

WaterPro, Inc.'s Application for Culinary Water Rate Increase	<p style="text-align: center;"><u>DOCKET NO. 21-2443-01</u></p> <p style="text-align: center;"><u>ORDER APPROVING STIPULATION</u> <u>AND ASSOCIATED TARIFF</u> <u>CHANGES</u></p>
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ISSUED: September 1, 2022

I. BACKGROUND

On March 31, 2022, WaterPro, Inc. (“WaterPro”) filed with the Public Service Commission (PSC) an application for approval of a culinary water rate increase of 5% percent (the “Application”) “to each base rate and tiered rate.”¹ WaterPro indicates it needs a rate increase to “continue to provide its high standards of water service to its customers.”²

On April 11, 2022, the Division of Public Utilities (DPU) filed comments, indicating the Application was comprehensive, substantially complete, and in compliance with Utah Admin. Code R746-700-50. DPU’s comments state that DPU reviewed annual reports, summarized expenses and revenues, audit reports, and completed a site visit. On the same date, the PSC issued its Scheduling Order, Notice of Hearing, and Notice of Public Witness Hearing.

On April 12, 2022, WaterPro filed direct testimony in support of the Application, and on June 21, 2022, DPU filed direct testimony. DPU described the revenue requirement model used to calculate an appropriate revenue requirement and rate of return for WaterPro. It also described adjustments made to revenues and expenses. The DPU analysis concluded that while its model supports an increase in culinary water rates of over 8%, based on WaterPro’s input and to avoid

¹ Application, at 1.

² *Id.*

rate shock to its customers, a 5% increase would be more appropriate at this time. No other party participated or filed testimony in the docket.

On July 20, 2022, DPU filed (1) an Unopposed Motion (the “Motion”) to Approve Settlement Stipulation, to Vacate the Scheduling Order Except for the Hearing Date and to Hold Hearings as Scheduled; and (2) the Settlement Stipulation reached by the parties, attached to the Motion as Attachment 1 (the “Stipulation”). The Motion states that WaterPro and DPU engaged in settlement discussions which eventually resulted in the Stipulation. The Motion further states there were no intervenors in the docket, and requested the PSC approve the Motion and hold the August 4, 2022 evidentiary and public witness hearings as scheduled. The PSC granted the Motion on July 22, 2022.

A. Settlement Stipulation.

Under the key terms of the Stipulation, the parties agreed that WaterPro’s rates will increase approximately 5% “from the revenue requirement ordered by the [PSC] in Docket No. 20-2443-01, [WaterPro’s] last general rate case.”³ The Stipulation further states “[t]he total revenue requirement, including the proposed increase and the recommended rate of return of 8.62% based upon the average weighted cost of capital, [...] is [...] \$921,594.”⁴ Further, it states that there will be a “Base Fee Residential rate increase of approximately 5% for Main Residents, South Mountain (Country Club), South Mountain (Zone 5) and Cove at Bear Canyon, and Little

³ Stipulation, ¶ 10.

⁴ *Id.*

Valley at South Mountain, and approximately a 5% increase for Tiered Rates 1 [through] 4 for each of the mentioned zones, which increases shall be collected through WaterPro [...].⁵

B. Evidentiary and Public Witness Hearings.

In the August 4, 2022 evidentiary hearing, WaterPro testified that 2020 was the last time WaterPro sought an increase in rates.⁶ It explained that the rising costs of water, the demand for water service, and the necessity to keep up with the infrastructure were the drivers of its request.⁷ WaterPro also testified that the Stipulation is fair, reasonable, and in the best interests of its customers.⁸ WaterPro confirmed that it provided the required notices to its customers including through newsletters dated July 1, 2022 and July 31, 2022, and through its website, directing its customers to the PSC website for access to the entire docket.⁹

DPU testified that it reviewed the Application, including approximately 15 appendices and several exhibits, and found the Application to be substantially complete.¹⁰ It further testified that it continued its review and scrutinized the Application, testimony, and other relevant data including WaterPro's annual report filed with DPU and consolidated financial statements prepared by an outside accounting firm.¹¹ DPU testified it issued several data requests seeking further information, followed by several phone calls and emails to clarify certain information.¹² At hearing, DPU reiterated its position in its written testimony, testifying that while WaterPro

⁵ *Id.*, ¶ 11.

⁶ August 4, 2022 Hearing Transcript, 8/10-13.

⁷ *Id.*, at 9/1-3.

⁸ *Id.*, at 9/19-21.

⁹ *Id.*, at 10/1-9.

¹⁰ *Id.*, at 21/1-4.

¹¹ *Id.*, at 21/5-9.

¹² *Id.*, at 21/10-14.

asked for a 5% increase in rates, DPU's model justified an increase in culinary water rates of 8.62%.¹³ DPU testified that to avoid rate shock and in the interest of WaterPro's customers, it recommended an increase of only 5%.¹⁴ DPU testified that the increase is needed to make capital improvements and provide necessary maintenance to continue the current level of service and efficiency for existing customers, as well as to curb the rising costs of inflation. On this basis, DPU recommended the PSC approve the Stipulation, because taken as a whole, it is just and reasonable and in the public interest.¹⁵

During the public witness hearing, no member of the public attended to comment on the Stipulation.

II. DISCUSSION, FINDINGS, AND CONCLUSIONS

As we have previously stated in other orders, settlements of matters before the PSC are encouraged at any stage of the proceedings, as set forth in Utah Code Ann. § 54-7-1. Under Utah Code Ann. § 54-7-1(2)(a), the PSC may approve a settlement proposal if it finds the settlement proposal to be in the public interest. In addition, the PSC may adopt a settlement stipulation if the PSC finds, based on the evidence of record, that the proposal is just and reasonable in result, consistent with Utah Code Ann. § 54-7-1(3)(d)(i)(A)-(B).

The PSC finds substantial evidence supports WaterPro's proposed culinary water rate increase of 5%. Both WaterPro and DPU testified that the rate increase is needed to assist in the continued operation of WaterPro's current system to serve existing customers. DPU testified that

¹³*Id.*, at 22/6-9.

¹⁴*Id.*

¹⁵*Id.*, at 23/6-11. DPU also testified there was an error in the redlined tariff sheet that was filed with the Motion. DPU filed a corrected redlined tariff sheet August 4, 2022.

the Application, including the revenues and expenses and necessary adjustments supported an even greater rate increase of 8.62% which DPU declined to recommend in consideration of WaterPro's customers.¹⁶ There was no opposition to the Stipulation by any intervenor and no member of the public testified against it during the public witness hearing. Based on the foregoing, and on our review of the record, the Settlement Stipulation, including the key terms referenced in our Order, and the parties' support of the Settlement Stipulation, the PSC finds the Settlement Stipulation is just, reasonable, and in the public interest.

III. ORDER

The Stipulation, filed July 20, 2022, with the corrected redlined tariff sheet filed August 4, 2022, is approved.

DATED at Salt Lake City, Utah, September 1, 2022.

/s/ Yvonne R. Hogle
Administrative Law Judge

¹⁶ In addition, at hearing DPU testified that WaterPro was in a very good financial position having \$38 million in retained earnings that the utility, as a non-profit water company, puts back into the company and is not paid as dividends to its shareholders. DPU explained that retained earnings are reflected in the balance sheet, accumulating over the years and used to fund improvements on the system. Hr'g. Tr., 29/8-25 and 30/1. Given WaterPro's agreement to the Stipulation, it is reasonable to conclude that WaterPro can find operational efficiencies that will allow it to make up the difference.

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Approved and confirmed September 1, 2022 as the Order of the Public Service
Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#325308

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 PSC 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 PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC'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.

CERTIFICATE OF SERVICE

I CERTIFY that on September 1, 2022, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Email:

Darrin L. Jensen-Peterson (jensen@waterpro.net)
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