

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application
of Cedar Ridge Distribution Company
for an Increase in Rates for Water
Usage over 12,000 Gallons per Month
to \$.50 per 1,000 Gallons

Docket No. 13-2423-01

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HEARING PROCEEDINGS

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TAKEN AT: Public Service Commission
160 East 300 South
Salt Lake City, Utah

DATE: Monday, October 7, 2013

TIME: 10:02 a.m.

REPORTED BY: Teena Green, RPR, CSR, CRR, CBC

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APPEARANCES

ADMINISTRATIVE LAW JUDGE: MELANIE A. REIF

FOR THE DIVISION OF PUBLIC UTILITIES:

PATRICIA E. SCHMID, ESQ.,

ASSISTANT ATTORNEY GENERAL

160 East 300 South

Fifth Floor

Salt Lake City, Utah 84114

FOR CEDAR RIDGE DISTRIBUTION COMPANY:

DAVID Z. THOMPSON

JOHN THOMPSON

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EXHIBITS RECEIVED INTO EVIDENCE

DPU-1 Memorandum Re:	8
Docket No. 13-2423-01	
Date June 11, 2013	
DPU-2 Memorandum Re:	8
Docket No. 13-2423-01	
Date July 25, 2013	
DPU-3 Direct Testimony of Shauna	9
Benvegna-Springer	
September 6, 2013	

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Hearing Proceedings

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October 7, 2013

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PROCEEDINGS

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THE COURT: Good morning, everyone. I'm

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Melanie Reif, the Administrative Law Judge for the Utah Public

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Service Commission. This morning is the hearing in the general

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rate case concerning Cedar Ridge Distribution Company. The

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docket in this case is 13-2423-01, which is entitled "In the

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Matter of the Application of Cedar Ridge Distribution Company

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for an Increase in Rates for Water Usage Over 12,000 Gallons

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Per Month to 50 cents per 1,000 gallons."

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This is the date and time duly noted for the general

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rate increase hearing. And let's now take appearances, starting

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with you, Mr. Thompson. If you would kindly identify yourself

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and anyone else who will be participating in the hearing with

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you.

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MR. THOMPSON: I'm David Z. Thompson, I'm the

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president of the Cedar Ridge Distribution Company and I'm also

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the water master for that company.

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John Thompson is here as one of the members of

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the board of the water company. He's also my brother, and you

22

know all that, I think.

23

THE COURT: Thank you, Mr. Thompson.

24

Ms. Schmid.

25

MS. SCHMID: Patricia E. Schmid with the Attorney

1 General's Office on behalf of the Division of Public Utilities and
2 with me as the Division's witness is Ms. Shauna
3 Benvegnu-Springer.

4 THE COURT: Thank you all, and welcome once
5 again.

6 Just for background, the Commission does note
7 that on August 28th, interim rates were entered in this docket
8 and this particular hearing is to address the issue on a
9 permanent basis as a general rate case hearing.

10 Mr. Thompson, typically, I would start with you as
11 the applicant in the proceeding. However, if the Division wishes
12 to go first, I'll defer to whichever one of you would like to go.

13 MS. SCHMID: If the Division may, the Division
14 would like to go first.

15 MR. THOMPSON: That's fine.

16 MS. SCHMID: Thank you.

17 The Division calls its first witness, Ms. Shauna
18 Benvegnu-Springer. Could she please be sworn?

19 THE COURT: Good morning, Ms. Springer. Would
20 you please raise your right hand.

21 Do you swear that the testimony you're about to
22 give is the truth?

23 MS. BENVEGNUM-SPRINGER: I do.

24 THE COURT: Thank you.

25 DIRECT EXAMINATION

1 BY-MS.SCHMID:

2 Q. Good morning. Please state your name, employer,
3 position and business address for the record.

4 A. My name is Shauna Benvegna-Springer. I'm
5 employed by the Department of Commerce, Division of Public
6 Utilities for the State of Utah. My business address is 160 East
7 300 South, Salt Lake City, and I'm employed in the capacity as
8 utility analyst.

9 Q. Have you participated on behalf of the Division in
10 this docket?

11 A. Yes, I've participated in this docket and the prior
12 docket.

13 Q. Could you please briefly describe your participation
14 in this docket?

15 A. I have completed the analysis in both the interim
16 rate case and in the current general rate case and developed
17 the recommendations for that.

18 Q. Did you prepare and cause to be filed a
19 memorandum dated June 11th, 2013, in this docket, where the
20 subject is "In the Matter of the Application of Cedar Ridge
21 Distribution Company for an Increase in Rates for Water Usage
22 over 12,000 Gallons Per Month to 50 cents per thousand
23 gallons"?

24 A. I did.

25 Q. Do you have any changes to that memorandum?

1 A. I do not.

2 MS. SCHMID: The Division would request that this
3 memorandum be marked for identification as DPU Exhibit 1 and
4 be identified. Mr. Thompson has received a copy in the past.

5 THE COURT: Thank you, Ms. Schmid. Has the
6 court reporter been given a copy?

7 MS. SCHMID: She will be soon.

8 THE COURT: And the copy you give her will be
9 marked?

10 MS. SCHMID: Yes.

11 THE COURT: Okay. Very good. Your exhibit is
12 admitted.

13 Exhibit DPU-1 received into evidence

14 MS. SCHMID: Thank you.

15 BY MS. SCHMID:

16 Q. Ms. Benvegna-Springer, did you also prepare and
17 cause to be filed a memorandum dated July 25th, 2013, in which
18 you recommended approval of the interim rate increase in this
19 case?

20 A. I did.

21 Q. Do you have any changes to that?

22 A. I do not.

23 MS. SCHMID: The Division would request that the
24 memorandum be marked as DPU Exhibit 2 and admitted. The
25 court reporter has received a copy of this previously, as has Mr.

1 Thompson.

2 THE COURT: And is the copy marked that the
3 court reporter received?

4 MS. SCHMID: No, but I will do that.

5 THE COURT: Okay. Thank you. Your exhibit is
6 received.

7 Exhibit DPU-2 received into evidence

8 MS. SCHMID: Thank you.

9 BY MS. SCHMID:

10 Q. And then, lastly, Ms. Benvegna-Springer, did you
11 prepare and cause to be filed your direct testimony in this case?

12 A. I did.

13 Q. Do you have any changes or corrections to that
14 testimony?

15 A. No, I do not.

16 Q. If I were to ask you the same questions today,
17 would your answers be the same?

18 A. Yes, they would.

19 MS. SCHMID: With that, the Division would request
20 that the direct testimony be marked as DPU Exhibit 3 and
21 admitted. The court reporter has received a copy of this
22 previously and I will ensure that it be marked appropriately.

23 THE COURT: And Mr. Thompson has also received
24 a copy?

25 MS. SCHMID: Yes.

1 THE COURT: Okay. Very good. This is received
2 as well.

3 Exhibit DPU-3 received into evidence

4 MS. SCHMID: Thank you very much.

5 BY MS. SCHMID:

6 Q. Ms. Benvegna-Springer, do you have a summary
7 you'd like to present?

8 A. Yes, I do.

9 Q. Please proceed.

10 A. The purpose of my testimony is to present the
11 Division's recommendation regarding the general rate case with
12 the request for an increase in the incremental cost of water from
13 35 cents per thousand to 50 cents per thousand of gallons used.

14 The Division is currently recommending that the
15 system fee be adjusted from \$50 to \$55.50, the monthly usage
16 fee be changed from \$7 to \$4.50, and the water usage rate be
17 changed from 35 cents to 50 cents per thousand units or a
18 fraction thereof.

19 We are also requesting that the effective date be
20 November 1st, but considering that that may not give a full
21 30-day notice to the customers, that may need to be adjusted.

22 Q. Okay. Also of note, it appears that there is no
23 amount included of 12,000 gallons as has been in the past.
24 Could you comment on that, please?

25 A. Yes.

1 In the interim rate, the Division reviewed the 12,000
2 minimum gallon usage in the monthly minimum rate. And
3 because that is driven as a function of the Tremonton cost of
4 wholesale water, that is between Tremonton City and the Cedar
5 Ridge Water Distribution Company, that amount was removed
6 from the monthly minimum amount so that individuals are
7 charged simply based upon the actual water usage that they use
8 each month, thereby allowing the individual to monitor their own
9 use and adjust their behavior as such.

10 Q. Does the company recover its fixed costs through
11 the system fee?

12 A. Through the system fee and the monthly usage fee.
13 The system fee primarily addresses the infrastructure costs for
14 appreciation and some other fixed costs relative to running the
15 system even if anybody was not connected to the system.

16 The monthly usage fee is for those that are
17 connected to the system and there are fixed costs related to the
18 use there of water delivery.

19 The water usage rate simply is based upon the rate
20 charged by Tremonton City for the delivery of the water to the
21 storage tank. The storage tank then uses a gravity pull system
22 down to the customers which it does not cost the customer
23 money at that point to be delivered.

24 MS. SCHMID: Thank you very much. Ms.
25 Benvegna-Springer is now available for questions from the

1 company and from the Administrative Law Judge.

2 THE COURT: Mr. Thompson, do you have any
3 questions for Ms. Springer?

4 MR. THOMPSON: Yes. I would like to-- CROSS
5 EXAMINATION

6 BY-MR.THOMPSON:

7 Q. I have a question concerning the standby fee. Is
8 that the same whether there's a home on that lot or not? Does
9 that matter?

10 A. Yes, it's whether there is a home or not, so that is
11 the infrastructure cost.

12 Q. So if there's a lot there that's vacant, that standby
13 fee is still--

14 A. Correct.

15 Q. --applicable?

16 A. Correct.

17 Q. So there is one hookup fee that has not been
18 placed on the lot, it has been promised, sold, does it apply to
19 that one?

20 A. If it has not been connected, it would apply to that
21 one, yes.

22 Q. Even if it has been connected?

23 A. That's correct, if it has not been connected.

24 Q. Okay. I guess that's my biggest concern with
25 what's going on. To me, that seems excessive, I guess is the

1 only way I can put that.

2 I'm involved in a--as a customer in another water
3 company and the standby fee is quite a bit less if there has not
4 been a house or residence connected to that system. They
5 have two different fees. And I'm wondering if that isn't
6 something we could explore.

7 A. The standby fee in the past was \$50 a month for
8 those that were not connected. And so it was only raised \$5.50
9 because of the additional meter project that was put in to the
10 capital for the system.

11 Q. Originally, I was--I had--my impression at the
12 beginning was a standby fee was if there had been a--if there
13 was a house actually hooked to the system.

14 A. No.

15 Q. That's, of course, what I thought. And, of course,
16 in my mind, I'm trying to understand why that is so high, when I
17 see it kind of vary from other systems where much of them are
18 just quite a bit less.

19 And, of course, you know, I never questioned
20 before because I didn't think about it until, of course, I--the
21 question was asked--I think I asked you that sometime after the
22 first fee was put into place. And then, of course, since, you
23 know, that fee has been collected, since the rate was approved
24 originally.

25 The thing is that that was something I wanted to

1 talk about, is if that was a fair rate for if there is no home
2 connected to the system, whether there could be two levels. If
3 there is a home that's not being used, there's a standby fee
4 which could be this fee, and if there is no home connected, a
5 different standby fee.

6 And that's something that I wanted to explore. I
7 hadn't had a chance to talk with you, Shauna, the Court, I--I'm--
8 I'm not sure how to address this, I apologize for that if I'm doing
9 this wrong.

10 A. No, it's fine. I can explain what's involved in it, the
11 expense fee expense and the standby fee expense, that
12 everyone pays whether they're connected or not.

13 THE COURT: Please do.

14 MS. BENVENU-SPRINGER: The costs that are
15 involved in the system expense and/or standby fee as it's known
16 are the cost for the water operator, the cost for the billing clerk,
17 because there still is a bill that needs to go out to standby
18 customers in addition to the regular customers. There are costs
19 for the accounting and legal--the amortization costs for the last
20 rate case that came in to play, there's a little bit of accounting
21 cost. These are all fixed costs.

22 There's a little bit of repair costs that are involved
23 in this, because if the system needs to be repaired, that goes
24 back into the infrastructure to maintain that. There's a small
25 amount of transportation--I'm sorry, insurance costs, the small

1 regulatory expense, whether you're connected to someone or
2 not. And there's some minor other costs, such as your
3 membership to the Rural Utah Water Associations, a few
4 training costs and a few small supply costs.

5 And then the big cost, of course, that's involved is
6 the depreciation cost for the whole infrastructure. And those
7 are the costs that go into computing the system costs or the
8 standby costs. These are fixed costs that has everyone would
9 pay whether they are connected to the system or not connected
10 to the system.

11 The system is there for the convenience of the
12 customer. Even if the customer had their own well, that system
13 is there available to them. And at such time that they wanted to
14 be able to connect to that system, it is there for their
15 convenience.

16 The costs are then tallied up and divided amongst
17 all possible connections, which, in this case, is 33 connections.

18 BY MR. THOMPSON:

19 Q. Yeah.

20 A. So that is how the system fee is calculated. Does
21 that help explain?

22 Q. Yeah, I understand what you're trying to explain
23 there.

24 THE COURT: Ms. Springer, if I may, please, and
25 Mr. Thompson, please bear with me for just one moment.

1 In the last bit of what you said, you said that the
2 figures are tallied and then divided by each connection. I think
3 that maybe that's where Mr. Thompson is raising his concern, is
4 that, as I understand it, there are thirty-three connections and
5 two standby customers; is that correct?

6 MS. BENVENU-SPRINGER: I'm sorry, I need to
7 correct my statement.

8 There are a total of thirty-three lots and so those
9 costs are divided by the total potential users, which would be
10 thirty-three. Of those, two are vacant and there are thirty-one
11 customers connected.

12 THE COURT: Okay.

13 So, Mr. Thompson, hearing Ms. Springer's
14 testimony, is there a method that you would propose or did she
15 adequately resolve your concern about the distinction between
16 connected customers and those who are not connected and
17 presumably have vacant lots which are treated as standby?

18 MR. THOMPSON: Well, I--just the way I look at it,
19 if a person were to buy a lot up there, of course, they--and
20 they're not hooked onto it, they're subject to the full cost of what
21 that basis is that everyone else is paying that is actually using
22 the system. To me, I thought there would be a reduction in the
23 cost for standby. That's the way I would feel that it would be
24 more fair.

25 If someone were to develop some of the lots up

1 there, that the water company still has available water for, and
2 in a situation where they were say to develop 20 lots, they
3 would be subject to that for every one of those lots. And it
4 would make that very undesirable as far as the development
5 goes because they could sit for several years, and that ends up
6 being more than the property taxes are. And I don't see that in
7 other systems that I've looked into.

8 And the one that I'm paying on that--you know, I
9 have a lot that is developed that has not been hooked--there's
10 no home on it and that rate is quite a bit less than the other
11 people in that same subdivision. And that's why I'm wondering
12 why that would be so high in this particular subdivision. That
13 was the question that I wanted to discuss with you.

14 MS. BENVENU-SPRINGER: How much are you
15 paying for the vacant lot that's--

16 BY MR. THOMPSON:

17 Q. I'm talking about one at Bear Lake.

18 A. Oh, okay.

19 Q. And it's like \$14 a month. And when I talked to
20 those individuals, they says it's basically what the--the reserve
21 fee is. You know, there's a reserve amount that Cedar Ridge
22 pays into an account. And that's basically what that fee was for
23 my lot up there, was the reserve amount for future repairs, not
24 existing ones, because they're assuming those are all paid.

25 And then they bill that like a year at a time so they

1 don't have a lot of accounting fees. There's no one to talk to
2 about any water issues because it's not hooked up.

3 And I wanted to explore that possibility for Cedar
4 Ridge, if that was something that could be done, which, to me,
5 would be more fair in the prospect of future development,
6 whether I do it or someone else does it.

7 That's where I'm coming from on that, because if
8 they're really not doing much with accounting, I mean if they pay
9 that by a yearly situation, they're not spending--there isn't much
10 time spent doing the accounting. They don't have customers
11 that are calling up wondering why they don't have water, you
12 know, those kinds of things.

13 And so the time involved with a customer that's not
14 hooked up is much different than it is for a customer that is
15 hooked up to it, on that standby basis.

16 I had a customer that wasn't paying their bill all the
17 time. They says, "Well, I'm just going to turn it off."

18 And I says, "Well, I still have to charge you so
19 much a month even if you turn it off."

20 Of course, they're hooked on. And they thought
21 about it and decided, well, I guess I'll just continue to pay it.

22 That's a situation that I look at differently than one
23 that's not even hooked up, because they're not going in arrears
24 if they're paying for a year at a time. They're not calling
25 wondering why this is occurring or what have you.

1 It's just a different impact, to me, looking at a lot, a
2 vacant lot, rather than a residence that has been hooked up or,
3 et cetera.

4 Do you see any distinction there, Shauna? I mean,
5 am I kind of looking at something odd here?

6 A. What you're describing is a different practice than
7 what you're currently doing. And so what that would mean is
8 that then we'd have to relook at those system fee costs and
9 determine which ones you would change as a result of changing
10 your practice, but these costs currently reflect the current
11 practice.

12 Q. I mean, is that something that could be done? I'm
13 concerned about a further development, you know, down the
14 road in a further--in an upcoming development, a new
15 development, those costs of putting in the system would be
16 borne by the developer.

17 A. Sure.

18 Q. Whoever that may be. And for them to be looking
19 at a system fee would be quite detrimental in the way that they
20 would market that subdivision.

21 THE COURT: Mr. Thompson, I'm going to interject
22 here for just a moment.

23 I think the Division and the Commission both have
24 a good understanding of what your concerns are. And there are
25 a few things that I'd like to get some clarification about that

1 relate to this very issue and then I'd like to propose that if the
2 parties would like to take a short recess, we could entertain that
3 possibility.

4 Ms. Schmid, is there--

5 MS. SCHMID: I think a short recess would be a
6 good idea. Thank you.

7 THE COURT: Do you mind if I get some
8 clarification before we do that?

9 MS. SCHMID: I believe that at this stage of the
10 process, it would be difficult to entertain a rate change of that
11 magnitude at this time. Perhaps that is--

12 THE COURT: Are you referring to what Mr.
13 Thompson is proposing?

14 MS. SCHMID: Yes. Yes. Yes. Perhaps such a
15 change could be contemplated if the company files another rate
16 case so the customers would have notice of that.

17 THE COURT: Well, actually, that's part of my
18 concern. Let's back up and let me go to the issues that I think
19 are important, which--the notice to the customers is one thing.
20 And, interestingly, I think it's a very curious question in a docket
21 like this, because, as we often see in rate cases from water
22 companies, it's not until the Division presents their
23 recommendation that we really know what the company is
24 seeking or what's really being proposed or asked for from the
25 Commission.

1 So, Mr. Thompson, I want to ask you a couple of
2 things first of all. And since I haven't already done so, I'd like
3 to swear you in. Okay?

4 MR. THOMPSON: Okay.

5 THE COURT: And so could you kindly raise your
6 right hand for me.

7 Do you swear that the testimony you are about to
8 give is the truth?

9 MR. THOMPSON: Yes.

10 THE COURT: Okay. Thank you.

11 DIRECT EXAMINATION

12 BY-THE COURT:

13 Q. When the Commission issued its scheduling order
14 and notices of hearing in this docket on July 18, 2013, the
15 Commission instructed the company that no later than July
16 22nd, 2013, the company provide notice to its customers--
17 excuse me, I'm reading the earlier portion that related to the
18 interim rate. I'm going to reread the pertinent section that
19 relates to this hearing.

20 "No later than the Company's August 2013 and
21 September 2013 billing cycles, Company is instructed to provide
22 notice to its customers of the general rate increase hearing
23 noted above."

24 Did you do so, sir?

25 A. Yes.

1 Q. Okay.

2 A. Yes.

3 Q. And did you do so in August and--

4 A. Yes.

5 Q. --in September? Okay.

6 So your customers are aware of the hearing today.

7 Do you know whether any of them intend to participate?

8 A. I just wanted to clarify, I hand-delivered it right
9 afterwards and then in the billings for August and September, it
10 was mailed to them.

11 Q. Okay.

12 A. It wasn't hand-delivered in those two, it was mailed.

13 Q. Okay.

14 A. And as far as I know, I have not received contact
15 from any customer pro or con to what was happening. There's
16 been no comment to me.

17 Q. Okay.

18 A. Now, I have to take that back. My brother's talked
19 to me, but he's talked to me as a board member.

20 Q. Okay.

21 A. I think. Is that right? I have to make that one
22 clarification.

23 Q. And he's welcome to give his input today, either in
24 this hearing or at noon, when we do the public witness hearing.

25 A. I haven't had any discussions with anyone else.

1 Q. My concern also relates to the issue of how the
2 interim rate case came about. And I don't know if you have a
3 copy of the order with you, but in reviewing Ms. Springer's
4 testimony, in particular her direct testimony, it was filed with the
5 Commission on September 6, 2013, and more specifically, page
6 of her testimony--

7 MS. SCHMID: Page 6 of her testimony?

8 BY THE COURT:

9 Q. There's a rate summary table about three-quarters
10 of the page down in that filing.

11 A. I have it.

12 Q. And I have some questions for Ms. Springer about
13 her testimony, but what I'm wondering is, when the Commission
14 issued interim rates, the interim rates were 52.80 for monthly
15 minimum fee per connected customers. And in parenthesis it
16 states, "Does not include a minimum amount of water usage."

17 So that does specifically address connected
18 customers, there was no reference to standby customers.

19 And then the recommended rates also, in the
20 interim rate hearing which were authorized, included the 50
21 cents for the water usage rate per 1,000 gallons. And in
22 parenthesis it says, "For all water used in any fraction of 1,000
23 gallons."

24 So now what we have from the Division is a
25 variation on the same thing, so to speak. It addresses the

1 connected customers, brings in the standby customers and
2 breaks out a monthly usage rate from the system fee rate and
3 leaves the water usage rate consistent with what it was during
4 the interim rate hearing.

5 What I'm wondering is, are your customers aware of
6 what is being proposed?

7 A. They've received all this information.

8 Q. Would they have received the information indicating
9 the proposed rates from the Division or did you prepare anything
10 that would have presented them with what they--

11 A. I don't think I've sent this.

12 Q. Okay. But they would be--

13 A. But I'm not positive.

14 Q. Okay.

15 A. I know that I've sent the other. I know that's been
16 sent, but whether--

17 Q. You sent them a notice of the hearing?

18 A. Uh-huh.

19 Q. But they may or may not be aware of the specific
20 amounts that are at issue?

21 A. They may not be aware, I cannot--the September
22 6th, I'm using this basis. I'm not sure that that one was sent.

23 Q. Okay.

24 A. I don't remember.

25 Q. Okay.

1 A. And that's the only way I can answer that.

2 Q. The reason why I ask that is because--

3 A. In fact, they would not have received that because
4 this is September 6th, the bills went out on September 1st.

5 Q. Okay.

6 A. So this has not been sent out.

7 Q. And you didn't formulate your own rendition of this
8 saying, "This is what's being proposed"?

9 A. What we sent out was the interim rate--yeah, we
10 sent out the interim rate that was approved, we hand-delivered it
11 and then it went out with the billing.

12 Q. Okay.

13 A. And then it went out with the next billing.

14 Q. Okay.

15 A. I'm trying to get these dates in my head right.

16 Q. Okay.

17 A. And then after that--when they were sent out, when
18 the interim rate was affected, those payments were made
19 according to that interim rate.

20 Q. So it's likely that the customers are anticipating
21 that what's being heard before the Commission is a confirmation
22 or a further authorization on a permanent basis of the interim
23 rates which--

24 A. I think that's what they're anticipating, yes.

25 Q. Okay.

1 A. This summary that was dated September 6th, I do
2 not think--as I think about the dates, I do not think that that has
3 been sent out.

4 Q. Okay.

5 A. Now, maybe I'm in error, that that should have been
6 sent out.

7 Q. Well, not necessarily, sir. I wasn't implying that
8 you were in error. What I was trying to determine is that given
9 that what's being proposed is different than what was approved
10 during the interim rates, I just want to make sure that your
11 customers have been given fair notice and opportunity to
12 understand what this proceeding is about.

13 A. I do know they would--they know about the interim
14 rates and that there was a hearing today.

15 Q. Okay.

16 A. Because that information has been given to them
17 three times.

18 Q. Thank you, sir.

19 THE COURT: I believe Ms. Schmid has something
20 they would like to add.

21 MS. SCHMID: Yes.

22 I believe that--or a question.

23 I'm wondering if the docket number was on the
24 materials that Mr. Thompson sent out, and perhaps that's a
25 question you could ask of him.

1 MR. THOMPSON: I sent out--

2 THE COURT: For what purpose?

3 MR. THOMPSON: Sorry.

4 MS. SCHMID: To go towards the issue of customer
5 notice.

6 THE COURT: Well, I think that would assume that
7 they were looking at the website and looking at--is that what
8 you're saying, that they--

9 MS. SCHMID: It would give them the opportunity
10 to--I, too, am concerned about notice and believe that it is very
11 important. I'm just trying to help determine what has happened.

12 THE COURT: Yeah.

13 MR. THOMPSON: Okay. Can I answer that?

14 BY THE COURT:

15 Q. Mr. Thompson, yes, please.

16 A. I didn't make up a form, I just printed this with--that
17 has the docket number.

18 Q. What are you pointing to that you--

19 A. The recommendations by the Division and then the--
20 -let's see, and the--let's see.

21 Q. I think you said--if I can help you out a little bit, I
22 think you said you provided a copy of the order from the
23 Commission; right?

24 A. Yeah. I'm just trying to make sure I'm talking about
25 the right page. That's the--reviewing document.

1 I know the docket number was part of it.

2 Q. Okay.

3 A. I don't know which page it is.

4 Q. And when you sent out your billings and you
5 provided a copy of the notice of the hearing, would those have
6 had the docket number on it as well?

7 A. Yes. The docket number was on all of those, that
8 much--

9 Q. Okay.

10 A. I don't remember which one that was, but I know
11 the docket was included. I remember my conversation with my
12 secretary.

13 Q. Okay.

14 THE COURT: So, Ms. Schmid, I think you
15 understand what my concern is. Do you wish to address that
16 any further?

17 MS. SCHMID: Yes, if I may.

18 This company had a rate case last year as well. As
19 part of that rate case, Ms. Benvegna-Springer did an excellent
20 job explaining the process to the customers and I believe that
21 that is noteworthy.

22 THE COURT: I don't disagree with you that Ms.
23 Springer was involved in the case last year and did do an
24 excellent job. I'm not sure if that carries over into them being
25 able to glean and read between the lines that this is a very

1 different presentation than what we saw during the interim rate
2 hearing.

3 I'd like to take a recess and we'll be back within the
4 next 10 or 15 minutes. Thank you.

5 (A recess was taken.)

6 THE COURT: We're back on the record. Ms.
7 Schmid.

8 MS. SCHMID: Yes.

9 During the break, we discussed the issue of notice
10 and what we have to present is a process. The process would
11 be that the water company provides its customers notice of the
12 permanent rate recommended by the Division in Ms.
13 Benvegna-Springer's testimony, that an opportunity for comment
14 be provided for the customers, and then we have another
15 hearing with a public--
16 another hearing with an opportunity for public comment, public
17 witness day as well.

18 So it will be suspending the proceedings here,
19 providing the customers notice of the recommended final rates,
20 providing them an opportunity to comment on that and then
21 having a hearing.

22 THE COURT: Is there a part B to your proposal?

23 MS. SCHMID: No, but I'm willing to think that there
24 could be, but I can't think of what it would be at the moment.

25 THE COURT: What I can tell you is that the notice

1 issue is not a concern.

2 MS. SCHMID: Okay.

3 THE COURT: What the Commission would like to
4 convey, however, is that we will take testimony on an issue of
5 the proposed rate as Ms. Springer has presented.

6 We've also begun to take Mr. Thompson's response
7 to that and we'll take further testimony from him on his position
8 on that. If the issue is resolved in hearing, great.

9 MS. SCHMID: Perfect.

10 THE COURT: If you would like some time to
11 discuss that, we're willing to give you that time. And we are also
12 willing to give you the opportunity posthearing to discuss that in
13 the way of a stipulated proposal.

14 MS. SCHMID: I believe that we have discussed the
15 standby issue, and it's my understanding that that is not an
16 issue at this time and that perhaps in a later rate case, the
17 standby fees would be raised as an issue. It's my
18 understanding, and let me know if it is correct, that the standby
19 rates as proposed are acceptable.

20 MR. THOMPSON: They are.

21 MS. SCHMID: The company endorses them?

22 MR. THOMPSON: At the present, yes.

23 MS. SCHMID: At present.

24 THE COURT: Mr. Thompson, that being said, we
25 will continue with the hearing.

1 MR. THOMPSON: Okay.

2 THE COURT: I do want to emphasize, however,
3 that the Commission sees no reason to delay that issue if you
4 wish to address it in this docket. And we don't necessarily need
5 to put you on point on that right now, we can give you some
6 more time to discuss it.

7 We can take another recess, we can let you discuss
8 it posthearing with the Division, but we believe that this is the
9 most efficient, economic way of resolving your application. And
10 to require you to bring a separate application is up to you, but
11 we believe it could be handled in this docket, if you choose to
12 do so.

13 MR. THOMPSON: Could we have another recess--

14 THE COURT: Yes, you may. You tell me how
15 much time you want and/or just come and get me and--all right.
16 We'll be in recess. Thank you.

17 (A recess was taken.)

18 THE COURT: We're back on the record.

19 MS. SCHMID: Thank you.

20 We have resolved, I believe, in total, the standby
21 issue. And I believe that it is the company's--I believe that the
22 company has accepted and endorses the Division's
23 recommended rates as stated in the Division's September 6th
24 testimony. So I don't believe there are any outstanding issues.

25 THE COURT: Mr. Thompson, is that correct?

1 MR. THOMPSON: That is correct, yes. Yeah.

2 THE COURT: So the concerns that you raised
3 earlier, you were able to work out?

4 MR. THOMPSON: Yes.

5 THE COURT: Okay.

6 MR. THOMPSON: Yeah.

7 THE COURT: And you do endorse what's being
8 proposed, which is \$5.50 for both connected and standby
9 customers for the system fee cost?

10 MR. THOMPSON: Yes. I'm in agreement with the
11 proposal.

12 THE COURT: Okay.

13 MR. THOMPSON: As has been presented by the
14 Division.

15 THE COURT: Okay.

16 MR. THOMPSON: Yeah.

17 THE COURT: Is there anything else that you wish
18 to add?

19 (No audible response.)

20 THE COURT: Okay. All right. Well, with that, I'd
21 like to thank the parties for their cooperation and clarification
22 and let's continue on. I know we got off on a little bit of a--a
23 little bit going here and going there.

24 Mr. Thompson, you have a question?

25 MR. THOMPSON: I just appreciate the chance to

1 have a recess.

2 THE COURT: Oh. Any time.

3 MR. THOMPSON: I mean I appreciate that
4 opportunity. Thank you. I wasn't sure we could do that.

5 THE COURT: Oh, sure. Sure. And if you need
6 another one, you let me know.

7 MR. THOMPSON: Okay.

8 THE COURT: So I believe Ms. Springer had
9 concluded her testimony; is that correct?

10 MS. SPRINGER: Yes.

11 THE COURT: And, Mr. Thompson, you had raised
12 an issue about the standby fee. Now you've indicated that
13 you're comfortable with that. Were there any other questions
14 that you had about what the Division is proposing?

15 MR. THOMPSON: No. That was the only one.

16 THE COURT: Okay.

17 So, Ms. Springer, I do have a number of questions
18 for you, and I think that they're just clarifying questions, just to
19 make sure that I understand so that the Commission can
20 understand what it is that the Division is proposing.

21 CROSS EXAMINATION

22 BY-THE COURT:

23 Q. And in part, we may have discussed a little bit of
24 this already, so I apologize if this is a little bit redundant. But
25 just help me, if you would, better understand page 6 of your

1 direct testimony. And I'll guide you through what I'm wanting to
2 address.

3 So the first question I want to ask you about is the
4 rate summary table that you have in the center of--about
5 three-quarters of the way down on the page.

6 And with respect to the system fee, you have listed
7 a system fee/standby. And I think as we've already discussed,
8 this is a system fee that will be charged to connect a customer
9 as well as standby customers.

10 A. Correct.

11 Q. And both customers will pay an amount of \$55.50?

12 A. That's correct. All thirty-three customers and
13 potential customers pay the \$55.50.

14 Q. Okay.

15 The next part, the monthly usage fee, which wasn't
16 broken down in the interim rate approved previously, caused me
17 a little bit of confusion at first, but as I read your testimony, I
18 think I made sense of it. But just for the record, could you help
19 explain how--the monthly usage fee presumably was included in
20 the monthly minimum fee previously, during the interim rate
21 hearing. Is that correct?

22 A. In the previous tariff, the monthly usage fee was
23 \$7. That \$7 included 12,000 gallons minimum usage. In the
24 interim rate, that 12,000 gallons of usage cost was removed and
25 so the interim rate monthly usage fee was \$2.80, for a total for

1 connected users of \$52.80, so the \$50 plus the \$2.80.

2 Q. Do you have a copy of the 2013 order granting
3 interim rates in this docket?

4 A. Yes, I do.

5 Q. Okay. On page 2 of that list, the Division's
6 recommendation, and the first one is \$52.80, but the amounts
7 aren't broken down. Is it my understanding that you're now
8 breaking those down?

9 A. That's correct.

10 Q. Okay.

11 A. Yes.

12 Q. Okay. Okay. And the monthly usage fee, that
13 would just be for connected customers; correct?

14 A. Correct.

15 Q. Okay. And again, the number of connected
16 customers?

17 A. Is 31.

18 Q. Okay. All right. And the water usage rate stays
19 consistent with what--

20 A. The interim rate was, correct.

21 Q. Okay. All right. Thank you very much.

22 And to be clear, the proposed system fee is an
23 increase over the monthly minimum fee that was approved in the
24 interim rate hearing; is that correct?

25 A. The system fee--we are proposing a \$5.50

1 increase. And the reason for the \$5.50 increase is because of
2 the meter project that was completed that was not included in
3 the interim rates, because the interim rates had estimated costs
4 involved and they were very close to what the previous tariff
5 showed.

6 As we completed our audit of what the actual costs
7 were going to be going forward, this is where we added the
8 meter depreciation into the system fee cost. And then the
9 increase between the \$2.80 and the \$4.50 was as a result of the
10 minor increases in operating costs for the minimum monthly
11 amounts that connected users will be experiencing.

12 Q. Okay. When the application was brought originally,
13 my recollection was that there was some desire on the part of
14 the applicant to expedite the general rate increase or what I--or
15 the--I think what ended up being the interim rate, because of the
16 time of the year and the fact that people will probably be using
17 more water during the summer months.

18 Is there a reason why the company is seeking
19 expedited--an expedited order that would correspond with the
20 November 1st, 2013, date?

21 A. I don't know that they're seeking an expedited order
22 for the general rate case. November 1st was a date that we
23 anticipated assuming the September 6th filing. But now,
24 recognizing that there isn't a 30-day notice period with this
25 hearing date as is, the notice won't be--there won't be a 30-day

1 notice for the customers of whatever is decided in this hearing.

2 Q. I'm not sure I understood the last part of what you
3 said.

4 A. The hearing today is October 7th. If whatever is
5 decided here today can be notified to the customers, it doesn't
6 give them--if it went into effect November 1st, it would not give
7 them a full 30-day notice.

8 Q. Okay.

9 THE COURT: We'll be off the record for just a
10 moment, please.

11 (Discussion held off the record.)

12 THE COURT: So what I was trying to get a better
13 feel for was whether there was, in fact, an expedited request
14 pending. And if so, we are happy to do our very best to
15 entertain that.

16 And, Mr. Thompson, do you wish to address that?

17 MR. THOMPSON: I would like this to be effective
18 as soon as possible. The biggest concern I had originally was
19 the summer water usage.

20 THE COURT: Yes, sir.

21 MR. THOMPSON: And that was taken care of as
22 quickly as it could be done.

23 THE COURT: Okay.

24 MR. THOMPSON: As far as resolving this, it would
25 be great to have it resolved before the year is over--

1 THE COURT: Okay.

2 MR. THOMPSON: --if it's possible.

3 THE COURT: Okay. So let's shoot for the
4 November 1 date. And if we get it done before then, we'll try to,
5 and if we can't, because of things outside of our control, we'll
6 have it as soon as possible.

7 Now, of course, I don't want to speak too
8 prematurely, because we do have a public witness hearing and
9 we will take that into consideration. So I'm not saying that--this
10 is by no means a bench order. Okay?

11 BY THE COURT:

12 Q. Have you, Ms. Springer, received any
13 communication from any of the customers about this pending
14 rate case?

15 A. I have.

16 Q. And could you share with the Commission what
17 you've received?

18 A. I've received phone calls from two customers, after
19 the testimony was filed. They had concerns about the amount
20 and what was involved in raising the cost. As explained to them
21 why these costs were being raised, they understood the reason
22 for it. Mainly, again, the depreciation cost for the meter project
23 and then adding some costs, operating costs, going forward for
24 those customers that are connected. And as I explained that to
25 them, they felt fine with it. I haven't heard any comment since

1 then from those customers.

2 Q. Did those two customers identify themselves as
3 connected customers or standby customers?

4 A. They were connected customers.

5 Q. Thank you.

6 Beginning on page 10 of your testimony, you
7 address the conservation rate. And I thought it would be helpful
8 to have on the record the Division's decision not to add any
9 additional amount.

10 And is it the Division's position that since the
11 meters were installed, usage has actually declined by the water
12 users?

13 A. That is correct.

14 I would like to make one correction that I just
15 noticed on line 146. It states, "Since there is a minimum
16 amount of gallons in the monthly usage rate," that should say,
17 "Since there is not a minimum amount of gallons in the monthly
18 usage rate, the customers are charged 50 cents for any fraction
19 of the water they use."

20 Q. Could you identify that line number, please.

21 A. Page 10, line 146. It begins, "Since there is a
22 minimum," there should be a, "Since there is not a minimum
23 amount." So there should be a "not" inserted between "is" and
24 "a."

25 Q. Okay. Thank you.

1 And you also report that some customers replaced
2 landscaping with drought resistant plants which--

3 A. Yes. I'm aware of--I believe there's three
4 customers--as I went to the audit and did a site review, that
5 there are three customers that have replaced some of their
6 landscaping with drought resistant. Other customers have
7 stopped irrigating. Basically, they're using the culinary water to
8 irrigate very large lots of about an acre to an acre and a half.
9 And so some of them have stopped irrigating or watering
10 sections of their lot to reduce the water usage.

11 Q. Okay. When this application was originally brought,
12 I believe that there was some discussion about there may be a
13 subsequent rate case filing because Tremonton might increase
14 the rates again.

15 On page 11 of your testimony, on line 159, it seems
16 to indicate that based on the consumption of the customers,
17 which has dropped, and--that that may do away with an increase
18 from Tremonton; is that correct?

19 A. That is what we are anticipating at this time. I had
20 a conversation with Paul Fulgham, who is the water master,
21 water director, public utilities up in Tremonton City. He
22 indicated to me that currently, Tremonton City is subsidizing the
23 full cost. The rate should be 72 cents per thousand that is
24 charged, but the Tremonton City board has opted not to charge
25 that full rate and only charge 50 cents.

1 The subdivision is a very small portion of the
2 Tremonton City budget. Their feeling is, as working with this
3 section of the population, even though it's outside their
4 community, they would like to develop goodwill and whatnot,
5 and so the board decided not to charge the full rate. And
6 because their usage is dropping, they felt that the 50 cents was
7 adequate for their needs.

8 THE COURT: Mr. Thompson, I want to ask you.

9 DIRECT EXAMINATION (Continued)

10 BY-THE COURT:

11 Q. Do you think your customers are aware that their
12 usage is possibly affecting a rate increase or lack of from
13 Tremonton?

14 A. I don't--I couldn't say. I know--I don't know what
15 everyone feels. There's just a few people that I have talked to
16 and they understand that that is possibly what is happening.

17 Q. Ms. Springer has indicated that that's the case, and
18 I would think that from a consumer standpoint, that might be
19 something that you would wish to share with them.

20 A. It hasn't been publicized to me from the City. It's
21 just in conversation with Paul that--what they're doing to me.

22 Q. Okay.

23 CROSS EXAMINATION

24 BY-THE COURT:

25 Q. Ms. Springer, back to you, please.

1 On Exhibit 1.1, under "capital reserves," you
2 indicate that annual capital reserves are set at \$12.40 per
3 landowner per month.

4 A. Correct.

5 Q. In the Division's estimation, is that an adequate
6 amount for capital reserve?

7 A. It is.

8 Q. And on the very last line, where you state, "Costs
9 per thousand gallons over minimum," are you referring to the
10 12,000 gallons per month?

11 A. Yeah, because up above, on the--where it says,
12 "Monthly minimum gallon usage per customer is 0," so this is
13 the amount that they pay for all water usage.

14 Q. Okay. From zero to--

15 A. From zero to whatever they use.

16 Q. Okay. Exhibit 2.2 identifies the customers and
17 states that there are two standby customers and 31 metered and
18 unmetered customers. Do the standby customers have meters?

19 A. No, they do not.

20 Q. Okay. And why would a customer who is being
21 serviced as one of the 31 customers--why would they be
22 unmetered?

23 A. There are not any unmetered customers at this
24 time.

25 Q. Okay. So they're all metered?

1 A. They're all metered customers.

2 Q. Okay. If you would, please, go to Exhibit 1.5. On
3 line 2 you indicate the rate of recovery at zero. Could you
4 explain?

5 A. Because this is a nonprofit organization, there is
6 not--and the rates need to be at cost, there is not a rate of
7 recovery or profit, if you will, to recover the rate base.

8 Q. Thank you.

9 On Exhibit 1.7, line 16, it says, "Costs per 1,000
10 gallons, should a reserve rate be implemented to recover all
11 costs."

12 And it lists \$1.37. Help me understand why that's
13 listed here and what it means.

14 A. Okay. The \$1.37 is calculated by taking the total
15 costs and dividing it by the total usage, so that we get a cost
16 per gallon of all the costs. This would be if we had no minimum
17 rates, no standby.

18 And so what we look at is if we are planning on
19 looking at implementing a conservation rate, we take a look at
20 what those costs per thousand would be of all costs. And at
21 this time, we're--we are not recommending a conservation rate
22 tier be placed for the reasons that I've stated in my testimony.
23 We put that there as a cost comparison note to help us
24 determine how the design rates should be put into place.

25 Q. Thank you.

1 Exhibit 1.8, this goes to my question earlier about
2 water usage, and I just wanted to clarify that the percentages
3 are percentage decreases; is that correct?

4 A. Correct.

5 Q. So the 24.64 percent is a percentage decrease of
6 usage between 2011 and 2012?

7 A. Correct.

8 Q. And the 23.39 percent is the decrease from 2012 to
9 date or--

10 A. That's from the usage of 2011 to the current year,
11 2012.

12 Q. Through the end of 2012?

13 A. Correct.

14 Q. Do you have any idea what it is to date?

15 A. I don't, because I didn't have full year costing of
16 the usage.

17 Q. Okay. I meant to ask you earlier about the budget
18 plan, budget payment plan. And before I get into that last
19 exhibit, part of the proposal now, as I understand it, is to give
20 customers a budgeted payment plan; is that correct?

21 A. Yes, to provide an option for them to exercise a
22 budget payment plan.

23 Q. Okay. And on Exhibit 1.9, you give some examples
24 of how that might work for customers with varying usage?

25 A. Correct.

1 Q. Okay. And that usage that you have listed there,
2 that's their water usage?

3 A. Yes. June 11th through May 12th is their actual
4 usage. The total for 2012 through 2013 would be their actual
5 usage for that period of time.

6 Q. Okay. Do you know if the customers have
7 requested this?

8 A. Some have requested that.

9 Q. Okay. And just to summarize, explain how that will
10 work.

11 A. The customer would, in writing, request to use a
12 budget plan to the water company. And then the water company
13 would review the water usage for the prior 12 months to that
14 request, calculate an average amount that they paid during that
15 period of time, and then that would be their monthly amount
16 going forward.

17 At the end of a 12-month period, there would be a
18 true-up amount that would be calculated of actual usage to what
19 was billed. And then they would have a one-time adjustment in
20 that month's bill for the difference.

21 And then a new monthly plan amount would be
22 given, unless in writing they said that they wanted not to--that
23 they wanted to terminate that plan.

24 Q. Okay.

25 A. This is similar to budget plans that are used for

1 Rocky Mountain and Questar.

2 Q. Okay.

3 THE COURT: Mr. Thompson, are you in support of
4 adding the budget payment plan?

5 MR. THOMPSON: I am in support of that, yes.

6 THE COURT: Okay. Mr. Thompson, do you have
7 any follow-up questions based on the questions I've asked Ms.
8 Springer?

9 MR. THOMPSON: No, I'm just following along.

10 BY THE COURT:

11 Q. Ms. Springer, do you have anything else that you'd
12 like to add?

13 A. No, I don't at this time.

14 THE COURT: Okay. Thank you for your testimony.
15 I appreciate it very much.

16 MS. BENVEGNU-SPRINGER: Thank you.

17 THE COURT: It was very helpful.

18 And, Mr. Thompson, we've covered in many
19 respects, I think, the things that you would normally be testifying
20 to today, and is there any aspect of the Division's proposal that
21 you have questions about or have any concerns about?

22 MR. THOMPSON: I don't think I have any at this
23 time.

24 THE COURT: Okay. And do you fully support what
25 they are proposing?

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MR. THOMPSON: Yes.

THE COURT: Okay. And do you believe that it is just, reasonable and in the public interest?

MR. THOMPSON: Yes, I do.

THE COURT: And, Ms. Springer, do you also believe that what the Division is proposing is just, reasonable and in the public interest?

MS. BENVEGNU-SPRINGER: Yes, I do.

THE COURT: Okay. I don't have any further questions. We'll be adjourned until the public witness hearing. Should any additional questions arise, we will reopen questioning at that time. You're welcome to take a break and I'll see you back here at noon.

MS. SCHMID: Thank you.

THE COURT: Thank you.

(Concluded at 11:45 a.m.)

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CERTIFICATE

This is to certify that the proceedings in the foregoing matter were reported by me in stenotype and thereafter transcribed into written form;

That said proceedings were taken at the time and place herein named;

I further certify that I am not of kin or otherwise associated with any of the parties of said cause of action and that I am not interested in the event thereof.

Teena Green, RPR, CSR, CRR, CBC