BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application)   Docket No:
of Cedar Ridge Distribution   )   11-2423-01
Company for a Certificate of   )
Public Convenience and Necessity)
to Operate as a Public Utility   )
Rendering Culinary Water Service)
or Expansion of Service Area   )

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TRANSCRIPT OF HEARING PROCEEDINGS
_____

TAKEN AT: Deweyville Town Hall
                10870 North Highway 38
                Deweyville, Utah

DATE: June 29, 2011

TIME: 5:09 p.m.

REPORTED BY: Kelly L. Wilburn, CSR, RPR

1   APPEARANCES

2   Administrative Law Judge:

3   **RUBEN ARREDONDO**

4   -oOo-

5   For the Division of Public Utilities:

6   **PATRICIA E. SCHMID, ESQ.**
     UTAH ATTORNEY GENERAL'S OFFICE
7   160 East 300 South, Fifth Floor
         Salt Lake City, Utah 84111
8   (801) 366-0380
         (801) 366-0352 (fax)
9
     For Cedar Ridge:
10
     LEE E. KAPALOSKI, ESQ.
11   PARSONS, BEHLE & LATIMER
         One Utah Center
12   201 South Main Street, Suite 1800
         Salt Lake City, Utah 84111
13   (801) 532-1234
         (801) 536-6111 (fax)
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1 JUNE 29, 2011   5:09 P.M.

2   P R O C E E D I N G S

3   THE COURT: Welcome ladies and gentlemen.

4 This is the hearing In the Matter of the Application

5 of Cedar Ridge Distribution Company for a CPCN, Docket

6 No. 11-2423-01. And this is the time and place

7 noticed for the hearing in this issuance of

8 certificate.

9   My name is Ruben Arredondo, I am the ALJ

10 assigned by the Commission to hear this matter. And

11 we are scheduled at 5:00, sorry I'm a little late, to

12 hear the case in chief. So at 5:00 essentially what

13 will happen is we'll have the Division present their

14 recommendation. Then the Company will present any

15 additional evidence or argument that you wish to

16 present. And then they'll present it to the

17 Commission.

18   And then after that point then you each will

19 have an opportunity to come up to the microphone and

20 comment on anything related to issuance of the

21 certificate.

22   Now, we've received a lot of comments from

23 several of you. I can appreciate that some of you

24 probably have some strong feelings with regards to the

25 Company or the way it's been run. But today what

4

 1 we're here to treat is simply the issuance of the

 2 certificate.

 3   You'll be able to -- if you don't want to

 4 speak today you also will be able to submit comments

 5 in writing, either faxed in, or written in, or emailed

 6 in. And that's probably gonna be, we're gonna allow

 7 that probably until next Wednesday. So if you don't

 8 wish to speak today you can also submit your comments

 9 in writing.

10   So let's go ahead and begin with the -- let's

11 take appearances first, beginning with the Division.

12   MS. SCHMID: Thank you, good afternoon.

13 Patricia E. Schmid, with the Attorney General's

14 Office, representing the Division of Public Utilities.

15 And with me as the Division's witness is Ms. Shauna

16 Benvegnu-Springer.

17   THE COURT: Thank you. With the Company,

18 please.

19   MR. KAPALOSKI: Lee Kapaloski, Parsons, Behle

20 & Latimer, representing Cedar Ridge Distribution

21 Company. And with me is Mr. David Thompson, president

22 of the Company.

23   THE COURT: Thank you. Okay. Well, let's go

24 ahead and begin then. Let me -- is Mr. Thompson gonna

25 testify at all, Mr. Kapaloski?

1   MR. KAPALOSKI: Briefly, your Honor.

2   THE COURT: Okay. Then let me have you just

3 raise your right hand, Mr. Thompson, and

4 Ms. Benvegnu-Springer.

5   (The witnesses were duly sworn.)

6   THE COURT: All right, thank you.

7   Go ahead, Ms. Schmid.

8   MS. SCHMID: Thank you.

9   SHAUNA BENVEGNU-SPRINGER,

10   called as a witness, having been duly sworn,

11   was examined and testified as follows:

12   DIRECT EXAMINATION

13 BY MS. SCHMID:

14   Q.   Ms. Benvegnu-Springer, could you please state

15 your full name, business address, and employer for the

16 record?

17   A.   My name is Shauna Benvegnu-Springer. I am

18 employed by the State of Utah Department of Commerce

19 in the Division of Public Utilities.

20   Q.   Business address?

21   A.   The business address is 160 East 300 South,

22 Salt Lake City, Utah.

23   Q.   As part of your responsibilities as a

24 Division employee, have you participated for the

25 Division in this docket?

6

1   A.   Yes, I have.

2   Q.   Did you prepare the memorandum dated June 29,

3   2011, entitled: In the Matter of the Application of

4   Cedar Ridge Distribution Company for a Certificate of

5   Public Convenience and Necessity to Operate As a

6   Public Utility Rendering Culinary Water Service Or

7   Expansion of Service Area?

8   A.   I did.

9   Q.   Do you have any changes or corrections to

10 this memorandum?

11   A.   I do.

12   Q.   Please proceed.

13   A.   Under the section entitled: "Water Rights,"

14 in further conference with Mr. Thompson, yes, in

15 further conference with Mr. Thompson, as we discussed

16 the water rights condition that is required for the

17 Company to be provided a certificate to operate as a

18 public utility one of the requirements is to ensure

19 that it has the proper water rights as defined by the

20 Division of Drinking Water.

21   And the water rights that are required is

22 that there, there should be 47.85 acre-feet of water,

23 of which this particular water right that is discussed

24 in this section of the memorandum does have that much

25 water. It's just that the use designation on the

1 water right itself did not have the 33 connections

2 and/or 33 acres -- irrigation acres on the designated

3 use section.

4   And that is the section that we need to have

5 corrected and modified for purposes of having the

6 certificate issued.

7   Q.   So it would be -- the 25 irrigation acres,

8 the 50 stock units, and 25 domestic connections would

9 be changed to conform with what you just said?

10   A.   Correct.

11   Q.   Any other changes or corrections?

12   A.   No.

13   MS. SCHMID: With that, do I need to move

14 this into evidence as it's already been filed?

15   THE COURT: No.

16   MS. SCHMID: Would you -- would the

17 Commission like a corrected memorandum to reflect the

18 changes we just stated, or is having that on the

19 record sufficient?

20   THE COURT: Yeah, if you could file an

21 amended recommendation.

22   MS. SCHMID: Okay. We will do that.

23   Q.   (By Ms. Schmid) Could you please present the

24 Division's recommendation?

25   A.   Yes. The Division recommends that the Public

8

1   Service Commission should issue a conditioned

2   Certificate of Public Convenience and Necessity to

3   Cedar Ridge Distribution Company. And it's

4   conditioned based upon having the proper use

5   designation on the water right that is being used for

6   the Cedar Ridge Water Distribution Company.

7   Also we recommend that the Commission approve

8   the tariff rates and fees, as I will outline them, as

9   interim rates and fees. We also recommend that the

10   Commission approve the meter installation project in

11   the amount of $49,507. I will go in a little more

12   detail on that one also. And we also recommend that

13   the Commission authorize the Company for 33

14   connections.

15   With that, the memorandum does touch on some

16   of the issues that the customers had. For example,

17   there were concerns about a new corporation's articles

18   and bylaws being filed. The only ones that have been

19   filed with the Division of Corporations are the ones

20   that were filed in 1981, to our knowledge.

21   The Company has an approved rating from the

22   Division of Drinking Water to provide service to 26

23   lots in Phase I of the Cedar Ridge subdivision, and 6

24   customers outside of that particular Cedar

25   subdivision, for a total of 32 connections.

9

1   They also -- of those 32 connections there is

2 one vacant lot. Within the service area there's

3 another vacant piece of property that is -- has been

4 developed that could access the system to bring the

5 total number of potential connections to 33. And if

6 the Company wishes to use that outside connection they

7 will need to get approval from the Division of

8 Drinking Water to bump the connections approved from

9 32 to 33.

10   The Company does have the appropriate water

11 rights that are required. Although, as I mentioned

12 earlier, we need to have them change the designated

13 use on the water rights for the specific 33

14 connections of irrigation acres and 33 domestic use.

15   With regard to the Utility plant and

16 equipment that the Company owns, the Company started

17 with the assets, both utility plant, land, and the

18 easements, as of March 23, 1981. From that point the

19 Company expanded and created a 16-inch diameter well

20 that was cost -- that cost the Company $40,354 that

21 was paid by the Company.

22   The water system currently does not provide

23 for water meters to the individuals, although that's

24 not a requirement by law for a public water system.

25 In October of 2002 there was a need to have a pump

Kelly L. Wilburn, CSR, RPR
DepomaxMerit

1 replaced. And the pump was replaced for the amount of

2 $8,310.

3   In 2009 and 2010 there -- the pump went out

4 again. The price of that pump was -- between the

5 three different pumps that they had to use to resolve

6 the problem it came to $31,904. Average life of a

7 pump is from seven to eight years.

8   And, unfortunately, Mr. Thompson had some

9 unfortunate situation with those pumps and was

10 required to, to make some personal promissory notes to

11 the Company for the amount of $34,500 to finance some

12 of the needs of the Company. Currently the only debt

13 that's owed by the Company is to Mr. Thompson in the

14 amount of about $22,366.

15   As a result of these pump issues Mr. Thompson

16 sought to find a way that he could stabilize and

17 minimize his involvement with the Company so that he

18 didn't have to spend so much time trying to monitor

19 the pump, and make sure that it was on, and frankly

20 worry about it.

21   And so as a result he looked -- entered into

22 an agreement with Tremonton City where Tremonton City

23 actually purchased the well, the 16-inch water well,

24 and the facilities surrounding it in exchange for

25 $190,000.

1   Tremonton City in that agreement agrees to

2   deliver water back to the Company as a first priority

3   at the cost of what they are -- a prorated cost of

4   what they are required to pay for operations and

5   maintenance of the well for just the water that they

6   deliver to the Company.

7   On January 1st the rate of that was $0.35 per

8   thousand for the water that was delivered. Towards

9   the end of this calendar year, December of 2011,

10 they'll also do a reevaluation of that rate to

11 determine if it needs to be adjusted.

12   Based upon the fact that the Company has this

13 well agreement plus the other infrastructure in

14 place -- both a storage tank, distribution lines, a

15 backup pump, another small pump house, the appropriate

16 water rights, service lines going to residential

17 homes -- the Company does have the required equipment

18 and assets that are needed for a public utility.

19   With regards to the rates that were

20 submitted, the rates are currently -- the rates that

21 are being charged to customers, right now there's a

22 monthly water use rate without the meter for $45 a

23 month. There is a late fee of $5. There's a

24 reconnection fee for $75 each time it needs to be

25 reconnected. And currently there's not a standby fee.

12

1   These particular rates have actually been in

2 place and being charged to customers since

3 November 1st of 1989, without any change, with the

4 exception of a special assessment that was made

5 August 9th of 2010.

6   Currently the Company uses an estimated

7 usage -- average usage amount that they're -- they use

8 in order to calculate some of the costs, and in trying

9 to arrive at a budgeted amount for the Tremonton City

10 water expense.

11   And that's calculate -- those average use

12 costs -- or average, average monthly use -- usages are

13 based upon a calculation of the electric power used in

14 connection with the pump to determine how much water

15 was being flow -- has been flowing through the pump.

16   The costs that we project for 2011, which is

17 the actual test year that's being used for the, the

18 certificate, the costs are actually just the Tremonton

19 City water, a few minor repairs, and then a small

20 amount that would go into reserve, for a total amount

21 of $16,740.

22   And in order to calculate the rate of $45 we

23 take the $16,740 divided by the 31 active connections,

24 divided by the 12 months, to arrive at the $45-a-month

25 cost per connection.

1   The Division does find that the rates and

2   fees as presented are just and reasonable until

3   completion of Docket 11-2423-02, which is the

4   Company's request for a rate increase, is concluded

5   and the Commission takes further action upon that

6   particular docket.

7   The last issue in relationship to this is the

8   fact that because the current water system does not

9   have water meters for each individual customer --

10   again, there's not a law that requires that as a

11   mandatory thing, although it, it is good for a number

12   of business practice reasons. Both in helping the

13   Company manage the water resources and especially so

14   that the Company can be held accountable for the water

15   that it uses in relationship to its water rights and

16   those water resources that are used by the customers.

17   The only meter that's currently on the system

18   is a meter that was placed by Tremonton City that does

19   measure, of course, how much water they deliver to the

20   delivery point for the Company.

21   The Commission has a rule, identified as

22   746-401-3, that requires the Company that, if they are

23   going to be doing any construction projects that

24   exceed 5 percent of their plant utility value, that

25   that project is approved by the Commission prior to

14

1 beginning construction. And for that purpose we are

2 recommending that the Commission does approve the

3 amount of the $49,507.

4   Let me just go into a little bit more detail

5 about what makes up that amount of money. In the

6 $4,507 (sic) there is a labor charge for each

7 connection of $384. There are water parts -- water

8 meter parts, and a setter, a saddle, a valve, that all

9 comes to a cost of $585 per connection.

10   And then there is a core billing software and

11 electric interface. Because the meters that are being

12 placed into water systems now are the radio meters,

13 where they can be read very quickly and efficiently

14 and they reduce the cost for the water systems. And

15 so that cost is $17,530.

16   And the total of those three amounts totals

17 49,507. This would allow for meters to be placed on

18 all 33 connections within the system.

19   And the last recommendation is that, again,

20 the Company be authorized to provide service to the

21 33 connections, as we've outlined.

22   Exhibit DPU-1 identifies the debt that is

23 currently recorded and -- reported by the Company.

24 DPU Exhibit 2 is a comparison of rates between the

25 neighboring water providers.

15

1   And the one thing I need to make sure people

2   understand is that Cedar Ridge is a privately-owned

3   nonprofit water system, but it is allowed to earn a

4   return of investment on -- a rate of return on

5   investment on its investment that they have put into

6   the Company.

7   Bear River, Tremonton City, and Deweyville

8   City are all government entities, and therefore they

9   are not -- they're actually prohibited from making a

10   return on any plant, or utility, or investments, or

11   operations for those water systems. In addition,

12   those three entities do not pay any taxes.

13   Should Cedar Ridge show profits, taxes would

14   be required to be paid for those. So. But it does

15   provide some information to show that, using their

16   estimated -- and we believe that those estimated

17   gallons of use are high.

18   We believe that once the meters are in, those

19   numbers will drop down drastically. And the rates are

20   still in the ball park as far as what the month -- the

21   winter use would be. And currently summer use is

22   extremely low compared to what the other areas are

23   paying for use, so.

24   That concludes my summary.

25   Q.   Thank you. I have just a few clarifying

16

1   questions. The first one pertains to service area.

2   You mentioned that there were 26 connections within

3   the subdivision, 6 outside. There was a vacant lot.

4   And there was also 57 future residential homes.

5   Are all those properties within the service

6   area applied for under this application for

7   Certificate of Public Convenience and Necessity?

8   A.   No.

9   Q.   Okay. Could you please explain?

10   A.   Yes. The only ones that are within the

11   service area currently are the 33. The total of 33

12   potential connections. What makes the 33 up is there

13   are 20 -- 25 single homes, plus 1 vacant lot within

14   the subdivision, for a total of 26.

15   Then there are 5 single homes along

16   Highway 38 that's outside the subdivision, plus a

17   commercial business, plus a vacant lot, a vacant piece

18   of property, for a total of 7 outside of the

19   subdivision. So the 7 plus the 26 equals, let's see,

20   7 -- yeah, 7 plus the 26 equals the 33. Thank you.

21   Q.   Also I have a question regarding the volume

22   numbers that you used in your report. Because there

23   were no meters at all before January 1st of this year

24   and now there is only a meter on the main well, could

25   you tell us what sort of certainty or how solid your

17

1   numbers are?

2   A.   The estimated volume usage numbers were

3   numbers that were provided by Mr. Thompson. And we

4   used that in comparison only for the point of making

5   that this is a reason why the meter project really

6   needs to be put into place and approved by the

7   Commission.

8   Q.   And so --

9   A.   In terms of getting it approved by the rule,

10 so.

11   Q.   And so the volume numbers are just estimates?

12   A.   The volume numbers are purely estimates. As

13 I understand it from Mr. Thompson.

14   Q.   Just a couple more. If this utility is

15 granted -- if this Company is granted a Certificate of

16 Public Convenience and Necessity will it overlap with

17 the service area of say Bear River, Tremonton, or

18 Deweyville?

19   A.   Tremonton it will not. Deweyville it will

20 not. Bear River Conservancy District encompasses the

21 whole county, so yes. It does, it does lap over with

22 Bear River.

23   Q.   Do you believe that the Applicant has the

24 operational, managerial, and financial wherewithal so

25 it should be issued a public -- a Certificate of

1   Public Convenience and Necessity?

2   A.   Yes, I do.

3   Q.   Do you believe that issuing a public -- a

4   Certificate of Public Convenience and Necessity would

5   be in the public interest?

6   A.   Yes, I do.

7   Q.   Thank you. Those all my clarifying

8   questions.

9   MS. SCHMID: Ms. Benvegnu-Springer is now

10 available for cross examination and questions from the

11 Judge.

12   THE COURT: All right. Mr. Kapaloski?

13   MR. KAPALOSKI: Thank you, your Honor.

14   CROSS EXAMINATION

15 BY MR. KAPALOSKI:

16   Q.   I think I'm going to repeat a few

17 clarifications, but I just wanted to make sure. I'm

18 again referring to the memorandum, the June 29, 2011.

19 And I think Ms. Schmid already asked this question,

20 but I'll ask it again.

21   The numbers in the estimates which show up on

22 page 4, under the title "Tariff Rates and Fees," and

23 again on "Customer Water Meter Installation Project"

24 are truly only estimates that were submitted?

25   There is no documentation relative to that

19

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 1  actual usage; that is just an estimate for now --
 2      A.    Correct.
 3      Q.    -- for purposes of computing?
 4      A.    Right.  That is correct.
 5      Q.    That's it.  So, and also it shows up again in
 6  DPU-2 exhibit, where the calculations for Cedar Ridge
 7  end up being calculated at 85,866 gallons?
 8      A.    Right.
 9      Q.    That, again, is based on this estimate
10  only --
11      A.    That's correct.
12      Q.    -- it's not on any actual usage?
13      A.    Those are estimated gallons of usage, both in
14  the allowance column, and in the estimated monthly
15  winter use column, and estimated monthly summer use
16  column.
17      Q.    Okay.
18      A.    Those are strictly estimated usages supplied
19  by Mr. Thompson.
20      Q.    Okay.  And one other question just to
21  clarify, I think it was asked by Ms. Schmid, about the
22  overlapping of the Bear River Conservancy District.
23  As I understand, if that's correct, Bear River
24  Conservancy District is a Water Conservancy District
25  which encompasses the whole county --
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1   A.   Correct.

2   Q.   -- but there is not a retail service area

3 that they're providing that overlaps the service area

4 being proposed by Cedar Ridge Distribution Company?

5   A.   Right. To my knowledge, there is not.

6   Q.   Okay. Thank you.

7   MR. KAPALOSKI: I think that's all I have at

8 this moment, your Honor.

9   THE COURT: All right, thank you.

10   Any follow up, Ms. Schmid?

11   MS. SCHMID: No follow up.

12   THE COURT: Okay. Mr. Kapaloski, your

13 witness.

14   MR. KAPALOSKI: Okay. This is -- my witness

15 is Mr. Thompson, the president. I'd like to ask you a

16 few questions first.

17   DAVID Z. THOMPSON,

18   called as a witness, having been duly sworn,

19   was examined and testified as follows:

20   DIRECT EXAMINATION

21 BY MR. KAPALOSKI:

22   Q.   You submitted an application to the Division

23 for a Certificate of Public Convenience and Necessity,

24 and you executed that on April 21st?

25   A.   Yes.

21

1   Q.   And you have a copy of that before you?

2   A.   Yes.

3   Q.   And that has been submitted, and it is a

4 matter of record?

5   A.   Uh-huh.

6   Q.   You have also read the memorandum dated

7 June 29, 2011 which has been the subject of the

8 testimony of the Division?

9   A.   I have.

10   Q.   And do you understand what is being proposed

11 here by the Division?

12   A.   Yes.

13   Q.   And with the exception of the estimate of

14 water use, which has been discussed in the testimony,

15 do you agree to the proposal --

16   A.   Yes.

17   Q.   -- as stated?

18   A.   Yes.

19   MR. KAPALOSKI: That's all I have.

20   THE COURT: Okay, thank you.

21   Any questions for Mr. Thompson, Ms. Schmid?

22   MS. SCHMID: No questions.

23   THE COURT: Okay. All right, thank you.

24 Anything else that we need to discuss?

25   No? Okay. Then the time is about 5:35.

22

1 What we'll do quickly is we'll take a five-minute

2 recess. But before we do that I'd like for you if --

3 Shauna, would you mind just taking the names of those

4 that?

5   MS. BENVEGNU-SPRINGER: Sure.

6   THE COURT: If you want to make some verbal

7 comments you're gonna have to come up here to the

8 microphone. And Ms. Benvegnu-Springer will take your

9 name. And then when you get to the podium just state

10 your name and your address for us so that we can have

11 that on record.

12   You can testify in one of two ways: I can

13 swear you in. And if you're sworn in, then your

14 testimony can be considered by the Commission. The

15 only thing is you will be subject to cross examination

16 by either one of the attorneys. Most of the time it

17 doesn't happen. But they have that right to do that

18 in case they want to clarify some of your comments or

19 ask you any questions.

20   Or you can just give general comments and we

21 can hear those, but we won't be able to consider them

22 as evidence in making our decision.

23   The other thing I just wanted to reiterate,

24 again, a few things that Ms. Benvegnu-Springer said,

25 or issues that she raised. We're, we're an

23

1   administrative body, so we're not like a district

2   court.

3   So, for example, when it comes to issues of

4   incorporation or the statutes governing companies and

5   corporations there's not that much that we can do,

6   because we just don't have that kind -- the power to

7   do what a district court does. So if you have some

8   concerns regarding those issues we're probably not the

9   body to bring those up before.

10   The other thing is my understanding,

11   Ms. Benvegnu-Springer, is that the rates that are

12   currently being paid by the customers are those that

13   you propose to be in the interim; is that correct?

14   MS. BENVEGNU-SPRINGER: Correct.

15   THE COURT: Okay. So all the rates that

16   you're currently paying will remain in effect pending

17   another sister docket, okay? So the Company is asking

18   us to allow them to increase their rates. And then if

19   you have concerns about increasing the rates, we're

20   gonna have another hearing and you'll be able to give

21   your testimony and submit written comments.

22   So this, again, this isn't the place to talk

23   about any objections you have to the increase in

24   rates. The other sister docket will be the place to

25   do that. And we'll have the same opportunity -- give

24

1   you the same opportunity to raise your concerns there.

2   So just please be aware of that as you make your

3   comments.

4   And finally the other thing I just wanted to

5   raise, because it does come up very often in these

6   types of settings, is understand that there's a fairly

7   significant difference between a company like Cedar

8   Ridge and a government-owned utility. For example, a

9   municipality. Like Bear River Conservancy District,

10 Tremonton City, Deweyville City Water.

11   They have different laws that govern them and

12 different types of restraints that govern them, okay?

13 And so you need to be aware of that. And again,

14 Ms. Benvegnu-Springer can clarify that if needs be.

15 But understand that there's a difference.

16   The Commission -- we would like to say that,

17 Well, this municipal corporation, and this municipal

18 corporation, and this municipal corporation charge

19 this, so Company, you should be charging that too as

20 well.

21   And that's really not something that we can

22 look at because they have different, completely

23 different set of laws and regulations that govern them

24 from private entities, okay?

25   And finally, if you don't want to speak

25

1 today, that's fine. What we will do is we will allow

2 you to submit written comments to the Commission. And

3 those will be due by Wednesday, next Wednesday,

4 July 6th.

5   And you can email those comments to "P," as

6 in "Peter," "S," as in "Sam," "C," as in "Charlie," so

7 PSC@Utah.gov. And we'll be happy to take those

8 comments in writing. Okay?

9   So let's take a quick break. And if you plan

10 to give any verbal comment today, if you could come up

11 to Ms. Benvegnu-Springer and she'll take your name

12 down. All right? Thank you.

13   (A recess was taken from 5:40 to 5:49 p.m.)

14   THE COURT: Let's go ahead and start with

15 Mr. Anderson, Daryl Anderson, please. If you could

16 come up to the microphone, sir. And would you like to

17 testify under oath or just give general comments.

18   MR. ANDERSON: Just give general comments.

19 Actually, I have a question. A clarification

20 question.

21   THE COURT: Okay. Go ahead, sir.

22   MR. ANDERSON: What cons --

23   THE COURT: Actually, if you could just state

24 your name and address for the reporter.

25   MR. ANDERSON: My name is Daryl Anderson. I

26

 1 live at 11910 North Highway 38 in Deweyville. And the

 2 question is, what constitutes an overlapping service

 3 area? If you could clarify that. And is it based on

 4 existing or proposed?

 5   THE COURT: Do you want to answer that?

 6 Or --

 7   MR. KAPALOSKI: If --

 8   THE COURT: Go ahead.

 9   MR. KAPALOSKI: I'll give my explanation of

10 it. I think an overlapping service area, as I

11 understand the context of the question that was asked

12 of Ms. Springer, is are there utilities that provide

13 municipal or culinary service in similar nature as

14 Cedar Ridge Distribution Company and the service area

15 being proposed under this certificate.

16   Okay? If that's -- in other words, this

17 certificate is issued -- will be issued -- assuming

18 this will be issued, which says that Cedar Ridge

19 Distribution Company will serve these 33 lots. So

20 that is what the certificate is about.

21   THE REPORTER: (Asked Mr. Kapaloski to speak

22 up.)

23   MR. KAPALOSKI: Yes, thank you. Again, to

24 respond to the question of Mr. Anderson. As I

25 understand what's being proposed here, and what is

27

1 being proposed for this certificate for Cedar Ridge

2 Distribution Company, is to provide culinary

3 single-family residential service in a certain area.

4 That is the service area.

5   The question that was asked, I think, by

6 Ms. Schmid earlier is, Are there any overlapping

7 service areas providing the same service. And that

8 last phrase is very important.

9   There are overlapping boundaries of the Bear

10 River Water Conservancy District, which includes the

11 whole Box Elder County area, but it is not providing

12 the same service that is being proposed to be provided

13 and is being provided by Cedar Ridge Water

14 Distribution Company.

15   So I hope that clarifies it. The district is

16 a county-wide district. And just for disclosure, our

17 firm represents Bear River Water Conservancy District.

18 So it has nothing to do with the representation, but I

19 just wanted to disclose that. So that's the

20 distinction.

21   THE COURT: Thank you.

22   MS. SCHMID: He has more knowledge about

23 that.

24   THE COURT: Any other questions? Is that

25 clear to everyone? Don't be afraid to ask any

28

1 question. There's no stupid question.

2   SPEAKER FROM THE AUDIENCE: Mine is kind of

3 related to that. There is a pipeline coming towards

4 us from the Water Conservancy District. It's not

5 available now. That doesn't mean it wouldn't be; is

6 that correct?

7   THE COURT: I don't know.

8   SPEAKER FROM THE AUDIENCE: Would we be

9 excluded from...

10   THE COURT: I don't know. My basic

11 understanding is that the only entity that has an

12 obligation to serve you, I guess, again if the CPCN is

13 granted, would be Cedar Ridge. Is that?

14   MR. KAPALOSKI: That's correct.

15   THE COURT: And that's why you essentially

16 want them to be regulated. It's like for example if

17 we -- let's say down in Salt Lake City. If you want

18 electric power the only place you can go to is Rocky

19 Mountain Power.

20   There's no -- you can't go shopping around

21 like if you wanted to go buy a new car. There's only

22 one place you can get it. So essentially that's why

23 you're -- you want the company to be regulated so

24 somebody can kind of oversee that.

25   So as far as the service goes, there's only

29

 1   one entity that would be obligated to serve you, that

 2   could serve you, that would be Cedar Ridge.

 3   So -- now, in the future there might be

 4   something else that comes up, and then that would be

 5   dealt with in a future proceeding if that needs to be.

 6   But at this point my understanding of the record

 7   before us is Cedar Ridge is the only entity that's

 8   available to serve you.

 9   Any other questions? Mr. Anderson, anything

10   else you'd like to ask or?

11   MR. ANDERSON: No, thank you.

12   THE COURT: Thank you. Ms. Barbara Anderson.

13   And Ms. Anderson, if you could just state your name

14   and address. And would you like to testify under

15   oath?

16   MS. ANDERSON: I don't think it's necessary,

17   but.

18   THE COURT: Okay. Go ahead.

19   MS. ANDERSON: Barbara Anderson, 3275 West

20   Cobblecrest Road. That's in the subdivision.

21   All right. I have a couple of questions.

22   And one of them is that you said our rates are low for

23   the area. Actually we've checked into the rates by

24   other, other -- they're actually mutually-owned water

25   companies of our size, and the water rate for them is

1 $25 a month. The one that I personally checked on.

2   So our rate at $45 a month, which goes back

3 years, probably 15 years, has always been much higher

4 than. So I just think that that is not -- our rates

5 are not low.

6   I have a question about the vacant lot. Will

7 that -- is that -- where is the second vacant lot?

8 The one is next to me. Where is the other one?

9   MR. THOMPSON: It's near my shop.

10   MS. ANDERSON: Okay. Will that have to be

11 metered --

12   MR. THOMPSON: If it's used.

13   MS. ANDERSON: -- while it's --

14   MR. THOMPSON: If it's used it'll have to be

15 metered.

16   MS. ANDERSON: But for -- if it's got a leak

17 it needs to have a meter right now.

18   MR. THOMPSON: There is no service line to it

19 right now.

20   MS. ANDERSON: Okay. There is the one next

21 to me, though.

22   MR. THOMPSON: There isn't one to you right

23 now. Next to you that does not have a service line

24 because the main line is on the property, basically.

25 So there has been no valve placed.

31

1   MS. ANDERSON: What if there's a leak there?

2   We know that we have a leak. We -- David has known

3   for more than a year that we have a leak, and we're

4   struggling to find it.

5   And I guess my point is, everyplace that

6   could be -- our purpose in getting meters is to find

7   out where that water is going. If it could be going

8   into an empty lot that's just as important as in one

9   of our lots.

10   MR. THOMPSON: There's no connection there

11   right now, Barbara. If it's leaking it's the main

12   line that would be leaking on that lot.

13   MS. ANDERSON: And it's impossible that that

14   would be leaking?

15   MR. THOMPSON: It's not impossible, but.

16   MS. ANDERSON: Okay. Does the vacant lot

17   have to have a meter?

18   MR. THOMPSON: It will have a meter. With

19   this -- if this is approved.

20   MS. ANDERSON: And I will remind you that as

21   soon as we purchased our property we started paying

22   water bills. Even before -- long before we ever

23   started using any water. So is that something that is

24   commonly done? Is that going to be done? That if you

25   have a lot, you pay for water? Or is that only after

32

1 a home is put on the lot?

2   THE COURT: Do you want to answer that?

3   MS. BENVEGNU-SPRINGER: Yeah. With most

4 water companies, when there's a vacant lot they may

5 request what is referred to as either a standby fee or

6 a reservation fee. Because you have access to water

7 in front of the lot.

8   There isn't a service line going out, because

9 a building isn't there to hook it into. But you have

10 a main line that's in -- that's usually in the front

11 row of the property.

12   With this case going forward, currently there

13 are not standby fees charged. There is only a

14 $45-month charge for those who are using water.

15   MS. ANDERSON: And I'll just tell you that as

16 soon as we moved in, the Company policy was we started

17 paying our, our water assessment per month, so.

18   MS. BENVEGNU-SPRINGER: Yeah. That could

19 be -- that would -- or could be addressed in the rate

20 case if the Company wants to place that type of fee in

21 the tariff in the new -- in the sister docket that we

22 have.

23   MS. ANDERSON: So that would be dealt with

24 later?

25   MS. BENVEGNU-SPRINGER: Yes.

1   MS. ANDERSON: All right. Well, no. We have

2   never received water certificates. Is that important?

3   It was -- and I guess my reason for bringing that up

4   is there were bylaws for the old company, and they

5   were absolutely completely ignored.

6   One of them was that we would have water

7   certificates. And the State actually went after David

8   years ago, and he promised that we would have water

9   certificates. And now we're told, Oh, that doesn't

10   really matter.

11   None of us really knows how important it is

12   that we have a certificate that is attached to the

13   deed to our home. But we've never received that, and

14   many of us wonder if we shouldn't have a water

15   certificate.

16   Which brings me to another question. Is if

17   it was possible to ignore the bylaws in the past --

18   one of our reasons for wanting State oversight here is

19   so that the rules are followed.

20   So are there other officers in this company

21   besides David? Are there -- who -- does he have

22   meetings that he's supposed to have? Are we allowed

23   informa -- or are we allowed access to minutes?

24   THE COURT: Actually let me have you -- the

25   first question, who wants to answer that?

34

1   MS. ANDERSON: You've all forgotten what the

2   first question was.

3   MS. SCHMID: No, no, the water certificates.

4   THE COURT: The water certificates.

5   MS. SCHMID: And having it appurtenant to

6   your lot. I can make some comments, but of course I'm

7   not a witness, but I have some familiarity with that.

8   As I know Mr. Kapaloski does.

9   MR. KAPALOSKI: Yes. And my response to

10 that, Ms. Anderson, is that obviously you have an

11 ownership interest in the company as a shareholder.

12 Whether you were issued the certificates or not,

13 that -- I assume prospectively that those certificates

14 would be issued to you.

15   Now, they are not -- they are shares in a

16 water company. They are not deeded water rights as

17 you understand.

18   MS. ANDERSON: They're attached to your lot,

19 are they not?

20   MR. KAPALOSKI: Well, they're committed --

21   THE COURT: I think --

22   MR. KAPALOSKI: Yeah, there's --

23   MS. ANDERSON: If we were to try to sell our

24 home and somebody said, What's the water? We've had

25 people try to sell homes and there's no real

35

1 information, there's no way of getting information on

2 what our rights are as far as water goes.

3   We just have to say, Well, we get it. We pay

4 for it, we get it. But we have nothing on paper.

5   THE COURT: Go ahead.

6   MR. KAPALOSKI: If I may, your Honor. I

7 mean, that's part of why we're here at this

8 proceeding.

9   THE COURT: Uh-huh.

10   MR. KAPALOSKI: Because one of the concerns

11 has always -- has been raised by the petitioners -- I

12 mean by the complainants that there was not a

13 regulation or a certification of service requirement.

14   If and when the certificate gets issued, then

15 you have on record the commitment of this Company to

16 provide you water at your household based on a

17 certificate issued by the Public Service Commission.

18 So that will affirm --

19   MS. ANDERSON: So it's available online, even

20 if we don't have an actual?

21   MR. KAPALOSKI: Oh, yes. You would also have

22 and should have at some point a certificate in the

23 water company, which is a water share.

24   MS. ANDERSON: Okay.

25   MR. KAPALOSKI: But your --

36

1   MS. ANDERSON: Great.

2   MR. KAPALOSKI: Your assurances, if I may, is

3   once the Certificate of Public Necessity is issued we

4   are committed to provide that service to you. And

5   when you go to sell the house, it's of record. It's

6   confirmed by the Commission. And you would be assured

7   of that service. Just like Rocky Mountain Power and

8   Questar, et cetera.

9   MS. ANDERSON: Okay. And as far as the, like

10   minutes to meetings or oversight, can we?

11   THE COURT: Those are corporate issues and we

12   don't deal with corporate issues. We don't have the

13   power to deal with corporate issues.

14   MS. ANDERSON: Okay. I also have one last

15   thing, and that was that Mrs. Springer said that we --

16   that our rates are low. Did I already say this?

17   MS. SCHMID: Uh-huh.

18   MS. ANDERSON: I'm nervous.

19   MS. SCHMID: That's okay.

20   MS. ANDERSON: And we are only paying

21   Tremonton $3.50 for a thousand feet of water right

22   now. So they are metering. And we have, they say, a

23   really big leak. So is it our job to find that really

24   big leak, or does that need to be done -- I mean, are

25   we paying for an old leak? How do we get the leak

37

1   fixed?

2   THE COURT: Are you talking about Tremonton?

3   MS. ANDERSON: I'm saying that Tremonton

4   promised us a lower rate because they assumed a

5   certain amount of water being used by us. And already

6   in -- when I called in January they said we were using

7   five times what a group of homes like ours should be

8   using; therefore, there is a big leak.

9   So I guess that's one of the purposes we're

10 getting meters is to find out where that big leak is,

11 or. I would like to know if it's changed. We found

12 one leak in the last little while. Has the usage gone

13 down from, help me, was it May 25th-ish when the leak

14 was found?

15   Anybody checked with Tremonton to know if

16 that was significant?

17   MR. THOMPSON: It's very hard to know because

18 people are using water outside, too.

19   MS. ANDERSON: Nobody, to my knowledge, had

20 turned on outside water between May -- it was really

21 rainy. There may have been a sprinkler go on.

22   MR. THOMPSON: Well, like I said --

23   MS. ANDERSON: In that ten-day period before

24 the Friday when they changed there shouldn't have been

25 any outside water on. Should have been a pretty good

38

1 time to check.

2   MR. THOMPSON: We are trying to find the

3 leaks, Barbara, but it takes effort to do that. And

4 we just found another leak this last week. And we

5 fixed that leak. But it was a service line.

6   Every leak that I have found has been between

7 the system and the -- on the, on the property owner's

8 property. So it's service lines where the leaks are

9 occurring. The last one I found was on a person's

10 property.

11   So that's really not the water Company's

12 responsibility to fix those leaks. That's the

13 homeowner's responsibility.

14   MS. ANDERSON: What about the one that was

15 found on your property? The shop one.

16   MR. THOMPSON: Which?

17   MS. ANDERSON: That's the one that I'm asking

18 about. There was one found at your shop.

19   MR. THOMPSON: We found it, and we fixed it

20 within two days.

21   MS. ANDERSON: And I'm asking was it a

22 significant leak.

23   MR. THOMPSON: Well, it was a leak.

24   MS. ANDERSON: They should have been able to

25 tell by looking at Tremonton's records between the

39

1 25th and --

2   MR. THOMPSON: We can't tell.

3   MS. ANDERSON: They check every Friday.

4   MR. THOMPSON: We haven't been able to tell

5 how much. That hasn't been -- that water leak was not

6 occurring until within a day of when we found the

7 leak.

8   MS. ANDERSON: Nobody knows that. That could

9 have been under the ground for -- that could have been

10 the one two years ago. Oh, I'm getting off track

11 here.

12   I have one more question, and that is, is

13 there anything to preclude us from -- I think Daryl's

14 question -- Mr. Anderson's question already was that

15 the Water Conservancy is not there yet, but it will

16 be. So that's just something that we can look into

17 later, right? Okay. Thank you.

18   THE COURT: Thank you, Ms. Anderson.

19 Ms. Hogan, Dorothy Hogan?

20   Ms. Hogan, if you could just state your name

21 and address for us, please.

22   MS. HOGAN: Sure. Dorothy Hogan, 12495 North

23 Edgewood Place, in Deweyville. I live in the

24 subdivision.

25   SPEAKER FROM THE AUDIENCE: Can you pull the

40

1   mike down so we can hear you?

2   MS. HOGAN: Okay. Originally, the original

3   complaint that we brought to Shauna was that

4   October 2010 we were invited a meeting here and the

5   demand was placed on us that we were asked to pay,

6   within 15 days, $970 to cover the cost of these pumps

7   that's detailed on page 3 here in the water well

8   purchasing agreement.

9   And those pump failures, that responsibility

10   was being reassigned to us to assume those costs in

11   the amount of $970. So under this new Certificate of

12   Public Convenience will we still be asked to pay for

13   those costs? How are the additional costs for the

14   meters and so forth, where is that going to be -- is

15   that going to be assigned to us?

16   At what point do we, you know. We're told

17   that this is a private company. That, you know, we're

18   not owners. But we end up with liabilities that are

19   reassigned to us at random times like this. So how is

20   that gonna be handled under this new?

21   MS. BENVEGNU-SPRINGER: Any charge that the

22   Company charges you now for water must be approved by

23   the Public Service Commission.

24   SPEAKER FROM THE AUDIENCE: Would you repeat

25   that?

41

1   MS. BENVEGNU-SPRINGER: All charges that the

2   Company now charges you must be approved by the Public

3   Service Commission once the certificate has been

4   issued.

5   MS. HOGAN: Okay. So for things like that,

6   for the 900 -- and then -- and a question on that.

7   When those pumps failed, that was at the same time

8   that, to our knowledge, the Company was going through

9   testing with Tremonton to make sure, I guess, that the

10   utility equipment were functioning and so forth. And

11   to look at the gallonage -- the gallons of water per

12   minute that were coming out of that well.

13   And that was also the time that the pumps

14   failed. So my question is, where are the warranties

15   on these pumps? Why are we being asked to assume that

16   cost? When, if there were qualified people that were

17   there to oversee this from a drilling company or

18   whatever.

19   And those pumps were taken out of the ground,

20   they're put back in the ground, they're taken out of

21   the ground, they're put back into the ground several

22   times, as far as we understand. And suddenly the well

23   pump fails, and now we're being asked to assume these

24   costs.

25   Well, it's kind of hard when you're

42

1   unemployed, as many of us are who've lost our jobs,

2   many people that are on fixed incomes, and now comes a

3    $970 cost that we're being asked to assume. And also

4   whatever the cost is for these meters. I mean, that's

5   a significant amount of money, $49,000.

6   And it's my understanding that -- and I don't

7   know if you're -- are the drinking water and the

8   public utility rules one and the same.

9   MS. BENVEGNU-SPRINGER: No.

10   MR. KAPALOSKI: No.

11   MS. HOGAN: No, they're different? Because

12   according to their rules -- and I don't know what

13   they're doing in terms of enforcement here -- there is

14   supposed to be money set aside.

15   There's a ratio of revenue to expense that's

16   supposed to be maintained by a drinking water utility

17   to account for those sorts of capital expenses,

18   operational expenses, and maintenance and repair. And

19   also for -- and there are statutes -- I, I have it in

20   my files -- for this.

21   So how does that -- how do we end up being

22   billed as customers, when we have no ownership of the

23   company? Why do those costs get transferred to us in

24   a lump sum this way?

25   I understand that utilities, generally,

43

1 electric utilities or the gas company, if they make

2 capital improvements and the expenses exceed revenues

3 they'll come and ask for a rate increase. And that's

4 amortized out over many years. And it's usually, you

5 know, in -- you know, insubstantial.

6   But it's hard for most of us to come up with

7 a thousand to 1,500 or whatever dollars just on

8 demand, pay me in 15 days. And, Oh, by the way, if

9 you don't, there is interest and penalties.

10   So under the new rules here, you know, how is

11 this handled? I mean, what's the difference between a

12 public utility and a private public utility and how

13 those costs are reassigned to the customers?

14   MS. BENVEGNU-SPRINGER: With --

15   MS. HOGAN: Is there a difference.

16   MS. BENVEGNU-SPRINGER: Yes, there is. With

17 the private public utility that you will have when the

18 certificate is issued --

19   MS. HOGAN: Huh-uh.

20   MS. BENVEGNU-SPRINGER: -- all costs that

21 will be asked to be charged to you must be approved by

22 the Commission. The Company cannot charge you

23 anything that hasn't been approved by the Commission.

24   MS. HOGAN: Okay.

25   MS. BENVEGNU-SPRINGER: The Company has

44

1   applied for a rate increase. In that rate increase

2   they are asking for a number of charges to be reviewed

3   and/or put into place.

4   MS. HOGAN: Uh-huh.

5   MS. BENVEGNU-SPRINGER: Okay? The Division

6   is looking at that docket, reviewing that docket,

7   doing the analysis to be made for that, and that's

8   where those issues are going to be addressed.

9   MS. HOGAN: Okay. So we should address our

10 comments to the Docket 02 for that?

11   MS. BENVEGNU-SPRINGER: Correct. On that

12 one, yes.

13   MS. HOGAN: And, let's see. And would -- but

14 that begs the question, if originally when, when that

15 second well was put in in 1986 the reason that the

16 current customers were given then was that the

17 existing well was not adequate to provide for the

18 service customers for Cedar Ridge.

19   So the people who were residents then all

20 were asked to loan the Company $1,200 a piece, and

21 they would be paid back with interest. And that

22 would, that would help Mr. Thompson to pay for that

23 well.

24   But then last year when we were called in

25 here in October we only found out after the fact that

45

1   that transaction had happened. The well had been

2   sold. That, that first payment was December of 2009,

3   according to the bill of sale that I have -- purchase

4   agreement that I took off your website.

5   We only found out about it a year later. How

6   is that, you know, in our best interest? I mean, how

7   are we being served by that? If that well is -- was

8   critical to put in because we didn't have enough

9   water.

10   We have nothing that tells us, that gives us

11   any assurance that our fire suppression needs are

12   being met. We don't have any data on that. We don't

13   have any control over really, I mean, other than your

14   approval of the rates, your Commission's approval if

15   he asks for a rate increase.

16   You know, how are we best served by this?

17   And why weren't we notified, as customers, that that

18   was being considered before the fact, before the deal

19   was already done? I don't -- you know.

20   MS. BENVEGNU-SPRINGER: Let me answer that in

21   two parts.

22   MS. HOGAN: Uh-huh.

23   MS. BENVEGNU-SPRINGER: First, what happened

24   prior to us getting involved? Part of that is being

25   investigated as part of the rate case for the sister

46

1 docket. Hold on a minute, I lost my train of thought.

2   The other part that you were talking about

3 where they had the transaction that happened before,

4 they loaned the money, all that kind of stuff? That's

5 like history. We don't have anything -- we won't be

6 addressing that issue.

7   Would you want to say anything more on that?

8   MR. KAPALOSKI: I guess my only response,

9 honestly, is everything now in the rate increase

10 proposals will be reviewed and approved by the

11 Commission.

12   MS. HOGAN: Uh-huh.

13   MR. KAPALOSKI: And what they're starting

14 with is the current -- or the last year's budget. And

15 that was what was before them. So everything again,

16 and I restate it again, nothing can be charged without

17 the approval of the Commission.

18   You asked one other question, if I can

19 respond to that one.

20   THE COURT: Uh-huh.

21   MR. KAPALOSKI: And I think that's a very

22 good point. And that is setting aside money for

23 repair and replacement. That's a very important

24 thing. And I think that will be part of the

25 consideration for the rate increase.

1   Most companies, bare minimum anybody that

2   operates -- I represent a lot of utilities and

3   municipal entities. If you're not setting aside 5 to

4   10 percent of your gross budget, when you have a

5   breakdown it becomes a very big burden.

6   MS. HOGAN: Sure.

7   MR. KAPALOSKI: But, with that said, that's

8   part of the rates.

9   MS. HOGAN: Right.

10   MR. KAPALOSKI: That has to be set aside.

11   And the collection of that repair and replacement fund

12   is part of the rate structure. So that's being looked

13   at basically as part of the Docket No. 2.

14   MS. HOGAN: Yeah. And, you know, it boils

15   down -- I've been a business woman for more years than

16   I care to admit. But I mean, you know, it comes down

17   to good faith, I mean. And this is where the original

18   issue came up. We're -- where it affects most of us

19   and where the Company came under scrutiny to begin

20   with.

21   That, you know, we were called in. We were

22   told after the fact. I mean, we're customers of this

23   utility. And most utilities if there's something

24   going on, if there's a rate increase or some change we

25   get something in the mail in two point font, several

48

1   pages long, but at least we are informed. You know.

2   And everybody is neighbors and friends here

3   and this is not a personal vendetta, but we have a lot

4   of questions. And these are large expenses that we're

5   being asked to assume.

6   And having run my own business I couldn't

7   hold back to my customers and say, you know -- other

8   than maybe an increase on my products and services,

9   because I, I've made changes that have improved my

10   business and I might go up in my costs. But it's

11   never a major demand, I made a major capital expense

12   and now that you're my customer I'd like a thousand

13   dollars from you because I did this.

14   This is our issue. This is why, why we want

15   these things clarified. And we want to know going

16   forward from this point on -- this Company generally

17   has not conformed to the regulations of the State.

18   Under which it formed knowingly and by choice, you

19   know. It was a nonprofit corporation, and to be part

20   of the State's rules and regulations. And it has not

21   conformed to this point.

22   I guess some of us would like -- or I would

23   like an assurance going forward. And why we're

24   pleased that the Commission is taking this seriously

25   enough to really look into this so that from this

49

1 point forward everybody feels that we are being

2 treated equitably as customers of this utility.

3   I mean, we're not here to say that it

4 shouldn't be profitable or that it -- the revenue to

5 expenses should be something that is in a negative

6 position for the Company and that's too bad for them.

7 You can never change our rate. That's not what we're

8 saying.

9   We just -- we want some details. We have no

10 invoicing system. We get a generic spreadsheet. Our

11 bills have been incorrect a number of times. Things

12 have happened. You know, we want to see from this

13 point forward, if we're going to be asked to assume

14 additional expense we want these things detailed. We

15 want some backup documentation. You know, if we're

16 entitled to see that. So that everybody's feeling as

17 though we're getting a fair and equitable service from

18 this Company.

19   And up to now it hasn't felt that way.

20   MR. KAPALOSKI: I'm sure Ms. Springer is

21 going to respond, but I'll respond with a very simple

22 comment. One of the concerns -- a lot of your

23 concerns are the issue -- and it's an overused word

24 now -- but it's called "transparency."

25   MS. HOGAN: Uh-huh.

50

1   MR. KAPALOSKI: But the bottom line here is,

2   everything this Company does from this day forward

3   will be transparent to the customers.

4   I mean, I can call up Rocky Mountain Power

5   and see if I can find out what they're doing, and they

6   have to tell me.

7   MS. HOGAN: Yes. Yeah.

8   MR. KAPALOSKI: Relative to their rates. So

9   I think that's the intent. And that's what the intent

10   of the petition to get a certificate is about.

11   MS. HOGAN: So I guess your comment that this

12   is a private public utility, and their, their rules

13   and regulations are different than an actual public

14   local -- state or local governmental utility are

15   different. But there, there is a measure of

16   transparency that we can expect?

17   MS. BENVEGNU-SPRINGER: Yes.

18   MS. HOGAN: Okay. From this point?

19   MR. KAPALOSKI: Could I respond to one other

20   comment you said, if I may?

21   THE COURT: Uh-huh.

22   MR. KAPALOSKI: Just to clarify

23   jurisdictionally. All drinking water systems, be they

24   public or private, are under the jurisdiction of the

25   Division of Public Drinking Water.

51

1   MS. HOGAN: Uh-huh.

2   MR. KAPALOSKI: And so water quality and

3   water quality standards are applicable across the

4   board if you serve 15 customers, basically. So that

5   jurisdiction, which is in a separate entity, would

6   apply to a private company, as well as a municipality,

7   or as well as a nonprofit, non-regulated utility.

8   MS. BENVEGNU-SPRINGER: Or mutual company.

9   MS. HOGAN: And they, they've got some -- as

10   I looked at theirs -- the public drinking water, I

11   mean, they've got some pretty strict rules about

12   supporting documentation every three years, showing

13   financial capacity where revenue should be greater

14   than expenses.

15   You know, all these things have been -- these

16   have been obfuscated by this Company in the past. And

17   it's very difficult for us to suddenly find that we

18   owe a lot of money as customers because the Company

19   has made some miscalculations. That's not quite fair.

20   And those are the types of things that we

21   don't want to see happen again. And also, a big

22   concern for us is fire suppression. You know, we want

23   to know. There's no data that's been given to us to

24   assure us. We have wildfires up there. And we had

25   one last summer.

1   And the week before, the subdivision was

2   without water for almost three days. No water. And

3   the following weekend guardian angles were looking

4   over us again. The water was back on, and there was a

5   fire in the vacant lot next to the Andersons. And it

6   was only because of the neighbors that we were able to

7   put that out, because it was 25 minutes before the

8   fire department could get there.

9   That's serious. And that could very easily

10   have been a multi-dwelling fire. So we want to also

11   know that, with the sale of that big well to

12   Tremonton, that we do have fire suppression that's

13   going to be adequate to protect us. You know, we

14   don't have any assurances there, too. So will all of

15   these things be covered here?

16   MS. BENVEGNU-SPRINGER: The -- let me address

17   a couple issues. The well agreement that is in place

18   must be honored. That's a contract between the

19   Company, the Water Company and Tremonton City.

20   Because they own the well, and it states that they

21   must provide first priority to Cedar Ridge.

22   MS. HOGAN: Uh-huh.

23   MS. BENVEGNU-SPRINGER: Okay? So your needs

24   are taken first. Anything else that's left over goes

25   to Tremonton City. Okay? And that is part of the

53

1   agreement. To make sure that you have service, that

2   you have water, that it's maintained, that it's

3   operating 24/7. It's there.

4   The Division feels that's a good thing,

5   because now you don't have to rely on just one person.

6   You have a certified staff at Tremonton City that's

7   monitoring that well and ensuring that it's operating

8   and doing what it needs to be doing.

9   MS. HOGAN: Now, I also, according to the

10 terms of that agreement, that sale agreement, from,

11 from that point forward where Tremonton's

12 responsibility ends, the pipe -- everything beyond the

13 pipe to us delivering water into our subdivision is

14 the responsibility of Cedar Ridge Distribution --

15   MS. BENVEGNU-SPRINGER: Yes.

16   MS. HOGAN: -- correct?

17   MR. KAPALOSKI: Uh-huh.

18   MS. BENVEGNU-SPRINGER: Yes.

19   MS. HOGAN: So --

20   MS. BENVEGNU-SPRINGER: From the delivery

21 point. There's the well, and then there's a pipeline

22 that goes up the hill, and then there's a delivery

23 point at the top there as the point where Tremonton

24 City is all completely responsible for.

25   From that point then out to the customers is

54

1 the responsibility of the homeowner -- or I'm sorry,

2 the Water Company.

3   MS. HOGAN: Where is the oversight on that to

4 make sure that we have adequate hydrants, we have the

5 infrastructure that comes to our property line?

6   MS. BENVEGNU-SPRINGER: The oversight on that

7 is with the Commission and with the Division of

8 Drinking Water.

9   MS. HOGAN: Okay.

10   MS. BENVEGNU-SPRINGER: And even with the

11 County, because the County has fire suppression

12 requirements.

13   MS. HOGAN: And then what are your

14 obligations in terms of, you know, do you review that

15 annually, or every five years, or how does that

16 happen?

17   MS. BENVEGNU-SPRINGER: Once the certificate

18 is issued they have some reporting requirements that

19 they will need to file annually.

20   MS. HOGAN: Okay.

21   MS. BENVEGNU-SPRINGER: Then we will be

22 reviewing those reporting requirements to determine,

23 you know, how the Company is operating and so forth.

24   In addition -- it will be brought up in the

25 rate case -- more than likely we will recommend that

55

 1   there be a capital reserve fund that will be placed in

 2   escrow. And that that will also be monitored.

 3   Assuming the Commission approves it. They have

 4   approved it in the other cases that we've recommended

 5   it.

 6   MS. HOGAN: And those are for any additional

 7   capital expense or improvements, maintenance, that

 8   sort of thing?

 9   MS. BENVEGNU-SPRINGER: It's mainly for

10   capital improvements.

11   MS. HOGAN: Okay.

12   MS. BENVEGNU-SPRINGER: And so if there's --

13   your system is getting, you know, it's 30 years old.

14   MS. HOGAN: Uh-huh.

15   MS. BENVEGNU-SPRINGER: And so from this

16   point forward we've got to start setting aside funds

17   to ensure that there's money there, to make sure that

18   you've got funds to replace what ends up needing to be

19   replaced.

20   MS. HOGAN: Right.

21   MS. BENVEGNU-SPRINGER: And so there will be

22   some very strict restrictions upon how that's used.

23   And it will be monitored.

24   MS. HOGAN: And then if those expenses exceed

25   that set aside, that reserve, then at that point a

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1 rate increase may have to be applied for and

2 documented?

3   MS. BENVEGNU-SPRINGER: Yes.

4   MS. HOGAN: Okay.

5   MS. BENVEGNU-SPRINGER: And with a rate

6 increase, what that allows is the opportunity for

7 everybody again to have a hearing where you get to

8 look at everything. All the expenses, how are things

9 calculated, what goes in, what doesn't go in, all this

10 kind of stuff. And you get to have a say in what that

11 is, being a regulated company.

12   MS. HOGAN: Well, then I think this is a good

13 thing. Okay.

14   THE COURT: All right.

15   MS. HOGAN: Thank you.

16   THE COURT: Thank you, Ms. Hogan.

17   Lori Wiser, please. Ms. Wiser, if you could

18 just state your name and address for the record,

19 please.

20   MS. WISER: Okay. My name is Lori Wiser.

21 And I live at 12420 North Edgewood Place, in the

22 subdivision.

23   We were speaking about meters, and I think I

24 just would like to clarify that some of the main

25 shutoff valves to some of the properties are actually

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1   on other people's property. So like I might live

2   here, and my main shutoff valve might be kitty-corner,

3   across the street, on another property.

4   So as the meter project is being considered I

5   think that that needs to be taken in mind to like move

6   those so that people aren't having to pay for repairs

7   under a road that don't belong to them -- that the

8   road that doesn't belong to them. That would be an

9   issue as we add meters to the house.

10   And I did talk to a man who has done a lot of

11   work on our system, and he said that can be done.

12   Those can just be capped, and the valves can be moved

13   closer so that the meter is placed near the property

14   and not on somebody else's property.

15   I am just wondering if we can have an answer

16   to how is the $49,507 for the meter installation

17   project going to be paid for?

18   MS. BENVEGNU-SPRINGER: It's going to be

19   addressed in the rate case. The sister docket rate

20   case.

21   MS. WISER: So, like, don't worry about it

22   until then? Is that -- I guess I want to know, is

23   that gonna be something we're lump-sum charged for, or

24   is it wrapped into the --

25   MS. BENVEGNU-SPRINGER: We don't know yet.

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1   MS. WISER: Okay.

2   MS. BENVEGNU-SPRINGER: That is something

3   we're investigating to determine how all of that

4   should flow together.

5   MS. WISER: Okay. All right. And then I

6   just have some question about the -- we have the paper

7   that you gave us that shows the promissory notes, but

8   it doesn't say who that's all owed to. Is that all

9   owed to Mr. Thompson?

10   MS. BENVEGNU-SPRINGER: Yes. These --

11   MS. WISER: That's the 22,000 that's referred

12   to in the memorandum?

13   MS. BENVEGNU-SPRINGER: Correct. Everything

14   that -- any debt that was taken out on the Company was

15   a loan -- a promissory note taken from Mr. Thompson to

16   Cedar Ridge Distribution Company.

17   MS. WISER: And is that normal or correct

18   protocol for an individual or another company to loan

19   money to a utility?

20   MS. BENVEGNU-SPRINGER: Yes, it does happen.

21   They -- he does have formal documents that instruct,

22   and they are notarized at the time that they occurred,

23   so they are a documented transaction.

24   MS. WISER: Is there a way to know what they

25   were for?

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1   MS. BENVEGNU-SPRINGER: That is part of the

2   investigation.

3   MS. WISER: Okay. I know some of them were

4   for the pumps, but I'm not sure about all of them.

5   Another question I have is I'd like a little

6   bit more clarification on the, the pumps. And maybe

7   that's gonna be your answer, too, that this is part of

8   the investigation. But I'm just wondering, I'm still

9   uncertain -- it says the average life of a pump is

10   seven to eight years.

11   And of course these last three were May, and

12   then December, and then April. So they didn't last

13   seven to eight years. And I just, I think a lot of us

14   are still unclear on what happened, actually, to make

15   them not function. And are there invoices or

16   warranties? And is that -- has that been -- do we

17   know that?

18   MS. BENVEGNU-SPRINGER: I'll let the Company

19   answer that.

20   MR. THOMPSON: It's a complicated answer,

21   Lori. The first pump was put in. That's the first

22   bills that occurred. Because the, the original pump

23   was seven years old, and it went out. So there was a

24   new pump installed to replace that. Now, that -- the

25   one that went out was seven years old.

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1   MS. WISER: Okay.

2   MR. THOMPSON: It was meeting the average

3   life.

4   MS. WISER: Right.

5   MR. THOMPSON: When that new pump was

6   installed, that cost was higher than normal because it

7   was decided we needed to have more capacity than what

8   we had because we were on the line all the time for

9   fire suppression.

10   So a larger pump was purchased and installed.

11   And that, of course, incurred --

12   MS. WISER: Was that the one in May?

13   MR. THOMPSON: The first one.

14   MS. WISER: The first one in May?

15   MR. THOMPSON: The first one. I don't have

16   the date in front of me, but --

17   MS. WISER: Yeah, May 19th.

18   MR. THOMPSON: -- the very first one was the

19   new pump to replace the old one. And that new one was

20   a larger pump and motor. And that required new

21   electrical panels because the old ones wouldn't

22   service the smaller pump.

23   When that was put in, when that, when that

24   pump was installed, it was discussed as to how we

25   could cut the costs of the power usage. Part of power

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1 usage is the actual use of the electricity. The other

2 part of the bill is the demand. When you turn

3 something on, it has a surge.

4   And there is a device, which is called a

5 "soft start," that decreases the demand on a pump when

6 it turns on. And it was decided that that soft start

7 would pay for itself within a short amount of time if

8 we used that on that large pump.

9   So that soft start was ordered. It was not

10 installed in that May time frame, it took another

11 three weeks for it to come. We couldn't wait for it,

12 we needed water. So the bigger pump was installed,

13 anticipating a soft start to be installed on it later.

14   That soft start was installed later. The

15 soft start was deemed to be defective, and because it

16 was defective it took out that new motor and pump.

17 The manufacturer of the soft start replaced it, but

18 wouldn't warranty anything else.

19   MS. WISER: Replaced the soft start?

20   MR. THOMPSON: Replaced just the soft start.

21   MS. WISER: Wouldn't do anything about the

22 pump?

23   MR. THOMPSON: But they wouldn't do anything

24 about the other. There was quite a bit of effort that

25 I took and put forth to try to resolve that. Not just

62

1 | me, but the people that bought the soft start and
2 | installed it.
3 | Their supplier that bought it from the
4 | manufacturer was involved in that. But all we could
5 | get was the soft start without a civil lawsuit. Okay.
6 | So that soft start took out that pump. The second
7 | one. I mean that -- so we had to put a second one in
8 | because it took out that new one.
9 | So that's two pumps right there, if you catch
10 | what I'm saying.
11 | MS. WISER: Uh-huh. The one in December now
12 | goes in.
13 | MR. THOMPSON: Now, there was one in May,
14 | then one in July. Actually there were two -- they
15 | were within six weeks. The new one that I put in that
16 | was bigger than what was in there, it went out within
17 | six weeks.
18 | Then another one was put in, and that went
19 | out in nine months. When that was taken out, the
20 | person that installed it said that there was no
21 | warranty on it. He tried to get a warranty from the
22 | manufacturer and they wouldn't produce any warranty
23 | for that.
24 | And so a third pump was put in. That was
25 | done in April. And that was put in by a different

63

1 | manufacturer -- or different supplier.

2 | MS. WISER: Right.

3 | MR. THOMPSON: A different installer.

4 | MS. WISER: Mountain Valley?

5 | MR. THOMPSON: Mountain Valley. Because the

6 | installer that put the first two in didn't want to get

7 | involved --

8 | MS. WISER: Have a third?

9 | MR. THOMPSON: -- anymore. So they wouldn't

10 | come up and service that second motor.

11 | MS. WISER: So is the State --

12 | MR. THOMPSON: Now, in between that there

13 | were several pumps that were put down to make sure we

14 | had water, used ones, to try to get us by so we had

15 | water. And that installer, Peterson Drilling, put

16 | them down, pulled them up. And some of that he did

17 | for free, trying to get us water.

18 | And then of course when that second one went

19 | out, he didn't want any more to do with it.

20 | MS. WISER: So is this date of December 18,

21 | 2009, for Peterson on page 30 --

22 | MR. THOMPSON: That was the payment for the

23 | second pump.

24 | MS. WISER: Okay.

25 | MR. THOMPSON: Because --

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1   MS. WISER: Oh, those are just the payment --

2   dates of payment, not the installation.

3   MR. THOMPSON: Not the installation. And the

4   reason why that was in December is because we were in

5   a preliminary litigation issue on who was responsible

6   for the soft start.

7   MS. WISER: Okay.

8   MR. THOMPSON: So that drug on. And we

9   figured we couldn't deal with it any further, so the

10   Water Company settled with Peterson Drilling in

11   December for his part.

12   His bill originally, instead of the 10,000,

13   was 20,000. Because he pulled the pump several times,

14   dropped it down. We couldn't find out what the

15   problem was until we realized it was the soft start

16   causing the problem.

17   Now, I'm not an electrician. I had three

18   different electricians there trying to find out what

19   the problem was. And it took a while for them to

20   realize it was the soft start causing the problem.

21   This wasn't a simple item to identify.

22   MS. WISER: Okay.

23   MR. THOMPSON: So there was settlement made.

24   And like I said, Peterson Drilling took 50 percent on

25   the dollar to settle his claim. The manufacturer of

65

1 the soft start replaced the soft start. Which we

2 never installed because I was afraid to do it again.

3 The electrician had his issues. And that's where it

4 sat.

5   MS. WISER: So these numbers actually reflect

6 the settlement that --

7   MR. THOMPSON: Yes. They don't actually --

8 they're not actually the bills.

9   MS. WISER: Okay. Thank you for that

10 clarification.

11   MR. THOMPSON: The first pump, the 13,681?

12 That's actually what that cost the first time.

13   MS. WISER: Okay.

14   MR. THOMPSON: That one was, indeed, the real

15 cost. The 10,000 is the settlement amount.

16   MS. WISER: All right. Thank you. And then

17 of course I think another comment I have is about

18 the -- let me see here. And this might -- the answer

19 might be this is for the, the sister docket at a later

20 time.

21   But when that comes up I'm just wondering

22 about amounts, since they are estimates. You know, is

23 that something we wait until meters are installed to

24 find out to raise a rate? Or is that something where

25 a rate just gets raised based on -- I don't know how

66

1 these numbers came up. But it's, you know, they're

2 not actual, they're estimates.

3   MS. BENVEGNU-SPRINGER: That's right.

4   MS. WISER: So is there a way to wait until

5 we know actual? Until after the meters are installed

6 and we're sure how much we're using? Are we gonna

7 base it on what's actually, like, allotted? Or are we

8 just gonna use these numbers that are in here?

9   MS. BENVEGNU-SPRINGER: Timing goes by when,

10 when the Company files. The Company --

11   You filed for the rate increase already?

12   MR. KAPALOSKI: (Moves head up and down.)

13   MS. BENVEGNU-SPRINGER: So the clock has

14 started already on when we have to give a decision --

15 when the Commission has to give a decision on that

16 rate increase.

17   MS. WISER: So you're required -- when it's

18 submitted you have so long to --

19   MS. BENVEGNU-SPRINGER: Two hundred and

20 forty days.

21   MS. WISER: -- finish the whole docket?

22   MS. BENVEGNU-SPRINGER: Yeah. We have

23 240 days for the Commission to issue an order. Now,

24 there are some situations where the Company may waive

25 some of -- may waive that deadline. I don't know if

67

1 this might be one of those or not.

2   MS. WISER: Okay.

3   MS. SCHMID: If they can still waive it.

4   MS. WISER: And how about, like for example

5 we're doing a -- it's not called temporary. I forgot.

6   MS. SCHMID: Conditional?

7   MS. WISER: Conditional certificate based on

8 certain things that need to be done. Is that also

9 something that could happen with the rate increase?

10   MS. BENVEGNU-SPRINGER: Do a conditional

11 rate?

12   MS. WISER: Yeah. Like for right now the

13 condition is you're gonna do a conditional CPCN and

14 the rates are gonna remain. Would that have an effect

15 on the, the rate increase where -- because they're two

16 different dockets, and so I get confused as to where

17 can we overlap.

18   So for example, can this be -- how long can

19 this be conditional for, and will that affect the rate

20 increase that might buy us some time to find actual

21 numbers? Am I -- is that -- am I explaining that

22 clearly? I don't know if I make sense.

23   MR. KAPALOSKI: If I heard you right, one of

24 the concerns -- and I think it takes up a fair amount

25 of the memorandum that was delivered by the

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1 Division -- is monitoring water usage. And if I read

2 the complaint that was filed, a lot of those concerns

3 were also centered around excess usage, and

4 over-usage, and un-metered usage.

5   MS. WISER: Uh-huh.

6   MR. KAPALOSKI: So the goal here is, as soon

7 as possible, to proceed and get approvals to go

8 forward with the metering system so we can monitor

9 individual usage.

10   The master metering is now pretty accurate,

11 obviously, because the City is the metering entity.

12 So you know what's going into the system. Hopefully,

13 and hopefully soon, the leaks will be repaired,

14 because these numbers don't correlate to --

15   MS. WISER: Right.

16   MR. KAPALOSKI: -- rough --

17   MS. WISER: Exactly.

18   MR. KAPALOSKI: So from the Company's

19 perspective the first step is to get the leaks fixed.

20   MS. WISER: Okay.

21   MR. KAPALOSKI: And identified. And I know

22 it sounds like this should be easy, but it -- believe

23 me, it is not easy. I represent North Fork Special

24 Service District in Sundance. We are still looking

25 for some leaks in some of those areas in those

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1   subdivisions.

2   So that aside, second point is to proceed to

3   come back to the Division and the Commission to

4   prepare a contract for metering. Now, how that's

5   gonna be paid and the time frame is part of the rate

6   structure and part of the second docket.

7   So the goal is to identify -- and I think

8   it's for everyone's benefit -- what actually is being

9   used, and to have a rate structure based on that

10   usage.

11   MS. WISER: Right.

12   MR. KAPALOSKI: Now, part of the proposed

13   rate structure -- and I'm getting ahead of myself, but

14   just in anticipation -- would be overage charges.

15   Because --

16   MS. WISER: Right.

17   MR. KAPALOSKI: -- that's a big concern to

18   people.

19   MS. WISER: Somebody using more than the

20   allotted amount.

21   MR. KAPALOSKI: But the only way to actually

22   have an overage charge is to have a meter.

23   MS. WISER: To have a meter, that's right.

24   MR. KAPALOSKI: So that's the goal to proceed

25   as well. So that's --

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1   MS. WISER: And I guess that was part of my

2   question, because you can't assume an overage.

3   MR. KAPALOSKI: That's right. It's an

4   un-metered system. You can't go out and say someone

5   is using more than someone else --

6   MS. WISER: Right.

7   MR. KAPALOSKI: -- until everyone is metered.

8   So that's the goal.

9   MS. WISER: Okay. All right, thank you. And

10 I believe that might be all I have. Let me just make

11 sure. Well, anyway, if I've forgotten something I can

12 email it into the district by --

13   THE COURT: You can make comments on.

14   MS. WISER: How about questions, are those

15 okay also?

16   THE COURT: You can - it depends on who you

17 ask them of. Of the Company or Ms. Benvegnu-Springer.

18   MS. WISER: Okay. Okay. All right. I am

19 finished. Thank you very much.

20   THE COURT: All right, thank you.

21   SPEAKER FROM THE AUDIENCE: I just want

22 (inaudible.)

23   THE COURT: Can you come up?

24   MS. HOGAN: Some of the customers who paid

25 that $970, there was a division of opinion in that.

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1 So there were some who went ahead and paid that. And

2 then some who were waiting to find out whether that is

3 fair, or how that can be redistributed or whatever

4 under a rate increase or whatever. What happens with

5 those customers?

6   MS. BENVEGNU-SPRINGER: I believe that will

7 be addressed in that rate case.

8   MS. HOGAN: Docket 2?

9   MS. BENVEGNU-SPRINGER: Yep.

10   MS. HOGAN: Okay. So should we send that

11 question to you so that can be addressed?

12   MS. BENVEGNU-SPRINGER: Sure. I think

13 somebody already has, but send it again.

14   MS. HOGAN: Okay.

15   THE COURT: And Mr. Eugene Hogan.

16   Mr. Hogan, if you could just state your name

17 and address for the reporter, please.

18   MR. HOGAN: Eugene Hogan, 12495 North

19 Edgewood Place in Deweyville. I live in the

20 subdivision.

21   All right. So some of the questions that I

22 was gonna ask have been answered. So what I want to

23 find out is this 85,000 gallons, or 85,866 gallons,

24 that's the number of gallons per month that is

25 allowed, allowance?

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1   MR. KAPALOSKI: Excuse me, you're referring

2   to the docket? DPU-2? So for her record.

3   MR. HOGAN: DPU-2.

4   MR. KAPALOSKI: Yes. And I think we asked

5   that question earlier. It's still an estimate. That

6   number --

7   MR. HOGAN: It's an estimate of what?

8   MR. KAPALOSKI: Based on the estimates of the

9   total usage of water that's in this document. But I

10   think we've asked it twice, and someone else has asked

11   it. That is nothing more than an estimate.

12   MR. HOGAN: My question is, where did this

13   number come from?

14   MS. BENVEGNU-SPRINGER: That number came from

15   the total amount of estimated usage, total amount for

16   the whole year, divided by 12 to get a monthly amount.

17   By 12 months.

18   MR. HOGAN: So by 12 months. So this then

19   has to be divided by 32 to find out what's the gallons

20   that we're gonna be -- in other words, this has to be

21   divided by 33, right?

22   MR. KAPALOSKI: No.

23   MR. THOMPSON: No.

24   MR. KAPALOSKI: No. That's a per-customer

25   calculation.

73

1   MR. HOGAN: Right. Per customer calculation.

2   So that would be like 2,602 gallons per --

3   MR. THOMPSON: No.

4   MR. HOGAN: No?

5   MS. BENVEGNU-SPRINGER: That's why these

6   numbers are estimates.

7   MR. HOGAN: Okay. So --

8   MS. BENVEGNU-SPRINGER: They're not actual.

9   MR. HOGAN: Our water shares say that we have

10 one domestic -- or culinary water, and another, um, I

11 guess it's for agricultural. So we have two shares.

12 Do we have --

13   MS. BENVEGNU-SPRINGER: They need to answer

14 that.

15   MR. HOGAN: Do we have two shares? Two water

16 shares? Each, each customer?

17   MR. THOMPSON: You have a culinary water

18 share and an irrigation water share.

19   MR. HOGAN: Okay. And how many gallons are

20 in each share?

21   MR. THOMPSON: I don't know if I can remember

22 exactly.

23   Can you remember what that amount is?

24   MR. KAPALOSKI: The estimate is one acre-foot

25 per, per unit, or per household, per connection.

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1 There's 320 --

2   MR. HOGAN: How many gallons is in it?

3   MR. KAPALOSKI: Three hundred twenty-five

4 thousand eight hundred.

5   MR. HOGAN: Three hundred twenty-five

6 thousand eight hundred gallons.

7   MR. KAPALOSKI: And in anticipation of your

8 next question, that number doesn't correlate to this

9 number here.

10   MS. BENVEGNU-SPRINGER: No.

11   MR. HOGAN: I'm just trying to find out how

12 much water we're allowed.

13   MR. KAPALOSKI: That's what the Company has

14 allocated, if you will, contractually in the

15 Company's --

16   MR. HOGAN: So this is not a State definition

17 of what a water acre share is? I mean --

18   MR. KAPALOSKI: Well, acre-foot is a number,

19 and that's what the allocation is.

20   MR. HOGAN: That's what I'm trying to get at

21 is how much is -- how much water is in an acre share?

22   MS. BENVEGNU-SPRINGER: How many gallons?

23   MR. KAPALOSKI: An acre-foot of water equals

24 325,800 gallons per year.

25   MS. SCHMID: Enough water for one foot over

75

1 an acre.

2   MR. HOGAN: Okay. So -- and we're allowed --

3 and how -- and it's the same for agricultural

4 purposes? In other words, an acre of water is the

5 same whether it's culinary water or agricultural

6 water?

7   MR. KAPALOSKI: Yeah, an acre, an acre-foot

8 of water is just a measurement, yeah.

9   MR. HOGAN: So this --

10   MR. KAPALOSKI: How it's used is separate.

11   MR. HOGAN: So this would be 700,000 gallons

12 of water? Because if we have two shares, right?

13   MR. KAPALOSKI: No, you have one, one share

14 that is .448 acre-feet. Another share that is

15 .448 acre-feet. Those are the allocations per unit

16 under the current company.

17   MR. HOGAN: Okay.

18   MR. KAPALOSKI: Okay? And that is total

19 325,800 gallons.

20   MR. HOGAN: That's for one acre-foot?

21   MS. SCHMID: But it's less than --

22   MR. KAPALOSKI: It's for one acre-foot.

23   MR. HOGAN: So if we have two shares we have

24 two acre-feet?

25   MR. KAPALOSKI: No. The total shares, both

 1 shares combined, equals one acre-foot per year per

 2 connection.

 3   MR. HOGAN: Okay.

 4   MR. KAPALOSKI: And that's a typical

 5 allocation that is usually used as a starting point.

 6 Now, what we don't know is what you're actually really

 7 using.

 8   MR. HOGAN: Right. So what --

 9   MR. KAPALOSKI: And that's what part of the

10 metering system and the measurement system is supposed

11 to determine.

12   MR. HOGAN: Right. So once we determine how

13 much water is being used, can we subtract how many

14 users -- according to the meter how much we're allowed

15 and how much usage each user is using, then you come

16 up with a figure of how much is leaking --

17   MR. KAPALOSKI: That's exactly right.

18   MR. HOGAN: Okay. So then what's -- why

19 can't we determine what the rates are gonna be in the

20 future with just determining on the acre-foot of

21 water?

22   MR. KAPALOSKI: Very simple answer to that.

23 Some people may be using three times as much as other

24 people.

25   MR. HOGAN: I know. I'm just saying on per

                                                        77

1 acre-foot.

2   MR. KAPALOSKI: We don't know what is

3 actually getting to each household and how much each

4 household is using. That's the rate structure.

5   MR. HOGAN: No, no. I'm not saying -- I'm

6 not asking you. I mean, we have a -- there's a rate

7 on per acre-foot. So in other words if I don't use a

8 per acre-foot, say if I use three-quarters of an

9 acre-foot, that's what I'm charged on, correct?

10   MR. KAPALOSKI: Not in the current -- I mean,

11 we're getting into the rate case. But the rate case

12 is gonna be used based on gallonage per unit. And

13 there's proposed to be a minimum and then an overage

14 charge.

15   And how that's calculated I can't explain yet

16 because we don't know what the average overage is,

17 what the cost of operating the company will be, and

18 how you allocate that cost between base usage, which

19 is called base usage, and overage of a certain amount.

20   And that's to be determined with the Division

21 and the Company in the discussion of what the rate

22 case will be for the increase. Because we don't know,

23 nobody knows -- I mean, I think we made this

24 comment -- there's nothing more than estimates about

25 how much water is being used by each individual. We

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1 don't know.

2   MR. HOGAN: We don't know, but we -- there's

3 a -- is it stated that we get two -- we have two

4 shares? So there is a fixed number --

5   MR. KAPALOSKI: There's --

6   MR. HOGAN: -- of gallons?

7   MR. KAPALOSKI: Yes. Right now it's

8 estimated, in the corporate articles, that there is an

9 acre-foot per, per user that's allocated under the

10 water rights. But we don't know actually, in fact,

11 how much is being used by each individual.

12   It could be less, it could be more, it could

13 average something. I don't know that. The only way

14 to monitor that is by metering.

15   MR. HOGAN: Okay. So then when, when it's

16 determined that there are leaks, who pays for the

17 leaks? The Company?

18   MR. KAPALOSKI: The Company. The Company has

19 to repair its system. As was explained earlier, what

20 you now have is a very reliable well. And an entity

21 that operates that well, which is the City. And it

22 delivers the water on a sustained basis to a point.

23   After that point the cost of upgrading, and

24 repairing, and fixing the system is the responsibility

25 of the Company. And the way the Company gets paid for

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1 those repairs, and replacements, and leaks is by

2 putting it in a rate structure.

3   MR. HOGAN: Okay. So right now the meters

4 are proposed to go on the current valve, or?

5   MR. KAPALOSKI: I don't know the details of

6 exactly where the meters are gonna be installed. But

7 they would be individual meters on each household --

8 or each connection.

9   MR. HOGAN: On each connection?

10   MR. KAPALOSKI: Right.

11   MR. HOGAN: So previously Lori stated that

12 some connections are 250 feet away from the houses

13 that go underneath the County road.

14   MR. KAPALOSKI: I, I'm sorry, I don't know

15 the technical location of every pipe. The proposal

16 here -- and maybe Mr. Thompson can explain it -- but

17 is to install a metering system which is skated, or

18 monitored, electronically for each household

19 connection. Okay?

20   MR. HOGAN: Uh-huh.

21   MR. KAPALOSKI: That does not deal with

22 common lines that are coming in from the delivery

23 point from Tremonton City to each household. That's a

24 common cost for the whole utility.

25   MR. HOGAN: Well --

1   MR. KAPALOSKI: So if there are leaks in the

2   system between the connection with the City and the

3   connection to the household, that's a common company

4   obligation to repair and fix.

5   MS. SCHMID: The main line?

6   MR. KAPALOSKI: The main line. Basically,

7   yeah. The main line. If there are leaks past the

8   point where the connection goes to the household,

9   that's the responsibility of the user.

10   MR. HOGAN: So where does the -- where does,

11   where does an individual's responsibility end?

12   MR. KAPALOSKI: At the meter point. Is my

13   best understanding.

14   MR. HOGAN: At the meter point?

15   MR. KAPALOSKI: The valve. Right now

16   apparently there's --

17   MR. THOMPSON: There's a valve.

18   MR. KAPALOSKI: There are valves for each

19   household.

20   MR. HOGAN: It does look like there are

21   valves.

22   MR. KAPALOSKI: Right.

23   MR. HOGAN: So that would then -- the way

24   you're explaining it, that if my connection point goes

25   underneath the county road I would be responsible for

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1   the leak underneath the county road.  I wouldn't -- I
2   would be responsible beyond my property line.
3           MR. KAPALOSKI:  I, I wish I -- I don't know
4   the technical location of where your connection is.
5   I'm just answering it generally.
6           MR. HOGAN:  I'm stating if my connection goes
7   underneath the county line, is my responsibility
8   beyond my land that I own?
9           MR. THOMPSON:  It would be --
10          MS. BENVEGNU-SPRINGER:  Can I just add a
11  comment there?  When the meter is installed the meter
12  should be installed on the property line.  On your
13  property line.  So that from the point of the meter to
14  the house --
15          MR. HOGAN:  Uh-huh.
16          MS. BENVEGNU-SPRINGER:  -- becomes your
17  responsibility.
18          MR. HOGAN:  Okay.  So my --
19          MS. BENVEGNU-SPRINGER:  Okay?
20          MR. HOGAN:  But that's, that would be a
21  normal situation?
22          MS. BENVEGNU-SPRINGER:  That's right.
23          MR. HOGAN:  Okay.
24          MS. BENVEGNU-SPRINGER:  That's what we would
25  prefer and we would hope that the system would do.
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1 That's how it should be installed.

2   MR. HOGAN: Okay. The rest of the questions

3 I had I think were answered by some of the other

4 people.

5   THE COURT: Okay. Thank you, Mr. Hogan.

6   That's all I have.

7   MS. ANDERSON: Can I ask a related question

8 to his?

9   THE COURT: Uh-huh. Why don't you come up to

10 the microphone.

11   MS. ANDERSON: I'm Barbara Anderson again.

12 That means that we're gonna get one bill from the

13 Cedar Ridge Company and another bill from Tremonton?

14   MR. KAPALOSKI: No.

15   MS. ANDERSON: How does that --

16   MR. KAPALOSKI: No.

17   MS. ANDERSON: Explain that then, please.

18   MR. KAPALOSKI: Part of the cost of the

19 system is to pay the water charges from Tremonton City

20 to the Company.

21   MS. ANDERSON: They've already set their

22 rate.

23   MR. KAPALOSKI: Yes.

24   MS. ANDERSON: For this year. And then --

25   MR. KAPALOSKI: Yes.

1   MS. ANDERSON: -- they're going to negotiate

2   next year. So you're going to have to coordinate with

3   them, too, so that they get their --

4   MR. KAPALOSKI: Yes.

5   MS. ANDERSON: -- slice of the pie, we get

6   our slice of the pie?

7   MR. KAPALOSKI: But the second answer to your

8   question -- and I'll be euphemistic, I'm sorry. There

9   are two slices of this pie. The second slice is how

10   you allocate the cost to each individual. And that

11   gets back to the metering.

12   So there are base, base delivery of water.

13   X amount of water comes from Tremonton City. That's a

14   metered and delivered amount of water.

15   MS. ANDERSON: And they base that on?

16   MR. KAPALOSKI: Gallons delivered.

17   MS. ANDERSON: On gallons per home per share?

18   MR. KAPALOSKI: No. Gallons delivered to the

19   delivery point.

20   MS. ANDERSON: Well, they had to have said,

21   You need this much water for this many houses. There

22   had to be a number that they chose for a reason.

23   MS. BENVEGNU-SPRINGER: Right. There was an

24   estimate.

25   MS. ANDERSON: Wasn't that on our --

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1   MR. KAPALOSKI: There was an estimate.

2   MS. ANDERSON: Wasn't that on our

3   one-share-of-this-one-share-of-that --

4   MR. KAPALOSKI: That was --

5   MS. ANDERSON: -- combination?

6   MR. KAPALOSKI: Yeah. And the point is that

7   there is -- there are obviously some leaks. And

8   because the water doesn't correlate to real usage.

9   That's, again, what we talked about earlier. These

10 numbers are estimates.

11   Once the leaks are found and repaired and

12 once the meters are installed there will be a cost to

13 pay Tremonton City at that delivery point. And then

14 each individual will be paying, based on the rate

15 structure, for how much water they're using.

16   MS. ANDERSON: And we'll get one bill through

17 this company --

18   MR. KAPALOSKI: Yes.

19   MS. ANDERSON: -- and then David will pay

20 Tremonton?

21   MR. KAPALOSKI: Yes.

22   MS. ANDERSON: This is a comment. It seems

23 to me before the Commission accepts a new company that

24 company ought to be viable, and have good assets, and

25 close to zero on the liability level. This company,

85

1   if it's starting out as a brand new company, is

2   starting out in the hole.

3   Is that a stupid thing to say? And then we

4   are going to go back and pay bills that --

5   retroactively that happened years ago. It would seem

6   that the Company -- don't you, by the time you have a

7   company go into business, say, Okay, what are your

8   assets? What are your liabilities? Aren't you -- are

9   you viable? Are you in good shape? End of question.

10   I think that's.

11   MS. BENVEGNU-SPRINGER: How I can address

12   that is the Division's mission is to find a balance

13   between ensuring that the company is viable and

14   provides a safe, reliable service to the customers, at

15   the same time make sure that it is affordable, just,

16   and reasonable to the customers.

17   And so we are trying to find that balance

18   that is in there so that the customers have a safe,

19   reliable service at a reasonable cost, and yet the

20   Company can provide that service at prices and with

21   best practices to be able to do that.

22   THE COURT: And just from the Commission's

23   point of view, ladies and gentlemen, practically, you

24   have to have water. And you don't want to have -- I

25   wish your situation was unique, but unfortunately it's

86

1 not.

2   We have other companies where, you know, it's

3 not like a Rocky Mountain Power. Somebody with

4 billions of dollars to spend on experts, and

5 accountants, and lawyers. And most of the time it's

6 gonna be a small developer or owner that runs the

7 company.

8   And you need water. And what you don't want

9 to have -- I mean, I wish -- it would be nice to say

10 to a company, You can't have any liabilities. But the

11 fact of the matter is, customers need water.

12   And you don't want to have happen what we had

13 a couple years ago where a company kind of flew under

14 the radar for several years. And then all of a sudden

15 I think it was 16, maybe 20 homeowners were stuck with

16 a $45,000 bill.

17   And they were talking about people -- you

18 know, hiring. Somebody doing trenching, and somebody

19 else buying the pipes, and somebody else buying

20 meters. And you're left with practically the

21 situation that, We need water. How are we gonna pay

22 for water, because this company has gone under?

23   So understand that, kind of like what Shauna

24 was saying, there's a lot of things that should have

25 happened, probably, in the past. Whether they

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1 happened or not, we still have to look at the fact

2 that this is the only entity that's providing water.

3 And you need to have water. And, you know, having to

4 deal with the realities of, of that situation.

5   So understand that that's our predicament --

6 it's kind of a common predicament -- is that we have

7 to ensure that you're provided water. And we kind of

8 take the Company as it comes.

9   Any other questions, any other comments?

10 Uh-huh. Ma'am, can you tell me your name and address,

11 please?

12   MS. RIRIE: Sonya Ririe, R-i-r-i-e,

13 12565 North 3400 West.

14   THE COURT: Okay. Go ahead, Ms. Ririe.

15   MS. RIRIE: We have a, quite a conundrum,

16 David. What do we do now when, when we heard this

17 gentleman say that the cost of any leaks is gonna be

18 on the person's property, when our valves are up in

19 the middle of Randy's lawn.

20   MR. THOMPSON: Uh-huh.

21   MS. RIRIE: We have one line going down that

22 takes --

23   MR. THOMPSON: Uh-huh.

24   MS. RIRIE: -- down to 3400 West. And that's

25 where ours and Eldon's splits. We put a meter in

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1   there, where are we gonna put a meter?

2   MR. THOMPSON: Well, that --

3   MS. RIRIE: And who's responsible for that

4   line from Randy's lawn down to where the line splits?

5   MR. THOMPSON: Well, Sonya, yours is a

6   situation that is definitely unique of its own. And

7   of course the only way to solve that problem is to put

8   a meter right there on Randy's lawn. Which wouldn't

9   have anything to do with you guys, but that would

10   say -- that would give us total water that's going

11   down the road.

12   MS. RIRIE: Yes.

13   MR. THOMPSON: And then there would be a

14   meter that goes to your house, a meter that goes to

15   Dallas's, and one to Eldon's.

16   MS. RIRIE: Okay. Now, there's two lines --

17   MR. THOMPSON: I --

18   MS. RIRIE: Dallas's is separate from ours.

19   MR. THOMPSON: I'm just saying, there would

20   be a meter that went to each one of you guys's homes.

21   If the total usage of those three meters is the same

22   as the one up in Randy's house, then there's no leak

23   between Randy's house and you guys.

24   MS. RIRIE: But we're gonna have to be double

25   metered?

1   MR. THOMPSON: But that isn't a cost that

2 you're gonna have to bear. That third -- that extra

3 meter. Because there's no way to do that.

4   MS. RIRIE: Okay.

5   SPEAKER FROM THE AUDIENCE: (Inaudible.)

6   MR. THOMPSON: I didn't hear you.

7   THE COURT: Let's just have --

8   MR. THOMPSON: I didn't hear, Barbara.

9   THE COURT: Let's just have --

10   SPEAKER FROM THE AUDIENCE: All of us would

11 participate --

12   THE COURT: -- the person speak at the

13 microphone, because it's difficult for the reporter to

14 take everybody's words.

15   MR. THOMPSON: Sonya? The thing is, is

16 Tremonton City has an agreement to maintain the line

17 to you people.

18   MS. RIRIE: Okay.

19   MR. THOMPSON: So they would have to take

20 care of that meter. To where -- to the part where it

21 goes to your property.

22   MS. RIRIE: Okay. So that it would go

23 underneath 3400 West?

24   MR. THOMPSON: Yes.

25   MS. RIRIE: And that would be our

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 1   responsibility?
 2            MR. THOMPSON:  And that's the only way that
 3   that can be solved.
 4            MS. RIRIE:  Thank you.  That --
 5            MR. THOMPSON:  And that meter is not going to
 6   be borne -- that cost would not be borne on any of the
 7   33 connections that we've talked about.
 8            MS. RIRIE:  Okay.
 9            MR. THOMPSON:  That's something in addition.
10   It's just a supplementary meter because there's no way
11   to get three lines across the road.
12            MS. RIRIE:  Right.
13            MR. THOMPSON:  So it's been thought about by
14   myself as I've considered that situation, and that's
15   about the only way that that can be dealt with.
16            MS. RIRIE:  Okay.  Now Daryl, where'd you go?
17   Did he go home?
18            SPEAKER FROM THE AUDIENCE:  He had to go to
19   young mens.
20            MS. RIRIE:  Okay.  Now, what about his?
21            MR. THOMPSON:  He would have one close to his
22   lot also.  On the property line.
23            MS. RIRIE:  Yeah.  Now, I don't know where
24   his shutoff valve is.  I know it's somewhere in the
25   division.  It's not --
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1   MR. THOMPSON: No, it isn't. No. The

2   shutoff valve is right on his property line. Yes.

3   There is a shutoff --

4   MS. RIRIE: On Daryl's property?

5   MR. THOMPSON: Yes, uh-huh.

6   MS. RIRIE: Okay.

7   MR. THOMPSON: There is a shutoff there.

8   There is another valve up higher, but that has to be

9   remedied.

10   MS. RIRIE: Okay.

11   MR. THOMPSON: Those are just engineering

12   items that we have to deal with, to deal with the

13   meters so that it's fair.

14   MS. RIRIE: Okay.

15   MR. THOMPSON: And that is something that has

16   to be taken care of that is specific to that

17   circumstance.

18   MS. RIRIE: Okay. Thank you.

19   MR. THOMPSON: Okay.

20   THE COURT: Thank you. Anyone else that

21   would like to make any comments?

22   No? Okay. Then I'll just remind you that if

23   you would like to submit written comments you can

24   email the Commission at 80 -- I'm sorry, PSC@Utah.gov.

25   If you want to fax I'll give you our office number. I

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1   don't know the fax number off the top of my head.

2   But our phone number is (801) 530-6716. And

3   you can call our office number Monday during the week,

4   and they'll give you the fax number if you want to fax

5   your comments in.

6   Okay. Thank you very much, ladies and

7   gentlemen, we'll take this matter under consideration.

8   (The hearing was concluded at 7:02 p.m.)

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C E R T I F I C A T E

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

    This is to certify that the foregoing proceedings were taken before me, KELLY L. WILBURN, a Certified Shorthand Reporter and Registered Professional Reporter in and for the State of Utah.

    That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting. And that a full, true, and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages, numbered 1 through 93, inclusive.

    I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

    SIGNED ON THIS **5th** DAY OF **July**, **2011**.

_____
Kelly L. Wilburn, CSR, RPR
Utah CSR No. 109582-7801

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$0.35 [1] - 12:7
$1,200 [1] - 45:20
$16,740 [2] - 13:21, 13:23
$17,530 [1] - 15:15
$190,000 [1] - 11:25
$22,366 [1] - 11:14
$25 [1] - 31:1
$3.50 [1] - 37:21
$31,904 [1] - 11:6
$34,500 [1] - 11:11
$384 [1] - 15:7
$4,507 [1] - 15:6
$40,354 [1] - 10:20
$45 [3] - 12:22, 13:22, 31:2
$45,000 [1] - 87:16
$49,000 [1] - 43:5
$49,507 [3] - 9:11, 15:3, 58:16
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$585 [1] - 15:9
$75 [1] - 12:24
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$970 [4] - 41:6, 41:11, 43:3, 71:25

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