total accumulated amortization amount to the most recent Annual Report. (If these amounts do not match the most recent Annual Report provide detailed explanations for any needed adjustments).

**Community Water's response and submission:**

“Attached is an Accumulated Depreciation list for 2013. As stated previously the previous managers of the water company did not keep adequate or accurate information to provide all of the information. We are new managers to the company within the last 12 months and we are not able to locate documentations/reports. Community Water has hired Bowen & Collins to do a complete evaluation and asset management plan.”



**Divisions Questions/Concerns:**

This information is critical to the rate case. The rate base, depreciation expense, capital reserve account funding all rely on this information. In order to be considered in the rate case and to recommend reasonable rates this information must be known.

**12. Requirement per Rule R746-700-50 D. 9. Copies of tax returns for the prior two complete years:**

**Community Water's response:**

Not Applicable

**Required:**

- Tax returns for the Applicant for 2012 and 2013. If taxes are filed and or paid through another company please provide the relevant information.
- Additionally, please explain why taxes are not filed in the name of Community Water Company LLC.
- Show any profits or losses per corporate tax returns. Also show depreciation expenses for Community Water on tax returns.
- Additionally, please explain why taxes are not filed in the name of Community Water Company LLC.

**13. Requirement per Rule R746-700-50 D. 10. Information on all Notes Payable, Loans, and other obligations, this will include all outstanding and those retired within the past two years, including:**

- a. Interest rate,
- b. Beginning date,
- c. Date of last scheduled payment (the Loan pay-off date), and
- d. Amount of payment

**Community Water's response:**

"Not Applicable"

**Required:**

If Community Water has no notes payable, loans or other financial obligations please indicate. This question is applicable because notes payable, loans and other financial obligations must be factored into the rate recommendation.

**14. Community Water application does not have the method of calculating the rates.**

Community Water has provided comparisons of its proposed rates to those of Mountain Regional Water Special Service District and Park City Municipal Corporation. Community Water's proposed base rates, standby charges and eight different tiers are identical to those of Mountain Regional Water Special Service District's.

**Required:**

- Per Rule R746-700-10. A. 1. 1. The applicant will provide information which will demonstrate what adjustments are required to be made to the 12 months of actual, unadjusted results of operations data, including all regulated costs and revenues, contained in the most recent periodic reported results of operations submitted to the Commission, to arrive at the test period used by the applicant in its application, on both a Utah jurisdiction and total company basis.
- An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL in accordance with Rule R746-700-1. E.1.