- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

	)	
In the Matter of Hi-Country Estates	)	**Docket No. 13-2195-02**
Homeowners Association for	)	**DPU Exhibit 2.0 REBUTTAL**
Approval of its Proposed Water Rate	)	
Schedules and Water Service	)	
Regulations	)	
	)	

REBUTTAL TESTIMONY

OF

SHAUNA BENVEGNU-SPRINGER

STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF PUBLIC UTILITIES

FEBRUARY 20, 2014

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I. IDENTIFICATION OF WITNESS

Q. ARE YOU THE SAME SHAUNA BENVEGNU-SPRINGER WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I am. I provided Direct Testimony on behalf of the Division of Public Utilities ("Division").

II. SUMMARY

Q. PLEASE STATE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.

A. The purpose of my Rebuttal Testimony is to further describe and clarify the Division's position regarding Hi-Country Estates Homeowners Association's (the Company) application for proposed water rate schedules and water service regulations.

III. WELL LEASE AGREEMENT AND FEE

Q. PLEASE STATE AND RECLARIFY THE DIVISION'S RECOMMENDATION REGARDING THE WELL LEASE AGREEMENT AND FEE.

A. After reading the direct testimony of Mr. Rodney Dansie filed on January 30, 2014 and further revisiting the Commission's 1986 order in Docket No.

85-2010-01, the Division re-examined the well lease agreement and fee issues. In my direct testimony, I explained that the Division recommends that the Commission deny the Company's proposed well lease fee of $3.85 per 1,000 gallons because the Division had not received information regarding the proposed transportation route for delivery of the water, an explanation of additional infrastructure and water rights needed, and related costs. To clarify, in my direct testimony, the Division did not include the $3.85 per 1,000 gallon cost or any other cost in rates to recover the well lease obligation from the ratepayers.

Q. HAS THE DIVISION PREPARED FURTHER ANALYSIS EXAMINING THE RESULTS OF INCLUDING THESE COSTS IN RATES?

A. Yes. The Division has since made some assumptions regarding the cost through two scenarios, referred to in Table 1 below, to analyze an estimated cost. Neither of the two scenarios included service connection and hook-up fees nor damage expenses associated with the well lease agreement.

TABLE 1
HI-COUNTRY ESTATES HOA
WELL LEASE COSTS

	COSTS	**SCENARIO 1**		**SCENARIO 2**	
1	Total Number of Hi-Country Ratepayers	126		126	
2	Amount of Well Lease Water Annually	12,000,000		12,000,000	
3	Average Residential Indoor Use Only	7,543		7,543	
4	Proposed Well Lease Rate	$ 3.85		-	
5	Purchased Herriman Water Rate	**		$ 2.33	
6	Hi-Country Water Consumption Rate	**		$ 0.53	
7	Rate Costs per Year for Hi-Country	$ 46,200		$ 34,320	
8	Hi Country Fixed Costs	**		$ 936	*
9	Legal Costs for PSC Proceedings	**		$ 10,000	(est.)
10	**Total Well Lease Cost per Year**	**$ 46,200**		**$ 45,256**	
	IMPACT TO RATEPAYERS	**SCENARIO 1**		**SCENARIO 2**	
11	Well Lease Cost per Month	**$ 30.56**		**$ 29.93**	
12	Residential Monthly Cost	$ 78.00		$ 78.00	
13	Water Consumption Rate	$ 4.00	***	$ 4.00	***
14	Total Ratepayer Bill	**$ 112.55**		**$ 111.93**	
15	**Cost per 1,000 Gallon Used**	**$ 14.92**		**$ 14.84**	

***** Based on $78 monthly charge for 12 months
****** Assumed to be included in the proposed well lease rate of $3.85
******* 2009 Average residential indoor water use per capita per person is 62 gallons a day (Average household of 4 people consumes $7,543 gallons monthly per Division of Drinking Water)

For Scenario 1, the Division used the Company's proposed well lease rate of $3.85 per 1,000 gallons[1]. Here, the cost would be $46,200 a year ($3.85 x 12,000) to the water system, if 12 million gallons of water were provided under the well lease agreement. Dividing this sum by the number of ratepayers results in each ratepayer incurring an additional cost of $30.56 per month to their water bill.

For Scenario 2, the Division assumed that the Company was to provide a connection to its water system near the front gate to the Hi-Country subdivision[2], purchased the additional water from Herriman City at $2.33 per 1,000 gallons, charged Hi-Country's variable cost of $0.53 per 1,000 gallon for pumping to the Dansie connection, added fixed costs of $936 ($78 x 12 months) and included $10,000 in estimated legal costs, making the total cost approximately $45,256 annually to the Hi-Country ratepayers if the well lease obligation and costs as set forth above were accepted as part of the rates. Dividing this sum by the number of ratepayers, will results in each ratepayer incurring an additional cost of $29.93 per month.

Q. WHAT COST IMPACT WOULD THIS HAVE ON EACH RATEPAYER?

[1] For this example, the Division is assuming that the $3.85 per 1,000 gallons is a cost based rate although no supporting documentation has been provided.

[2] This could be the closest point to the Dansie property.

A. The Division additionally analyzed what effect including the well lease agreement costs would have on the ratepayer's cost per 1,000 gallons on water. In sharp contrast to 12,000,000 gallons per year arguably provided under the well lease agreement, the Division made the following assumptions:

1) a person in Utah uses on average 62 gallons of indoor only water per day[3],
2) an average household of four uses 7,543 gallons per month or 90,516 gallons per year, and
3) the Company's residents use an average of 309,711 gallons per year for outside and inside water use.

Including the well lease obligation would equate to each ratepayer using 131,868 gallons well lease water and 309,711 gallons of "regular Company" water for a total of 441,579 gallons of water per year. Including all well lease agreement related costs, the monthly cost of each ratepayer would increase by $30.56 per month under Scenario 1 and $29.93 per month under Scenario 2. Thus, the ratepayer using the average amount of water and a share of the well lease agreement obligation costs would pay a minimum of $112.55 per month under Scenario 1 or $111.93 per month under Scenario 2. This

[3] 3 "2009 Residential Water Use, Survey Results and Analysis of Residential Water Use for Seventeen Communities in Utah", Utah Department of Natural Resources, Division of Water Resources, November 3, 2010; page 15

equates to the customer paying $14.92 per 1,000 gallons used under Scenario 1 and $14.84 per 1,000 gallons used under Scenario 2.

Q. DOES THE DIVISION BELIEVE THIS IS A PRUDENT CONTRACT?

A. No. I analyzed the facts under the prudence standards set forth in Utah Code Annotated § 54.4.4(a). My analysis showed that entering into the well lease agreement was not prudent because of:

1) the perpetual duration of the contract;
2) the benefits do not commensurate with the cost of providing the well demonstrating a gross disparity;
3) originally the 1977 well lease agreement had no limitation on the volume of water to be delivered, but was arguable limited by a standard of reasonableness; and,
4) the 1985 amendment which added the amount of 12,000,000 gallons per year to be delivered approximately equaled the total water system use in 1985.

Q. WHAD DID YOU CONCLUDE?

A. The Division recommends that the Commission disallow recovery of the obligation through rates because the contract was imprudent and unreasonable when made. Allowing recovery from ratepayers for an obligation of indeterminate cost and duration is not in the public interest. Allowing recovery would create an undue burden requiring the ratepayers to fund the increasing perpetual cost of providing 12 million gallons of water indefinitely. The well lease water of 12 million gallons annually represents 40.4% additional water to be provided over what 91 customers used in 2013. By allowing the cost to be recovered in rates, it would adversely affect the public interest and would not result in just and reasonable rates.

The Division restates and continues to recommend that the Commission not approve the Company's proposed well lease fee of $3.85 per 1,000 gallons. The rates, resulting from Scenario 1 and Scenario 2 and the additional analysis provided, demonstrate that if the costs of recognizing the well lease agreement obligations were included in rates and analyzed under the prudence standards set in statue, the resulting rates would be unjust and unreasonable, and would not be in the public interest.

Q. PLEASE SUMMARIZE.

A. For reasons set forth above, the Division recommends that the Commission not allow any well lease obligation cost to be recovered through rates payable by the ratepayers. To the extent that the well lease agreement imposes a legally enforceable obligation on the Company, the Company should not be permitted to recover those costs through customer rates.

VI. ADDITIONAL WELL LEASE ISSUES

Q. PLEASE ADDRESS THE DIVISION'S RECOMMENDATION REGARDING OTHER ISSUES MR. DANSIE SET FORTH IN HIS DIRECT TESTIMONY?

A. Mr. Dansie's testimony also addressed:

1) modifying the service area;
2) an obligation concerning legal costs and fees associated with Public Service Commission proceedings; and,
3) damages for accrued water due to non-compliance with the well lease agreement.

Q. PLEASE ADDRESS THE ISSUE OF THE HI-COUNTRY SERVICE AREA.

A. Mr. Dansie states that the proposed boundaries by the Company exclude "the back 80 acres owned by the Dansies."[4] A legal description or

[4] Public Service Commission Docket No. 13-2195-02, Direct Testimony of Rodney Dansie, January 30, 2014, page 7, line 7.

map showing the disputed area was not presented by Mr. Dansie to illustrate what should be included in the service area.

The Company provided a map outlining those areas where the Company is currently serving customers and requested that the service area be expanded to include all customers currently being served within the subdivisions of Hi-Country Phase 1, Beagley Acres Subdivision, South Oquirrh Subdivision, the BLM property and the Dehaan Lot. The Company also requested to remove one parcel located at the far southwest corner of the original service area. This parcel is owned by Mr. Dansie. The Company does not provide water to this parcel and there is not infrastructure on or adjacent to the parcel. Mr. Dansie states that the well lease is obligated to deliver to these properties. For the reasons discussed above regarding the well lease agreement and fee, and the lack of further information justifying the change, the Division recommends that the Commission not include in the service area the area defined as “the back 80 acres owned by the Dansies”[5] and the parcel in the southwest corner of the original service area, but only include in the service area those customers currently being served by the Company.

[5] Public Service Commission Docket No. 13-2195-02, Direct Testimony of Rodney Dansie, January 30, 2014, page 7, line 7-8.

Q. PLEASE ADDRESS THE ISSUE OF LEGAL COSTS AND FEES UNDER THE WELL LEASE AGREEMENT.

A. Mr. Dansie states the well lease agreement provides that Hi-Country is liable to the Dansies for legal cost and fees associated with Public Service Commission proceedings.[6] For the reasons discussed above regarding the well lease agreement and fee, the Division recommends that the Commission not allow the legal costs and fee to be recovered through rates. If, indeed, the well lease agreement provides for recovery of those costs, the Commission lacks jurisdiction to order their payment.

Q. PLEASE ADDRESS THE CLAIM OF DAMAGES FOR ACCRUED WATER FOR NON-COMPLIANCE UNDER THE WELL LEASE AGREEMENT.

A. Mr. Dansie states that "the Dansies have a claim under the well lease agreement to damages for accrued water for non-compliance with the agreement. The Dansies request water be supplied that makes up for the water not delivered under the terms of the well lease agreement for each of

[6] Public Service Commission Docket No. 13-2195-02, Direct Testimony of Rodney Dansie, January 30, 2014, page 7, line 11-12.

the years allowed by law."[7] The Commission lacks jurisdiction to order the Dansies' proposed remedy.

VI. CONCLUSION

Q. PLEASE SUMMARIZE THE DIVISION'S RECOMMENDATION REGARDING THE WELL LEASE AGREEMENT, WELL LEASE FEE, AND ASSOCIATED ISSUES?

A. The Division recommends that the Commission deny the proposed well lease fee proposed by the Company because it is not known and measurable. In addition, the well lease agreement was imprudent when it was entered into between Jesse H. Dansie and Gerald H. Bagley. The Division recommends that the Commission not allow the costs (obligation cost to deliver water, legal fees and costs, and damages for non-compliance of agreement) under the well lease agreement to be recovered in rates by the ratepayers because such inclusion is not prudent, it would adversely affect the public interest by placing an undue burden on the ratepayers and it would not provide just and reasonable rates.

[7] Public Service Commission Docket No. 13-2195-02, Direct Testimony of Rodney Dansie, January 30, 2014, page 7, line 14-15.

The Division recommends that the Commission approve the service area as proposed by the Company to include only the area of 126 current customers being served.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.