

November 22, 2011

RE: In the Matter of the Application of Cedar Ridge Distribution Company for an Increase in Rates. **CLARK PUBLIC SERVICE COMMISSION**  
2011 DEC 20 15:23 280696

It is the position of the undersigned that the recommendations developed by the Division of Public Utilities dated November 14, 2011 be adopted with the following additional stipulations and considerations.

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The \$190,000.00 payment proceeds from the sale of the well to Tremonton should stay in the company. Recommended disbursements are as follows: Meter installation (estimated at \$49,500.00), assessment fee repayment to customers (\$12,610.00), legal fees (which we recommend be capped at \$19,648.00), and any other outstanding loans (amount to be determined by Division recommendation once all requested disclosure and documentation for loans to the company are submitted). Once the debts outstanding are paid the remaining balance of the \$190,000.00 should be placed in the Reserve account.

It is our understanding that there are currently \$29,000.00 in loans (not including interest) that have been presented by the company. Approximately \$13,500.00 of these loans represent request for payment to David Thompson for Water Master duties at his invoiced fee of \$75.00/hour. We agree to the Division's recommendation of \$25.00/hour as the current accepted salary equivalent for Water Master duties and recommend the loan for these services be paid at that rate.

**Additional Stipulations:**

1. **Reserve Balance:** To ensure the best possible delivery of water to the customer and comply with water right regulations, we recommend that the Reserve Balance be left in the account to be expressly designated for following purposes:
  - a. Repair of leaks and repairs to the infrastructure, to repair faulty valves and to be able to respond to unforeseen emergencies (e.g. holding tank/cistern leak or replacement) and related expenditures which may adversely affect the infrastructure during this time with the outcome being to extend the life of the infrastructure. We acknowledge that a leak that may occur in the lines from the valve at the homeowner's property line to the home is the responsibility of the homeowner (customer).
2. **Legal Fees:** It is our position that the allowance for Legal Fees incurred by Mr. Thompson and the company for CPCN and the Rate Increase cases be capped at \$19,648.00. We agree with the Division of Public Utilities assertion that had Mr. Thompson cooperated with the Division, an Order to Show Cause would not have been necessary and, thus, significant legal fees in the amount of \$17,025.00 would not have been necessary as well. Therefore, we believe that our offer of a disbursement for the above stated cases should be permanently capped. Our offer is fair and reasonable at \$19,648.00. Legal fees remaining above this cap are to be assumed personally by David Thompson. The \$19,648.00 is disbursed as follows:
  - a. \$17,025 for the CPCN
  - b. \$2,623.00 for the Rate Increase Case

3. ***Leak Repairs:*** It is our position that in order to provide for the best possible solution to repairs of the leaks to the infrastructure, an independent contractor should be hired through a bid process. To date, no adequate map of the connections to the homes has been produced. The company is showing significantly higher than normal usage rates based on Tremonton City's meter at the point of delivery. No reasonable explanation has been produced for this by Cedar Ridge Water Company. Therefore we do not feel confident that the company may have the skills necessary to produce a competent solution. We also feel that an independent contractor with expertise in this specific type of infrastructure piping and delivery system will provide the most cost effective and correct solution. The benefit is that in the event the contractor does not perform according to contract, the corporation will be able to pursue an unbiased course of remedy through the judicial system.
4. ***Meter Installation:*** It is our position that we are advocating for an independent contractor to deliver and install the water meters to each customer's home. This is a very specific skill set and we feel that a contractor with expertise and certification in this discipline will provide the most correct and cost-effective solution. However, it is our understanding that Mr. Thompson submitted a bid that was accepted by the Commission. We reserve the right to request and receive a copy of a clear statement of work with timeline. We also reserve the right to specify that the meters be installed strictly according to the statement of work; timeline; and according to best practices. If Mr. Thompson does not meet these criteria that we reserve the right to demand the corporation hires a contractor to correct any and all problems with the costs to be borne by Mr. Thompson..
5. ***Loans:*** It is our position that loans circulating in a "liquid manner" to and from the company by its officers need to cease. All loans from this time into the future will need to be fully documented and be approved by the board. These should show sufficient cause and be delivered by an authorized lending facility e.g. bank, credit union, federal loan and/or grants. If from a private party, loans should be fully disclosed and verified as to their legality by counsel. Interest rates will be consistent with IRS rules and not at the discretion of corporate officers.
6. ***Mutual Water Company consideration:*** It is our position that we may want to consider moving to a Mutual Water Company structure only after certain conditions have been met. These are:
  - a. The Cedar Ridge Water Company has been debt-free for two (2) years.
  - b. The Cedar Ridge Water Company as it exists in its current structure is operating soundly.
  - c. The infrastructure has been repaired and is sound.
  - d. Meters installed and functioning.
  - e. All of the company's customers have been informed of intent by notice and in writing so that they may fully understand what they are being asked to participate in.
    - i. Each customer shall be defined as having one-hook up and will have one (1) vote on all matters presented by the Board of Directors. A vacant lot is not considered a customer and, therefore, equals no vote.
    - ii. It is also recommended as a Mutual Water Company we will remain under regulation by the Public Service Commission until

the customers determine that we are viable enough to become exempt and want to manage on our own.

- iii. We would advocate for a Board of Directors to be nominated by the customers and comprised of unbiased parties to provide oversight. The customers of record would vote on the members to be elected to the Board. Votes will not be delegated to the board "on behalf" of the customers. The Board would serve in either a volunteer capacity or be paid a stipend either of which can be determined at that time.
- iv. Officers should be elected with diversity from our small community to provide continuing checks and balances to ensure that the company operates according to all Division regulations, Drinking Water regulations and standard accounting practices

7. ***Certificates of Water Shares:*** It is our position that the customers of the Cedar Ridge Water Company are due our certificates as promised within the bylaws of the corporation. These reflect the terms of the bylaws of 0.9 acre feet of water. We were due these at the time of purchase of real estate in the Cedar Ridge Subdivision. It is important for future transactions to be able to convey these to new owners should we sell. These have been an issue in the past with lending institutions who insist on documentation regarding water delivery. Therefore, we recommend these be issued by January 31, 2012.

8. ***Ongoing Concerns:***

It has come to our attention that there are issues that impact our ability to confidently enter into a compromise agreement with Cedar Ridge Water Company and Mr. David Thompson. These are as follows:

- 1. ***There are outstanding debts that have not been satisfied to our knowledge.***
  - a. There exists 2-3 former customers of the water company who loaned \$1250.00 for the new well (the same well sold to Tremonton City) that were never repaid. They moved and their money was never put in escrow until all legal attempts were made to contact them. We wish to consider these debts out of disbursements from the \$190,000.00 proceeds.
    - i. Those former customers are:
      - 1. Jonathan & Angie White (Divorced)
      - 2. Jim & Lynette Fronk (Divorced)
      - 3. Lawrence Behrman (contributed twice) Deceased
- 2. ***We would like an accounting of the whereabouts of assets such as the failed pumps and soft start equipment.*** They should remain the property of the company and if no warranties were applied for, or if warranties were violated resulting in "scrap condition" of the pumps they should be sold as such and the proceeds placed into the corporate reserve.
- 3. ***Water lines outside of the Division of Water Rights regulated boundaries for Cedar Ridge Water Company.*** We would like to understand how this may impact the company financially and what its obligations are to service and provide for repairs in the future. These properties outside the boundaries are:
  - i. Darryl Anderson
  - ii. John Thompson
  - iii. Thompson & Son Cabinet Company

- iv. Dallas Clark
  - v. Eldon Johnson
  - vi. James Ririe
4. ***Fire Hydrants:*** We would like to ensure that our fire suppression is in accordance with insurance company expectations so that in the event of a fire our compensation for loss is not compromised due to failure of the hydrant system and their need to find a way to indemnify their loss. We would like to have Fire Marshall inspection and recommendations with a report on file.
  5. ***Insurance:*** It is essential that a General Liability insurance policy as well as a Liability Policy on Corporate Officers be purchased via a three bid process. This will indemnify the company and ensure the interests of its customers. We recommend that the deadline for purchasing insurance be January 31, 2012.
  6. ***Water Master Fees:*** We are concerned that there may be an accounting error with regard to allowable fees. If the Commission accepts Mr. Thompson's bid to deliver the installation of the water meters, we are concerned that this will result in double payment for Water Master Fees plus labor fees for meter installation. We would recommend that time be recorded for each day, hours and time-in, time-out while Mr. Thompson works on water meter installation.

We respectfully ask that the Commission consider our interests as customers to have the right to expect a viable, legally, appropriately governed water utility that will serve us by delivering safe, clean water allotments as set forth by the State of Utah. We believe that adopting the Division's recommendations as well as those contained in this document will ensure the best possible outcome for the customers and the company.

EXCEPT  
ITEM 6

Print Name	Signature	Customer/Intervener	Date
Camille King	<i>Camille King</i>	Intervener	11/22/2011
Frances Doney	<i>Frances Doney</i>	Intervener	11/22/2011
Doug Adams	<i>Doug Adams</i>	Intervener	11-22-2011
Dorothy Hogan	<i>Dorothy Hogan</i>	Intervener	11/22/11
Lori Wiser	<i>Lori Wiser</i>	Intervener	11/22/2011
Charles Jennings	<i>(by phone) Charles Jennings</i>	Intervener	11/22/2011
PAUL RODGERS NICKI RODGERS	<i>Paul Rodgers</i>	CUSTOMER	11/22/2011
Luhuaana Atern	<i>Luhuaana Atern</i>	Intervener	11/22/2011
EUGENIE HOGAN	<i>Eugenie Hogan</i>	INTERVIEWER	11/22/2011
Bryce Wiser	<i>Bryce Wiser</i>	Intervener	11/22/2011
LARRY MAUGHAN	<i>Larry Maughan</i>	INTERVIEWER	11/22/2011
Devlin King	<i>Devlin King</i>	Intervener	11/22/2011
DEE DONEY	<i>Dee Doney</i>	Intervener	11/22/2011