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State of Utah
Department of Commerce
Division of Public Utilities

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Executive Director

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Deputy Director

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Director, Division of Public Utilities

MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Bill Duncan, Telecommunications/Water Manager
Mark Long, Utility Analyst

Date: June 14, 2017

Re: Docket No. 17-2184-01, In the Matter of the Application of Harmony Heights Water Company for Public Service Commission Regulation or Exemption for Water and Wastewater Companies

Recommendation: APPROVE

The Utah Division of Public Utilities (Division) recommends that Harmony Heights Water Company's (Harmony Heights) request for an exemption from Public Service Commission (Commission) regulation be approved.

History of Harmony Heights:

The Commission approved Harmony Heights's Application for a Certificate of Public Convenience and Necessity (CPCN) and was issued CPCN No. 2631 on May 6, 1992. Harmony Heights has not raised its rates for 18 years.

Harmony Heights remains an 'Active' corporation and is in 'Good Standing' according to the records of the Utah Division of Corporations.

Additionally, Harmony Heights is in compliance with the Utah Department of Environmental Quality, Division of Drinking Water.

Customer Notification

Harmony Heights held its Annual Meeting of Shareholders on April 28, 2017. Customers, representing 35 connections (75 total connections) were in attendance. Customers were informed that Harmony Heights needs to raise its rates to fund upcoming infrastructure repair/replacements and to maintain an adequate reserve for emergencies. Information was

presented by the company to its customers regarding the pros and cons of being regulated or exempted from regulation in seeking a rate increase. A vote was held, resulting in all 35 lots represented voting to request an exemption from regulation. It was noted that the ability of a locally elected Water Board to act quickly and responsibly to increases or decreases in its costs will allow it to adjust rates up or down in a more timely and cost-effective basis than applying for a rate increase with the Commission.

On May 1, 2017, all customers were notified, via either email or through USPS of the information presented at the Annual Meeting of Shareholders on April 28, 2017. This information included the necessity for a rate increase and the results of the vote to request an exemption. The mailing encouraged any customers with questions or concerns regarding the meeting information, rate increase or voting results to contact the company. Harmony Heights has not received any objections.

The Division believes that Harmony Heights has satisfactorily notified its customers that it is seeking an exemption from regulation from the Commission.

Division Comments and Basis for its Recommendation

Harmony Heights is serving only customers located within its service area boundaries that are members of the water company and therefore meets the requirements as established by the Commission to operate free of Commission regulation. Also, Harmony Heights is now self-governed by its shareholders.

The Division wishes to note that it has every confidence that Harmony Heights will continue to operate with exceptional business practices and customer service. Although not required to, Harmony Heights has consistently maintained a substantial amount of reserves to be used in case of emergencies. During the past several months, David Jessen, who holds the office of Vice President of Harmony Heights, has been working with the Division concerning a Harmony Heights transition from a developer-owned and operated water company to a locally elected Board made up of company shareholders.

Harmony Heights has already formed an Executive Transition Board to assist in transitioning from a developer-owned and operated water company to a locally elected Water Board of Directors. Harmony Heights has several customers with extensive expertise in water-related management and construction. The Water Board will work with a Certified Water Operator to operate the water system.

CC: David Jessen, Vice President (jessendj@ldschurch.org)
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