



State of Utah
 Department of Commerce
 Division of Public Utilities

KLARE BACHMAN
 Executive Director

JASON PERRY
 Deputy Director

IRENE REES
 Director, Division of Public Utilities

MICHAEL O. LEAVITT
 Governor

OLENE S. WALKER
 Lieutenant Governor

November 3, 2003

Cedar Ridge Subdivision
 12435 N. Hillcrest
 Deweyville, UT 84309

Dear Sir,

Information received from the Utah Division of Drinking Water indicates that you are operating a culinary water system in Utah. To date, we have not received any reply to two letters sent September 1 & October 1, 2003 requesting completion of a survey form to determine the status of the referenced water system. Please take the time necessary to complete the enclosed survey designed by the Division of Public Utilities (DPU), which is intended to determine the regulatory status of water systems operating in Utah. This survey will assist the DPU in determining whether or not the water company is exempt from Public Service Commission (PSC) regulation by statute, should be regulated by PSC, or should be exempt from PSC rate regulation as a mutually owned and operated culinary water company.

Pursuant to U.C.A. § 54-4a-1.(1) (c), the DPU has authority to investigate any matter within the jurisdiction of the PSC upon its own initiative. Utah's Public Utility Code authorizes the PSC to regulate public utilities. The definition of "Public utility" includes "water corporations"..."where the service is performed for, or the commodity delivered to, the public generally" § 54-2-1(15). A "Water corporation" includes "every corporation and person, their lessees, trustees, and receivers, owning, controlling, operating, or managing any water system for public service in this state" §54-2-1(27). This section exempts "private irrigation companies engaged in distributing water only to their shareholders, or towns, cities, counties, water conservancy districts, improvement districts, or other governmental units." The statute does not explicitly exempt mutual water companies which provide culinary water to their shareholders. The PSC has adopted Rule R746-331, which provides the guidelines under which a mutual culinary water company can be granted an exemption from rate regulation by the PSC.

The DPU and the PSC have found in working with small water companies, and especially those built by developers, that the same information is needed to grant either a certificate to operate as a public utility or a letter of exemption from PSC rate regulation. The PSC grants letters of exemption to mutual culinary water companies when they are owned and operated by the shareholders who are also customers. The PSC has determined that until a developer actually turns ownership and operations over to the water users as a majority ownership, it should be regulated by the PSC. Please complete the enclosed survey. It would be appreciated if you could return it to the address indicated within two weeks of the date of this letter. If we do not receive a response from you, the Division will refer this matter to the Attorney General's office for more formal actions to determine if PSC regulation is required. If you have any questions, feel free to contact Dan Bagnes at (801) 530-6680 or (800) 874-0904.

Thank you.

Wesley Huntsman
 Manager Customer Service & Water