DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

STEPHANIE MILLER

DAVID SCHUNKE

TERRI CARLOCK

DON HOWELL

GARY RICHARDSON

WORKING FILE

FROM:WELDON STUTZMAN

DATE:MAY 11, 1995

RE:WARM SPRINGS MESA RATE INCREASE

CASE NOS. WSM-W-95-2 AND WSM-W-95-3

On April 21, 1995, Warm Springs Mesa, Inc. filed an Application to increase its rates and charges for water utility services.  The Application requests approval for increasing its rate from $1.06 to $1.52 per 1,000 gallons for water use in excess of 4,000.  On April 28, 1995,  Warm Springs filed a second Application to increase the same rate form $1.52 to $1.546.  Warm Springs in both cases requests that the new rates be effective as of May 31, 1995.

Warm Springs’s first Application is premised on the Commission’s Order No. 25445 relating to the rebuild of the lower Mesa water system.  The Commission indicated Warm  Springs’ estimated cost of $150,000 to rebuild the lower system would automatically be included in rate base following an audit by Staff of the reasonableness of the investment, and rates would be adjusted accordingly.  Warm Springs requests that the actual amount of the rebuild, totalling $214,490, be included in rate base and the water rates adjusted as requested.

Warm Springs’ second Application is premised on the Commission’s Order No. 25970 in which the Commission authorized Warm Springs to borrow funds from First Security Bank   in the amount of $40,300.  Warm Springs contends the amount of $12,300 was to provide replacement parts to the existing 12" well and the 75 hp turbine pump, and requests that that amount be included in rate base.

Staff has reviewed the Applications and recommends that the proposed effective date of May 31, 1995 for the new rates be suspended for up to 90 days in order to evaluate the proposed increases.  Also, Staff recommends initially processing both Applications by Modified Procedure without consolidating the two cases.  Should it become necessary or advisable to conduct a hearing regarding the second Application, the first could still be completed by Modified Procedure.

Commission Decision

1.  Should the proposed effective date for the rate increases of May 31, 1995 be suspended for up to 90 days?

2.  Should the applications be processed by Modified Procedure?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Weldon Stutzman

vld/M-wesarate.ws