

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

* * *

IN THE MATTER OF THE)
REQUEST OF HIGHLAND WATER)
COMPANY FOR APPROVAL OF) DOCKET NO. 08-010-01
A RATE INCREASE)
)

TRANSCRIPT OF HEARING PROCEEDINGS

HELD AT: Public Service Commission
160 East 300 South, Room 451
Salt Lake City, Utah

DATE: May 19, 2009

TIME: 9:34 a.m.

REPORTED BY: RENEE L. STACY, CSR, RPR

A P P E A R A N C E S

ADMINISTRATIVE LAW JUDGE:

SANDY MOOY

FOR HIGHLAND WATER COMPANY:

ROGER SMITH

FOR THE DIVISION OF PUBLIC UTILITIES:

PATRICIA E. SCHMID
Assistant Attorney General
OFFICES OF THE UTAH ATTORNEY GENERAL
160 East 300 South
Fifth Floor
Post Office Box 140857
Salt Lake City, UT 84114-0857

I N D E X

WITNESS: SHAUNA BENVEGNU-SPRINGER

Direct Examination by Ms. Schmid 5

E X H I B I T S

Exhibit No.	Received
DPU 1.1, 1.2 - 1.10	6

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

May 29, 2009
9:34 a.m.

P R O C E E D I N G S

JUDGE MOOY: This is a hearing in the matter of the request of Highland Water Company for approval of a rate increase. I am Sandy Mooy. I've been designated by the Commission to be the hearing officer for this proceeding.

If we could take appearances on behalf of Highland Water. That would be you, Mr. Smith. If you simply want to identify yourself and your relationship to the company.

MR. SMITH: Roger Smith, president of Highlands Water Company, Incorporated, and past manager and operator.

JUDGE MOOY: All right. Thank you. Ms. Schmid from the Division.

MS. SCHMID: Thank you. Patricia E. Schmid with the Attorney General's Office, representing the Division of Public Utilities, and with me is Ms. Shauna Benvegna-Springer of the Division.

JUDGE MOOY: Before we went on the record, we had some preliminary discussion. There was a recommendation provided by the Division through a

1 memorandum dated May 11th of 2009, and my
2 understanding is that the company is willing to agree
3 to the rate changes proposed by the Division. We'll
4 have a response from the company on the record as
5 well as a summary -- or a proffer from the Division,
6 but, again, for the record, is my understanding
7 correct?

8 MR. SMITH: Yes.

9 JUDGE MOOY: All right. Ms. Schmid, if
10 you'd like to go ahead and either make a proffer or
11 have Shauna do a summary, whichever you prefer.

12 MS. SCHMID: We'll have a brief summary.
13 Could Ms. Benvegna-Springer please be sworn?

14 JUDGE MOOY: Sure.

15 SHAUNA BENVEGNA-SPRINGER

16 called as a witness and sworn, was examined and
17 testified as follows:

18 DIRECT EXAMINATION

19 BY MS. SCHMID:

20 Q Could you please state your name and
21 business address for the record?

22 A Shauna Benvegna-Springer. I'm employed by
23 the Utah Division of Public Utilities at 160 East 300
24 South, Salt Lake City, Utah.

25 Q And what is your position with the

1 Division?

2 A I am a utility analyst for the Division.

3 Q On behalf of the Division, have you
4 examined the books, records, and other material
5 provided by or discovered through Highland Water
6 Company with regard to this proposed rate increase?

7 A Yes.

8 Q Did you prepare and/or have it prepared
9 under your direction the memorandum dated May 11th,
10 2009 in the matter of the request of Highland Water
11 Company for approval of a rate increase previously
12 marked for identification as DPU Exhibit 1.1 and,
13 attached thereto, Exhibits 1.2 through 1.10?

14 A Yes.

15 MS. SCHMID: With that, the Division would
16 like to move the admission of the memorandum
17 previously marked for identification as DPU Exhibit
18 1.1 with its attendant Exhibits 1.2 through 1.10.

19 JUDGE MOOY: Is there any objection? So
20 received.

21 MS. SCHMID: Thank you.

22 Q Ms. Benvegna-Springer, do you have a very
23 brief summary of the memorandum you could give today?

24 A Yes, I do.

25 Q Thank you. Please proceed.

1 A Okay. On December 1st, the Division
2 completed an analysis and a compliance audit of the
3 water company, Highland Water Company, and, as a
4 result of that analysis, we have determined that the
5 company has been losing money for the past eight
6 years and, as a result of that, the company has
7 requested an increase in their rates.

8 We went through and did an analysis of
9 those rates and determined that the company would be
10 over earning at the proposed rates by about 52,000.
11 As a result of that, we went through and modified
12 those rates and are recommending \$32 as a minimum
13 rate for 6,000 gallons and are also recommending a
14 conservation tariff structure be implemented in
15 conjunction -- in connection with public policy that
16 has been adopted.

17 We also, in the tariff, are recommending a
18 \$1, \$1.50, and 2.75 tariff structure for the various
19 ranges of water.

20 Since the company does bill every two
21 months, we are recommending that they adopt their
22 structure in that fashion, and so the proposed rates
23 would be the following: For the first 6,000
24 gallons -- for the first 12,000 gallons for a
25 two-month period, the charge would be \$32 from \$12.

1 For the next 12,000 to 50,000 gallons, it would be \$1
2 per thousand. For 50,000 to 100,000, the cost would
3 be \$1.50 per thousand, and anything over 100,000
4 gallons would be 2.75 per thousand.

5 We're also recommending that, since the
6 company is proposing not to read meters during the
7 winter months due to weather concerns and whatnot,
8 that in the first reading performed during the
9 spring, that that reading for any overages would be
10 at the first tier only, so all overages would be at
11 the first tier rate, simply because you don't know at
12 what point the overages fall into which range, and
13 that way the customer is not penalized for the
14 unknown amounts.

15 In addition, the company requested a number
16 of tariff changes to their tariff in their rules and
17 regulations. The Division reviewed those tariff
18 language changes and there are some that we were not
19 in agreement with, and the company did go ahead and
20 agree to withdraw those changes. There's others that
21 the Division does agree to go ahead and change,
22 because either the meaning or the purpose did not
23 change in that tariff language. It just made it more
24 user friendly and more readable.

25 Q Was there a phased implementation proposed?

1 A Yes, there was. Since the minimum rate of
2 \$32 is quite a large jump from the \$12 per month that
3 the customers are currently experiencing, the
4 Division is recommending a six-month phase-in so that
5 that is experienced over a period of time.

6 The first increase would be done on May 1st
7 at the rate of -- let's see. Just a minute. At the
8 rate of \$22. The second increase would be to the \$32
9 range at November 1st of 2009.

10 The Division also went through and did an
11 analysis of how that would impact various customers,
12 using different utilizations. That also is
13 reasonable with what is happening with other water
14 companies throughout the state, and so we feel that
15 that is justifiable in those recommendations.

16 Q And so is it your testimony that the
17 recommendations contained in the Division's
18 memorandum, which has been admitted as Exhibit DPU
19 1.1, are just, reasonable, and in the public
20 interest?

21 A I do.

22 Q Did you and Mr. Smith have a conversation
23 about another matter this morning?

24 A Yes. In the tariff, they currently are not
25 using a rate for standby lots or standby customers,

1 and, as such, Mr. Smith wanted to know if it would be
2 okay if they made a recommendation to modify their
3 proposal to include a rate of that. Currently,
4 standby rates within the state are ranging anywhere
5 from \$10 to upwards of \$30 a month. Because they do
6 have infrastructure leading to the vacant lots and

7 there are individuals who own vacant lots, it is not
8 unusual or -- very customary to have standby fees
9 assessed to the owners of the lots for -- mainly to
10 cover depreciation costs of those infrastructures,
11 and, as such, I recommended that half of the \$32
12 would be an acceptable amount, or something in that
13 range.

14 MS. SCHMID: Thank you. That concludes the
15 Division's discussion, and Ms. Benvegnu-Springer is
16 now available for examination.

17 JUDGE MOOY: Mr. Smith, do you have any
18 questions that you'd like to ask?

19 MR. SMITH: I don't have any questions.
20 I'm fine with the \$15 standby fee, as we do have --
21 every so often we have had to replace some of these
22 vacant lots' saddles, and different situations have
23 become quite costly, and so I -- that's why I felt
24 like we needed to include the standby fee.

25 JUDGE MOOY: Okay. Let me ask some

1 questions, then. If I understand it, there's a
2 provision for a standby rate, but it's not being
3 collected? Or it just isn't being identified as a
4 dollar amount?

5 THE WITNESS: It hasn't been approved in
6 their tariff as such.

7 JUDGE MOOY: Okay. So it is being raised
8 today for the first time?

9 THE WITNESS: Correct.

10 JUDGE MOOY: And the Division's
11 recommendation would be that it be one-half the
12 minimum rate that's used for actual consumption?

13 THE WITNESS: Yeah. \$15 would be
14 acceptable.

15 JUDGE MOOY: It's 15?

16 MS. SCHMID: Not 16?

17 THE WITNESS: Well, \$15 would be -- was
18 what the company is recommending, and we would agree
19 with that.

20 JUDGE MOOY: Okay. So it's approximately
21 one-half.

22 THE WITNESS: Uh-huh.

23 JUDGE MOOY: I also had one other
24 additional question, and this really goes to what may
25 be a typo on the memorandum from the Division on Page

1 10. The fourth paragraph makes a reference, "The
2 Division" -- I'll wait for you to get there if you
3 want. "The Division agrees premises temporarily
4 without a meter be charged the minimum rate of \$35
5 per month." Is that a typo? It should be 32?

6 THE WITNESS: Correct.

7 JUDGE MOOY: Okay. Relative to the
8 incremental increase with an implementation on May
9 1st and November 1st, does the Division feel that
10 that needs to be reflected in the modified tariff so
11 that customers are aware that it's going to be phased
12 in?

13 THE WITNESS: Yes.

14 JUDGE MOOY: Or -- okay. Mr. Smith, if the
15 company -- the tariff proposal that accompanied the
16 company's October 27th application -- currently
17 there's no document that reflects the company's
18 adoption of the Division's recommendation. Would
19 you be -- would the company be able to file, in the
20 near term, a revised tariff that incorporates your
21 company's agreement to the tariff suggestions made by
22 the Division? And if you did, how long would that
23 take for you to get one that's the final format and
24 could be reviewed by the Division and then approved
25 by the Commission?

1 MR. SMITH: To my understanding, it's --
2 with what -- we just need to go in and put the
3 tariffs and the changes that we agreed that you
4 recommended.

5 JUDGE MOOY: Right.

6 MR. SMITH: And that wouldn't take very
7 long.

8 JUDGE MOOY: Okay. To the extent that it
9 may take some time for a revised final tariff to be
10 submitted, when would the effective date be for the
11 revised tariff? Would it be effective when approved
12 by the Commission, or is there a desire or intent to
13 have it retroactive to a prior date?

14 MR. SMITH: Retroactive according to the
15 recommendations.

16 JUDGE MOOY: Okay. Then the -- what I
17 would propose is the effective date would be the date
18 of the Commission's order, which likely could be
19 issued relatively soon. If the company's tariff --
20 revised tariff then comes in later and is reviewed by
21 the Commission -- excuse me, by the Division, it
22 could be retroactive to the date of the Commission's
23 order, which would be maybe within a week.

24 And, Mr. Smith, for the revised tariff that
25 the company would file, that should go to the

1 Commission.

2 MR. SMITH: Okay.

3 JUDGE MOOY: Although the Division will
4 review it to make sure that it's consistent with the
5 recommendations they've made.

6 Are there any other individuals or entities
7 who have appeared today who want to provide any
8 comment on the company's proposal and adoption of the
9 Division's recommendations for tariff changes?

10 Seeing none, we'll adjourn today. And, as
11 I indicated, the Commission will likely issue an
12 order within a week. It may even be before the end
13 of this week.

14 And, again, if -- Mr. Smith, if you want to
15 then file the revised tariff through the Commission,
16 we'll make sure a copy goes to the Division and
17 request them to review it.

18 I do have one concern on the standby rate,
19 because it hasn't been raised, up until today. I
20 think one provision that the Commission's order could
21 make is that that specific rate could be tentative,
22 subject to the filing of any interested person making
23 an objection, and if none are filed, then it could be
24 approved without further order of the Commission.

25 Mr. Smith, do you understand what that

1 means? What we're trying to get at is that people
2 who are interested in the rates of your company may
3 say, "Hey, today is the only" -- "is the first time
4 I've found out about the standby rate. I haven't had
5 a chance to object to it." So what the Commission's
6 order would do would be to approve the rates as
7 reflected by the Division's memorandum to which you
8 agreed to. There would be a specific provision that
9 the standby rate of \$15 per month would be approved
10 provisionally.

11 The time period that our rule provides is
12 that someone has 20 days from the date of our order
13 to file an objection. If they do, then we'll have to
14 deal with the standby rate and hear what their
15 complaint may be, but if none comes in, then the
16 standby rate would be approved, but, technically, it
17 would only become effective at the end of that 20
18 days.

19 That may kind of make a problem for your
20 billing, because you're going to have some rates that
21 are going to be effective on a certain date, and the
22 standby rate may be subsequently.

23 MR. SMITH: Well, it would take us quite a
24 bit of research to find the lot -- the recorded
25 deed --

1 JUDGE MOOY: The owners and start billing
2 them.

3 MR. SMITH: -- the addresses and let them
4 know what we're doing. And we would let them know so
5 that they could raise some concerns, if they needed
6 to, so --

7 JUDGE MOOY: Okay. We'll do it this way,
8 then. If there's nothing more, we'll then adjourn.
9 Thank you for appearing.

10 MR. SMITH: Thank you.

11 MS. SCHMID: Thank you.

12 (Whereupon the taking of the hearing was
13 concluded at 9:52 a.m.)

14 * * * *

15

16

17

18

19

20

21

22

23

24

25

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

I, RENEE L. STACY, Certified Shorthand Reporter, Registered Professional Reporter and Notary Public for the State of Utah, certify:

That the foregoing transcript, consisting of Pages 1 to 16, was stenographically reported by me at the time and place hereinbefore set forth; that the same was thereafter reduced to typewritten form, and that the foregoing is a true and correct transcript of those proceedings.

I further certify that I am neither counsel for nor related to any party to said action nor in anywise interested in the outcome thereof.

IN WITNESS WHEREOF, I have subscribed my name and affixed my seal this 20th day of May, 2009.

RENEE L. STACY, CSR, RPR
Notary Public in and for the
County of Salt Lake, State of Utah

My Commission Expires:

November 9, 2011