

Docket No. 15-2025-01
DPU Exhibit 1.0 SR
Mark A. Long
August 7, 2015

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

IN THE MATTER OF THE)	DOCKET NO. 15-2025-01
APPLICATION OF DAMMERON)	
VALLEY WATER WORKS, LLC FOR A)	DPU Exhibit No. 1.0 SR
CULINARY WATER RATE CASE AND)	
AN EXPANSION OF SERVICE AREA)	

SURREBUTTAL TESTIMONY

OF

MARK A LONG

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

AUGUST 7, 2015

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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 by the
6 Department of Commerce, Division of Public Utilities (Division) for the State of
7 Utah as a Utility Analyst in the Telecommunications & Water Section.

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 19, 2015.

12 **II. PURPOSE OF TESTIMONY**

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

14 A. The purpose of my testimony is to respond to the Rebuttal Testimony submitted
15 by Dammeron Valley Water Works, LLC (Dammeron Water), comment on some
16 customer concerns and recommend a revised rate structure.

17 **III. SUMMARY OF EXHIBITS**

18 **Q. WHAT EXHIBITS ARE YOU INCLUDING IN SUPPORT OF YOUR**
19 **SURREBUTTAL TESTIMONY?**

- 20 A. The exhibits referred to in my Surrebuttal testimony are identified immediately
21 below and will be discussed in further detail in the body of my testimony.
- 22 • Exhibit 2 SR – Amended Recommended Rates by the Division.
 - 23 • Exhibit 3 SR - Rate Comparison of Current, Proposed by Dammeron, and
24 Recommended by Division.
 - 25 • Exhibit 4 SR - Comparisons of Billing Amounts of the Different Rate Structures.
 - 26 • Exhibit 5 SR - Graphic Comparisons of Billing Amounts of the Different Rate
27 Structures.

28 **IV. RESPONSE TO REBUTTAL TESTIMONY**

29 **Q. WOULD YOU LIKE TO COMMENT ON DAMMERON WATER’S**
30 **ASSERTION IN ITS REBUTTAL TESTIMONY THAT ITS**
31 **CONSERVATION RATE APPROVED IN 2008 WAS CONSIDERED**
32 **“EXEMPLARY?”**

33 A. Yes. The Order issued by the Commission in Docket 07-2025-T01, which was
34 submitted as Exhibit 6 in my Direct Testimony, does not make any reference to
35 the Conservation Rate as being “exemplary.” Rather, the Commission’s Order
36 refers to the Division’s analysis that the proposed conservation rates would result
37 in a revenue requirement shortfall of \$30,056 per year. The Order also states that
38 Dammeron Water agrees to subsidize any net losses incurred as a consequence of
39 the Conservation Rates.

40 **Q DOES THE DIVISION STILL RECOMMEND DISCONTINUING THE**
41 **CURRENT CONSERVATION RATE APPROVED IN DOCKET 07-2025-**
42 **T01?**

43 A Yes, the Division renews its objection to the current Conservation Rate. For the
44 Division's position, please refer to its Direct Testimony starting on line 599.

45 **Q. DOES THE DIVISION WISH TO MAKE ANY ADDITIONAL**
46 **COMMENTS REGARDING DAMMERON'S REBUTTAL TESTIMONY?**

47 A. No. The Division believes that the remainder of the issues in the Rebuttal
48 Testimony are adequately covered in the Division's Direct Testimony.

49 **V. DIVISION RESPONSE AND COMMENTS REGARDING CUSTOMER**
50 **FEEDBACK AND CONCERNS**

51 **Q HAS THE DIVISION RECEIVED ANY FEEDBACK FROM DAMMERON**
52 **WATER'S CUSTOMERS AFTER FILING ITS DIRECT TESTIMONY**
53 **REGARDING ITS RECOMMENDATION TO RAISE DAMMERON**
54 **WATER'S RATES?**

55 A Yes. The Division has received inquiries from five or six people regarding this
56 docket.

57 **Q PLEASE ADDRESS THE CONCERN BY A FEW CUSTOMERS**
58 **REGARDING THE DIVISION'S RECOMMENDATION TO INCLUDE**
59 **AN ADDITIONAL \$0.15 PER 1,000 GALLONS TO THE DIRECT**

60 **VARIABLE COSTS OF \$0.30 PER 1,000 GALLONS TO DAMMERON**
61 **WATER'S IRRIGATION RATE.**

62 A The Division believes that this additional \$0.15 per 1,000 gallons added to the
63 \$0.30 per 1,000 gallons (direct variable costs) is consistent with the concept of
64 full-cost pricing for the following reasons:

65 1. Mr. Pace has stated that Dammeron Water's water system is overbuilt based
66 solely on its culinary water requirements. The present water system includes a
67 measure of redundancy in its water storage capacity to ensure that adequate water
68 is available for the potential significant seasonal water usage by its irrigation
69 customers. Additionally, Mr. Pace has stated in various meetings and in several
70 conversations that its pumps are larger than they would have to be otherwise in
71 order to accommodate its irrigation customers.

72 2. Customers receiving water under the irrigation rate impose significant wear
73 and tear on the equipment due to their large water use. One water customer
74 suggests that the premise that irrigation water use amounts to extra wear and tear
75 on equipment is only conjecture. The Division disagrees with the statement that
76 the additional water pumped through the system does not cause any extra wear
77 and tear on the equipment. Mechanical equipment with moving parts such as
78 pumps, meters, and backflow preventers will wear out faster with the increased
79 water demand and usage placed on them by the irrigation customers.

80 The Division acknowledges that an extensive and potentially expensive
81 asset/infrastructure study is needed to determine the exact cost of the redundancy
82 and larger pumps required to support the irrigation use as well as the additional
83 wear and tear imposed on the system by the irrigation usage. However, even
84 without the study, the Division believes that \$0.15 per 1,000 gallons to cover the
85 additional costs to accommodate irrigation use is a conservative estimate and the
86 minimum amount that should be added. The Division believes it is in the public
87 interest to make those customers using the system pay their fair share of costs so
88 that other users do not have to subsidize the irrigation customers.

89 **Q DOES THE DIVISION’S RECOMMENDATION OF \$0.45 PER 1,000**
90 **GALLONS FOR IRRIGATION WATER INCLUDE ANY**
91 **CONSERVATION INCENTIVES?**

92 **A** No. The Division believes that the recommended rate of \$0.45 per 1,000 gallons
93 only minimally covers its costs and does not include any conservation measures.

94 **Q PLEASE ADDRESS THE CONCERNS OF A COUPLE OF CUSTOMERS**
95 **REGARDING THE DIVISION’S RECOMMENDATION THAT ALL**
96 **CULINARY WATER TIERS MUST FIRST BE USED PRIOR TO**
97 **ALLOWING IRRIGATION SHAREHOLDERS TO USE THEIR**
98 **IRRIGATION ALLOTMENT.**

99 A In the Division's Direct Testimony it recommended that all culinary levels
100 (48,000 gallons) be used prior to allowing irrigation shareholders to use their
101 irrigation allotment at the irrigation rate. The Division recommended this rate
102 structure for irrigation water users to apply some measure of conservation to
103 Dammeron Water's irrigation water usage.

104 **Q WHY DID THE DIVISION'S RECOMMENDATION SUBJECT**
105 **DAMMERON WATER'S IRRIGATION WATER TO CONSERVATION**
106 **MEASURES BY REQUIRING ITS IRRIGATION CUSTOMERS TO**
107 **FIRST USE THEIR TOTAL CULINARY ALLOTMENT?**

108 A The Division is mindful that most of the western United States is suffering from
109 drought conditions and many areas are taking active measures to conserve its
110 limited and dwindling water supply. The Division's recommendation was made
111 to help Dammeron Water manage its finite supply of water through rates to help
112 keep Dammeron Water from suffering the same fate as many other areas in the
113 State and country who are running out of water.

114 **Q DOES THE DIVISION BELIEVE THAT DAMMERON WATER IS**
115 **CURRENTLY FACING WATER SHORTAGES SUFFICIENT ENOUGH**
116 **TO REQUIRE AGGRESSIVE CONSERVATION MEASURES?**

117 A No. Based on all the information available to the Division, it believes that
118 Dammeron Water presently has the water rights and available water to use even
119 more water than it uses now or will use in the foreseeable future.

120 **VI. DIVISION'S AMENDED RECOMMENDATION**

121 **Q BASED ON THE FACT THAT PRESENTLY, AND IN THE**
122 **FORRESEEABLE FUTURE, DAMMERON WATER HAS MORE THAN**
123 **ENOUGH WATER TO ALLOW RELATIVELY EXTENSIVE WATER**
124 **USAGE, DOES THE DIVISION WISH TO AMEND ITS ORIGINAL**
125 **RECOMMENDATION REGARDING THE APPLICATION OF**
126 **DAMMERON WATER'S IRRIGATION RATE?**

127 A The Division acknowledges that it has no evidence that Dammeron Water is
128 presently in need of an aggressive or strong conservation measure regarding its
129 irrigation usage. With some reservations, the Division amends its
130 recommendation concerning the application of Dammeron Water's irrigation rate.

131 The Division recommends allowing all irrigation customers to use their irrigation
132 allocation after using only the first culinary tier (12,000 gallons). Specifically,
133 now irrigation customers will pay the irrigation rate of \$0.45 per 1,000 gallons
134 immediately after using their first culinary tier of 12,000 gallons at \$0.30 per
135 1,000 gallons. After the monthly irrigation allotment of 40,000 gallons per each
136 irrigation share is used, then the standard culinary tiers two through five will

137 apply. This change in the rate structure has the potential of saving those
138 customers with an irrigation share \$27.00 per month as compared to the
139 Division's original recommendation.

140 **Q PLEASE PROVIDE A CHART SHOWING THE AMENDED RATES.**

141 A The Division has prepared the Chart below showing its Amended Recommended
142 Rates. This chart is also presented in Exhibit 2 SR.

Division's AMENDED Recommended Monthly Rates						
	Customers WITHOUT Irrigation			Customers WITH Irrigation		
	Cost	Usage Amounts		Cost	Usage Amounts	
Base Rate	\$37.90	Includes NO Gallons		\$37.90	Includes NO Gallons	
Tier 1 (per 1,000 gallons)	\$0.30	First	12,000	\$0.30	First	12,000
				Irrigation Tier		
				\$0.45 (per 1,000 gallons)	Irrigation customer receives 40,000 gallons per month for each water share	
Tier 2 (per 1,000 gallons)	\$0.60	Next	12,000	\$0.60	Next	12,000
Tier 3 (per 1,000 gallons)	\$1.20	Next	12,000	\$1.20	Next	12,000
Tier 4 (per 1,000 gallons)	\$1.80	Next	12,000	\$1.80	Next	12,000
Tier 5 (per 1,000 gallons)	\$2.70	Over	48,000+	\$2.70	Over	Varies *

143

144 * This amount varies based on the number of irrigation shares.

145

146

147 **Q PLEASE PROVIDE A COPY OF THE DIVISION’S INITIALLY**
 148 **RECOMMENDED RATES.**

Division's ORIGINAL Recommend Monthly Rates						
	Customers WITHOUT Irrigation			Customers WITH Irrigation		
	Cost	Usage Amounts		Cost	Usage Amounts	
Base Rate	\$37.90	Includes NO Gallons		\$37.90	Includes NO Gallons	
Tier 1 (per 1,000 gallons)	\$0.30	First	12,000	\$0.30	First	12,000
Tier 2 (per 1,000 gallons)	\$0.60	Next	12,000	\$0.60	Next	12,000
Tier 3 (per 1,000 gallons)	\$1.20	Next	12,000	\$1.20	Next	12,000
Tier 4 (per 1,000 gallons)	\$1.80	Next	12,000	\$1.80	Next	12,000
				Irrigation Tier		
				\$0.45 (per 1,000 gallons)	Customer receives 40,000 gallons per month for each water share	
Tier 5 (per 1,000 gallons)	\$2.70	Over	48,000+	\$2.70	Over	Varies *

149

150 ** This amount varies based on the number of irrigation shares.*

151 **Q DOES THE DIVISION’S RECOMMENDATION OF \$0.45 PER 1,000**
 152 **GALLONS FOR IRRIGATION WATER INCLUDE ANY**
 153 **CONSERVATION INCENTIVES?**

154 **A** With the application of the irrigation rate immediately after the first tier of 12,000
 155 gallons there is no longer any element of conservation associated with the
 156 irrigation rate. As discussed previously, the \$.45 per 1,000 gallons is only
 157 minimally covering what the Division believes to be the costs of providing and
 158 delivering the irrigation water.

159 Although the recommended rate amount and application of the irrigation rate
160 (tier) no longer have elements of conservation pricing, subjecting irrigation
161 customers to the standard culinary tiers after their irrigation allotment is used
162 should keep in check abusive use after the irrigation allocation is used.

163 **VII. BILLING ANALYSIS AND COMPARISON**

164 **Q HOW DOES THE DIVISION'S AMENDED RECOMMENDED RATE**
165 **STRUCTURE IMPACT THE REVENUE REQUIREMENT OF**
166 **DAMMERON WATER?**

167 A Since all fixed costs are covered in the base rate, this rate structure only affects
168 the amount of extra funds being contributed to the Capital Reserve Account,
169 above and beyond the required funding (depreciation expense) of the Capital
170 Reserve Account.

171 **Q HAS THE DIVISION PREPARED AN EXHIBIT SHOWING THE**
172 **VARIOUS RATE STRUCTURES PERTINENT TO THIS CASE?**

173 A Yes. The Division has made Exhibit 3 SR showing:

- 174 • Dammeron Water's current rate structure
175 • The rate structure proposed by Dammeron Water
176 • The rate structure initially recommended by the Division
177 • The amended rate structure now supported by the Division.

178 **Q HAS THE DIVISION PREPARED A BILLING COMPARISON BASED**
179 **ON TYPICAL AND ACTUAL CUSTOMER USAGE AMOUNTS?**

180 A Yes it has. Please refer to Exhibit 4 SR that shows billing amounts based on the
181 various applicable rate structures. Additionally, the Division has prepared
182 Exhibit 5 SR that graphically displays billing amounts based on the various
183 applicable rate structures.

184 **Q DOES THE DIVISION WISH TO COMMENT ON THE BILLING**
185 **COMPARISONS OF THE DIVISION'S ORIGINAL AND ITS REVISED**
186 **AMENDED RATES?**

187 A Yes. Since the Division's revised rates impact only those customers with
188 irrigation shares, all water customers without irrigation shares are unaffected as
189 demonstrated by the first three billing comparisons.

190 Also, those irrigation customers who exceeded their irrigation allotment and
191 purchased water through all of the culinary tiers (tiers 2 through 5) showed no
192 impact on their billing amounts between the Division's original and amended
193 rates. This scenario applies to the irrigation customer with one irrigation share
194 who used 100,000 gallons in one month and to the irrigation customer with two
195 irrigation shares who used 140,000 gallons in one month.

196 Finally, the irrigation customers who do not exceed their irrigation water
197 allotment and did not purchase water in the higher priced tiers showed a

198 significant savings when applying the Division's recommended amended rate
199 structure. In this case, the irrigation customer with two irrigation shares using
200 63,000 gallons of water in one month who did not exceed their irrigation
201 allotment had savings of \$27.00 that month.

202 **Q DOES THE DIVISION WISH TO COMMENT ON THE BILLING**
203 **COMPARISONS OF DAMMERON WATER'S CURRENT AND**
204 **PROPOSED RATES, AND THE DIVISION'S AMENDED**
205 **RECOMMENDED RATES?**

206 A Yes. In comparing the overall increase from Dammeron Water's current rates to
207 Dammeron Water's proposed rates and the Division's amended rates based solely
208 on the rate amounts is impossible due to the various tier structure usage amounts
209 and base amounts. In order to provide a comparison, the Division used the billing
210 comparisons in Exhibit 4 SR and found that in combining the percent increase in
211 all six scenarios that the Division's billing amounts based on its amended rates
212 were, on average, more than 20 percent lower than Dammeron Water's billing
213 amounts based on its proposed rates.¹

214

¹ Percent increases for Dammeron Water are based on using 1-tap billing amounts of Dammeron Water's current rates compared to 1-tap billing amounts of Dammeron Water's proposed rates. Percent increases for the Division's amended rates are based on using 1-tap billing amounts of Dammeron Water's current rates compared to the billing amounts using the Division's amended rates.

215 **VIII. DIVISION'S COMMENTS AND CONCERNS REGARDING**

216 **DAMMERON WATER'S IRRIGATION RATE STRUCTURE**

217 **Q WHAT COMMENTS AND CONCERNS DOES THE DIVISION WISH TO**
218 **VOICE?**

219 Since the inception of the irrigation rate being implemented it has never covered
220 its own costs and must be subsidized by either Mr. Pace or other culinary users.

221 In the past, Dammeron Water would bend the rules for its customers to use
222 additional water for irrigation and to keep the land next to the freeway green.

223 Dammeron Water's approach and attitude to its water and irrigation use was
224 essentially a free-for-all for irrigation water. Historically, Dammeron Water has
225 been careful to exclude all irrigation water from any conservation measures and
226 has encouraged its use as a cheap source of water to keep the Dammeron Valley
227 green.

228 **Q WHY DOES THE DIVISION CHARACTERIZE THE CURRENT**
229 **IRRIGATION RATE STRUCTURE, AND ADMINISTRATION OF IT BY**
230 **DAMMERON WATER AS A FREE-FOR-ALL APPROACH?**

231 **A** Dammeron Water allows its customers to switch between tap designations to
232 obtain the lowest possible water bill to encourage its customers to water more to
233 keep their lots green, especially those lots by the freeway. Specifically,
234 Dammeron Water allows its irrigation customers to change their gps (gallons per

235 day) AKA “tap” designation from a 2-tap or 1 ½-tap to a 1-tap so they could get
236 to the cheaper irrigation rate tier using less water than the larger tap sizes
237 required. The change in tap-size designation appears to have been done for some
238 irrigation customers, but only if they complained about the cost. The irrigation
239 customers who did not complain were not offered the same consideration. This
240 change in tapping designation was done regardless of what size lot they had. The
241 Division’s proposal does not include different tiers and prices for various size lots
242 and will eliminate this continued abuse.

243 The Division learned that if customers (mainly irrigation customers) were letting
244 their lots get brown, or Mr. Pace felt so inclined, these customers would get
245 additional water at either no or minimal cost.

246 In another example, Dammeron Water stipulated in Docket 87-2025-01, included
247 as Exhibit 4 in my Direct Testimony, that it agreed to issue a disclosure statement
248 to prospective landowners and to prospective water right owners stating that the
249 irrigation rates could be affected by Mr. Pace’s contribution to water system costs
250 and/or by subsidization from culinary rates, and that these irrigation rates may not
251 vary significantly from culinary rates if a cost of service is performed. In the
252 current docket when asked to produce the disclosure statement concerning rate
253 subsidies, Mr. Pace indicated that he verbally informed customers about the

254 irrigation rate as ordered in Docket 87-2025-01, but was not able to provide a
255 written statement.

256 The Division reminds Dammeron Water that from this point forward, it cannot
257 knowingly deviate from what its tariff says. Dammeron Water must charge the
258 correct rates and fees and must strictly adhere to the quantities specified in the
259 tariff tiered rates. Failure to do so can result in fines, penalties and loss of its
260 Certificate of Public Convenience and Necessity (CPCN).

261 **IX. RECOMMENDATION**

262 **Q. BASED ON YOUR INVESTIGATION, PLEASE STATE YOUR**
263 **RECOMMENDATION REGARDING THE RATES, FEES AND THE**
264 **EXPANSION OF SERVICE AREA OF DAMMERON WATER?**

265 A. After considering Dammeron Water's Rebuttal Testimony and input from some
266 Dammeron Water customers, the Division recommends the following:
267 1. The rates and rate structure proposed by Dammeron Valley be rejected because
268 they will not result in just and reasonable rates, and are not in the public interest.
269 2. The amended rates and fees set forth proposed by the Division, and outlined in
270 Exhibit 2 SR, be approved as being just and reasonable and in the public interest.
271 These rates are listed below for your convenience.

Division's AMENDED Recommended Monthly Rates						
	Customers WITHOUT Irrigation			Customers WITH Irrigation		
	Cost	Usage Amounts		Cost	Usage Amounts	
Base Rate	\$37.90	Includes NO Gallons		\$37.90	Includes NO Gallons	
Tier 1 (per 1,000 gallons)	\$0.30	First	12,000	\$0.30	First	12,000
				Irrigation Tier		
				\$0.45 (per 1,000 gallons)	Irrigation customer receives 40,000 gallons per month for each water share	
Tier 2 (per 1,000 gallons)	\$0.60	Next	12,000	\$0.60	Next	12,000
Tier 3 (per 1,000 gallons)	\$1.20	Next	12,000	\$1.20	Next	12,000
Tier 4 (per 1,000 gallons)	\$1.80	Next	12,000	\$1.80	Next	12,000
Tier 5 (per 1,000 gallons)	\$2.70	Over	48,000+	\$2.70	Over	Varies *

272

273 3. That the Service Connection Fee be increased from \$1,500 to \$2,000.

274 4. That Dammeron Water be allowed to expand its service area.

275 **X. CONCLUSION**

276 The Division believes that its amended recommended rates are just and
 277 reasonable and consistent with the public interest and, therefore, the Division
 278 recommends the Commission approve these new rates and fees.

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

280 A. Yes, it does. Thank you.