

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the
Application for Interim Rate
Increase for Willow Creek
Water Company.

Docket No. 13-2506-01

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HEARING  
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TAKEN AT: Heber M. Wells Building
160 East 300 South, Room 451
Salt Lake City, Utah 84111

DATE: Wednesday, March 20, 2013

TIME: 9:00 a.m. to 10:45 a.m.

REPORTED BY: Michelle Mallonee, RPR

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APPEARANCES

HEARING OFFICER

Melanie Reif

For Willow Creek Water Company:

STEVEN C. TAYLOR

Secretary to the Board of Directors

Willow Creek Water Company

ALTON VEIBELL

Vice President

Willow Creek Water Company

FOR DIVISION OF PUBLIC UTILITIES:

PATRICIA SCHMID, ESQ.

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MARK LONG

Utility Analyst

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EXHIBITS

(None)

1

Hearing

2

March 20, 2013

3

PROCEEDINGS

4

THE COURT: We'll go on the record.

5

MR. TAYLOR: He can't hear you there.

6

THE COURT: Can you hear me now?

7

MR. VEIBELL: Yeah.

8

THE COURT: Welcome, everybody. I'm Melanie

9

Reif, the Administrative Law Judge for the Utah Public Service

10

Commission. And this morning, this is the interim rate increase

11

hearing for the Docket 13-2506-01, which is entitled, "In the

12

Matter of the Application of Willow Creek Water Company for

13

General Rate Increase."

14

And I'd like to start this morning by taking

15

appearances, which is the part of the hearing where each party

16

identifies him or herself. And I'd like to start with the applicant,

17

please.

18

MR. VEIBELL: Alton Veibell from Willow Creek

19

Water Company. I'm vice president.

20

MR. TAYLOR: Steven Taylor, Willow Creek Water

21

Company board member, secretary.

22

THE COURT: Thank you.

23

MS. SCHMID: Patricia E. Schmid with the Utah

24

Attorney General's Office representing the Division of Public

25

Utilities. And with me, as the Division's witness, is Mr. Mark

1 Long.

2 THE COURT: Very well. Welcome, everyone.

3 I wanted to make certain that the parties are aware
4 that the Commission did receive on the 19th of March a filing by
5 the Division, recommending that the interim rate increase be
6 approved by the Commission. And I'm not sure if the applicant
7 has received a copy of that.

8 MR. TAYLOR: We have.

9 THE COURT: Okay. Terrific. And as you are
10 aware, Mr. Veibell and Mr. Taylor, by statute, the Commission
11 has 45 days in which to review your application and to grant or
12 deny the Request and should there be adequate prima facie
13 showing that the interim rate increase is justified. In this case,
14 you've asked for an increase, so I don't mention the decrease
15 issues. But in some instances, there is a decrease issue. So
16 what I'd like to do is give you this opportunity to present your
17 case.

18 And will either of you be testifying on behalf of the
19 water company--in as much as you are presenting information,
20 that sort of thing?

21 MR. TAYLOR: In answer to questions, and that, we
22 can. We didn't have an actual case to present, other than the
23 documents that we've already submitted through the process.
24 Do you want us to go further than that?

25 THE COURT: Well, this is your case, so you get to

1 decide how you present it. And if I need to ask additional
2 questions, I can do that.

3 But, Mr. Taylor, are you planning to present the
4 application as it's been filed or what--

5 MR. TAYLOR: That's correct.

6 THE COURT: Okay. And did you prepare this
7 filing?

8 MR. TAYLOR: Alton prepared a majority of the
9 filing in conjunction with Brent Ventura, who is our president of
10 the company.

11 THE COURT: Okay.

12 MR. TAYLOR: And he was unable to be here today.

13 THE COURT: It would be the preference the
14 Commission that we take your presentation, your testimony,
15 under oath. That way we can--you would be subject to
16 cross-examination, if there's no objection to that. And you'd be
17 subject to questions, not only from the Division, but also from
18 the Commission. And that way we are assured that the record,
19 in as much as you are presenting it, is under oath and asserted
20 to be for the truth that it's asserted. Okay.

21 So in as much as you are both participating in the
22 hearing, and in as much as you're not represented by counsel,
23 I'll do my best to help explain things as we go along. But what
24 I'd like to do, because you are both going to be participating and
25 potentially answering questions and such, is I'd like to put you

1 both under oath. And if it turns out to be that one of you
2 doesn't answer anything, I just have a certainty that we've got it
3 all taken care of. So if you are fine with that, let's go ahead
4 with the oath.

5 And what I'd like to have you do is both raise your
6 right hand. And do you swear that the testimony that you are
7 about to give today is the truth?

8 MR. TAYLOR: Yes.

9 MR. VEIBELL: Yes.

10 THE COURT: Thank you very much, Mr. Taylor, Mr.
11 Veibell. You may proceed and explain to the Commission why it
12 is you are seeking an interim rate increase and why that rate
13 increase should be granted.

14 STEVEN TAYLOR, having been first duly sworn,
15 testified as follows:

16 TESTIMONY

17 BY-MR.TAYLOR:

18 MR. TAYLOR: Make sure the light's on there.

19 I just wanted to--basically, we've had a rate in
20 place. And that rate, we have found, has been--we have not
21 been able to cover all the costs. In our situation up there, Alton
22 primarily has run the water company and does a lot of services
23 and that for the water company without any billing or expense to
24 the water company.

25 Now, none of this rate is to pay Alton. That's not

1 our intention. Our intention is we've hired a water operator for
2 our company. That water operator is going to be on a part-time
3 basis. We based these rates on utilizing Grover Construction or
4 other construction entities that have been involved in helping
5 placements of meters and things like that when new individuals
6 build. So we've placed those rates in effect to be able to
7 adequately cover the costs associated with those to the best of
8 our ability. So that's how we came up with most of these rates.

9 We also have several lots that have sold. We've
10 developed a water system that has the ability to service those
11 lots. And so we've asked--
12 in the rate structure, we have a stand-by fee that would help us
13 cover our expenses, you know, for the company--those people
14 that might build a year later or two years later, or whatever.

15 The connection fees to this point, there's--and I'll
16 share this with you--there's a-- my profession is a real estate
17 agent. And we do what we call a lot of "comparative market
18 analysis." And as we look at all the lots on the west bench of
19 the Cache Valley, many of the lots that are in the rural areas
20 have to come in and drill a well and obtain water rights and so
21 on to service their lots. And so our lots are equally priced to
22 those lots. But when somebody comes over to this lot, they're
23 paying another 10- to 12- to \$15,000, depending on--to obtain
24 water service for that property.

25 And on our lots, we've been contributing \$5000 to

1 the water company to run the water company. So to this point,
2 it's been kind of supported by the developer, so to speak.
3 Alton's up in age, and somebody else might own these
4 properties some day. And our point was to try to substantiate
5 this water company and establish it so that it could go forward
6 and be successful and be able to support all of its financial
7 commitments when Alton's not there to fix a water break or to
8 take care of those things. So that's our purpose and our reason
9 for coming in for a rate case.

10 We have reviewed this with our rate board, which
11 are five members of the community--
12 I'm sorry, four members of the community--
13 basically by providing all of the financials, what types of
14 expenses have been involved. And then we've also shared what
15 Alton has done beyond what appears on our balance sheets and
16 our profit-and-loss statement as a company. And they've
17 agreed to our rate increase and said that they feel that it's
18 important that we do increase our rates so that we can get a
19 reserve in place.

20 To this point, we have virtually no reserves. If we
21 were to have a major problem, such as a pump going out or
22 something like that, we would have to go to each water user and
23 ask them for a contribution. And we want to try to avoid that.
24 We'd like to establish a reasonable reserve that would allow us
25 to be able to continually service in the Willow Creek area.

1 We see this water district as potentially a district
2 that could even serve a greater area than what we're doing right
3 now. There are people that are just on the outskirts that have
4 said, "Boy, we'd like to be involved in the water company." So
5 we feel we need to have a solid rate in place so if we do extend
6 the line, based on a decision, that they would pay out an
7 appropriate connection fee to offset those costs by coming in
8 and participating in the water company.

9 So there's a whole lot of factors involved in this
10 rate decision, I guess, that we're trying to come to.

11 And do you have anything to add to that, Alton?

12 MR. VEIBELL: I don't believe so. I think you've
13 covered it pretty well.

14 MR. TAYLOR: So if you have questions-- did you
15 want me to address each individual rate to give you some
16 feedback on that? We do have our documentation here that we
17 can--if you have specific questions. But the new rates--as you'll
18 notice, there were several that were not--we had a turn-off fee.
19 We don't always have people turning off fees, but we put a fee
20 in there on the turn off, that if we had an operator and he had to
21 go turn off a property, we could then cover those expenses.

22 Transfer of ownership, we've never charged
23 anything for that. But in the future, our lots--the way we're
24 structured in Willow Creek is every property gets an amount of
25 water. And it is--it goes with that property. So when a new

1 owner comes in place, there's some title work that has to be
2 done to transfer the ownership of that water with the property to
3 the new owner. And so this is to cover title work and the
4 expenses associated with that.

5 The unwarranted service call, we don't have a lot of
6 unwarranted service calls. When I say that, Alton does most of
7 the service calls, but there's not a tremendous number of those.
8 But we put a fee in for an unwarranted service call.

9 The fire hydrant deposit is for--we have only one
10 individual who provides a commercial service of hydroseeding to
11 Cache Valley area. And that deposit is for the--to this point,
12 we've had him take his water out of a fire hydrant to fill his
13 vehicle. He uses large volumes of water, and we've charged
14 him so much a thousand gallons. And a \$100 deposit is what
15 we were going to charge him for having that metered. But we're
16 going to push him towards if he's going to do that, maybe
17 putting a commercial connection on his property for security and
18 safety reasons so that we--the anti-siphon valves that are in
19 place to keep impurities from coming back into our system, and
20 that. We don't feel it's a safe means to be taking it out of our
21 five hydrant system, nor good for that system.

22 And the late fee is just strictly for billing purposes.
23 Most people pay their bills on time. It's a small community. But
24 just in case they don't, as we get bigger, we wanted to have,
25 you know, a late fee in there.

1 So the other major component of this: To date, a
2 lot typically gets 293,000 gallons of water annually. And
3 although we read the meters each month, at the end of the year,
4 we kind of sum things up. And we used to charge a dollar per
5 thousand gallons over the 293,000 gallons. But it's really not
6 feasible. We found that as we have a lot of new homeowners
7 up there and they are planting grass, so on and so forth, they
8 literally emptied our 250,000 gallon tank watering their lawns
9 and taking care of things. I mean, we were continually filling it
10 back up, costing us quite a bit in electrical costs for pumping
11 and that.

12 So we've changed our structure a little bit to 12,000
13 gallons being delivered in a month for the fee, and a \$1.50 per
14 thousand gallons over each month. We feel that that will give
15 us sufficient revenues, based on what we've looked at to just
16 take care of all of our service and maintenance needs on our
17 water company.

18 So I think those are all the major points. And then
19 on the commercial, we kind of mirrored the other because we
20 don't think we're going to have too many commercial entities out
21 there.

22 THE COURT: Thank you, Mr. Taylor.

23 Anything further, Mr. Veibell?

24 MR. VEIBELL: I believe he's pretty well covered it
25 pretty well.

1 THE COURT: Okay. Thank you.

2 Patricia, do you have any questions?

3 MS. SCHMID: I do just, perhaps, for clarification, if
4 that's all right.

5 THE COURT: Sure.

6 CROSS-EXAMINATION

7 BY-MS.SCHMID:

8 Q. As you know, the rate case process takes a few
9 months. And the process must be concluded before final rates
10 are approved by the Commission, and then the Company is able
11 to put them in place. Today we're here for an interim rate
12 approval. And those rates would be in effect until the final rates
13 are approved by the Commission.

14 Would it benefit Willow Creek if the interim rates
15 were approved today or soon? Would it help Willow Creek with
16 its ongoing expenses?

17 A. I think extensive--yes, it would very much, so.
18 Right now, we rely on revenues of--we get a monthly billing that
19 comes in. And, of course, we get a monthly--and it covers some
20 of the expenses. But our--we rely on the next lot sale to bring
21 some revenue in to take care of any major things that we need
22 to take care of. And sometimes we have to sit there and wait
23 for a period of time. Our revenues dip quite low often through
24 the process. So yes, a rate increase would make a significant
25 difference of how Willow Creek operated.

1 THE COURT: Thank you.

2 BY MS. SCHMID:

3 Q. Willow Creek also is initiating or has initiated an
4 arsenic control or remediation program. Can you explain that
5 just a bit?

6 A. Yes. For many years, and because we were
7 underfunded, we've approached the Drinking Water Quality folks
8 here in the state. And we had talked about what we could do to
9 mitigate the arsenic levels that are in our current well. And they
10 gave us a grant a year ago now?

11 MR. VEIBELL: Yes.

12 THE WITNESS: About a year ago. And that grant
13 allowed us to drill a new well. And when we finished testing
14 that, we found out it was fully arsenic free. And so prior to that,
15 we would have had to invest in a significant arsenic mitigation
16 system, which included medium and a lot of mechanical
17 equipment in our well house that would have had to be
18 maintained at a greater level of maintenance involved and
19 greater cost to Willow Creek. And by drilling this new well and
20 finding this, we can now do a blended water program that would
21 be approved by the Drinking Water Quality that would give us
22 full--you know, that relief of arsenic in the system. It would
23 actually--by blending the two water sources, it reduces the
24 arsenic level on parts per billion or million, or whatever the
25 reference is. But it would reduce that.

1 So this is also taking that into account. We
2 wouldn't have--we'd have to have a much larger rate increase if
3 we had to go the mechanical system because you are replacing
4 medium and you're doing a lot of other things and having to
5 monitor that system, where all we have to do is have a pumping
6 timer that blends the water for us. So it's actually a much more
7 cost-effective process for us.

8 BY MS. SCHMID:

9 Q. Were the funds distributed by Drinking Water as a
10 loan rather than a grant?

11 A. There are two. The first was a grant, and it was
12 68,000?

13 MR. VEIBELL: No, 49,000.

14 THE WITNESS: Oh, it was only 49?

15 MR. VEIBELL: Yeah.

16 THE WITNESS: Oh, sorry. He's closer to the
17 books than I am. It was \$49,000. And that allowed us to drill
18 the well.

19 And once we identified it, they had us come back
20 with an entire--we kept coming back in little pieces. And they
21 said, "You need to come back with a full plan." So we had an
22 engineer draw a plan. We went through everything. We looked
23 it over in detail. They have granted us--when I say "granted,"
24 it's not a grant. They have offered us a \$225,000 interest-free
25 loan. That loan will allow us to place a generator, retrofit the

1 well, tie it into the system, and take care of all the source
2 protection needs and everything for this to ensure quality
3 drinking water, well into the future. And have the ability to
4 service it, even in a power-outage situation, and that.

5 BY MS. SCHMID:

6 Q. And the requested rates have been designed to
7 repay that--

8 A. Yes.

9 Q. --zero interest loan?

10 A. To offset and repay as well. Yeah, it also includes
11 that, plus the--that's right.

12 Q. And I have just, I think, perhaps one or two more
13 questions, if I may.

14 In the Division's recommendation regarding the
15 interim rate increase, the Division requests that the interim rate
16 increase be approved. However, if the final rates are higher,
17 the Company is not allowed to collect the difference between
18 when the interim rates are approved and when the final rates
19 are approved. Does the Company understand that?

20 A. Yeah. In the letter that came out--I believe this is
21 the same letter--I read that. And we do understand that, that
22 there may be -- you know, wherever we settle, that would then
23 be the rate that goes forward after that time.

24 Q. And does the Company also understand that if the
25 final rates are higher than the interim--the final rates are lower

1 than the interim rates approved, then the Company would then
2 owe the customers a refund?

3 A. Yes, we understand that.

4 Q. Those are all my clarifying questions.

5 THE COURT: Okay. Thank you, Ms. Schmid.

6 I, too, have a few questions, gentlemen.

7 CROSS-EXAMINATION

8 BY-THE COURT:

9 Q. To begin with, you mentioned that you are working
10 to establish a reasonable reserve.

11 What is your goal regarding the reserve? What
12 dollar figure are you hoping to--

13 A. Let me--let's pull your charts out right here. Just so
14 I can give you the right numbers, I just need to look at some
15 data real fast. Sorry for the delay. Oh, here we are. Here's
16 part of them.

17 In 2013, we look at the capital reserve in our
18 savings account, based on--we have an actual spreadsheet for
19 '13, '14, '15, and '16. And each one of them, they identify the
20 electricity, the chlorine, the maintenance, and so on, all the way
21 through, and the loan repayment for our arsenic project, and so
22 on. The capital reserves and savings at the end of 2013, if our
23 rates were in place today, we would see about \$7320 in
24 reserves. And that's--oh, here's '15. Okay. Sorry.

25 By the year 2015, and going forward without any

1 changes, we see that--I'm sorry, that's not true--with changes.
2 We see that there may be additional growth through those years
3 of new customers, some lots on standby, et cetera. By 2015,
4 the reserves on that would be \$37,320.

5 Q. Thank you. Is it correct that you have 22
6 customers?

7 A. That's--yes.

8 MR. VEIBELL: I didn't hear.

9 THE WITNESS: Number of customers. Aren't we
10 at 22 now?

11 MR. VEIBELL: Yeah, we're at 22.

12 THE WITNESS: One other caveat. There's 22
13 customers, but we're counting on -- there's nine what we term
14 "standby customers" that have purchased property but have not
15 built a structure yet. So, therefore, they're not utilizing the
16 services. But the service runs in front of their property ready to
17 be attached.

18 BY THE COURT:

19 Q. Thank you. Of the 22 customers that you have,
20 how many of those are residential customers?

21 A. All of them are residential. One of them is
22 residential, plus he takes commercial services out of a fire
23 hydrant.

24 Q. Are your customers, the 22 who are currently
25 receiving residential and commercial service and the nine

1 standby customers, are they aware of the rate increase that
2 you've requested?

3 A. Yes. We just recently sent out in the billing a
4 statement--and I should have brought you a copy of that. But I
5 will send a copy immediately back up. We did send out a letter
6 from the Willow Creek Water Company. In there, we stated the
7 requested rate increase numbers. So they saw those numbers
8 specifically. We shared the website for the Public Service
9 Commission and referenced the docket numbers that if they
10 could follow that rate case through, and asked them to be
11 involved and told them we'd love their input if they had input on
12 the matter. So we did send out a letter. And I will provide that
13 copy to Mark Long. And if you would like a copy, I'll send it.

14 Q. Thank you, sir. You're welcome to supplement the
15 record with that.

16 A. Okay.

17 Q. Could you--I don't think you gave a precise date.
18 Could you tell me--

19 A. The date that we sent that?

20 Q. Yes, sir.

21 A. It was the day before yesterday. It was written on
22 the 18th.

23 Q. Okay. Do you--was that sent through U.S. mail?

24 A. Uh-huh.

25 Q. So it could be that they may not be getting the

1 notice until today?

2 A. That's probably--that could be factual.

3 Q. Okay. So at this very moment, they may not have
4 actual notice of this proceeding?

5 A. Yeah. I didn't reference the proceeding, I only
6 referenced the website. I didn't reference the interim dates or
7 anything.

8 Q. Did you reference the hearing--this hearing?

9 A. No, not in that letter.

10 Q. Okay. You may have a copy of this before you. On
11 March 13, 2013, the Commission, subsequent to our scheduling
12 meeting, issued a scheduling order and notices of hearings.
13 And if you flip to page 2, about the middle of the page it states
14 that, "No later than Company's March 2013 billing cycle,
15 Company is instructed to provide notice to its customers of the
16 interim rate increase hearing noted above."

17 A. And we sent that out with the March 2000 (sic)
18 billing cycle.

19 Q. Okay. Which went out again--

20 A. --on the 18th.

21 Q. --on the 18th.

22 A. Uh-huh. And that was included in the bill to each
23 end user. The only ones that may not have received that notice,
24 we will have to notify them separately, are--because we don't
25 bill them--

1 are those that own lots that don't have service with us at this
2 time.

3 Q. That are currently on standby?

4 A. Yeah, standby. Well, they're not on standby
5 because we don't charge them anything for standby. So we
6 never communicate with them at all.

7 Q. Okay. Is there any other notice that you would
8 have provided prior to March 18, 2013? The concern being that
9 if you sent it out on March 18th, very likely they are not
10 becoming aware of it until today, assuming it takes two to three
11 business days for mail to move about. And so hence my
12 question: Would there be any other communication that you
13 made that would have been--

14 A. --prior to that date, yeah.

15 Q. --that would have met the spirit of what the
16 Commission was trying to accomplish?

17 A. The only thing that we can put in that category
18 would be we have had three meetings with our interim rate
19 board, who are four of the users on the system, who have
20 communicated. I mean, because Alton's had calls from people
21 asking questions about it and whatnot. So we've had four of
22 those rate board meetings and had all the information for them
23 and showed them exactly what was being submitted.

24 Q. Did you send notices of your rate board meeting to
25 all of your customers?

1 THE WITNESS: Did you include anything in the
2 bills?

3 MR. VEIBELL: No, huh-uh.

4 THE WITNESS: No. Not an official
5 statement, no.

6 BY THE COURT:

7 Q. But you do believe that some of the customers were
8 involved in those meetings, but not necessarily all of them were
9 put on notice of the meeting?

10 A. That's an accurate statement.

11 MR. VEIBELL: Just the four rate board members.

12 THE WITNESS: Yeah, just the four rate board
13 members. We communicated with the four rate board members,
14 and we know they've communicated out because we've also had
15 communication back to us. But in all fairness, I don't think,
16 structurally, they would have a full understanding of everything,
17 probably, until they get this next memo that we sent out.

18 BY THE COURT:

19 Q. Okay. Let's put aside the issue that we're
20 discussing right now for the moment.

21 And I want to go to the next sentence in the
22 scheduling order, which requires and states specifically that,
23 "No later than Company's June 2013 and July 2013 billing
24 cycles, Company is instructed to provide notice to its customers
25 of the general rate increase hearing noted above."

1 A. Okay.

2 Q. So I note that for your reference to help you
3 prepare for the next hearing, so that when we get to this setting
4 again--

5 A. --we'll bring that information as completed.

6 Q. My hope is that it will be completed well in
7 advance.

8 A. Right.

9 Q. Such that--my concern right now is that there may
10 be customers who do not have the notice that they should have
11 to give them fair public opportunity to appear. So that's a
12 separate issue that the Commission will address at some point
13 during this hearing.

14 Yes, sir?

15 A. Just an input. I think we understand that now and
16 should have been more diligent about it as far as its timing. I
17 can state that in April, May, June, we'll make notices in each
18 billing cycle of this rate and everything all the way through. So
19 we'll provide documentation and updates in each monthly billing
20 going forward.

21 Q. Okay. And the other important point being that the
22 customers are notified of the hearing.

23 A. Okay.

24 Q. So as you look at the scheduling order, we have the
25 interim rate hearing today, which we're doing now. We have the

1 general rate increase hearing, which is occurring on August 1,
2 that morning. And later that day, we have the public witness
3 hearing. So those two future hearings, you'll want to absolutely
4 include when you make your customers known of this pending
5 issue.

6 A. Okay.

7 Q. And I do have some other questions. Give me one
8 moment, please, while I look at my notes.

9 Mr. Veibell and Mr. Taylor, on page 3 of your
10 submission entitled, "Application for Interim Rate Increase," the
11 table that's presented states--
12 and I'm looking at the commercial rate, the second commercial
13 rate. It says, "Commercial fixed-system fees, maximum 293,274
14 gallons per year." And next to it, it says, "None." And you're
15 wishing to change that to \$1.50 based on 1000 gallons over the
16 12,000-gallon per month limitation that's addressed in the
17 section above that.

18 I'm trying to determine--there was a submission that
19 I mentioned early on that was submitted by the Division--and,
20 again, the Commission received this yesterday--that suggests
21 that that current amount is presently set at a dollar. Is that
22 correct, or is that a typo?

23 A. It was at a dollar. But let me clarify a point for you.

24 Q. Okay.

25 A. The commercial fee has been strictly a dollar per

1 thousand gallons of usage. He doesn't truly own a right of water
2 and doesn't have a connection, other than off of a fire hydrant.
3 So it's, from Day 1, the first gallon--the first thousand gallons he
4 pays a dollar for, the second thousand, and so on.

5 So this "293,000 gallons" was written in error. He
6 really doesn't own a water right. He just merely takes water out
7 of the fire hydrant and we charge him the first thousand gallons
8 on.

9 Q. So when looking at your submission, if we were to
10 delete the reference under the word, "Commercial," "Fix-system
11 fees, maximum of 293,274 gallons per year," and also eliminate
12 the word "None" and just leave it as, "This requested rate for
13 residential is now \$1.50," would that be a better reflection of
14 what your application is seeking?

15 A. It would be. Because as I look at this right now,
16 we've kind of copied down. There was no commercial service
17 and no commercial rate structure in place. So that would be a
18 better reflection.

19 Q. Okay. And would it be--I'm going to help you along
20 a little bit since you don't have counsel.

21 By the way, you do understand that you have the
22 right to counsel?

23 A. Right, we do.

24 Q. You just choose to represent yourself. Is that
25 correct?

1 A. Correct.

2 Q. So would it be your position that the application be
3 amended with those changes that we've just outlined?

4 A. I think that would be more accurate by far.

5 Q. Okay.

6 A. As I stated, there were no commercial services to
7 date, other than selling the water off of the fire hydrant off of a
8 meter.

9 Q. Okay.

10 A. And so we want it to be more formal in that
11 commercial application.

12 Q. Okay. Would there be any other changes in the
13 application, as it's presented, that you think would be
14 necessary, other than the two that we've just noted?

15 THE WITNESS: Do you see any changes?

16 MR. VEIBELL: I don't believe so.

17 (A discussion between Mr. Taylor and Mr. Veibell was held off
18 the record.)

19 THE WITNESS: No, I think it would stand.

20 BY THE COURT:

21 Q. Okay. Very good. Again, helping you along a little
22 bit. The Commission is going to take judicial notice of this
23 application, this application, which is entitled, "Application for
24 Interim Rate Increase." And it was received by the Commission
25 on February 14, 2013, with the changes noted--

1 assuming no objection from the Division.

2 I hear no objection.

3 MS. SCHMID: No objection.

4 BY THE COURT:

5 Q. And going to the issue of the reasonableness of
6 your request. In paragraph 6 on page 3, just below your table
7 that we were just discussing.

8 A. Okay.

9 Q. You make a number of representations, and I'll just
10 read what this says. It says, "Willow Creek's requested interim
11 rate increase is justified and reasonable and will allow Willow
12 Creek to operate at a net gain, meet current obligations, be
13 self-sustaining, and build capital reserves for future repairs and
14 replacement of capital facilities until the Commission can issue
15 a final order in the general rate case."

16 Is that a true statement?

17 A. I feel it is accurate.

18 Q. Okay. We've talked a little bit about the capital
19 reserve issue, and you've explained to me about how you are
20 attempting to build that.

21 Could you help me understand the other aspects
22 that are listed here about the operating at a net gain? Do you
23 know that to be a fact, that if these rates are put into place, that
24 you will now be able to operate at a net gain and meet your
25 current obligations and be self-sustaining? Or is that a longer

1 term goal as these rates are sustained, assuming that the
2 Commission approves them in the final rate case?

3 A. It's my opinion--and I'll share this and you can jump
4 in if you want any time, Alton--that yes, it would put us into--I
5 think it's over time. Because, for instance, if we lost a pump
6 today, we would not be able to handle it as a water company.
7 We wouldn't have the reserves in place and so on.

8 Q. What would you estimate a pump would cost if you
9 lost one and needed to replace it?

10 THE WITNESS: What's the cost of our new pump?

11 MR. VEIBELL: Seven thousand and something.

12 THE WITNESS: About \$7000 just for a pump.

13 We have in place two pumps on our 400-foot well,
14 and we'll be placing a new pump on our 1000 foot well. So
15 there's a potential of three pumps at any time potentially having
16 some type of a problem. And there's a lot of other
17 infrastructure, not just those pumps. We have--in our water
18 system, we have two pressure pumps that the water
19 system--there's a section that goes up in elevation. And so in
20 order to provide those individuals with adequate service, we
21 have two pressurization pumps that also--so we have a total of
22 five pumps just within our system that we work with. So at any
23 time, if any one or two--and we don't expect that to happen. I
24 mean, they've been wonderful to us so far. But if one of those
25 pumps goes out, our current pumps are ten-plus years old. We

1 would be in a situation where we couldn't ...

2 So to answer your question more effectively, I see
3 us positioning ourselves with this rate increase to be more
4 viable and appropriate as the years go on, 2013, '14. By 2014,
5 yes, we should be in a position to take care of our financial
6 needs without a problem. Prior to that, we still may be having to
7 rely on, you know, the users of the company if there was a
8 major maintenance issue.

9 Q. What's the life expectancy of a pump?

10 THE WITNESS: What do you think, Alton?

11 MR. VEIBELL: They usually say about-- it kind of
12 depends. Now, we replaced one in the old well. Of course, it
13 had been there about 20 years before it went out. They say
14 anywhere from seven to ten years.

15 THE WITNESS: And let me clarify a reference
16 there on that being around 20 years. When it was there for 20
17 years, there were four or less users on the company.

18 MR. VEIBELL: Yes.

19 THE WITNESS: You know.

20 BY THE COURT:

21 Q. Okay.

22 A. And so it was there for quite a while. Now we have
23 22 users. And I would say exponentially that may be a different
24 number.

25 Q. So the pumps that you have are all on the extended

1 side of their life expectancy?

2 A. Well, the two in the 400-foot well are. The one that
3 will be placed in the new well will be brand new through this
4 loan process that we talked about from Drinking Water Quality.
5 And the two primary pressure pumps are, what, eight years old?

6 MR. VEIBELL: No, they're not that old.

7 THE WITNESS: Okay.

8 MR. VEIBELL: Those pressure ones, they're only
9 about three years old.

10 THE WITNESS: About three years old. They're
11 three years old.

12 BY THE COURT:

13 Q. Okay. Help me understand, given the age of the
14 facilities and the lack of reserve that you currently have in
15 place, is there a reason why you didn't seek a larger rate
16 increase from an interim standpoint?

17 A. Well, our rate board was involved in the rate
18 decision. And as we looked at it, there has been--and let me
19 take you to the development side for a minute. Basically, there's
20 three subdivisions up there that new people are moving into and
21 building homes. And to this point, the developers paid for and
22 built all of the infrastructure necessary to connect to the water
23 company and then donated those infrastructures to the water
24 company.

25 The--restate your question one more time to make

1 sure I'm on track.

2 Q. I'm trying to better understand, given the age of the
3 facilities--

4 A. Right.

5 Q. --and the potential for you to have to replace
6 additional pumps in the very near future, why was the requested
7 rate increase not, perhaps, made at a larger amount? Also
8 considering that there is no reserve in place.

9 A. Right. As we stated earlier, every time a lot is
10 sold, the developer contributes an amount to the water
11 company, which has been ongoing. That amount has been
12 utilized to sustain the water company. And once all the lots are
13 sold, that sustainment of the water company from that
14 standpoint is going to disappear.

15 Q. How much is that number?

16 A. It's \$5000 per lot.

17 Q. And how many lots are left unsold?

18 A. Nine lots, nine current lots.

19 Q. And what's the market like in this area?

20 A. Well, last year we didn't sell any lots at all. This
21 year, we hope to sell a few. We think three to four a year,
22 probably.

23 Q. Have you actually closed on any in 2013?

24 A. One. One \$30,000 lot.

25 Q. Okay. So back to my original question.

1 A. Umm-hmm.

2 Q. Given the circumstances--

3 A. Right.

4 Q. --why not seek a greater increase?

5 A. Well, we think there probably should be a greater
6 increase. But our rate board basically said, you know, to us,
7 "Boy, that seems pretty hefty." We were going from 38 to 49.
8 And we did our numbers and our spreadsheet, and we felt, you
9 know, if we could at least do \$49 or \$50 in that range, we could
10 meet our expenses and have--
11 actually, the reserves would grow a little slower. But we felt ...

12 Q. Would you be able to meet your expenses on an
13 ongoing basis? Or would it be that you would be in arrears for a
14 while and then as your reserves grow, you then are able to pay
15 those obligations off?

16 A. I would say we'd be in arrears. And basically, the
17 arrears end up being out of Alton's pocketbook. And that's
18 exactly what happens. He subsidizes pretty much anything that
19 takes place up there. And what I mean by that is we'll have a
20 balance in the checking account, maybe a thousand dollars or
21 something. If we have a water break, if we were to bring Grover
22 Construction in to fix that water break if Alton was not there,
23 that water break may cost us, you know, \$1200. Or, I mean, it
24 could deplete all the funds in the account. He goes out and
25 fixes it and doesn't charge anything for it.

1 And so in our current rate structure, we would
2 always be in arrears. I mean, that's the fact. And as he
3 prepared for the new well, we didn't have funds within the water
4 company--there is some money that's being loaned to us, but we
5 haven't finalized that loan yet. So as we prepared and drilled
6 and took care of that, you know, he's probably put out \$7000 of
7 his own money that would be a water company expense to offset
8 what's going on up there. So I'm just being straightforward with
9 you so you know.

10 Q. And that's exactly what I expect. So thank you.

11 A. Yeah. So, yes. In answer to your question, on the
12 existing rates versus these new rates, I believe these new rates
13 and how we've planned them and set budgets up for all of the
14 preceding years, '13, '14, '15, '16, I believe that if we were to
15 establish the rates as we've proposed them, that we will have an
16 adequate--our maintenance and services will all be taken care
17 of, costs, electricity, and so on--and the repayment of the loan.
18 But our reserve will grow slow over those 13 years. And we'd
19 still be in a position of responsibility, if you will, to maybe
20 augment or offset some costs. And it may have to go over all
21 the members of the water company if something went wrong in
22 the first couple of years. I hope that answered what you were
23 ...

24 Q. Thank you. I appreciate that additional information.

25 THE COURT: And Mr. Veibell, this might be

1 addressed by you. And, Mr. Taylor, you are welcome to
2 respond, too.

3 Presently--and this goes not only to this issue, but
4 to the greater general rate increase, which we'll eventually hear.
5 What I would like to know is: Is Willow Creek Water Company
6 making any profit whatsoever at this point in time?

7 MR. VEIBELL: Well, right now, when we sold this
8 here other lot this year, we had put 5000 in there. And we have
9 a little over \$8000 with that right now. So we're making a little
10 bit of headway, even with leaving it at that \$38. But we're going
11 to be in trouble if something happens. So we need this extra
12 rate increase in order to build that up faster.

13 Now, we do have promises of maybe another five
14 lots selling this year. And if we keep that \$5000 in there, it's
15 going to bring that rate up a little bit faster, but.

16 THE WITNESS: I do want to make two notes for
17 you. Alton won't say any of this. I've been commissioned by his
18 attorney to keep him out of trouble, and this is the exact
19 statement: That \$8000 that's in there, if we go over on this
20 side, Alton's contributed probably more than \$7000 of services
21 and not billed the water company at all. That \$8000 would be
22 nothing. It would not even be there. So he's made that choice.
23 And he and I argue about this often.

24 This rate increase is not to augment Alton Veibell's
25 pocketbook. It doesn't have anything to do with that. My

1 concern is Alton's on a pacemaker. Alton may not be here in a
2 year or two. And if we have to hire Grover Construction or Rupp
3 Construction or anybody else that we've ever used up
4 there--Circle C--and pay for all the services that Alton provides,
5 we would be desperately in need of financial assistance. I
6 mean, when I say "desperate," we'd have to close our doors.
7 We could not service at all and pay our electric bill and pay for
8 our chlorine and pay for the water testing and everything that we
9 need to. We couldn't do it. It would be done.

10 BY THE COURT:

11 Q. Okay. And Mr. Taylor, I appreciate your candor
12 very much.

13 And just so you understand where I'm coming from,
14 there's a balance between the ratepayer and the Company. And
15 the Company is entitled to a reasonable profit. And what I'm
16 hearing is that things are on the other end of the scale. And I'm
17 sure that that will be developed more fully during your general
18 rate case. And I certainly hope that it will be. Because the way
19 that the statute is constructed for public utilities, and because
20 you are under the jurisdiction of the Public Utilities Commission,
21 that's something that we look at when issuing a rate increase.

22 And I know that you have a number of things that
23 you are trying to balance, you know. "Well, is this too much?"
24 Or, "Are the customers going to be happy?" That sort of thing.
25 But there are other factors to be taken into account as well.

1 A. Can I give one other note?

2 Q. Yes.

3 A. There are lots of other factors. Alton will err on the
4 side of all those factors. And what I mean by this is he lives
5 with all those folks up there. And he's very closely related to all
6 of them. So even Alton will say, "Oh, no. No. We didn't go that
7 high. Let's not do it," you know, to the point of, if we're looking
8 at this, are we profitably running Willow Creek Water Company
9 and are we able to sustain the necessary elements of Willow
10 Creek Water Company? And I hope that through this process,
11 we come to that conclusion appropriately and make sure.

12 And I think we've done some good homework to do
13 that. But I just--I mention that because too often--this has been
14 his dream, more or less, for years. He doesn't--you can look
15 through the books. Anywhere you want to look through the
16 books, he will not write himself a check unless he's had seven
17 points of authorization from everybody else for anything. So it's
18 not his personal checkbook by any means. He handles it very
19 professionally. And, you know, I just want that to go on record,
20 because he's--it's very positive.

21 Q. Thank you, Mr. Taylor.

22 That's very commendable, Mr. Veibell.

23 And with respect to something you mentioned
24 earlier about hiring someone, this is not necessarily pertinent to
25 this part of the hearing. But I'm assuming that that is not Mr.

1 Veibell, that's a different individual?

2 A. Yes. We're making preparations to have this water
3 company stand on its two feet. And there is a gentleman that
4 provides services to many water companies throughout the
5 Cache Valley. And we actually paid for his certification in the
6 water.

7 THE WITNESS: What is the certification called,
8 Alton?

9 MR. VEIBELL: Well, it's just a certified operator.

10 THE WITNESS: He's a certified water operator. So
11 we paid for him to be certified. He's passed that certification.
12 Basically, there's many times where tests need to be taken and
13 so on. And Alton's been doing that on his own. We're trying to
14 integrate this individual to get an understanding of our company,
15 what needs to happen on a regular basis to make sure we're
16 within checks and balances of drinking water quality, and that.
17 And he is following through with that. And we just need
18 somebody in place to be sure our company functions properly.

19 THE COURT: Okay. Mr. Taylor, Mr. Veibell, is
20 there anything else that you would like to add?

21 MR. VEIBELL: I don't believe so.

22 MR. TAYLOR: I think we're fine. Thank you.

23 THE COURT: Okay.

24 Ms. Schmid, I know that you wish to address your
25 position in this matter. One thing that I would like you to

1 address is the issue of notice, given what we've heard today.

2 MS. SCHMID: May I address that after the Division
3 has presented its--

4 THE COURT: Sure.

5 MS. SCHMID: --evidence?

6 The Division would like to call Mr. Mark Long as its
7 witness. Could he please be sworn?

8 THE COURT: Mr. Long, would you please raise
9 your right hand. Do you swear that the testimony you are about
10 to give today is the truth?

11 MR. LONG: Yes.

12 THE COURT: Thank you. You may proceed.

13 MS. SCHMID: Thank you.

14 MARK LONG, having been first duly sworn, was
15 examined and testified as follows:

16 DIRECT EXAMINATION

17 BY-MS.SCHMID:

18 Q. Mr. Long, by whom are you employed? In what
19 capacity? And what is your business address?

20 A. I'm employed by the State of Utah, Department of
21 Commerce, Division of Public Utilities. My title is Utility Analyst.
22 I work at 160 East 300 South, Salt Lake City, Utah, 84120.

23 Q. On behalf of the Division, have you participated in
24 this docket?

25 A. Yes, I have.

1 Q. Did you prepare a memorandum dated March 20,
2 entitled, "In the Matter of the Application for Interim Rate
3 Increase for Willow Creek Water Company," Docket No.
4 13-2506-01 and cause that to be filed with the Commission and
5 provided to the parties?

6 A. Yes, I did.

7 Q. Do you have any changes or corrections that you
8 would like to make to that memorandum?

9 A. Yes. I believe the memorandum was dated March
10 20. It was actually filed on March 19.

11 Q. So you'd like to change the date to March 19?

12 A. Yes.

13 Q. With that correction, do you adopt the memorandum
14 as your testimony?

15 A. Yes, I do.

16 Q. The Division would like to request admission of the
17 memorandum with the correct date of March 19, 2013, entitled,
18 "In the Matter of the Application for Interim Rate Increase for
19 Willow Creek Water Company," Docket 13-2506-01.

20 THE COURT: Any objection?

21 MR. TAYLOR: (Mr. Taylor shook his head in the
22 negative.)

23 THE COURT: Ms. Schmid, before taking this into
24 evidence, I want to make one bit of clarification that we made
25 with respect to the table that was part of the application. It is

1 the applicant's position that they don't currently charge a rate
2 for the commercial, the usage per 1000 gallons over 12,000 per
3 month.

4 MS. SCHMID: It is the Division's belief that that
5 was a typo in the application and that the dollar fee is actually
6 charged. And it is presented as such on page 2 of the
7 Division's memorandum.

8 THE COURT: Yes. And I see that, which actually
9 precipitated my question to the applicant. So I think we need to
10 come to an understanding of which it is. And if you'll gave me
11 just a moment.

12 Mr. Taylor and Mr. Veibell, there's just a little bit of
13 clarification that needs to be made. Previously, I took judicial
14 notice of your application for interim rate increase with the
15 corrections being the elimination of the "Commercial" reference,
16 the "Fixed-system fees, maximum 293,274 gallons per year," at
17 a fee of "None." And the Division presents it slightly differently
18 in their presentation. I'm just trying to best understand what
19 would be a correct reflection of what's actually occurring.

20 MR. TAYLOR: A correct reflection under current
21 rates would be "Commercial." And where it says "\$38," we
22 charge nothing. There's nothing in there currently. So we're
23 not charging the \$38, and this fixed-fee maximum of 293,000
24 gallons is not being charged. But it is accurate under
25 "Commercial," the usage per 1000 gallons is charged at \$1.

1 Everything after that, where it says, "Over 293 per year" should
2 be struck. It was a typo. So the one client we have has a
3 commercial, adaptable fire hydrant meter. And when he plugs
4 that on, Alton reads that once a year. And whatever the number
5 of gallons he's utilized in that year, he charges him one dollar
6 per thousand.

7 THE COURT: Okay. Is it currently in your rates,
8 your tariff that's been approved with the Commission, that you
9 are able to charge \$38 for "Commercial" the "Fixed-system Fees
10 Maximum of 293,274 gallons per year"?

11 MR. TAYLOR: No. There's no commercial note in
12 our -- but we were just -- just so you know, we're calling it
13 "Commercial" Here. We were charging him the residential use
14 of a thousand gallons of \$1 per thousand. That's where we got
15 our charge from as he utilized it.

16 THE COURT: Okay. So--

17 MR. TAYLOR: There really is no commercial rate in
18 our current structure at all for either one of those. And that's
19 why we're proposing it on the other side.

20 THE COURT: Okay. So if I understand this
21 correctly, looking at page 3 of your application under the
22 "Commercial Current Rates," you are proposing that the \$38 and
23 the reference in the box just to the left of it, the "Fixed-system
24 fees, maximum 293,274 gallons per year" be stricken because
25 you're not actually--that's not part of your rate system right now.

1 MR. TAYLOR: It's not really in our rate structure at
2 all.

3 THE COURT: But in the next line down, it would be
4 correct to say that you are charging \$1 currently for 1000
5 gallons over 293,274 per year.

6 MR. TAYLOR: Well, not over, just \$1 per thousand
7 gallons. But we based that off of the residential usage. And so,
8 in essence, he has a meter on his home--

9 THE COURT: Yes.

10 MR. TAYLOR: --that he's charged a separate rate
11 for. He has a meter he attaches to a hydrant. And so as he
12 takes water out of that hydrant, we charge him the \$1 per
13 thousand gallons.

14 THE COURT: Okay.

15 MR. TAYLOR: Because we feel it's a separate
16 usage. And we don't have a usage--we didn't feel we could
17 charge him any more than \$1. And we don't have anything that
18 helped us with that in our rate.

19 And so that's--and we don't even have a deposit on
20 the--he owns the meter, doesn't he?

21 MR. VEIBELL: Yes, uh-huh.

22 MR. TAYLOR: He actually owns the meter. We
23 just track the reading on the meter.

24 THE COURT: Okay. So that brings me back to
25 what the Division filed. I think--is the Division--if we're all

1 tracking this, I think what I'd like to do is say that the reference
2 under the "Commercial," the \$38, and the reference before that
3 in the table to the left, the "Fixed-system fees," et cetera, et
4 cetera, that's listed there, should be stricken, according to the
5 testimony of the applicant. The \$1 should stay in the line
6 below. But it should be clarified that that is usage per 1000
7 gallons. So the "over 293,274 per year" should be stricken as
8 they are currently--

9 MS. SCHMID: Yes.

10 MR. TAYLOR: Right.

11 THE COURT: --explaining their situation.

12 MS. SCHMID: Yes. With the explanation that was
13 just provided, the Division would revise its memo as you just
14 stated.

15 THE COURT: Okay.

16 MS. SCHMID: And then would request admission of
17 it.

18 THE COURT: Very good.

19 And gentlemen, are you fine with that?

20 MR. TAYLOR: We are.

21 THE COURT: Okay. Hearing no objection and
22 seeing that we now have consensus on both sides, it will be--the
23 Commission will take judicial notice of it, as it does the
24 corrections that have been made to the applicant's application
25 for interim rate increase.

1 MS. SCHMID: While we're on the subject, with the
2 judicial notice, then it is not required for the applicant to request
3 that its application be entered into the record and it is in the
4 record? Is that correct? Because I don't believe the applicant
5 has requested yet that the application be in the record.

6 THE COURT: I helped the applicant a little bit
7 earlier, being that they are not represented by counsel. And
8 their application, the Commission has taken judicial notice of it.
9 It does exist in the docket. It is part of the docket.

10 Does that help answer your question?

11 MS. SCHMID: It does, thank you.

12 THE COURT: Okay.

13 MS. SCHMID: If I may get back to the Division.

14 THE COURT: Sure.

15 BY MS. SCHMID:

16 Q. Mr. Long, could you briefly summarize the
17 Division's recommendation regarding interim rates?

18 A. Yes. The Division recommends that the Public
19 Service Commission approve the interim rates and fees as filed
20 and requested in Willow Creek's application for an interim rate
21 increase. Although the interim rates appear to be less than
22 what we needed to properly fund the capital reserve account
23 and other anticipated projects, the requested interim rates will
24 produce more revenue than the current rates. The Division
25 believes that the interim rate should cover most of Willow

1 Creek's current monthly operating expenses until the Division
2 completes its evaluation and the final rates are approved by the
3 Commission.

4 However, the Division recommends that the final
5 approved rates--that if the final approved rates are higher than
6 the approved interim rates, the Company will be prohibited from
7 collecting additional funds from its ratepayers to make up the
8 shortfall.

9 If the final approved rates are lower than the
10 approved interim rates, the Division recommends that Willow
11 Creek be required to issue appropriate refunds by crediting its
12 customers' accounts in the next billing cycle following the final
13 Commission order.

14 And then we've talked about the chart, and we can
15 make the necessary amendments of that.

16 Q. We also discussed depreciation rates, or life
17 expectancy, of water pumps. Is it true that the Commission has
18 a depreciation schedule in R746-332, NARUC Account No. 311,
19 of pumping equipment for an average life of 20 years?

20 A. Yes, that's correct. Although there are a lot of
21 other variables that need to be considered in that, and, you
22 know, it could be significantly less than that as well.

23 Q. Okay. Thank you. The standard--in the Division's
24 memorandum, you referenced the prima facie showing that is
25 the standard for the granting of interim rates.

1 Could you tell us just briefly what you looked at
2 when you were doing this prima facie investigation?

3 A. Yes. I went over each line item in Willow Creek's
4 budget that was provided in the rate increase request. And we
5 discussed several of the expenses that were not included in the
6 rate case, such as proper funding of the capital reserve
7 accounts. One real issue of concern is that they are trying to
8 fund the water company based on land sales and a subsequent
9 donation by Mr. Veibell that is really precarious. It's just setting
10 the company up for failure.

11 Theoretically, they should be able to run the water
12 company and fund the capital reserve account based on the
13 rates paid by the customers. And that's not happening in this
14 case. Although based on the information they had in their
15 budget and their understanding, I believe--they gave it their best
16 shot--but it's quite low, I believe, based on what the final
17 recommended rates would be.

18 Q. And so in the next step, the Division will be looking
19 more thoroughly at the revenues and expenses of the company
20 and making suggestions regarding rates?

21 A. Oh, most certainly.

22 Q. Even though the Division may end up
23 recommending rates that are higher than those in the
24 application, is it still the Division's testimony that the interim
25 rates requested will benefit the company and are just,

1 reasonable, and in the public interest as interim rates?

2 A. Yes, right now. That's what they requested,
3 although we anticipate they will be higher.

4 MS. SCHMID: Mr. Long is now available for
5 questions from your Honor and the Company.

6 THE COURT: Okay.

7 Applicant, it's your opportunity to ask any questions
8 you wish of Mr. Long.

9 MR. TAYLOR: I think--we had a meeting with him
10 and we covered most of it. So what he said, we feel
11 comfortable with. I don't think there's any questions necessary.

12 THE COURT: Okay. Thank you.

13 Mr. Long, I have a few questions for you, please.

14 THE WITNESS: Okay.

15 CROSS-EXAMINATION

16 BY-THE COURT:

17 Q. Your assessment about the real estate sales
18 sustaining the company to a certain extent is well taken. And
19 given the testimony today that there are only a certain number
20 of lots remaining, doesn't that make the situation even that
21 much more dire?

22 A. Yes, it really does.

23 Q. And in your memo, third full paragraph, you state
24 that, "In the Division's initial limited review, it believes the final
25 rates will be higher." And then you go on and on and on.

1 And what I wanted to ask you is that, "The final
2 rates will be higher." The final rates that are requested by the
3 applicant, is that what you are referring to?

4 A. Yes.

5 Q. Okay. So you anticipate at this point, although
6 your review is still under way, that when we come to the general
7 rate increase hearing, that you will be proposing something
8 based on your analysis and all of the considerations of putting
9 the company into good standing for the future, taking into
10 consideration growing their reserve and not having these real
11 estate sales attempt to sustain the company?

12 A. That's correct.

13 Q. Okay. Very good. Thank you, Mr. Long. I don't
14 have any further questions.

15 THE COURT: I do wish, however, to address the
16 issue of notice. And I believe that will be an issue for you, Ms.
17 Schmid.

18 MS. SCHMID: It will be. May we go off the record
19 for just one moment?

20 THE COURT: We may.

21 (A discussion was held off the record.)

22 MS. SCHMID: May we take a brief recess?

23 THE COURT: Yes. We're back on the record. We'll
24 be in recess for 15 minutes. Thank you.

25 (A break was taken from 10:15 a.m. to 10:32 a.m.)

1 THE COURT: Thank you, everyone. We're back on
2 the record.

3 Ms. Schmid.

4 MS. SCHMID: Thank you. The Division would like
5 to address the notice issue, as previously requested by your
6 Honor.

7 The Water Company did provide notice in its March
8 billing. However, unfortunately, because the date upon which
9 the billing was sent, the time required for the Postal Service to
10 deliver such notice, and the date of the hearing, as was
11 mentioned, it is likely that the customers would not have
12 received the written notice until, most likely, today.

13 The Company did discuss the rate increases with
14 the rate board, and the rate board has discussed the increases
15 with some customers, as evidenced by calls from customers that
16 Mr. Veibell has received.

17 However, because of the juxtaposition of the
18 mailing dates and the hearing date, the Division would like to
19 recommend that, as was done in Water Pro, that the Company
20 be given, say, ten days, which is shorter than Water Pro's, to
21 supplement the docket with proof of notice to its customers of
22 the proposed change. And then perhaps five days, or as soon
23 thereafter as possible, the Commission, like it did in Water Pro,
24 would hold a public hearing on the limited issue of the interim
25 rates.

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THE COURT: Okay.

Mr. Veibell, Mr. Taylor, do you have anything to add?

MR. TAYLOR: We would be happy to comply with that and take whatever steps are necessary to fulfill that.

THE COURT: Okay. There were aspects of the notice that--assuming what you stated is correct--that did comply with the notice requirement in the scheduling order. However, as I understood the testimony, there was no reference to the hearing. So even if the customers receive notice, they would not have a meaningful opportunity to participate.

So what the Commission would like to do in this instance is--and I can help you with making sure that the notice is complete and such--under the circumstances, this is--Water Pro was a general rate increase. This is an interim rate increase, which we have a shorter time frame to work with. So we want to expedite this as quickly as possible.

So within the next two days, the Commission is ordering that Willow Creek Water Company make hand delivery to each residence of notice of this matter, including that a hearing will be held one week from today. It will be a public witness hearing to allow customers to participate, should they wish to do so. It will be similar to the public witness hearing that we're having in the general rate increase. Okay.

So today is the 20th. One week from today will be

1 the 27th. And we'll make the time for that hearing to be at
2 noon.

3 MR. TAYLOR: And that's going to be here?

4 THE COURT: Yes, sir.

5 MR. TAYLOR: Okay.

6 THE COURT: Okay. And the Commission also
7 orders that the applicant coordinate with the Division and that
8 you provide your notice to the Division.

9 MR. TAYLOR: Can I clarify the date one more
10 time?

11 THE COURT: Yes.

12 MR. TAYLOR: The date was the?

13 THE COURT: It will be one week from today.

14 MR. TAYLOR: Okay.

15 THE COURT: Today is the 20th. So it will be the
16 27th.

17 MR. TAYLOR: Okay.

18 THE COURT: Okay. So what the Commission
19 wishes the applicant to do is to hand deliver written notification.
20 And that can be posted on each residence or hand delivered to
21 someone inside, whichever you prefer. And that should provide
22 the kind of information that you provided already with respect to
23 the rates that you are proposing. And you might say something
24 to the extent that, "In addition to the information that was
25 already provided in your March 2013 invoice, please note that

1 the Commission will be holding a public witness hearing on
2 March 27, 2013, at 12 p.m. And should you wish to comment on
3 the interim rates, you may do so at that time."

4 The Commission will also issue an order, a notice
5 of hearing order. You should reference the docket number. And
6 if you have any questions whatsoever on what to include or how
7 to include it, please let me know. I'll be more than happy to help
8 you.

9 We do encourage parties to be represented by
10 counsel. We do understand in some circumstances that they
11 choose not to. And I'd be happy to help you.

12 MR. TAYLOR: Okay. We do have counsel for the
13 water company, but we choose not to just because of the cost.

14 THE COURT: Yes, sir. And we understand that.
15 We're sensitive to that issue.

16 MR. TAYLOR: Okay.

17 THE COURT: Sometimes counsel can be very
18 helpful. It's entirely up to you.

19 MR. TAYLOR: Okay. All right.

20 THE COURT: Patricia, did you have a question?

21 MS. SCHMID: I do. I was just reminded that the
22 standby customers, because they are not billed, would not--the
23 so-called standby customers, those who have not yet connected
24 because they are not billed, would not have received notice
25 when it went out recently. And I don't know if they are-- if they

1 are situated so the new notice could be hand delivered to them
2 or if it would have to be mailed.

3 MR. TAYLOR: It would have to be mailed. There
4 are a couple, like Cody. But there's--several of them are a long
5 ways away, Salt Lake City, different areas.

6 THE COURT: Okay.

7 MR. TAYLOR: And so--and do we have--
8 do you have addresses for all the standby customers?

9 MR. VEIBELL: No, I don't.

10 MR. TAYLOR: We can research that, though. I can
11 get the addresses. That's not a problem. I know who they are.

12 THE COURT: Okay.

13 MR. TAYLOR: I'd have to get them from the title
14 company.

15 THE COURT: All customers must absolutely be
16 notified. To the extent your existing customers are there within
17 the neighborhood, if they happen to own an extra lot and you
18 can give them notice that way because they're right there, that's
19 fine. You don't have to go to the trouble of sending them a
20 written notice. But here's the parameter: You need to do that
21 by no later than the end of the day Friday.

22 MR. TAYLOR: Right.

23 THE COURT: Okay. So if you're going to mail
24 something out, I would highly recommend that you do it earlier
25 rather than later--

1 MR. TAYLOR: Okay.

2 THE COURT: --just because of the delay in
3 delivery.

4 And, if you would please make sure that you
5 provide a copy of the notice that you are giving to the Division.
6 And if you have any questions for me today about how to draft
7 that--I don't know if you have a copy of the original notice that
8 you've sent?

9 MR. TAYLOR: I don't have it with me, no.

10 THE COURT: Okay.

11 MR. TAYLOR: I'll have to--we will draft it. Do you
12 want me to send it to Mark to send to you, or do you want it sent
13 it directly for you to review?

14 THE COURT: Well, I'm happy to answer any
15 questions that you would have for me today. What we like you
16 to do is coordinate with the Division.

17 MR. TAYLOR: That's fine.

18 THE COURT: And the Commission will not be
19 making a determination on your interim rate request until after
20 that public witness hearing is held. So that's the reason why we
21 need to--

22 MR. TAYLOR: --expedite it.

23 THE COURT: --expedite things and make sure that
24 should a customer wish to participate, that they have the
25 opportunity to do so.

1 MR. TAYLOR: Okay. One point of clarification.
2 You said hand deliver, and she asked a question. I just want to
3 make sure we're okay with that.

4 The ones that are outside of our reach for hand
5 delivery--and we can mail those as early as tomorrow. That's not
6 a problem.

7 THE COURT: I would suggest that you do so.

8 MR. TAYLOR: Okay.

9 THE COURT: I would suggest that you do so
10 simply because it will help eliminate the delay time. And if you
11 have a telephone number and you can call them and confirm
12 their mailing address, that would be great. Because when we get
13 here next week and we talk about notice, it's going to be
14 problematic if you report to me that you could not obtain
15 delivery because you didn't have addresses or the addresses
16 you had were obsolete.

17 MR. TAYLOR: No. We'll be able to take care of
18 that. We'll bring you a list and let you know how many went
19 through the mail and how many were hand delivered.

20 THE COURT: Okay.

21 MS. SCHMID: Also at that public hearing, is--as is
22 often the case--participation by the telephone allowed?

23 THE COURT: It will be, and that will be specified in
24 the order. We realize that this is a long distance for folks to
25 travel. It will be similar to what was drafted in this order already

1 for purposes of the public participation that's anticipated with
2 respect to the general rate increase.

3 MR. TAYLOR: So there will be a contact number in
4 that order?

5 THE COURT: Yes, sir.

6 MR. TAYLOR: Okay.

7 MS. SCHMID: One further question. As it is a long
8 distance, would the applicant, if it wishes, also be permitted to
9 participate in the public hearing by telephone?

10 MR. TAYLOR: We can't. Alton can't hear.

11 THE COURT: I don't think that the Commission
12 would be receptive to that, simply because of the nature of the
13 testimony involved and putting the person under oath, being
14 subject to cross-examination. So I don't think the Commission
15 would be receptive to that.

16 MS. SCHMID: And I've also just been informed that
17 the applicant intends to come to that.

18 MR. TAYLOR: We do.

19 THE COURT: Okay.

20 MR. TAYLOR: It's a hearing issue.

21 THE COURT: Oh, okay. I wasn't sure if you were
22 anticipating somebody--

23 MR. TAYLOR: No.

24 THE COURT: --not being able to come. But, okay.
25 Yes. Yes. I understood that they would be here, so.

1 MR. TAYLOR: Yeah, we'll definitely be here.

2 MS. SCHMID: Thank you.

3 THE COURT: Okay. Anything else today?

4 And the gentleman in the back, did you wish to
5 participate?

6 MR. BODEN: No. I actually wanted to observe.

7 And so that's exactly what I've been able to do.

8 THE COURT: Okay. Well, welcome. I just wasn't
9 sure if, by chance, you were wishing to give some participation.

10 Thank you for being here today. I'll see you a week
11 from today at 12 noon in this very room.

12 And good luck with all that you need to do in the
13 meantime. And if I can help in any way, please let me know.

14 MR. TAYLOR: We will. Thank you so much.

15 MR. VEIBELL: Thank you very much.

16 MS. SCHMID: Thank you.

17 (The matter concluded at 10:45 a.m.)

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CERTIFICATE

State of Utah)

ss.

County of Salt Lake)

I, Michelle Mallonee, a Registered Professional Reporter in and for the State of Utah, do hereby certify:

That the proceedings of said matter was reported by me in stenotype and thereafter transcribed into typewritten form;

That the same constitutes a true and correct transcription of said proceedings so taken and transcribed;

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.

Michelle Mallonee, RPR, CSR