

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| In the Matter of the Application of |) | |
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| WaterPro, Inc. |) | |
| |) | |
| for a Certificate of Convenience and Necessity |) | Docket No. 04-2443-01 |
| to Operate as a Public Utility Rendering |) | |
| Culinary Water Service |) | |
| |) | |
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**AMENDED TESTIMONY OF
BRUCE C. CUPPETT, CHIEF EXECUTIVE OFFICER**

My name is Bruce C. Cuppett, and I am the chief executive officer of both WaterPro, Inc. and its corporate parent, Draper Irrigation Company. I came to Draper Irrigation Company after retiring from the United States Army as a Command Sergeant Major after 30 years of service. I am pleased to appear before you today to submit the official application for WaterPro to obtain a Certificate of Convenience and Necessity for the delivery of culinary water within Draper City in the southeast corner of the Salt Lake Valley and for approval of the applicable rates and fees to be charged to its customers. That formal application has been filed with the Public Service Commission, and we understand that it has been reviewed by the Division of Public Utilities and that the Division has recommended that the Commission approve the application and the requested rates.

Before I talk about the matters in the application, I think it’s important to understand a little about Draper Irrigation Company’s history of providing culinary water service and how we came to be here before you today.

Draper Irrigation Company was founded by pioneer settlers in this valley in 1888. Our handwritten articles of incorporation were filed in the Territorial Court. The descendants of some of those pioneers who signed the articles of incorporation in 1888 continue to live and own property in our service area. People familiar with Draper will recognize many of those family names.

The Draper pioneers formed Draper Irrigation Company as a mutual association to manage the watershed in the mountains and the water collection and distribution system to irrigate their crops in the Draper area. Homes and businesses had individual wells for culinary water. This system continued for decades. By the late 1920s, the population density of our service area increased sufficiently that there began to be a demand for a reliable supply of quality culinary water. Therefore, in 1928, Draper Irrigation constructed its first culinary water storage, treatment, and distribution facilities to accommodate approximately 200 homes and businesses. This new culinary system was separate from our existing ditch irrigation water system. Typically, Draper residents received both culinary and irrigation water from us. Our culinary system was expanded through the ensuing decades as additional homes were built in Draper.

As a mutual water company, we delivered culinary and irrigation water only to our shareholders. Since the required water treatment and pressurization infrastructure and water quantities for culinary service differed so significantly from ditch delivery of essentially untreated water for irrigation service, in 1957, we formalized these distinctions by issuing Class A common stock to those receiving irrigation water and Class B common stock to those receiving culinary water. In many instances, of course, the same people received both services and received both classes of stock.

The rate of Draper's urbanization accelerated in the 1970s. The resulting increased demand for culinary water strained both our culinary system and the allocation of our available water. Therefore, we concluded that we would have to make changes in order to meet anticipated demand for irrigation and culinary water within our service area. We recognized that the existing ditch irrigation system was inefficient and wasteful, so from an engineering, financial, and customer-acceptance perspective, we began to plan a conversion of our previous ditch system to a separate, pressurized, pipeline irrigation system. After 15 years of studying the engineering and financial hurdles involved, we began construction in 1993 of our pressurized irrigation system to provide irrigation water to approximately 500 users. Draper Irrigation spent approximately \$9.5 million for a sophisticated irrigation storage, pumping, distribution, and delivery system. This \$9.5 million infrastructure was funded both from Draper Irrigation's own funds and from the proceeds of an \$8.5 million loan from the Utah Department of Water Resources. Draper Irrigation continues to amortize that loan, which currently has an outstanding balance

of approximately \$6.3 million. When Draper Irrigation's pressurized irrigation system was placed in service in 1995, it delivered pressurized irrigation water to approximately 500 users, all of whom also received culinary water.

Since 1999, our exclusive service area has been formalized under a franchise granted by Ordinance No. 306 of the City of Draper. Today, the number of our culinary customers has burgeoned to over 6,000, approximately 2,200 of whom also receive pressurized irrigation water, and our service area continues to be converted from farmland to urban uses. Although much of the growth in the Draper area is outside the service area of Draper Irrigation, we expect that we will continue to experience significant conversion of remaining parcels of agricultural land within our service area to urban uses. In order to support that growth and development, Draper Irrigation Company has funded a number of significant culinary system projects in the last several years, including a seven million gallon storage facility, several new wells and pump stations, and a hydroelectric generator that produces excess electricity that we sell back to Utah Power. The complete upgrade to the culinary system treatment facility and other projects cost us approximately \$12 million.

I have been talking about Draper Irrigation, but you have undoubtedly noted that the application before you is being made by WaterPro, Inc. This is consistent with the historical bifurcation of Draper Irrigation Company's operations into a pressurized irrigation system and a culinary system. In 1997, we organized WaterPro, Inc., as a wholly-owned subsidiary to create a separate corporate entity to take over management and administrative functions of the culinary system. In order to continue in that capacity, it is filing this application. WaterPro will be the entity that will continue to provide culinary water service to customers within the service area, subject to the jurisdiction of the Public Service Commission. Draper Irrigation will continue to provide pressurized irrigation water to its customers as a mutual irrigation company and will provide water to WaterPro for culinary delivery under a long-term agreement, which is included in the application, to WaterPro. That water service agreement includes Draper Irrigation Company's agreement to establish and maintain books and records in accordance with the applicable rules and requirements of the Public Service Commission and the Division of Public Utilities and to permit the Commission and Division the right to inspect and review Draper Irrigation Company's books

and records. On behalf of Draper Irrigation Company, I'm happy to reaffirm our commitment to comply with the requirements of the Commission and the Division and to provide them with the access they need.

Draper Irrigation Company is governed by a board of directors that is elected by the Class A and Class B stockholders voting together. These directors also serve on the separate board of WaterPro. The result is a board that includes several long-term members of the Draper community:

- a commercial real estate developer;
- an investment broker;
- an attorney;
- a retired bus driver; and
- a retired IRS worker.

All of our board members are dedicated to the success of the company and quality service to the community.

With that introduction, we are pleased to submit for your consideration and action the application of WaterPro for a Certificate of Convenience and Necessity to Operate as a Public Utility Rendering Culinary Water Service and the related rates and fees proposed to be charged. Of all the facts in the application, I think we may be proudest of the fact that the application process did not result in either an increase or a required decrease in the amounts we charge for culinary water or in the related fees we impose. We believe that our rates have historically been reasonable and fair, and we believe that this process has confirmed that belief.

We would be happy to respond to your questions or provide any other information that might be helpful to your considerations.