

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

WaterPro, Inc.'s Application for Culinary
Water Rate Increase

DOCKET NO. 23-2443-01

ORDER APPROVING STIPULATION AND
ASSOCIATED TARIFF CHANGES

ISSUED: December 14, 2023

SYNOPSIS

The Public Service Commission (PSC) approves WaterPro, Inc.'s ("WaterPro") request for a rate increase.

On May 9, 2023, WaterPro filed with the PSC an Application for a Rate Increase (the "Application").¹ The Application states that the proposed changes will not increase rates but will modify the volumetric levels of each tier to encourage increased water conservation, will better capture the cost of service associated with increasing water usage, and will provide more equitable costs and conservation distribution.

The Division of Public Utilities (DPU) filed comments on May 22, 2023.² The PSC issued a Scheduling Order, Notice of Hearing, and Notice of Public Witness Hearing on May 23, 2023.

On June 2, 2023, WaterPro filed the direct testimony of Darrin Jensen-Peterson, its Chief Executive Officer and General Manager, and Joshua Bean, its consultant. On October 17, 2023, DPU filed the direct testimony of Paul Hicken.

¹ This filing includes 17 attachments, identified as Appendices A-Q.

² DPU found the Application substantially complete and in compliance with Utah Admin. Code R746-700-50, and recommended the PSC acknowledge the filing.

On October 27, 2023, DPU submitted an Unopposed Motion to Vacate the Scheduling Order Except for the Hearing and Public Witness Hearing Date (“Motion”). The Motion represented that WaterPro and DPU were engaging in discussions and a settlement was imminent. The Motion was granted.

On November 22, 2023, DPU filed the Corrected Direct Testimony of Paul Hicken. On that same date, a Settlement Stipulation was also filed with the PSC (“Settlement”).³ On December 4, 2023, DPU filed “Attachment 1” to the Settlement, which had been inadvertently omitted from the November 22, 2023, Settlement filing.⁴

An evidentiary hearing was held to consider the Settlement on December 5, 2023 (“Hearing”). A public witness hearing was also held on that date. No member of the public appeared. There were no intervenors in this docket, and no opposition to the Settlement.

I. THE APPLICATION

The Application states that Draper Irrigation Company (“DIC”) owns WaterPro and that, as of December 2022, it had 8,326 metered connections served by four wells and eight culinary water storage reservoirs (23,000,000 gallons). WaterPro states, “DIC’s goals for its rate structure ... [are to] meet expenditure needs due to inflation and necessary capital projects, encourage the prudent use of water by incentivizing

³ WaterPro and DPU are sometimes referred to herein as the “Parties.”

⁴ This filing also included another copy of the Settlement, but as noted in the filing – and later confirmed by testimony – that copy had no changes and was included only as a reference.

excessive water users to lower their usage, and equitably allocate costs based on [American Water Works Association (“AWWA”)] cost-of-service guidelines.”⁵ The Application requests approval to (1) lower the division point for Tiers 1 and 2 to 12,000 gallons, Tiers 2 and 3 to 30,000 gallons, and Tiers 3 and 4 to 75,000 gallons (the “Volumetric Tier Structure”), and (2) decrease the per unit rate for Tier 2 by \$0.27/kgal (the “Tier 2 Rate”).⁶ WaterPro states the proposed changes are expected to result in an overall revenue increase of approximately 5.4%, which is necessary for the continued delivery of high-quality water services and enhanced water conservation.⁷

II. TESTIMONY

A. WaterPro Written Testimony.

WaterPro witness Jensen-Peterson states that WaterPro is a wholly-owned subsidiary of DIC serving approximately 8,300 customers and, “[t]he requested increase of 5.4% is recommended by our independent consulting engineers and represents our Board of Director’s best effort to balance the Company’s need for increased revenue against the interests of our customers.”⁸

WaterPro witness Bean describes the rate model used by WaterPro to determine the Application’s requested changes to the Volumetric Tier Structure and the Tier 2 Rate. He explains the changes are necessary because “the Company is

⁵ Application at 9.

⁶ See *id.* at 9-10.

⁷ See *id.* at 11.

⁸ Darrin Jensen-Peterson Written Direct Testimony at 2.

[currently] projected to have an approximately \$385,000 deficit in 2024 if no rate changes are implemented. The Company is projected to have an approximately \$15,000 deficit in 2024 if the rate[] structure changes are implemented as shown.”⁹ Mr. Bean also states that the estimated \$15,000 deficit will be addressed by using reserve funds and/or adjusting the timing of certain capital projects and thus reduce the impact on the customers.¹⁰ He concludes that the proposed changes will bring WaterPro’s charges in line with the AWWA cost of service guidelines.

B. DPU Written Testimony.

DPU witness Hicken states that the Application “is not proposing rate increases necessarily,” but instead “propos[es] to reduce the volume of water allowed in each tier, along with a slight reduction in Tier 2 rates.”¹¹ Mr. Hicken believes WaterPro’s proposal is sustainable and supports its financial stability, stating that “[t]he Company’s Culinary Rate Model – ... indicates that [the] proposed tier reductions may generate less revenue from Tiers 1 & 2 sales, but revenue should increase and offset any decreases with Tiers 3 & 4 sales.”¹² According to Mr. Hicken, based on the information from WaterPro’s annual reports to the PSC, DPU’s analysis supports a 9.6% rate of return, but the Application only seeks a 5.4% rate of return.

⁹ Joshua Bean Direct Written Testimony at 2-3.

¹⁰ *See id.* at 7.

¹¹ Paul Hicken Direct Written Testimony at 2.

¹² *Id.* at 3-4.

Mr. Hicken’s testimony includes tables that reflect the existing and proposed changes to WaterPro’s Volumetric Tier Structure and the Tier 2 Rate, as follows:

Table 1		
	Existing Volume (gallons/month)	Proposed Volume (gallons/month)
Tier 1	0-18,000	0-12,000
Tier 2	18,001-57,000	12,001-30,000
Tier 3	57,001-150,000	30,001-75,000
Tier 4	150,001 and over	75,001 and over

Table 2		
Zone	Existing Tier 2 rate \$/1000 gallons	Proposed Tier 2 rate \$/1000 gallons
General Residents	\$2.27	\$2.00
South Mountain Upper	\$2.44	\$2.17
South Mountain Lower	\$2.37	\$2.10
Bear Cove Canyon	\$2.47	\$2.20
Little Valley	\$2.56	\$2.29

Mr. Hicken also describes WaterPro’s capital improvement funding sources, including rate revenues, grants, and loans. He states that although WaterPro lacks a capital reserve account, it “has demonstrated the ability to manage sufficient monthly cash flows and budget for routine maintenance and has been able to borrow money

for capital investment projects when necessary.”¹³ Mr. Hicken concludes a capital reserve account is not necessary.

Finally, Mr. Hicken recommends that the PSC approve the changes proposed in the Application.

C. Settlement Stipulation.

According to the Settlement, WaterPro holds a certificate of public convenience and necessity issued on November 7, 2005.¹⁴ WaterPro currently serves approximately 8,326 residential and commercial customers, and its last rate increase was granted September 1, 2022.¹⁵ The Parties agree on the new Volumetric Tier Structure and the Tier 2 Rate and that, effective January 1, 2024, WaterPro's revenue requirement will increase 5.4%. The Parties also agree that, except for tariff sheet changes to reflect the Volumetric Tier Structure and the Tier 2 Rate, no other rate or tariff changes are requested or required.¹⁶ Finally, the Parties agree that the Settlement as a whole is just and reasonable in result and is in the public interest.

D. Testimony at Hearing.

Mr. Jensen-Peterson testified in support of the Settlement, reiterating WaterPro's history and its current operations. He also testified that the Volumetric

¹³ *Id.* at 5.

¹⁴ *In the Matter of the Application of Waterpro, Inc. for a Certificate of Public Convenience and Necessity to Operate as a Public Utility Rendering Culinary Water Service*, Docket No. 04-2443-01, Report and Order issued November 7, 2005.

¹⁵ *WaterPro, Inc.'s Application for Culinary Water Rate Increase*, Docket No. 21-2443-01, Order Approving Stipulation and Associated Tariff Changes issued September 1, 2022.

¹⁶ Clean and redlined versions of the tariff are found in Attachment 1 to the Settlement.

Tier Structure change would (1) increase water conservation, (2) better capture the cost of service, and (3) provide a more equitable distribution of cost. Mr. Jensen-Peterson further testified that notice had been provided to WaterPro's customers and no customer feedback had been received.¹⁷ In conclusion, Mr. Jensen-Peterson testified that the Settlement was just and reasonable and in the best interest of customers.

Mr. Hicken also testified in support of the Settlement, stating that although DPU's analysis supported a higher rate of return, WaterPro's desire to reduce customer rate shock supported the smaller rate of return as reflected in the Settlement. Additionally, Mr. Hicken testified that the projected increased revenue derived from the Volumetric Tier Structure change is needed for WaterPro's capital improvements, its ability to maintain the current level of service, and to meet the rising cost of inflation. Mr. Hicken concluded that the Settlement is just and reasonable and in the public interest.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Utah law encourages settlements of matters before the PSC at any stage of the proceedings. The PSC may approve a settlement proposal if it finds the settlement proposal to be in the interest of the public and other affected persons.¹⁸ In addition,

¹⁷ The Settlement details the efforts and dates regarding WaterPro's notice to its customers about the Application, the Settlement, and the Hearing. Mr. Jensen-Peterson's testimony at the Hearing on this issue modified one date of notice identified in the Settlement.

¹⁸ See Utah Code Ann. § 54-7-1.

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.¹⁹

The PSC finds that the evidence demonstrates that the Settlement's proposed Volumetric Tier Structure and the Tier 2 Rates should promote water conservation and are necessary for WaterPro to recover its prudently incurred operating costs. Based on our consideration of the Application, DPU's recommendations, the written testimony, the testimony at the Hearing, the terms of the Settlement, and the lack of opposition, we find and conclude that the evidence of record supports that the Settlement is in the public interest and is just and reasonable in result.

ORDER

For the foregoing reasons, we approve the Settlement, including Attachment 1, and the proposed rate structure and rate changes reflected therein, effective January 1, 2024.

DATED at Salt Lake City, Utah, December 14, 2023.

/s/ John E. Delaney
Presiding Officer

¹⁹ See *id.*

Approved and confirmed December 14, 2023 as the Order of the Public Service
Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

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

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#331260

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 December 14, 2023, 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)
CEO/General Manager
WaterPro, Inc.

Patricia Schmid (pschmid@agutah.gov)
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