

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Request of)
MOUNTAIN VALLEY RANCHES)
NORTH, INC., to Increase Per Acre-Foot)
Water Rates)

DOCKET NO. 02-2369-01
REPORT AND ORDER

ISSUED: May 8, 2003

SYNOPSIS

Mountain Valley Ranches North and South sought increase in two rates to be charged. The Commission established new rates.

By The Commission:

Mountain Valley Ranches North and South (the "Company" or "Mountain Valley") filed a request for a rate increase on September 23, 2002. The matter was set for hearing with notice given to all customers of Mountain Valley. The matter was heard April 30, 2003, before the Commission's Administrative Law Judge. Mary Ann Malone appeared by telephone for the Company and offered testimony. Patricia Schmidt, Assistant Attorney General, appeared for the Division of Public Utilities ("Division"). Bary Golding offered testimony on behalf of the Division. Sue Kramer and Connie Hamilton, customers of Mountain Valley, also offered testimony by telephone.

DISCUSSION

Mountain Valley has nine current connections, and will have a total of thirteen if all potential properties are connected to the system. The Company was granted a Certificate of Public Convenience and Necessity on June 26, 2001. Since that time the Company has added 16,000 gallons of storage to its system and made other improvements to bring its facilities into compliance with Utah Division of Drinking Water standards. The Company's current rates were approved by this Commission on November 20, 2002.

In this case the Company requested that the monthly flat fee charge for water service be increased from \$25 to \$30. The Company also requested that its charge to customers that use more than one acre foot of water during a year be increased from \$10 per month to \$20 per month. The primary reason for the increased charge for customers using excess water was to promote conservation. The Company witness testified as to the reasonableness of the proposed rates and the correctness of the supporting material used the Division in its analysis.

On March 18, 2003, the Division submitted a memorandum containing the results of its audit of the Company, and its recommendations regarding the requested increase. Based on its audit, and one adjustment for regulatory purposes made to the financial results of the Company, the Division recommended approval of the requested increase. The Division reported that the Company had incurred a loss during the year 2002, and that even with the increased rates it would not generate any return on investment for the Company. The Division reported, and the Company confirmed, that the Company did not seek to earn a return; it only sought rates that would cover the cost of operating the system.

The customers raised questions regarding the expenses included in the companies financial reports, the rates for users exceeding one acre foot per year, new connection fees, and water quality. Each question was addressed during the hearing.

The evidence presented at the hearing showed that the proposed increased rates are just and reasonable. The rates will

provide the Company with a reasonable opportunity to recover the costs of operating the system. They will likely not generate any return on investment for the system owner, but the owner does not request any return. The higher rates for excess water usage should help to provide an appropriate incentive for customers to conserve water. The new rates should be approved.

Based upon the evidence presented, the Administrative Law Judge recommends entry of the following:

FINDINGS OF FACT AND CONCLUSION OF LAW

1. Mountain Valley Ranches North and South is a certificated water corporation operating in the State of Utah, subject to Commission jurisdiction.
2. Mountain Valley's current rates are insufficient to provide adequate revenues to recover the Company's reasonable operating expenses.
3. The proposed rates presented by the Company at the hearing provide a reasonable opportunity to generate sufficient revenues for the Company to recover its reasonable operating expenses.
4. The proposed rates are just and reasonable. The proposed rates are:
 - monthly flat fee for water service: \$30.
 - overage charge to each customer that uses more than one acre foot of water during a year: \$20 per month.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The proposed rates set forth in this Report and Order are approved by the Commission.
2. No other rates for Mountain Valley Ranches North and South are modified by this order.
3. Mountain Valley Ranches North and South may make the rates effective from the issuance date of this order, or a later date which can be accommodated by the Company's billing system.
4. Mountain Valley Ranches North and South shall submit revised tariff sheets reflecting the new rates approved by the Commission. The Division of Public Utilities shall review the revised tariff sheets for compliance with this Report and Order.

Dated at Salt Lake City, Utah, this 8th day of May, 2003.

/s/ Douglas C. Tingey
Administrative Law Judge

Approved and Confirmed this 8th day of May, 2003, as the Report and Order of the Public Service Commission of Utah.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

G#33649