

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Community)
Water Company for Approval of a General) DOCKET NO. 14-098-01
Rate Increase) ORDER DETERMINING APPLICATION
) FOR RATE CASE IS INCOMPLETE, AND
) CANCELLING COMMENT PERIOD AND
) SCHEDULING CONFERENCE
)

ISSUED: December 1, 2014

BACKGROUND

On November 6, 2014, Community Water Company (Company) filed an application to increase rates. On November 12, 2014, the Commission issued a notice of filing, notice of comment period, and notice of scheduling conference for Wednesday, December 10, 2014, at 1:00 p.m.

On November 24, 2014, the Division of Public Utilities (Division) filed a memo recommending the Commission not accept the Company's filing as complete until the Company files the required documentation outlined in the Division's memo. The Division also recommends the Commission cancel the comment period and scheduling conference.

DISCUSSION

Utah Admin. Code R746-700-50 sets forth the information a water corporation must file in a general rate case application. In addition, Utah Admin. Code R746-700-51 sets forth the cost of service and rate design information a water corporation must file with any general rate case application. Further, Utah Admin Code R746-700-10 requires test period information to be included with the general rate case application. According to the Division, it

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found fourteen deficiencies in the Company's filing under Utah Admin. Code R746-700-50 and R746-700-10:

1. *Ownership and Officers -- Utah Admin. Code R746-700-50(A)(5).*

Utah Admin. Code R746-700-50(A)(5) requires an applicant to provide information pertaining to ownership and officers. According to the Division, the Company's response indicates that it is owned by ASC Utah, LLC. The Division states it needs to know the following with respect to this requirement:

- The names of the owners and officers of ASC Utah, LLC.
- What the relationship is between ASC Utah, LLC and Community Water Company.
- The names of any other companies owned by ASC Utah, LLC.
- The names of any other companies that own ASC Utah, LLC.

According to the Division, the Company's response indicates "the previous 'manager of the water company' did not keep adequate or accurate information." The Division needs the name of the previous management company as well as disclosures, including all officers, attorneys, management, and employees of the previous manager of the water company. In addition, the Division needs the same disclosures for the current 'managers of the water company.'

2. *Associated companies (if any) -- Utah Admin. Code R746-700-50(A)(6).*

Utah Admin. Code R746-700-50(A)(6) requires an applicant to provide information pertaining to the associated companies (if any). The Division states that a cursory search conducted shows associated companies, including:

ASC Utah, LLC,
National Registered Agents, Inc.,
United Corporate Services, Inc.,
C T Corporation System,
TCFC Finance Co LLC, and
FIERA LLC.

The Division states it needs to know the following with respect to this requirement:

- The relationship between the Company and the above companies.
- The relationship between the Company and all other associated companies.
- A time-line showing the corporate ownership of the Company for the past five years.
- Explain why the Company has several corporate layers of ownership and control.
- A full disclosure of officers, legal counsel, management, and employees of the above companies.

3. *Additions or improvements in the last five years -- Utah Admin. Code R746-700-50(B)(8).*

Utah Admin. Code R746-700-50(B)(8) requires an applicant to provide information pertaining to additions or improvements in the last five years. According to the Division, the Company responded to this requirement by stating, “[i]nformation unknown” The Division emphasizes that “[t]his 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 [for the Division] to recommend reasonable rates[,] this

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information must be known.” The Division states it needs to know the following with respect to this requirement:

- The names of the previous managers of the water company and their relationships to the associated companies listed in items 1 and 2 above.

4. *Any anticipated additions or improvements -- Utah Admin. Code R746-700-50(B)(9).*

Utah Admin. Code R746-700-50(B)(9) requires an applicant to provide information pertaining to any anticipated additions or improvements. The Division emphasizes that “[t]his 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 [for the Division] to recommend reasonable rates[,] this information must be known.” The Division states it needs to know the following with respect to this requirement:

- Provide all bids and documentation related to the proposed additions.
- Provide a statement regarding the necessity and urgency for each item.

5. *The water usage per month or billing cycle, showing minimum and overage gallons used -- Utah Admin. Code R746-700-50(C)(5).*

Utah Admin. Code R746-700-50(C)(5) requires an applicant to provide information pertaining to the water usage per month or billing cycle, showing minimum and overage gallons used. The Division explains the Company provided only a hard copy of the water usage or billing cycle. The Division states it needs the following with respect to this requirement:

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

6. *The amount billed per month or billing cycle -- Utah Admin. Code R746-700-50(C)(6).*

Utah Admin. Code R746-700-50(C)(6) requires an applicant to provide information pertaining to the amount billed per month or billing cycle. The Division explains the Company provided only a hard copy of the monthly billings and billing cycle. The Division states it needs the following with respect to this requirement:

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

7. *Copies of General Ledger -- Utah Admin. Code R746-700-50(D)(2).*

Utah Admin. Code R746-700-50(D)(2) requires an applicant to provide copies of General Ledgers. The Division explains the Company provided only a hard copy of the 2013 general ledger. The Division states it needs the following with respect to this requirement:

- An electronic spreadsheet showing formulas and cell relationships, preferably compatible with MS EXCEL, in accordance with R746-700-1(E)(1).
- General ledgers for 2012 and 2014 (to date).
- Ensure that all amounts reported can be traced to the financial statements referred to below.

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8. *Copies of Balance Sheet -- Utah Admin. Code R746-700-50(D)(3).*

Utah Admin. Code R746-700-50(D)(3) requires an applicant to provide copies of its Balance Sheet. The Division explains the Company provided only a hard copy of the 2013 balance sheet. The Division states it needs the following with respect to this requirement:

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

9. *Copies of Income Statement -- Utah Admin. Code R746-700-50(D)(4).*

Utah Admin. Code R746-700-50(D)(4) requires an applicant to provide copies of its Income Statement. According to the Division, the Company provided a hard copy only of the income statements. The Division states it needs the following with respect to this requirement:

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

10. *A copy of or the utility's check register -- Utah Admin. Code R746-700-50(D)(6).*

Utah Admin. Code R746-700-50(D)(6) requires an applicant to provide a copy of or the utility's check register. According to the Division, the Company provided a hard copy only of the check register for 2014 showing three (3) checks written for the entire year. The Division states it needs the following with respect to this requirement:

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

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- A spreadsheet showing all checks written for 2012, 2013, and 2014 (to date), in accordance with R746-700-50(D).

11. Information on the utility plant -- Utah Admin. Code R746-700-50(D)(8).

Utah Admin. Code R746-700-50(D)(8) requires an applicant to provide information on the utility plant. Such information must include the following:

- 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,
- etc.

The Division emphasizes that “[t]his 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 [for the Division] to recommend reasonable rates[,] this information must be known.” The Division states it needs items (a) through (h) under R746-700-50(D)(8).

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12. *Copies of tax returns for the prior two complete years -- Utah Admin.*

Code R746-700-50(D)(9).

Utah Admin. Code R746-700-50(D)(9) requires an applicant to provide copies of tax returns for the prior two complete years. The Division states it needs the following with respect to this requirement:

- Tax returns for the Company for 2012 and 2013. If taxes are filed and/or paid through another company, the Division needs the relevant information.
- Explain why taxes are not filed in the name of Community Water Company LLC.
- Show any profits or losses for Company on tax returns.
- Show depreciation expenses for Company on tax returns.

13. *Information on all Notes Payable, Loans, and other Obligations -- Utah*

Admin. Code R746-700-50(D)(10).

Utah Admin Code R746-700-50(D)(10) requires an applicant to provide information on all Notes Payable, Loans, and other Obligations. According to the Division, the Company responded “not applicable” to this part of the application, and “[t]his question is applicable because notes payable, loans[,] and other financial obligations must be factored into the rate recommendation.” The Division states it needs the following with respect to this requirement:

- Clarification as to whether the Company has notes payable, loans, or other financial obligations.

- If the Company has notes payable, loans, or other financial obligations, include the interest rate, beginning date, date of last scheduled payment (the loan pay-off date), and amount of payment for each.

14. Application does not have the method of calculating the rates -- Utah Admin. Code R746-700-10(A)(1).

Utah Admin. Code R746-700-10(A)(1) requires an applicant to “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.” The Division states it needs the foregoing information and also needs the following with respect to this requirement:

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

STANDARD

Whether the Company’s application for rate increase should be deemed incomplete, as recommended by the Division, is addressed in Utah Code Ann. § 54-7-12. Under Utah Code Ann. § 54-7-12(2)(a), “[a] public utility that files for a general rate increase . . . shall file a complete filing with the commission setting forth the proposed rate increase. . . .” Utah Code Ann. § 54-7-12(2)(a) (2010). “For purposes of . . . Subsection (2), a public utility’s application for a general rate increase . . . shall 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." Id. § 54-7-12(2)(b)(i) (emphasis added). "If, in accordance with Subsection (2)(b)(i), the commission issues an order that an application is not a complete filing, the commission shall: (i) determine the materiality of an application deficiency; and . . . (B) if the deficiencies are material, issue an order that the 240-day period described in Subsection (3)(a) shall start over when the public utility files the required information." Id. §§ 54-7-12(2)(c)(i), -12(2)(c)(ii)(B).

FINDINGS AND ORDER

Based on the allegations and statements contained in the Division's memo filed November 24, 2014, and for other good cause appearing, the Commission orders the following:

1. The Company's rate case application is incomplete;
2. The Division states or otherwise infers that it cannot complete its analysis of the Company's application without the submission of the items requested, i.e., it is unable to determine whether the Company's proposed rate increase is just, reasonable, and in the public interest. Further, Commission rules specifically require each of these items before an application can be considered complete. Thus, the Commission finds the deficiencies in the Company's filing are material;
3. The 240-day period described in § 54-7-12(3)(a) will start over when the Company files a completed application that complies with Commission rules; namely, R746-

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700-50(A)(5) and (6), R746-700-50-B(8) and (9), R746-700-50(C)(5) and (6), R746-700-50(D)(2), (3), (4), (6), (8), (9), and (10), and R746-700-10(A)(1).

4. The comment period previously set for Monday, December 8, 2014, is cancelled.

5. The scheduling conference previously scheduled in the matter for Wednesday, December 10, 2014, at 1:00 p.m., is cancelled.

5. The Division is requested to provide an update to the Commission as to the completeness of the Company's filing no later than Friday, January 30, 2015.

NOTICE OF CANCELLED SCHEDULING CONFERENCE

The scheduling conference previously scheduled for Wednesday, December 10, 2014, at 1:00 p.m., is cancelled.

DATED at Salt Lake City, Utah, this 1st day of December, 2014.

/s/ Melanie A. Reif
Administrative Law Judge

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Approved and confirmed this 1st day of December, 2014, as the Report and Order issued by 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#262251

CERTIFICATE OF SERVICE

I CERTIFY that on the 1st day of December, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

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