

Docket No. 13-2506-01
DPU Exhibit 1.0 SR
Mark A. Long
July 19, 2013

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

IN THE MATTER OF THE)	DOCKET NO. 13-2506-01
APPLICATION OF WILLOW CREEK)	
WATER COMPANY FOR A CULINARY)	DPU Exhibit No. 1.0 SR
WATER RATE CASE		

SURREBUTTAL TESTIMONY

OF

MARK A LONG

**DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

July 17, 2013

TABLE OF CONTENTS

<u>Subject</u>	<u>Page Number</u>
I. INTRODUCTION	3
II. PURPOSE OF TESTIMONY	3
III. SUMMARY OF EXHIBITS	4
IV. CUSTOMER IMPACT	5
V. RECOMMENDATION	12
VI. CONCLUSION	13

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION**
3 **WITH THE DIVISION OF PUBLIC UTILITIES.**

4 A. My name is Mark A. Long. My business address is Heber M. Wells Building,
5 160 East 300 South, 4th Floor, Salt Lake City, Utah. I am employed as a Utility
6 Analyst in the Telecommunications & Water Section for the Division of Public
7 Utilities (Division).

8 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THESE**
9 **PROCEEDINGS?**

10 A. Yes. I previously filed direct testimony on behalf of the Division on
11 June 14, 2013.

12 **II. PURPOSE OF TESTIMONY**

13 **Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.**

14 A. The purpose of my testimony is to provide updated financial data obtained by the
15 Division in meetings with the Water Company and the Willow Creek Water
16 Board.

17 **Q. WHAT ITEMS WERE UPDATED?**

18 A. The Division updated several of the operation and maintenance expense amounts
19 and the number of customers. These updates resulted in changes of most of the

20 original exhibits, including the Rates and Fees in the Proposed Tariff, contained in
21 the Division's Direct Testimony of June 14, 2013.

22 **III. SUMMARY OF EXHIBITS**

23 **Q. WHAT EXHIBITS ARE YOU INCLUDING IN SUPPORT OF YOUR**
24 **SURREBUTTAL TESTIMONY?**

25 A. The exhibits referred to in my Surrebuttal testimony are identified immediately
26 below and will be discussed in further detail in the body of my testimony.

27 Exhibits 1.5, 1.6 and 1.7 of my direct testimony remain unchanged and are not
28 addressed in this Surrebuttal testimony, but they are included as part of the
29 amended exhibits for continuity and for formulas to work properly.

- 30 • Modification to Expense Amounts, Exhibit 1.11 SR and corresponding
31 Amended Exhibit 1.4 SR
- 32 • Modification to Customer Numbers and Overage Rate, Exhibit 1.12 SR
33 and corresponding Amended Exhibit 1.2 SR
- 34 • Modification to the "Water Service Rates and Fee Schedule" for Tariff
35 No. 2, Exhibit 2.1 SR and corresponding Amended "Water Service Rates
36 and Fee Schedule" for Tariff No. 2
- 37 • Amended Exhibits 1.1 SR through 1.4 SR, Exhibits 1.5 through 1.7, and
38 Amended Exhibits 1.8 SR through 1.10 SR
- 39 • Complete Tariff No. 2.0 SR, including the Amended "Water Service Rates
40 and Fee Schedule."

41 **Q. PLEASE EXPLAIN WHY THE DIVISION PREPARED MODIFICATION**
42 **TO EXPENSE AMOUNTS, EXHIBIT 1.11 SR AND CORRESPONDING**
43 **AMENDED EXHIBIT 1.4 SR.**

44 A. Exhibit 1.11 SR was prepared to show the adjustments to the Operation and
45 Maintenance Expense accounts. It shows the changes used to create Amended
46 Exhibit 1.4 SR.

47 Upon further review and analysis, by the Company and the Division, of the
48 expenses used in the Division's initial recommendation, it was determined that
49 some of the amounts were higher than necessary, accounted for twice in different
50 accounts and for fuel for a system that was never installed. To see which amounts
51 were adjusted, please refer to Exhibit 1.11 SR. For further details regarding the
52 adjustments, please refer to the footnotes in Amended Exhibit 1.4 SR, where each
53 adjustment is specifically addressed.

54 **Q. PLEASE EXPLAIN WHY THE DIVISION PREPARED MODIFICATION**
55 **TO CUSTOMER NUMBERS AND OVERAGE RATE, EXHIBIT 1.12 SR**
56 **AND ITS CORRESPONDING AMENDED EXHIBIT 1.2 SR.**

57 A. Exhibit 1.12 SR is included to show that the customers connected to the water
58 system were changed from 33 to 43 and total customers were changed from 38 to
59 48. Additionally, the overage rate was changed from \$5.50 to \$4.50. Please note,
60 the remainder of the figures updated automatically through formulas from the
61 changes to the expense amounts and the customer number changes.

62 Exhibit 1.12 SR shows the direct changes made to create Amended
63 Exhibit 1.2 SR. For further details regarding the adjustments, please refer to the
64 footnotes in Amended Exhibit 1.2 SR, where each adjustment is specifically
65 addressed.

66 **Q. EXHIBIT 1.12 SR AND AMENDED EXHIBIT 1.2 SR SHOWS 48 TOTAL**
67 **CUSTOMERS WITH 43 CUSTOMERS CONNECTED TO THE WATER**
68 **SYSTEM. ARE THERE CURRENTLY 48 TOTAL CUSTOMERS AND 43**
69 **CUSTOMERS CONNECTED TO THE WATER SYSTEM?**

70 A. No.

71 **Q. PLEASE EXPLAIN.**

72 A. Since this rate case was filed by Willow Creek, there have been several lot sales
73 with several more lot sales in various stages of completion. Willow Creek has
74 determined that, conservatively, within the next 12 to 18 months it will have 48 or
75 more total customers.

76 In order to keep Willow Creek's rates as affordable as possible, Willow Creek has
77 proposed basing the rates on 48 total customers, consisting of 43 connected
78 customers and five (5) standby customers. The Division is also concerned about
79 affordability and the customer impact based on the magnitude of the increase in
80 rates in its original recommendation of June 14, 2013 and is now recommending
81 setting the water rates for Willow Creek using the 48 total customers.

82 **Q. SINCE WILLOW CREEK’S ANNUAL FIXED EXPENSES WILL BE MET**
83 **ONLY IF THERE ARE 48 CUSTOMERS PAYING THE MONTHLY**
84 **SYSTEM FEES OF \$39.85, HOW CAN WILLOW CREEK AFFORD TO**
85 **OPERATE USING AN INFLATED NUMBER OF CUSTOMERS THAT**
86 **MAY NEVER MATERIALIZE?**

87 A. In order to keep Willow Creek’s rates as affordable as possible, the developer(s)
88 have committed to subsidizing the Water Company using personal funds to pay
89 for the standby fees based on the difference between the actual number of paying
90 customers and the 48 customers used in the rate calculation. The developer(s)
91 agree to pay standby fees for each unsold lot until there are 48 total customers
92 either paying as a connected customer or paying standby fees. This will cover the
93 fixed costs of the Company.

94 For example, if no additional lots are sold in 2013 and 2014, the amount of the
95 developer subsidy for 2014 will be \$4,782.00. This is based on 10 unsold lots (48
96 customers less 38 current customers), multiplied by 12 months multiplied by the
97 monthly Standby Rate of \$39.85, [(48 *minus* 38) *multiplied by* 12
98 and *multiplied by* \$39.85].

99 The contribution of cash by the developer(s) shall be made and deposited in
100 Willow Creek’s bank account no later than December 31st of each calendar year.

101 **Q. WHAT IS THE NEW RECOMMENDED OVERAGE RATE AND WHY**
102 **HAS THE DIVISION CHANGED THE RECOMMENDED AMOUNT?**

103 A. The recommended overage rate was changed from \$5.50 per 1,000 gallons to
104 \$4.50 per 1,000 gallons. Because the "Usage Fees" amount was reduced when
105 some of the variable expenses were reduced per Exhibit 1.11 SR, the overage rate
106 was also reduced. The \$4.50 represents about a 69% increase per 1,000 gallons of
107 the allowed usage amount per 1,000 gallons calculated for the variable expenses.
108 The Division believes that the \$4.50 rate per 1,000 gallons will help encourage
109 conservation and is in the public interest.

110 **Q. PLEASE EXPLAIN WHY THE DIVISION PREPARED EXHIBIT 2.1 SR,**
111 **THE MODIFICATION TO THE "WATER SERVICE RATES AND FEE**
112 **SCHEDULE" FOR TARIFF NO. 2.**

113 A. The Rates and Fees Schedule was modified to reflect the new rates as discussed
114 above. The Connection Fees were also changed to reflect actual costs of the
115 connection fees based on pipe size. The 'Turn On Fee' was also changed to be
116 consistent with the 'Turn Off Fee.' The amended "Water Service Rates and Fees
117 Schedule" was created based on these modifications.

118 **Q. PLEASE EXPLAIN THE INCLUSION OF AMENDED EXHIBITS 1.1 SR**
119 **THROUGH 1.4 SR, EXHIBITS 1.5 THROUGH 1.7, AND AMENDED**
120 **EXHIBITS 1.8 SR THROUGH 1.10 SR.**

121 A. These exhibits are included to offer the complete set of schedules supporting the
122 rate analysis recommendation based on the changes previously discussed in
123 Exhibits 1.11 SR and 1.12 SR.

124 **Q. PLEASE EXPLAIN THE INCLUSION OF EXHIBIT 2.0 SR, THE**
125 **COMPLETE TARIFF NO. 2, INCLUDING THE AMENDED “WATER**
126 **SERVICE RATES AND FEE SCHEDULE.”**

127 A. The complete Tariff No. 2 is presented here to assist the Company and its
128 customers in reviewing the complete and accurate recommended tariff.

129 **IV. CUSTOMER IMPACT**

130 **Q. HAVE YOU PREPARED AN UPDATED CHART SHOWING DIFFERENT**
131 **CUSTOMER USAGE SCENARIOS TO COMPARE AND CONTRAST**
132 **THE APPROVED TARIFF RATES, CURRENTLY APPROVED INTERIM**
133 **RATES (REQUESTED BY THE COMPANY), RATES ORIGINALLY**
134 **RECOMMENDED BY THE DIVISION IN DIRECT TESTIMONY OF**
135 **JUNE 14, 2013 AND THE DIVISION’S FINAL RECOMMENDED RATES?**

136 A. Yes. It is presented immediately below.

Customer Impact				
	Standby Fees	Connected Customers Monthly Minimum	Overage for Connected Customers	Totals for Connected Customers
Annual expenses if use 12,000 gallons, or less, per month:				
Approved Tariff Rates	\$0.00	\$456.00	\$0.00	\$456.00
Currently Approved Interim (and Requested) Rates	\$292.80	\$588.00	\$0.00	\$588.00
Division's Originally Recommended Rates	\$615.60	\$1,275.60	\$0.00	\$1,275.60
Division's FINAL Recommended Rates	\$478.20	\$861.60	\$0.00	\$861.60
Annual Expenses if use 36,879 gallons per month for 6 months and 12,000 gallons per month for 6 months:				
Approved Tariff Rates	\$0.00	\$456.00	\$0.00	\$456.00
Currently Approved Interim (and Requested) Rates	\$292.80	\$588.00	\$223.91	\$811.91
Division's Originally Recommended Rates	\$615.60	\$1,275.60	\$821.01	\$2,096.61
Division's FINAL Recommended Rates	\$478.20	\$861.60	\$671.73	\$1,533.33
Annual Expenses if use 48,000 gallons per month for 6 months and 12,000 gallons per month for 6 months:				
Approved Tariff Rates	\$0.00	\$456.00	\$216.00	\$672.00
Currently Approved Interim (and Requested) Rates	\$292.80	\$588.00	\$324.00	\$912.00
Division's Originally Recommended Rates	\$615.60	\$1,275.60	\$1,188.00	\$2,463.60
Division's FINAL Recommended Rates	\$478.20	\$861.60	\$972.00	\$1,833.60

137

138 **Q. THIS IS STILL A LARGE INCREASE IN RATES AND FEES. DOES THE**
139 **DIVISION HAVE ANY ADDITIONAL COMMENTS IT WISHES TO**
140 **MAKE?**

141 A. Yes. While these rates are more affordable, the Division realizes the magnitude
142 of its recommended rates and the customer impacts. In order to make the rates
143 affordable and because of the large increase originally recommended in the
144 Division's Direct Testimony of June 14, 2013, the developers have agreed to
145 personally subsidize the Water Company, by paying the Standby Fees based on
146 more customers than it currently has. The Division recommends that the
147 developers be allowed to subsidize the Water Company to the extent discussed
148 above because it is for a set amount (\$39.85), based on the number of customers
149 less than 48, and it is for an anticipated short period of time.

150 **V. RECOMMENDATION**

151 **Q. BASED ON YOUR FINDINGS, DO YOU HAVE A RECOMMENDATION**
152 **REGARDING THE RATES AND FEES OF WILLOW CREEK?**

153 A. Yes.

154 **Q. IN THE DIVISION'S RECOMMENDATION, PLEASE SHOW A**
155 **COMPARISON OF THE RATES AND FEES INCLUDING THE**
156 **APPROVED TARIFF RATES, CURRENTLY APPROVED INTERIM**
157 **RATES (REQUESTED BY THE COMPANY), RATES ORIGINALLY**
158 **RECOMMENDED BY THE DIVISION IN DIRECT TESTIMONY OF**
159 **JUNE 14, 2013 AND THE DIVISION'S FINAL RECOMMENDED RATES**

160 A. Refer to the chart below for the Final Recommended Rates and the comparisons.

Approved Tariff Rates		Currently Approved Interim Rates (Same as Requested by the Company)		Division's Originally Recommended Rates per Direct Testimony on June 14, 2013		Division's Final Recommended Rates
Standby Fee	"No Charge"	Standby Fee	\$24.40	Standby Fee	\$51.30	\$39.85
Fixed System Fees, Maximum of 293,274 gallons per YEAR	\$38.00	Residential: Fixed System Fees: Includes 12,000 gallons per MONTH	\$49.00	Monthly Fees for Residential & Commercial Customers Connected to the Water System	\$106.30	\$71.80
		Commercial: Fixed System Fees: Includes 12,000 gallons per MONTH	\$49.00			
Usage per 1,000 gallons over 293,274 gallons per YEAR	\$1.00	Residential: Usage per 1,000 gallons over 12,000 gallons per MONTH	\$1.50	Overage Fees per 1,000 gallons Used Over 12,000 gallons per MONTH for Residential & Commercial Customers	\$5.50	\$4.50
		Commercial: Usage per 1,000 gallons over 12,000 gallons per MONTH	\$1.50			
Connection Fee (1")	\$5,000.00	Connection Fee (1")	\$5,000.00	Connection Fee (1")	\$5,000.00	\$2,000.00
Connection Fee (2")	None	Connection Fee (2")	\$5,000.00	Connection Fee (2")	\$5,000.00	\$4,000.00
Turn On Fee (with Meter in place)	\$150.00	Turn On Fee (with Meter in place)	\$900.00	Turn On Fee (with Meter in place)	\$900.00	\$150.00
Turn Off Fee	None	Turn Off Fee	\$150.00	Turn Off Fee	\$150.00	\$150.00
Transfer of Ownership	None	Transfer of Ownership	\$300.00	Transfer of Ownership	\$300.00	\$300.00
Unwarranted Service Call	None	Unwarranted Service Call	\$60.00	Unwarranted Service Call	\$60.00	\$60.00
Fire Hydrant (deposit)	None	Fire Hydrant (deposit)	\$100.00	Fire Hydrant (deposit)	\$100.00	\$100.00
Late Fee	None	Late Fee	\$15.00	Late Fee	\$15.00	\$15.00

161 **Q. IS THE WILLOW CREEK IN AGREEMENT OF THE DIVISION'S**
162 **RECOMMENDATION AND IN SUBSIDIZING THE WATER COMPANY**
163 **UNTIL ITS CUSTOMER BASE REACHES 48 CUSTOMERS?**

164 A. Yes. The Division has been in regular contact and working with Willow Creek's
165 representatives, Mr. Alton Veibell and Mr. Steven Taylor, in coming up with
166 solutions to make the rates affordable for its customers while maintaining its
167 financial integrity with continued quality and adequate levels of service. The
168 Division spoke with both Mr. Veibell and Mr. Taylor on the morning of July 19,
169 2013 to confirm Willow Creek's continued support for the rates and fees
170 recommended by the Division and to confirm their commitment to subsidize the
171 Water Company until its customer base reaches 48 customers as described
172 previously in this Surrebuttal Testimony. Both Mr. Veibell and Mr. Taylor
173 remain in agreement with the Division's recommendation.

174 **VI. CONCLUSION**

175 The Division believes that its recommended rates are just and reasonable and
176 consistent with the public interest and, therefore, the Division recommends the
177 Commission approve these new rates and fees and Tariff No. 2, which contains
178 the new rates and fees.

179 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

180 A. Yes it does. Thank you.