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DEPARTMENT OF NATURAL RESOURCES

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Division of Water Rights

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State Engineer/Division Director

December 15, 2008

Sam Halterman, Chairman
Parowan Distribution System
PO Box 456
Parowan, UT 84761

re: Collection of Delinquent Distribution System Assessments

Dear Sam:

We have recently done a review of the Division's distribution assessment process and have discovered some things that I thought I would share with you.

When you consider staff time, it costs the Division approximately $15.00 to process each distribution assessment (calculating the assessment, preparing and mailing the assessment notice, and receiving and depositing the payment).

Our review also revealed that when an account requires collection effort, it costs the Division over $200 to research and prepare the collection notice and then follow up and issue an order to cease the use of water if necessary. .

Further our research indicated that the State Engineer's assessment is adequate to cover the State Engineer's costs for assessing water users (including sending notices and receiving payments); disbursing distribution funds (including payroll and expenses); and the accounting associated with your systems trust fund. However, the State Engineer's assessment is not enough to cover the costs associated with collection on a delinquent account.

Based on this information, the Division has decided to modify its delinquent account collection procedures. Starting in 2009, the Division will collect delinquent distribution assessment accounts according to the following process:

- Collection proceedings will start only if an account is delinquent for the second year in a row.
- Collection proceedings will start on a delinquent account only when the amount owed exceeds $200.
- A collection fee of $200 will be added to each delinquent account when collection proceedings are started on it.
- There is a four-year statute of limitations that restricts the Division to collect only those delinquent assessments that are four years old or less. This limitation combined with the $200 limitation result in a policy that the Division will not start collection proceedings on an account where the annual assessment is less than $40. (A $40 annual assessment plus delinquent fees will result in a $200 balance in four years).

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UTAH DNR WATER RIGHTS

December 15, 2008
Re: Collection of Delinquent Distribution System Assessments

- Collection notices will be sent shortly after the first of July of the second year the account is delinquent. The notice will request payment of the outstanding balance within 30 days and will detail the consequences for non-payment.
- If the account remains unpaid after the first of August an Order to Cease the Use of Water will be issued to the water user listed on the account. A copy of the order will be sent to the regional engineer, the water commissioner, the distribution system chairman, and a copy will be placed on the water right file. No administrative action will be taken on the water right while it is under a cease use order. The order will remain in force until the account balance is paid in full (including the $200 collection fee).
- If the water user continues to use water in defiance of the order, the matter will be referred to the Division's Water Right Enforcement Program. A Notice of Violation from the Enforcement Program will entail penalties including monetary fines and the requirement to replace water.

Here is some information on the assessment accounts for the Parowan Distribution System:

The total assessment amount	$1,856.99
The minimum account assessment	$10
2008 State Engineer's Assessment	$142
Total number of assessment accounts	98
State Engineer's assessment per account	$1
Number of accounts that are assessed the minimum	12
Number of accounts that are assessed less than $40	81

On September 30, 2008, the status of the assessment accounts for the Parowan Distribution System based on this new policy was as follows:

The total amount delinquent for all accounts	$397.58
The amount of the delinquency that is uncollectible because the accounts are less than $200	$397.58
The amount of the delinquency that is uncollectible because the accounts are less than 2 years delinquent	0
The amount of the delinquency that is uncollectible because the accounts exceed the 4 year limitation	0
The total amount of the delinquency that is collectible	0

I wanted to send you this information before the annual meeting because your distribution system may want to consider increasing the minimum assessment that is charged. I would be happy to discuss this new policy at the annual meeting if it would be helpful.

If you have any questions concerning this policy or would like to discuss it prior to the annual meeting, please contact me by phone at 801-538-7327 or by e-mail at LeeSim@utah.gov .

Sincerely

Lee H. Sim, P.E.
Assistant State Engineer for Field Services