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State of Utah
Department of Commerce
Division of Public Utilities

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Executive Director Deputy Director

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Director, Division of Public Utilities

FYI

June 13, 2005

MEMORANDUM

TO: Public Service Commission of Utah

FROM: Division of Public Utilities
Irene Rees, Director *IR*
Kent Evans, Manager, Customer Service and Water *KE*
Bruce Scott Moio, Utility Analyst *BSM*

RE: In the matter of an application for Certificate of Public Convenience and Necessity for North Creek Ranch Homeowners Association
Docket 05-2454-01

RECOMMENDATION

The applicant has submitted sufficient information for the Division to conclude that the Utah Public Service Commission should issue a Certificate of Public Convenience and Necessity for North Creek Ranch Homeowners Association. The Division recommends that the connection and usage rates in the applicant's revised proposed tariff be approved, and that a hearing be scheduled as soon as possible.

SUMMARY

The Division has reviewed the application for a Certificate of Public Convenience and Necessity for North Creek Ranch Homeowners Association (North Creek). North Creek is a non-profit corporation currently with 10 developed lots. The developer, Mr. Phil Jolley, currently has approval to develop 87 lots involving several phases over several years. Mr. Jolley has submitted the appropriate sub-division maps in his application describing the service area. North Creek currently has sufficient water rights to serve 25 domestic hook ups. The hook ups are earmarked for Phase 1 through Phase 5 and Mr. Jolley has other water rights that will be transferred as later phases of the subdivision are completed and lots are sold. The Department of Environmental Quality successfully completed a water source feasibility test for North Creek's initial phases. Further, the Division of Drinking Water completed a Preliminary Evaluation Report for source protection of the well. The results of their chemical analysis were satisfactory.

Currently, because North Creek will initially have 10 connections, DEQ considers them to be a non-public water system. Once North Creek reached 15 connections it will become a public water system and a separate plan approval and operating permit will be required from the Division of Drinking Water for construction and operation of a public drinking water system. Currently Mr. Scott Hacking of the Utah Department of Environmental Quality is preparing to approve the system's ability to provide service to an additional 15 connections for a total of 25.

These 25 connections encompass the development's subdivision Phases I through V, as shown on the subdivision map included in the application. The Division recommends the approved service area include only these initial phases. When that applicant wishes to expand service to future phases the Division will require the applicant to apply for an expansion of service area whereby the Division can verify adequate water rights, approved by DEQ, for the expanded area.

Included in the application North Creek provided a 'Water Rate Schedule' to act as the initial tariff. The Division pointed out to the applicant that the 'Penalty Overuse Charge' and the related paragraph seemed to infer that all water users would not be treated equally. Stating that "Typical lot owner is restricted to annual use of 1 acre foot of water...if a lot owner is permitted more than 1 acre foot..." The Division instructed the applicant to revise the initial tariff to specify the overuse charge for each connection size. On June 7, 2005 the applicant submitted a revised initial tariff included with this memorandum.

The applicant has asked for approval on the following rates and charges:

\$30 per month minimum charge for each service connection and the first 12,000 gallons.

\$1.50 per 1,000 gallons over the first 12,000 gallons.

Overuse charge:

\$5.00 per 1,000 gallons over –

326,000 annual gallons for 1" meter connection
652,000 annual gallons for 1.5" meter connection
1,304,000 annual gallons for 2" meter connection

Standby fee: \$10 per month

Connection Fees:

1" service to property line \$1,000
1.5" service to property line \$ 1,500
2" service to property line \$2,500

Fee to turn on service where meter is in place: \$100

The Division is satisfied with the engineering and financial arrangement and has no objection to the June 7, 2005 revised proposed tariff rates. The Division therefore recommends that a hearing be set as quickly as possible.