605-475-4000, ask for access code 635167#

August 20, 2013

Utah Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114
Phone: 801-530-6716
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Re: docket #13-2506-01

  psc@utah.gov

Dear Sir(s) / Madam(s):

Copy to Representative Ronda Menlove

My name is Natalie Erickson, and I am a water user of the Willow Creek Water Company in Beaver Dam, UT. I would like to present my findings on the proposed water rate increase for the users of Willow Creek Water Company. I graduated in Hydrogeology. I was one class short of a minor in math. Equations, spreadsheets, and water talk are not foreign to me.

Since the last hearing, much new information has come to light in reference to the water rates and fees. I hope that you would will hear this new information before passing judgment on our water rates.

First and foremost, legal counsel given by attorney, Chris Beins of Evans, Grover and Beins, P.C., questions the state's right to dictate the water rates of a privately-owned company--especially to the point of raising the rates above and beyond the actual cost of dispersing water to the users. He recognizes that the state may be involved in "overseeing" the rates, but not dictating them. He has offered to represent us further should our case be more urgent, and an appeal imminent.

Willow Creek Water Company is a non-profit company. Per Mark Long of Utah's Division of Public Utilities, the company cannot "make" money. If too much money is collected for the water system, then an audit will be done again to determine a more correct rate schedule. With this information, I deduce that water users should pay for what it costs to get them their water, no more and no less. This includes having a reserve account that is to be used for major system repairs and emergencies.

Mark Long has a spreadsheet that is used to determine rates. Please see the attached. I believe his spreadsheet is used to calculate rates for many other water companies. The data input into the system uses fixed and variable costs, including certain percentages of the following: accounting, legal fees, lab fees, systems maintenance, repairs, operational expenses, loan payment on the new well, commission fees, insurance, office supplies/postage. A percentage of these data are used to figure in a monthly payment for all water hook-ups. This totals to $39.85 that all water customers pay for, whether or not they actually are using water. This figure of $39.85 is called the "fixed costs."

The electrical costs and chemical costs are then added to these data and the figures are then used to determine a monthly rate of variable costs for the actual water users. They total $31.95 per month. This figure is called the "variable costs."

The total cost per month for the water users is figured to be $71.80. This is the base monthly fee. Overage fees are then calculated on top of this.

In order to determine the overage fees, Mark Long uses a 12k gallon/month allotment along with the variable costs of $31.95 per month to determine what the price per thousand gallons would be. $31.95 / 12 = $2.66 per thousand gallons. This $2.66 is then multiplied by 170% to figure in an overage rate of $4.50 / thousand gallons used above and beyond the allotted 12k gallons per month. Per my conversation with Mark Long on 8-14-13, this 70% increase is done in the name of: increased electrical costs due to using electricity during peak electrical hours, increased taxing on the system, and water conservation.

I will now explain that although this spreadsheet and the reasoning behind it uses many of the correct figures in determining costs, it does not use all of the correct data, and some of the data is used incorrectly.

1) The figure of 12K per month is an arbitrary number that is used to calculate our monthly water rate. To figure out what it actually costs to get the water to the customers, one needs to use real data. I will attempt to do this after some further explanation of what figures I will use to determine this.

2) According, to my conversation on 8-19-13 with "Georgia" of Rocky Mountain Power Company, Willow Creek Water Company is on an Electric Service Schedule No. 23 (see attachment). This schedule gives the following rates of electricity:

   May through September, inclusive
   11.3180 cents per kWh (kilowatt hours) for the first 1,500 kWh
   6.3453 cent rate per kWh for all additional kWh

   October through April, inclusive:
   10.4175 cents per kWh first 1,500 kWh
   5.8409 cents per kWh all additional kWh

   The reasoning of having an overage fee based on using electricity during peak hours of operation is unfounded, as the electrical costs are the same, whether the system is running during the daytime or the nighttime. And, in fact, the electrical costs go down with more use of electricity.

   I have obtained the electrical bills for the months of February through August 2013(electrical usage for the months of January through July). I also have the gallons pumped out of the water system for the months of January through July. These figures are used to determine the utility costs of extracting water from the well. Using the actual number of gallons pumped so far this year, plus electrical costs, I figure it costs about $0.375709 per thousand gallons of water for the electricity to run the pump and heat the pump house during winter months.

3) There are fixed costs in the spreadsheet that are used to determine the monthly cost of water. Some of these costs do not increase with the use of water. The figures for the following are taken out of my equation for overage fees:

Accounting
Legal
Regulatory Commission Expense
Office Supplies and Postage
Testing and Lab Fees (according to Alton Veibell, these are monthly fees and are not based on water consumption)

4) Costs of system maintenance, etc., are left in the equation so that "extra taxing of the system" is still included in the water rate fees.

5) The rates need to incorporate the amount of water actually drawn from the system. We only have data from January through July of 2013. In order to get an accurate idea of the water used in 2012 to correlate a fee associated with maintenance and system costs, we need to estimate the water used in 2012. The problem is that two additional yards/landscapes have been placed this year, so we need to subtract the overage used on these yards in 2013 to give an idea of what was used in 2012. Much water has also been used for development of a new road and water system, plus water has been sold to Autonomous Solutions. To estimate water usage, I subtracted the amount of overage that the Erickson's had in June and July and multiplied it by two to account for the Holden's yard, as well. I did not subtract out water used for the new road, as I do not yet have the correct data.

Since we have data for only 7 months, I got an average water usage per month and then multiplied it by 12 to give an estimate for the water usage last year. Note: this does not include subtracting out water that's been used for development of a new road and pipeline, as well as water sold to Autonomous Solutions. Using my equations, we used about 4,154,229 gallons last year. This figure is then used to determine the chemical amount and maintenance fees per thousand gallons of water. Next year, the system will run on a different pump, USU hydrogeologist Tom Lachmar suggests that this new 20hp pump will run at twice the amount of electricity as the old 7.5hp pump. Although much of the electrical costs during the winter months are used to heat the pump house, and not to run the pump, I will use twice the rate of electricity in my calculations in order to be conservative.

Please see the attached spreadsheet of Mark Long's, with my added notes and calculations in The estimated cost of extracting and delivering water is $1.75 per thousand gallons. Note: this data is not exact, as we don't have exact water usage or electrical usage for the new pump, nor do we have the exact amount of water used. However, it is much more accurate than using an arbitrary figure of 12k gallons and including figures that are not affected by water usage to determine a monthly rate. Also, the water company is looking to use this new pump on a different well with different capacities. We cannot accurately guess the rates of dispersing the water until and after a pump test has been performed on this new well. So, all of this data that I have presented is *still* inaccurate, although, much closer to the correct value.

6) So, not only is the base rate of $2.66 per thousand gallons used by Mark Long incorrect, but his reasoning for the 70% rate increase is also inaccurate, as I've accounted for taxing on the

system, and the electrical rates do not rise with water usage. The monthly rate that I figured includes maintenance, fees, etc. The only reasoning left to address regarding the 70% increase proposed by Mark Long is water conservation.

As presented in our notice for this meeting, the average water usage overage fee in Utah is $0.61 per thousand gallons. I argue that the *base* rate that I calculated is already 2.86 times higher than the *overage* fees for other systems. Since we have a smaller system, with maintenance and overhead costs to be shared by fewer customers, our base rate is already high enough to promote water conservation. Most, if not all, of the homeowners up her came from larger rural areas with much larger water systems, and, therefore, much smaller water costs per customer. Jumping into an area with such a high base rate is a wide enough gap in cost/rates to drive water conservation efforts that are desired by the state. The area is still in development phase. By law, the state cannot do anything to inhibit the sale of lots in our area. Raising water rates to a $4.50/thousand gallons overage fee will greatly inhibit the development of this area. This fee is not necessary to run the water system, which is a non-profit. If the proposed rate of $4.50 is enforced, Willow Creek Water Company will collect more money than is needed to run the water system, and another series of rate hearings may be inevitable within a very short time. Water is not in "tension" as stated by Mr. Long earlier in this hearing, and therefore, there is no reason to apply an excessive overage fee for extra water used. As I've stated, most homeowners are very water conscious, and are trying and will continue to try to conserve water.

Increasing rates to the proposed rates is not only inaccurate and unfounded –based on my explanations above—it will be risking default by customers, and therefore risking the company; conserving on 43 customers is a drop in the bucket to the water conservation goal. Increasing overage rates to promote water conservation in such a small area with such a small water company does not provide the state with very much water conservation. It hurts the development more than it promotes water conservation. Wait until our development is much larger, and the fees can be diluted more per customer, and then consider an overage fee based on percentage of cost per gallon.

Again, since this is a non-profit company, I pose the argument that the water share-holders and the water company, with the overseeing capabilities and expertise of the state, should determine the cost of dispering water to the customer. I propose that we further scrutinize the base rate as I have calculated to make it as accurate as possible, and then change the rate schedule to reflect those values. As it is currently configured, there are numbers used in the calculations that are arbitrary and cannot be accurately used to determine the correct base rate. Carla Randall, a water user of Willow Creek Water Company, has asked that I convey her feelings that we need more time to assess these charges and the actual costs of running the system. Again, we will seek further council of attorney, Chris Beins, should we feel that our water rates are being inappropriately dictated. I am sending in a hard copy to the state so that the data I have figured may be entered as part of the hearing.

I would like to emphasize that Alton Veibell has thanked me many times (even this morning) for the time spent figuring this out so that we can show the Mark Long that his numbers are incorrect and bring our overage rates down.