Utah Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114

May 7, 2012

UTAH PUBLIC SERVICE COMMISSION

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Re: Mountain Sewer Docket Number 11-097-03

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Members of the Utah Public Service Commission,

We are writing as concerned citizens and owners of property serviced by Mountain Sewer. It has recently been brought to our attention that there is a proposed rate increase of 159.4% as well as a special assessment costing each serviced customer $1300 before the Public Service Commission. To better acquaint ourselves with the rationale behind the proposed fees, we have reviewed the proceedings of a preliminary hearing in February 2012, that involved the owner and operator of the sewer, concerned parties and the PSC. We have also reviewed the proposal as submitted to the PSC. The details of the cost assessment have not been made available to us and therefore such documents, should they exist, have not been reviewed prior to composing this letter.

First we would like to address the proposed rate increase. While we have only owned a property serviced by the sewer for a period of 2 years, it was brought to our attention early on in this ownership that there were deficiencies in the system and risks inherent to our property, along with other properties within the condominium complex. The nature of the discussion at a recent HOA meeting suggested that the deficiencies in the system were known to exist for some time. It was also brought to our attention that the fee for use had not changed for many years. Given that the rate had not changed for nearly the entire existence of the system, it is not surprising that it fell into disrepair.

From a cursory review of annual increases in sewer rates, where there is not a sewage treatment plant, it appears that the typical rate increase is 5% per annum. The rationale for the annual increase is the depreciation of the system as it is used, and the increase in rate would recoup the costs associated with repairing an aging system. It is understandable that the new owner of Mountain Sewer would like to see a rate increase to cover current day costs associated with operating this sewer. For the rate payer, a single increase of 159.4% over the current payment represents an unreasonable increase for a single year, rather, **staging this increase over several years** to bring it in line with current operating costs would be more fiscally sound. It would also be assuring to the existing rate payers if the current owner demonstrates that future hook ups will be charged at rates that are in line with current operating costs.

The proposed sewer use rate increase is, in our opinion, not a separate issue from the proposed special assessment with a price tag of $1300. The current owner admits that his taking over of this company happened quickly and that the previous owner left a sketchy account of the day to day financials. The state of the system was in disrepair and the rate paid by each connected user was low. These two factors alone would have caused one to question the viability of the business of operating this sewer system. The other items tied to this deal may well be what made it a lucrative business venture. The latter is not our concern as a rate payer. What is of concern is the proposed sum of $1300 that the rate payer will be asked to cover the costs of the improvement. To ensure that the rate payer is responsible for costs associated only to the sewer, it is imperative that the current owner of Mountain Sewer provide a detailed, itemized account of the fees paid for the emergency repairs and legal fees **directly applicable to the sewer.** As this deal involved lands and future hook ups to the sewer, current rate payers should be in no way responsible for legal fees tied to the land parcels and future hook ups included in the deal. The portion of the loan paid by the owner would presumably be divided among the existing rate payers

While we believe that the change in ownership was a positive step forward in the operation of this sewer system, it concerns us that this special assessment fund will be used as a means of putting the legal costs of acquiring the business back on the rate payer. This is not a fair use of a special assessment, and the owner should provide documentation to demonstrate that the sum requested pertains only to the upgrades of the sewer system and the legal fees associated with this hearing.

While it seems appropriate for a rate increase to be introduced to bring the fees for service in line with the cost of operating the sewer system, it will be costly to the individual rate payers if the full amount is implemented within 30 days of approval by the PSC. It would be more reasonable if this cost were implemented as a tiered increase over several years.

Thank you for considering our input to this process.

Sincerely,

David Olmsted and Barb Crosbie

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