



WaterPro Inc. *a Draper Irrigation Company*

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www.waterpro.net

July 8, 2024

Utah Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114

Phone: 801-530-6716
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Email - psc@utah.gov

SUBJECT: WaterPro, Inc.'s Application for Rate Increase (Docket #24-2443-01)

To Whom It May Concern,

We are pleased to submit an application for a culinary water rate increase for WaterPro, Inc. (WaterPro). WaterPro submitted a letter of intent for the proposed rate increase to the Public Services Commission on June 3, 2024.

The accompanying application includes all relevant information required under R746-700-50 to document WaterPro's need for the proposed culinary water rate increase.

To serve all its customers fairly, WaterPro has six monthly base rate categories. There are also five different service areas that are each charged a different volumetric usage rate due to differing costs to serve each area. You will find WaterPro's existing and proposed rates for all customer categories and service area locations on the enclosed rate table.

The proposed rates show a 9.5% increase to each base rate and tiered rate. WaterPro has determined this increase is needed to continue to provide its high standards of water service to its customers.

We respectfully request your assistance in the processing the application. If you need additional information, please contact me at 801-571-2232. Or you may contact Josh Bean, our engineer who has assisted in the preparation of the application, at 801-495-2224 (jbean@bowencollins.com).

Sincerely,



Darrin L. Jensen-Peterson
C.E.O / General Manager
WaterPro, Inc.
jensen@waterpro.net

Enclosure - Existing and proposed culinary rate table and the rate increase application

Proposed Culinary Rates with 9.5% Increase to All Rates					
Customer Category	Existing	Proposed			
Residential Monthly Base Fee	\$ 21.67	\$ 23.73	Monthly Fee		
Lifeline Monthly Base Fee	\$ 13.76	\$ 15.07	Monthly Fee		
Multiplex Monthly Base Fee	\$ 21.67	\$ 23.73	Each Month for First Unit		
	\$ 15.66	\$ 17.15	Each Month for Each Additional Unit		
Apartment Monthly Base Fee	\$ 21.67	\$ 23.73	Each Month for First Unit		
	\$ 15.66	\$ 17.15	Each Month for Each Additional Unit		
Additional Usage Fees:					
		Existing	Proposed		
All Other Residents	Tier 1	\$ 1.48	\$ 1.62	per 1,000 gallons	0 gallons used up to 12,000 gallons
	Tier 2	\$ 2.00	\$ 2.19	per 1,000 gallons	12,001 gallons up to 30,000 gallons
	Tier 3	\$ 3.12	\$ 3.42	per 1,000 gallons	30,001 gallons up to 75,000 gallons
	Tier 4	\$ 4.40	\$ 4.82	per 1,000 gallons	75,001 gallons per month and over
South Mountain Upper (Country Club)	Tier 1	\$ 1.64	\$ 1.80	per 1,000 gallons	0 gallons used up to 12,000 gallons
	Tier 2	\$ 2.17	\$ 2.38	per 1,000 gallons	12,001 gallons up to 30,000 gallons
	Tier 3	\$ 3.28	\$ 3.59	per 1,000 gallons	30,001 gallons up to 75,000 gallons
	Tier 4	\$ 4.56	\$ 4.99	per 1,000 gallons	75,001 gallons per month and over
South Mountain Lower	Tier 1	\$ 1.58	\$ 1.73	per 1,000 gallons	0 gallons used up to 12,000 gallons
	Tier 2	\$ 2.10	\$ 2.30	per 1,000 gallons	12,001 gallons up to 30,000 gallons
	Tier 3	\$ 3.22	\$ 3.53	per 1,000 gallons	30,001 gallons up to 75,000 gallons
	Tier 4	\$ 4.48	\$ 4.91	per 1,000 gallons	75,001 gallons per month and over
Cove of Bear Canyon	Tier 1	\$ 1.68	\$ 1.84	per 1,000 gallons	0 gallons used up to 12,000 gallons
	Tier 2	\$ 2.20	\$ 2.41	per 1,000 gallons	12,001 gallons up to 30,000 gallons
	Tier 3	\$ 3.31	\$ 3.62	per 1,000 gallons	30,001 gallons up to 75,000 gallons
	Tier 4	\$ 4.48	\$ 4.91	per 1,000 gallons	75,001 gallons per month and over
Little Valley	Tier 1	\$ 1.85	\$ 2.03	per 1,000 gallons	0 gallons used up to 12,000 gallons
	Tier 2	\$ 2.29	\$ 2.51	per 1,000 gallons	12,001 gallons up to 30,000 gallons
	Tier 3	\$ 3.31	\$ 3.62	per 1,000 gallons	30,001 gallons up to 75,000 gallons
	Tier 4	\$ 4.67	\$ 5.11	per 1,000 gallons	75,001 gallons per month and over

R746-700-50. Information for a General Rate Case Application for a Water Corporation

An applicant submitting a general rate case application shall provide the following information with the application:

A. General Information:

1. Most recent Division of Drinking Water certification/report.

See Appendix A for the most recent Division of Drinking Water (DDW) reports documenting WaterPro's compliance with DDW requirements.

2. Certificate of Public Convenience and Need Number granted by the Commission and its date.

2443

3. Date the utility started operation.

Culinary water deliveries began in 1911.

4. The number of connections approved and current area served, which may be shown by service area map.

There are 8,294 active culinary connections as of December 2023. See Appendix B for a map of the existing culinary water service area.

5. Ownership and officers.

Draper Irrigation Company (which owns WaterPro, Inc.) is a non-profit corporation owned by its customers. See Appendix M for the company's organization chart.

The Board of Directors:

President – Greg J. Matis

Vice President – Dale Smith

Secretary – Tom Ward

Director – George Greenwood

Director – Ryan Daw

Director – Kent S. Ware

Director – Stephen L. Tripp

Executive Officers:

CEO/General Manager – Darrin Jensen-Peterson

Assistant General Manager – Steve Cunningham

6. Associated companies (if any).

WaterPro, Inc.

Draper Water Services

Draper Irrigation Company

7. A copy of its current tariff.

See Appendix C for a copy of the current tariff.

B. Engineering Information.

1. Source of water supply

Water Treatment Plant (treating raw water obtained from multiple mountain runoff intakes)

Water Treatment Plant Well

Hidden Valley Well

Valle Di Villa Well

1300 East Well

Jordan Valley Water Conservancy District Connections

Draper City Connections (emergency connections)

Sandy City Connections (emergency connections)

2. Information for all Wells

The following table summarizes the existing culinary water wells.

Name	Maximum Capacity (gpm)
WTP Well	900
1300 East Well	835
Valle di Villa Well	650
Hidden Valley Well	1,700
Total	4,085

3. Mains and meters information

The following table summarizes the culinary transmission and distribution infrastructure breakdown. Pipe materials include PVC, ductile iron, cast iron, and steel.

Diameter (inch)	Length (feet)	Length (miles)	Percentage of Total System
<=4	2,070	0.39	0.23%
6	135,089	25.58	15.14%
8	492,366	93.25	55.18%
10	72,861	13.80	8.17%
12	108,792	20.60	12.19%
14	33,466	6.34	3.75%
16	19,021	3.60	2.13%
18	5,873	1.11	0.66%
20	11,026	2.09	1.24%
24	10,396	1.97	1.16%
30	1,396	0.26	0.16%
Total	892,356	169.01	100.00%

Of the 8,601 total culinary water connections in WaterPro’s system, there are 8,294 active metered connections as of December 2023. The following table summarizes the number of active connections.

Connection Type	Quantity
Industrial	0
Commercial	425
Institutional	144
Residential	7,499
Lifeline Residential	3
Multi/Apartment	223
Total	8,294

The Lifeline fees are currently funded from the miscellaneous water revenue collected category (late fees, processing fees, etc.). Since there are only 3 customers, the impact to the whole system is negligible.

4. Reservoir information

The following table summarizes the 8 existing culinary water storage reservoirs.

Tank Name	Volume (MG)
WTP Tank 1	1.0
WTP Tank 2	7.0
Cove at Bear Canyon Tank	0.25
South Mountain Tank	3.0
Traverse Ridge Tank	3.0
Little Valley Tank	0.75
Corner Canyon Tank 1	4.0
Corner Canyon Tank 2	4.0
Total	23.0

5. Storage capacity

As shown in the above table, there are 8 water storage tanks in operation providing a total of 23,000,000 gallons of culinary water storage.

6. Service deficiencies and remedies

See the proposed capital improvement project table in Appendix D for a list of existing system deficiencies and the proposed project to correct each of those deficiencies.

7. Service quality

WaterPro continues to work for the welfare of Draper the customers it serves by:

- Building infrastructure to maintain the high quality of water service for Draper residents, including additional system expansion to keep up with the development/population growth rates and replacement of aging infrastructure.

- Upgrading water treatment methods as necessary to comply with continually evolving federal water quality regulations.
- Maintaining compliance with the Utah Division of Drinking Water’s standards.
- Making the most of existing assets while minimizing its carbon footprint through hydroelectric power generation, as well as investigating geothermal and other alternative power methods.
- Working cooperatively with other privately owned water companies to establish and protect legislative rights to put WaterPro on par with municipally owned water systems. WaterPro believes this is an important way to serve and protect its customers.

8. Additions or improvements in the last five years

The following table lists the system improvements and additions completed in the last five years.

Year	Project
2019	12000 S. 700 E. Waterline Replacement
2019	11950 S. 150 E. Waterline Replacement
2019	13800 S. Waterline Replacement
2019	Hidden Valley Golf Course Master Meter
2019	Pioneer Rd. Master Meter
2020	Hidden Valley Golf Course PRV
2020	Sandy City Interconnect
2020	Valle di Villa Well Upgrades & Chemical Rehab.
2020	Hidden Valley Well Upgrades
2021	Fort Street/Canyon Breeze Waterline
2021	980 E. Waterline

2021	Hidden Valley Well Upgrades & Chemical Rehab.
2022	13400 S. Waterline Replacement
2022	1300 E - Replace 10" Line from 13400 S to 13800 S
2022	New 6" Valves and Piping to Connect Pressure Zones
2022	Abandon 6" Line at 1162 E. and Rancho Dr
2023	Vestry Road 16" Line Replacement
2023	Pioneer Road / 1700-1840 E. 10" Culinary Replacement

9. Any anticipated additions or improvements

There are several additional projects scheduled to add or improve the system. See Appendix D and the culinary rate model (Appendix H) for a list of those projects.

10. Efforts to encourage conservation

WaterPro maintains a water conservation plan in accordance with the Utah Water Conservation Plan Act. WaterPro recently updated its Water Conservation Plan in 2020. Additionally, WaterPro provides customers with helpful tips to reduce water usage. Examples of those tips include checking your home for leaks, changing personal habits to reduce water usage, and changing outdoor irrigation practices to maximize watering effectiveness.

C. Customer Connection Information

10. Identification whether secondary water is distributed through the culinary system.

Draper Irrigation Company operates a secondary water system to provide outdoor irrigation to customers and reduce the burden on the culinary system. The service area of that secondary water system overlaps with much of the culinary water service area. Based on the 2018 Water Rights Master Plan, there is approximately 31% of the culinary

service area that is outside the secondary water service area. Therefore, some culinary water is being used for outdoor irrigation purposes.

D. Accounting and Financial Data, which shall include the prior two complete years and current up to the date of general rate case application, unless otherwise specified:

1. Identification (contact information) for any accountant used by the utility.

Eide Bailly LLP

5 Triad Center, Suite 600

Salt Lake City, Utah 84180-1106

(801) 532-2200

2. Copies of the General Ledger.

WaterPro's 2022 and 2023 general ledgers are included in Appendix E.

3. Copies of the Balance Sheet

WaterPro has included a copy of the 2022 and 2023 balance sheets that were submitted to the PSC (in the specific format required for that annual submission) in Appendix F.

4. Copies of the Income Statement

WaterPro has also included a copy of the 2022 and 2023 income statements that were submitted to the PSC (in the specific format required for that annual requirement) in Appendix G.

5. Pro Forma Income Statements, categorized by the National Association of Regulatory Utility Commissions, NARUC, System of Accounts, to include:

- a. the prior two years of revenues and expenses, and
- b. the projected revenues and expenses for the next three years, to include the Company's anticipated growth rate and requested rate increase.

See the culinary rate model in Appendix H. The rate model documents the need for the 9.5% rate increase to all current monthly base rates and volumetric rates.

6. A copy of or the utility's check register

WaterPro's 2022 and 2023 check registers are included in Appendix I. Due to the confidential nature of the check registers, those documents will be sent to the Public Services Commission via physical mail.

7. Billing documentation/reports, tied back to the tariff rates

See Appendix J for actual water billings to customers. These water billings are grouped by billing zone to document all the approved rate categories billed to customers.

8. Information on the utility plant, including, but not limited to:

- a. Acquisition date,
- b. Acquisition price or cost,
- c. Salvage value,
- d. Expected useful life,
- e. Annual depreciation amount per asset,
- f. Accumulated depreciation per asset and reconciled to the total accumulated depreciation amount to the most recent Annual Report. (If these amounts do not match the most recent Annual Report provide detailed explanations for any needed adjustments),

- g. If an asset was donated, the amount applied to Contribution in Aid of Construction per asset,
- h. If donated, the accumulated amortization of the Contribution in Aid of Construction per asset and reconciled to the total accumulated amortization amount to the most recent Annual Report. (If these amounts do not match the most recent Annual Report provide detailed explanations for any needed adjustments), and
- i. Projected future asset purchases for the next three years, providing the estimated acquisition date and price.

WaterPro's 2022 and 2023 asset depreciation tables are included in Appendix K.

10. Information on all Notes Payable, Loans, and other Obligations, This will include all outstanding and those retired within the past two years, including:

- a. Interest rate,
- b. Beginning date,
- c. Date of last scheduled payment (the Loan pay-off date), and
- d. Amount of payment

WaterPro's obtained a \$8,552,878 loan from American West Bank in 2013. This loan was used to refinance an existing pressure irrigation system debt and to also pay \$4,000,000 toward a new culinary well and pipeline project. Therefore, 47% of the loan repayment schedule should be paid by the culinary system.

Therefore, 47% of the loan repayment schedule should be paid by the culinary system.

That 47% amount is reflected in the loan payments that are projected into the culinary rate model.

The remaining \$4,552,878 (53%) of the loan repayment is associated with pressure irrigation system improvements and will not be paid by the culinary system. The interest

rate on the loan is a variable rate at 2.5% plus the 1-month LIBOR. The Company has prepared an estimated loan repayment schedule for the entire loan amount (see the attached). Since the LIBOR is a variable interest rate, the Company made a reasonably conservative estimate of the 1-month LIBOR to be 2.45% through the life of the loan. Therefore, the overall loan repayment schedule is assumed to be 4.95% through the life of the loan. That LIBOR rate projection was established at this value to avoid underestimating the repayment amount and not having enough rate revenue to pay for the loan. For the purposes of the rate model, the twelve payments for each year (from that repayment schedule) have been summed and then 47% of the total amount has been applied to the culinary water system. A copy of that loan and repayment schedule is included in Appendix L.

Future reuse project loans through the Utah Division of Water Resources have been investigated by WaterPro. The loan has not been issued, just authorized based on WaterPro's application. That authorization letter is also included in Appendix L. The loan will not be issued until the project is fully designed.

E. Customer Notice Information

1. A copy of any notice sent to customers notifying them that the utility is seeking a rate increase.

Once a public hearing is scheduled with the PSC, WaterPro intends to send a notice to customers in the WaterPro monthly newsletter. That notice will inform customers of the requested rate increase and the date of the scheduled public hearing. The notice will also inform the customers of the date of the scheduled public hearing. Then, upon the PSC's

approval of the proposed rate changes, WaterPro will send another notice in the monthly newsletter documenting the rate increase and when it will take effect.

F. Additional Information

1. Provide copies of the 2022 and 2023 Consolidated Financial Statements.

Copies of the consolidated financial statements are included in Appendix N.

2. Provide a copy of the accounting codes used to fill in the various codes on the annual reports.

A copy of the accounting codes is included in Appendix O.

3. Provide copies of the 2022 and 2023 Trial Balances.

Copies of the trial balances are included in Appendix P.

4. Provide a Cost Allocation Manual (CAM) showing how shared assets, expenses, revenues etc. are allocated between the regulated company DWS and the non-regulated company DIC.

Based on total revenue for the whole company, 80% of the revenue comes from the culinary side and 20% of the revenue comes from the pressure irrigation side. All culinary revenue is allocated 100% to the culinary side. All pressure irrigation revenue is allocated 100% to the pressure irrigation side.

Costs are allocated based on which system is benefiting from the costs. For example, treatable culinary water costs are allocated 100% to the culinary system. For cost categories that can be directly tied to one system, such as wages related to repairing a culinary pipeline, the costs are 100% allocated to that one system. If instead there is no reasonable way to allocate costs of a category that benefits both the culinary and pressure

irrigation systems, such as the office receptionist's wages, the costs are allocated based on the total revenue split of the whole company. For example, 80% of the receptionist's wages would be allocated to the culinary system since it is assumed the magnitude of the culinary system's revenues is proportional to the shared costs needed to service the culinary system.

Costs and projects only related to the culinary water distribution system are 100% allocated to the culinary system. Costs and projects only related to the pressure irrigation water distribution system are 100% allocated to the pressure irrigation system. Costs and projects related to water source development follow the 80/20 cost allocation previously described since sources are used to jointly satisfy demands in both the culinary and pressure irrigation systems. Monthly cost allocation breakdowns for 2022 and 2023 are included in the attached documentation in Excel format and included as Appendix Q.

5. Provide copies of the financial documentation in Excel format.

Excel versions of Appendices E, O, P, and Q have also been included in the attached documentation. An Excel version of Appendix I has also been sent separately to the PSC as a confidential filing.

6. The Division understands that WaterPro does not pay taxes. Do the members pay dues? Please explain.

WaterPro is a fully owned subsidiary of Draper Irrigation Company. Draper Irrigation Company is a non-profit organization. Draper Irrigation Company is a shareholder owned company. Shares are required to be purchased as part of the initial connection to the water system. Each stockholder's share in the company gives that person the right to

use water. Shareholders do not have to pay dues or other fees apart from their water bills. Shareholders pay their water bills to WaterPro.

This is a 501c12 mutual irrigation company, not a private for-profit entity. Common stock is issued to shareholders. Common stock is tied to Class B shares of the mutual irrigation company. The company was required to issue Class B stock to all culinary users in the company. This stock gave them the right to vote for a Board of Directors and use the culinary water tied to their property.

7. Please explain the company codes for Draper Water Services, Draper Irrigation Company, and WaterPro?

WaterPro and DWS both have the same 20-xxxx-xxx prefixes and DIC has the 01-xxxx-xxx prefixes. All expenses are all added to 30-xxx-xxx when they are first generated (both for culinary and pressure irrigation). Then, once expenses have been allocated, they are sent to either the culinary side (20-xxxx-xxx) or the DIC/pressure irrigation side (01-xxxx-xxx). The annual report that is sent to the Public Service Commission contains only culinary operations.