

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Investigation re: Status of Bridgerland Water Company's Interconnection with Garden City and Reasonableness of Existing Rates

DOCKET NO. 24-001-02

NOTICE OF INVESTIGATORY DOCKET AND REQUEST TO THE DIVISION OF PUBLIC UTILITIES TO INVESTIGATE AND REPORT

ISSUED: October 17, 2024

In 2021, Bridgerland Water Company (BWC) filed its first general rate case (GRC) with the Public Service Commission (PSC) in more than 15 years. On February 28, 2022, the PSC issued an order ("GRC Order")¹ approving rates reflecting a stipulation the Division of Public Utilities (DPU) negotiated with BWC. As the GRC Order reflects, BWC had become severely undercapitalized owing to the long delay in seeking a rate increase. It had no capital reserve account and was facing significant required capital expenditures, including funding an interconnection with Garden City's water system (the "Interconnection") to comply with a corrective action plan issued by the Utah Division of Drinking Water. Though apparently unavoidable owing to the many years of inadequate recovery, the rates approved in the GRC Order resulted in a very substantial increase for BWC's customers.

Since the PSC issued the GRC Order, a customer has filed several complaints alleging BWC has failed to complete the Interconnection. The PSC received the latest complaint on September 13, 2024, more than two and a half years after the PSC

¹ *BWC's Application for Culinary Water Rate Increase*, Docket No. 21-001-01, Order Approving Stipulation and Associated Tariff Changes issued Feb. 28, 2022 [hereafter, "GRC Order"].

issued its GRC Order.² The PSC has dismissed these several customer complaints on the basis that it lacks jurisdiction to entertain a customer complaint regarding the reasonableness of rates absent certain statutorily enumerated exceptions.

Nevertheless, the persistent allegations regarding BWC's failure to complete the Interconnection prompted the PSC to review the GRC Order and underlying docket. While the PSC makes no specific findings here, it appears costs associated with the Interconnection *may* comprise as much as 30 percent of BWC's revenue requirement.³

Given that nearly three years have passed since the GRC, the PSC finds it appropriate to conduct a limited investigation and ask the DPU to provide input as to the status of the Interconnection and whether ratemaking should be initiated to evaluate BWC's existing rates.

The PSC recognizes unavoidable permitting or construction delays may exist or that a multitude of other extenuating circumstances may have unavoidably delayed the project. Additionally, given BWC's dire financial condition in early 2022, it may be that current rates are reasonable considering BWC's actual costs, including (at the time of the last GRC) its desperate need to fund a responsible capital reserve account.

² See *Formal Complaint of Martell Menlove against BWC*, Docket No. 24-001-01.

³ The PSC is inferring this figure from DPU's filed written testimony in the GRC, and it is inclusive of the costs to finance the Interconnection, pay for purchased water from BWC, and other potentially associated costs.

Nevertheless, given that the Garden City interconnection was intended to rectify a regulatory issue with the Utah Division of Drinking Water and the relatively high proportion of the Interconnection Costs relative to BWC's total revenue requirement, the PSC requests the DPU investigate and submit a report and recommendation that includes: (1) a status update on the Interconnection, including any potential alternative BWC has pursued to resolve its issue with the Utah Division of Drinking Water; (2) a preliminary assessment of whether BWC's existing rates are just and reasonable; and (3) a recommendation as to whether the PSC should initiate ratemaking proceedings.

The PSC asks the DPU to submit such report and recommendation on or before **Friday, December 13, 2024.**

DATED at Salt Lake City, Utah, October 17, 2024.

/s/ Michael J. Hammer
Presiding Officer

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#335979

CERTIFICATE OF SERVICE

I CERTIFY that on October 17, 2024, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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