



## Dallas Creek Water Company, Inc.

334 South 5<sup>th</sup> Street Montrose, CO 81401  
Phone 970-240-8123 Fax 970-249-9040  
administrator@dallascreekwater.com

April 29, 2022

Doug Dean, Director  
Public Utilities Commission State of Colorado  
1560 Broadway, Suite 250  
Denver, CO 80202

### Re: Dallas Creek Water Company Rate Increase Filing, Advice Letter No. 8

Dear Mr. Dean,

The Dallas Creek Water Company (DCWC) last comprehensive rate increase was in 2016-17. Since that time a global pandemic swept the country in early-2020 and continues to affect certain parts of the world. As a result, DCWC delayed filing this specific rate increase due to the many economic uncertainties DCWC and its customers faced during the pandemic.

As inflation continues to surge, DCWC's necessary operations costs have also increased significantly in the five years since our last rate increase. Specifically, as mechanical equipment and infrastructure ages, DCWC has had to incur more personnel expense to operate and maintain the system. Last summer, DCWC hired a fulltime distribution employee to meet the needs of the growing population and aging system. Additionally, changes to the classification of water systems by the Colorado Department of Public Health and Environment necessitated the installation of an additional filter and control components. Having not sold a tap since 2008, we were forced to obtain a loan to complete the compliance upgrades.

Moreover, DCWC's current rates were approved based on an operating ratio of 87% and a 13% profit. However, due to rising expenses and a lack of tap sale revenue to cover capital improvements, DCWC has fallen behind on dividend payments to the owner.

DCWC has previewed the proposed rate increases with PUC Staff and has calculated the proposed rates using current costs, excluding expenses and costs not expected to recur in the future. The proposed rates are calculated with a 5-year cost recovery for past due dividends in a similar fashion as we have done with legal expense recovery.

To address the rising costs and projected shortfall, the current rate filing includes increases to the DCWC's Base Service Charge (from \$42.90 to \$66.54), Meter In Service Charge (\$33.70 to \$54.02), and Customer Usage Fee (from 9.45 to \$11.04 per 1,000 gallons per month). At the suggestion by PUC Staff and due to ongoing prolonged drought in western Colorado, DCWC also proposes a new, tiered rate category (\$ 13.35 per 1,000 gallons per month) for customers who use more than 10,000 gallons of water per month. This new rate category is intended to allocate

the increased operational expense to the higher water users, as well as a conservation tool to incentivize efficient water use among DCWC's customer base.

Additionally, DCWC is requesting to increase its Water Tap Fee from 7,000 to \$14,000. The cost for a water tap is undervalued and currently not equitable to the whole of its customer base. Water tap fees are designed as Capital Contributions to upgrade components of the facilities in part pipelines, pipeline repairs, valves, fire hydrants, service lines, pumps and pump station components, Pressure Reducing Stations (PRV's), and last, but not least, all components that make up the Rapid Sand Filter Treatment Plant.

We believe an increase in tap fees will help keep the customer rates down by ensuring DCWC has reserves available to fund capital upgrades needed for its future full buildout demand. We also believe by this modification to the tariff tap rate is a fair approach whereby new customers purchasing taps pay a fairer share for needed upgrades to aging infrastructure components of the water system. In other words, using capital expenses from tap fees versus having to charge the customer a monthly fee to cover all costs associated with operations of the utility.

In western Colorado, the tap fees charged by domestic water providers span from a few thousand dollars to upwards of \$20,000 per tap. The higher tap rates apply to Durango, Telluride and Aspen, Colorado, all located on the western slope. The DCWC service area is located near Ridgway, Colorado and is considered down valley from the Telluride Ski Area. The Divide Ranch Golf Course is located within DCWC service area and provides for an 18-hole golf amenity to the community. Several subdivisions located within the service area are all higher end valuation homes and properties.

However, each of the referenced water providers are either an incorporated city, town, or conservancy District of one sort or another. Every one of these water entities have the distinct advantage of having taxing authority share operating costs along with direct billing costs imposed by a typical monthly or bi-monthly billing. In contrast, Dallas Creek Water Company is a privately held entity that relies on the customer base who own a tap to cover the entire cost of operations.

In addition to the request for approval of increasing tap fees, DCWC requests to clarify an issue in the Tariff that has recently had a negative impact on DCWC's revenue generated through the Base Service Charge. DCWC from time to time has collection issues with water tap owners who have not yet installed a meter. In some cases, those customers' taps are revoked due to non-payment. However, once the tap is revoked, the customer no longer has to pay the Base Service Charge under the current version of the Tariff. We do not believe this was an intended outcome by the PUC in the prior rate cases and will jeopardizes DCWC's ability to cover its expenses if unaddressed in this proceeding.

DCWC has had to build out our system so whenever a customer owning a tap requests installation, we are required by tariff and Ouray County Land Use to immediately serve the customer and install the meter. The proposed modification to the Tariff makes clear that customers who have their taps revoked due to non-payment or otherwise will continue to be responsible for paying monthly base service charges for their property.

Regards,

*Pamela Mencimer*

for

James A Willey, President  
Dallas Creek Water Company, Inc

*Pamela Mencimer*

Pam Mencimer, Administrator  
Dallas Creek Water Company, Inc