

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Wanship Water Company, LLC's Request
for a Rate Increase

DOCKET NO. 23-067-01

ORDER APPROVING IN PART
SETTLEMENT STIPULATION AND
ASSOCIATED TARIFF CHANGES

ISSUED: November 29, 2023

SYNOPSIS

The Public Service Commission (PSC) (1) approves the request of Wanship Water Company, LLC ("Wanship") for a rate increase; (2) grants the request for an exemption from the billing cycle frequency requirements; and (3) holds in abeyance the request to adopt the proposed service area map as the official service area of Wanship.

Wanship filed an application, supporting testimony, and exhibits for a rate increase with the PSC on May 25, 2023 ("Application"). The Division of Public Utilities (DPU) filed comments on June 8, 2023, concluding the Application was "substantially complete."¹ DPU witness Mark Long filed direct testimony on September 27, 2023. There were no intervenors in this docket.

On October 11, 2023, DPU filed an Unopposed Motion to Vacate the Scheduling Order and Set New Date for Hearing and Public Witness Hearing, which the PSC granted on October 12, 2023. On October 17, 2023, DPU filed an Unopposed Motion to Approve Settlement Stipulation and Hold Hearings as Scheduled (the "Settlement").²

¹ DPU Comments at 2, June 8, 2023 (citing Utah Code Ann. § 54-7-12(2)(b)(ii), and Utah Admin. Code R746-700-50 and R746-700-51).

² DPU and Wanship are sometimes referred to herein as the "Parties."

The PSC held an evidentiary hearing to consider the Settlement on November 1, 2023. A public witness hearing was also held on that date, but no member of the public appeared. A Stipulated Motion to Substitute Updated Tariff No. 3 for Previously Filed Tariff was filed on November 3, 2023 (“Stipulated Motion to Substitute Tariff”).³

I. THE APPLICATION

Wanship is a water corporation as defined in Utah Code Ann. § 54-2-1(23)(a) and (39) and holds a CPCN originally issued in 1977.⁴ According to the Application, Wanship currently serves approximately 34 active connections, and is situated along the Weber River below Echo Reservoir Dam. Wanship states its current rates are insufficient to sustain operations, it is currently operating at a net loss, and it is not collecting or reserving funds for future repairs and replacement. Wanship’s last rate

³ Four versions of Tariff No. 3 were submitted in this docket. The first was submitted on September 27, 2023, as DPU Exhibit 3 and DPU Exhibit 4 of the Direct Testimony of Mark Long for the Division of Public Utilities. The second was submitted on October 17, 2023, as attachments to the Settlement. The third was submitted on October 31, 2023, and is reflected on the docket as “Corrected Attachment 1 – Wanship Water Company, LLC’s Tariff No. 3 – Redline,” and “Corrected Attachment 2 – Wanship Water Company, LLC’s Tariff No. 3.” The fourth version was submitted on November 3, 2023, as attachments to the Stipulated Motion to Substitute Tariff.

The Stipulated Motion to Substitute Tariff seeks to (1) substitute what is identified in the docket as “Revised Corrected Attachment 1 – Wanship Water Company, LLC’s Tariff No. 3 – Redline,” and “Revised Corrected Attachment 2 – Wanship Water Company, LLC’s Tariff No. 3” (“Updated Tariff No. 3”) for the three previously filed tariff versions. That motion also indicates an agreement of the Parties regarding the Service Area Map Adoption request (as defined herein). The Stipulated Motion to Substitute Tariff was granted in part by order dated November 29, 2023.

⁴ CPCN No. 1925, Docket No. 77-067-01. This CPCN was updated in 2022 to reflect Wanship’s new ownership and name change. *See Notice of Sale of Wanship Cottages Water Company, Inc.*, Docket No. 22-067-01.

increase was approved in 1988.⁵ The following table reflects Wanship's current and proposed rates.

Description	Current Rates	Proposed Rates
Unmetered Water	\$19.00/month	\$363.00/qtr.
Ownership Change Fee	\$10.00	\$100.00
Reconnection Fee for Existing Service	\$100.00	\$5,000.00
2 nd lot fee (double lot with one cabin or house)		\$25.00/qtr.
Theft of Service	\$0.00	\$1,000.00
Standby Fee (Wet Lot Fee for Vacant Lots)	\$0.00	\$75.00/qtr.
Construction Water Rental Fee (Fire Hydrant Use)	\$0.00	\$500/use/month
Monthly Stand-by Fee	\$19.00/month	\$363.00/qtr.
Turn on/off Service with existing meter	\$50.00	\$500.00
Disconnect fees	\$150.00	\$1,000.00
First time Service Connection	\$400.00	\$5,000.00
Late fee past 30 days from due	\$0.00	\$100.00
Interest rate on bills past due by 30 days or more	1.5% per month	1.5% per month
Return Check	\$5.00	\$100.00
Delinquent Lien Fee	\$0.00	\$500.00
Shut Off Notice Fee	\$0.00	\$100.00
Fee for unwarranted service call or service call that is a past meter issue	\$0.00	\$500.00

II. TESTIMONY AND COMMENTS

A. Wanship's Written Testimony.

Grady Kohler, owner of Wanship, testifies that costs have dramatically increased since 1988. Specifically, he states, "[t]he company has been operating at a significant loss each year and this is not sustainable to provide clean reliable water to

⁵ *In the Matter of the Application of Wanship Cottage Water Company, Inc., for Approval of its Proposed Rate Schedule*, Docket No. 88-067-01.

the community we serve.”⁶ Kohler describes Wanship as having 34 current customers with approximately 40 additional connections for the future. He states the original service area “included [the] Wanship Cottage Sites plat map as well as some of the surrounding houses[.]”⁷ Mr. Kohler also states that there are no standby customers.

B. DPU Written Testimony.

DPU witness Mark Long testifies that Wanship’s last rate increase occurred in 1988.⁸ Mr. Long also testifies that DPU’s primary objective is to promote the financial sustainability of water companies, like Wanship, to help ensure their ability to provide reliable service at just and reasonable rates.⁹ Mr. Long further testifies that Wanship has been reliant on loans from Mr. Kohler to purchase equipment and services to maintain a safe and reliable water source and to meet the Division of Drinking Water requirements.¹⁰ Based on the information provided by Wanship, Mr. Long, on behalf of DPU, recommends the following rates:¹¹

⁶ Grady Kohler Written Direct Testimony at 1.

⁷ *Id.* (citing to Application Attachment 22 - Service Area Map (“Wanship Cottage Sites Plat”).)

⁸ See Mark Long Direct Written Testimony at 7 (“Long Direct”).

⁹ See *id.* at 3.

¹⁰ See *id.* at 8.

¹¹ The rates proposed by DPU result in a 708% increase for Wanship customers.

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Description	Rates, Fees & Charges
Monthly Water Rates and Fees	
Unmetered water for connected customers	\$153.50
Standby fee	\$38.50
Monthly Fees and Charges	
2 nd lot fee (double lot with one cabin or house)	\$6.25
Charge for construction water rental (fire hydrant use), per use per month	\$500.00
Interest rate on bills more than 30 days past due. Monthly percentage.	1.5%
One-time fees	
First time service connection fee	\$3,000.00
Turn on/Turn off service with the existing connection fee	\$125.00
Reconnection for existing connection fee	\$125.00
Reconnection for unauthorized use fee	\$150.00
Shut off notice fee	\$150.00
Disconnection fee	\$125.00
Delinquent lien fee	\$150.00
Ownership change fee	\$100.00
Seasonal turn on and turn off fee	-
Return check fee	\$50.00
Late fee on bills 30 days past due	\$50.00
Other Charges	
Charge for unwarranted service call or service call on customer's side of the connection	Actual cost of repair
Account transfer charge	-
Theft of service charge	\$1,000.00

Mr. Long also testifies about Wanship's billing cycle and its service area map.

Mr. Long recommends that Wanship's billing cycle be quarterly instead of every other month ("Billing Cycle Exemption"), and that the PSC adopt a proposed service area for

Wanship based on the service area map provided with his testimony (“Service Area Map Adoption”).¹² Neither of these issues were specifically raised in the Application.

In support of the Billing Cycle Exemption recommendation, DPU proposes the PSC exempt Wanship from Utah Admin. Code R746-200-4(A)¹³ which requires a utility’s periodic billing cycle to be at least every other month. DPU notes that Utah Admin. Code R746-200-1(F)(2)¹⁴ allows for this exemption if the required billing cycle poses an undue hardship and has limited benefit to its customers.

Mr. Long asserts that requiring Wanship to bill every other month (six times per year) imposes an undue burden due to unnecessary labor and postage costs associated with that billing frequency. Mr. Long further states that a quarterly billing cycle (four times per year) will not negatively impact Wanship’s customers, explaining that the billing amounts will remain the same since the water is not metered. However, DPU recommends that if Wanship eventually installs water meters, the billing cycle exemption should be reconsidered by the PSC.

In support of the Service Area Map Adoption recommendation, Mr. Long states that DPU’s records for previous Wanship dockets (i.e., Docket Nos. 77-067-01, 88-067-

¹² The service area map attached to Mr. Long’s written testimony (the “T11 Map”) is different from the Wanship Cottage Sites Plat, the service area map provided with Mr. Kohler’s written testimony.

¹³ Utah Admin. Code R746-200-4(A) (“Billing Cycle – Each gas, electric, sewer and water utility shall use a billing cycle that has an interval between regular periodic billing statements of not greater than two months. This section applies to permanent continuous service customers, not to seasonal customers.”).

¹⁴ Utah Admin. Code R746-200-1(F)(2). (“Upon a showing that specified portions of these rules impose an undue hardship and provide limited benefit to its customers, a utility may petition the [PSC] for an exemption from specified portions of these rules.”).

01, and 22-067-01) do not include or reference a service area map. Mr. Long also states that Wanship was unable to provide the original tariff with a service area map, but Wanship provided a service area map “with its boundaries transposed over a Google Earth map[,]” and “indicated that [map] includes the original plat area where [Wanship] has water lines[.]”¹⁵

No other testimony or comments were filed in this docket.

C. Settlement.

The Settlement states that Wanship serves primary residences and second homes below the Echo Reservoir Dam near Wanship, Utah. Wanship has not requested a rate increase since 1988, and the current monthly rate is \$19.00. The Settlement provides that the Parties agree to increase rates consistent with the following rate structure and fees:

¹⁵ Long Direct at 15-16.

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Description	Rates, Fees & Charges Amounts
Monthly Water Rates and Fees	
Unmetered water for connected customers	\$153.50
Standby fee	\$38.50
Monthly Fees and Charges	
2 nd lot fee (double lot with one cabin or house)	\$6.25
Charge for construction water rental (fire hydrant use), per use per month	\$500.00
Interest rate on bills more than 30 days past due. Monthly percentage.	1.50%
One-time Fees	
First time service connection fee	\$3,000.00
Turn on/off service with existing connection fee	\$125.00
Reconnection for existing connection fee	\$125.00
Reconnection for unauthorized use fee	\$150.00
Shut off notice fee	\$150.00
Disconnection fee	\$125.00
Delinquent lien fee	\$150.00
Ownership change fee	\$100.00
Return check fee	\$50.00
Late fee on bills 30 days past due	\$50.00
Other charges	
Charge for unwarranted service call or service call on customer's side of the connection	Actual cost of repair
Theft of service charge	\$1,000.00

The Settlement also addresses the Parties' agreement concerning the Billing Cycle Exemption and Service Area Map Adoption request, agreeing to a quarterly billing cycle (four times per year) and the adoption of a new service area map, the T11

Map.¹⁶ Finally, the Settlement provides that the “Parties agree that [the Settlement] as a whole is just and reasonable in result and is in the public interest.”¹⁷

D. Testimony at Hearing.

At hearing, Mr. Kohler testified that he purchased Wanship last year and that it serves the plat known as the Wanship Cottages Subdivision. Additionally, Mr. Kohler stated that Wanship had deferred maintenance and lost approximately \$30,000 to \$50,000 each year over the last several years.¹⁸ He further testified that the requested rate increase was based on a financial determination of how Wanship could “break even and what [Wanship needs] to do to break even and what ... [Wanship needs] to do to have ... funds for a rainy day if something breaks.”¹⁹

On the Billing Cycle Exemption, Mr. Kohler testified that requiring Wanship to bill every two months (six times per year) would increase costs by approximately \$500 per year, which would burden Wanship's customers.

On the Service Area Map Adoption request, Mr. Kohler testified that the map included in the Application (i.e., the Wanship Cottage Sites Plat)²⁰ depicts the correct service area boundaries and that to the best of his knowledge, based on his review of the Utah Division of Water Rights map,²¹ there are no other water companies or water

¹⁶ As explained in footnote 12, the T11 Map is different from the Wanship Cottage Sites Plat.

¹⁷ Settlement at 7, ¶ 16.

¹⁸ See November 1, 2023, hearing transcript at 9:10-11 (“Hr’g Tr.”).

¹⁹ *Id.*, at 9:17-20.

²⁰ See Application, Attachment 22.

²¹ See Hr’g Tr., at 26:6-8.

service areas adjacent to or close to Wanship's service area. Mr. Kohler also testified that since he has owned Wanship, there has never been any confusion regarding Wanship's service area. Mr. Kohler further testified that Wanship is not requesting a service area expansion, that the Wanship Cottage Sites Plat represents the true and original boundaries of Wanship's service area, and that those boundaries do not expand into the territory of any other certificated water company.²²

Mr. Long testified that Wanship has not had a rate increase for approximately 35 years and that no formal or informal complaints have been filed against Wanship for at least the last 10 years. Additionally, Mr. Long stated that after reviewing the Application, and the information provided to DPU from Wanship through data requests, texts, phone calls, emails, and virtual meetings, DPU determined that Wanship's current rates did not cover fixed costs. Mr. Long also testified that "[t]he [DPU] is mindful of the magnitude of the recommended increase and its likely effects on customers. Such increases may be frustrating to customers. However, a reasonable rate is needed for Wanship to provide safe, adequate, and reliable service. The recommended rates are reasonable, given operating conditions and expenses."²³

²² See *id.*, at 28:9-25.

²³ *Id.* at 38:17-24.

Mr. Long testified about the Billing Cycle Exemption, stating he concurred with Mr. Kohler's assessment that sending out bills more often would cause Wanship, a small water company, to incur additional costs and thus burden its customers.²⁴

Mr. Long also testified about the Service Area Map Adoption request, stating DPU's notes from Wanship's 1977 tariff did not include a service area map and that DPU does not have a readily available record of Wanship's original service area map.²⁵ Mr. Long understood from Mr. Kohler that he learned from Wanship's prior owner that there are no other water companies or water service areas adjacent or close to Wanship's service area.²⁶ However, DPU did not verify the accuracy of Mr. Kohler's statement that there are no other water companies or water service areas adjacent or close to Wanship's service area.²⁷ Finally, Mr. Long testified that, after reviewing the Wanship Cottage Sites Plat in comparison to the T11 Map, the Wanship Cottage Sites Plat might not be an accurate representation of Wanship's service area boundaries.²⁸

DPU and Wanship witnesses testified that the terms of the Settlement are just and reasonable.²⁹

²⁴ See *id.*, at 45:9-18.

²⁵ See *id.*, at 42:18-43:5. According to Mr. Long, time constraints in this docket limited DPU's ability to search all its on-site and off-site records. See *id.*, at 43:6-11.

²⁶ See *id.*, at 44:1-7.

²⁷ See *id.*, at 43:21-44:4.

²⁸ See *id.*, at 41:24-42:3.

²⁹ No party opposed the Settlement.

E. Stipulated Motion to Substitute Tariff.

There was conflict between the testimony of the Parties at hearing on the Service Area Map Adoption request. Wanship testified that the Wanship Cottage Sites Plat reflected the accurate boundaries of its service area. Wanship maintained this position even though the Settlement reflected the boundaries shown in the T11 Map, not the boundaries in the Wanship Cottage Sites Plat. In contrast, DPU testified that, in comparison to the T11 Map, the Wanship Cottage Sites Plat might not be an accurate representation of Wanship's service area boundaries.

To address this conflict, the Parties filed the Stipulated Motion to Substitute Tariff. That motion, among other things, identified the conflicting hearing testimony "concerning which service area map[,] the Wanship Cottage Sites Plat or the T11 Map, "correctly represents Wanship's service area."³⁰ According to the Stipulated Motion to Substitute Tariff, the Wanship Cottage Sites Plat "accurately represents Wanship's service area and [the Parties] have stipulated to using that service area map in Wanship's updated tariff."³¹

³⁰ Stipulated Motion to Substitute Tariff at 2.

³¹ Stipulated Motion to Substitute Tariff at 3.

FINDINGS, FACTS, AND CONCLUSION OF LAW

Settlements of matters before the PSC are statutorily encouraged. To approve a settlement, the PSC must consider the interests of the public and other affected persons and find the settlement is just and reasonable in result.³²

The PSC finds that record evidence demonstrates that Wanship's current rates, rate structure, and fees are inadequate to meet its fixed costs and required capital reserve account. Based on our consideration of the Application, the written testimony, DPU's recommendations, the testimony at hearing, the Settlement, and the lack of opposition, we find and conclude that, excluding paragraph 13.b. addressing the Service Area Map Adoption request (and thus page T11 of Tariff No. 3 attached thereto), the record evidence supports that the Settlement is in the public interest and is just and reasonable in result.

The PSC also finds that record evidence shows there is an undue hardship of increased costs associated with requiring Wanship to bill its customers every two months (6 times per year), as opposed to the requested quarterly billing (4 times per year), and there is limited benefit to Wanship's customers being billed 6 times per year as opposed to 4 times per year. While the hardship of billing and postage costs are modest and might not warrant a finding, in isolation, that they are undue, the lack of metering generally eliminates all meaningful benefits of the rule requiring bi-

³² See Utah Code Ann. § 54-7-1.

monthly billing. We therefore conclude an exemption from Utah Admin. Code R746-200-4(A), as allowed by Utah Admin. Code R746-200-1(F)(2), is appropriate in this docket.

Finally, the PSC finds that the current record does not support the Service Area Map Adoption request. The conflicting testimony at hearing, and the other testimony at hearing concerning the efforts of both Wanship and DPU to support the conclusion that there are no other water companies or water service areas adjacent or close to Wanship's service area, leads us to conclude that a public notice and comment period will benefit the record on this issue. This is especially true because this issue was not specifically raised in the Application, was not fully addressed or explored until the hearing, was in conflict at the hearing, and was not resolved by the Parties until the filing of the Stipulated Motion to Substitute Tariff, which was after the evidentiary and public witness hearings. Accordingly, the PSC will hold this request in abeyance as indicated below.

ORDER

Based on the foregoing analysis and reasons:

1. The Settlement and Tariff No. 3 are approved, effective December 1, 2023, subject to the conditions outlined in number 3 below.
2. The Billing Cycle Exemption is granted. Wanship shall bill its customers quarterly (four times per year), and if water meters are eventually installed or other circumstances warrant, the PSC may revisit this exemption.

3. The Service Area Map Adoption request is held in abeyance. The PSC will initiate a notice and comment period in this docket allowing any interested person or entity, including other utilities, an opportunity to file comments concerning the Service Area Map Adoption request. The PSC will then further evaluate this issue at the close of the comment period.

DATED at Salt Lake City, Utah, November 29, 2023.

/s/ John E. Delaney
Presiding Officer

Approved and Confirmed November 29, 2023 as the Order of the Public Service Commission.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#330990

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.

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CERTIFICATE OF SERVICE

I CERTIFY that on November 29, 2023, a true and correct copy of the foregoing was served upon the following as indicated below:

By Email:

Grady Kohler (grady@wincre.com)
Wanship Water Company, LLC

Patricia Schmid (pschmid@agutah.gov)
Patrick Grecu (pgrecu@agutah.gov)
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Division of Public Utilities

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