

Terry Lange
President Red Pine HOA
Intervener Docket 16-098-01
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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Community Water Company, LLC) **Docket No. 16-098-01**
)
) **Direct Testimony of Intervenor**
) **Terry Lange in the Matter of**
) **Increased Rates and Tariff for**
) **Community Water Company,**
) **LLC**

Being duly sworn, I, Terry Lange, hereby state that I am an Intervenor in Docket 16-098-01. I am the President of the Red Pine Homeowners Association (“HOA”). Red Pine is the largest group of connected customers within the Community Water customer base. I was also an intervenor for Docket 15-098-01 (withdrawn) and an interested party for Docket 14-098-01 (deemed incomplete). My testimony here expands upon the comments I submitted with respect to the Interim Rate Application by CWC which was approved by the Public Service Commission (“PSC”) on 9/15/16.

The proposed rate as developed by the Division of Public Utilities (“DPU”) in the current application does not address the water allocation for each connected customer paying the base rate of \$33.20 *and* methodology for billing HOAs with shared meters. Red Pine has many shared meters and a grave inequity will occur if the water usage for the common landscaping system of the Red Pine campus is not included in the proposed 12,000 gallon per month per connected customer allotment at Tier 1 pricing.

A similar inequity will occur with Plat B & D HOA and Hidden Creek HOA if the final rate is approved without modification. The three entities, Red Pine, Plat B&D HOA, and Hidden Creek HOA constitute 420 connected customers of the approximate total 500 connected customers of the Community Water customer base. The final rate should **not** be approved by the Commission until Community Water can demonstrate that its definition of connected customer and corresponding billing software will, in fact, include landscaping water usage of 12,000 gallons at Tier 1 pricing, per month, per connected customer as shown in the proposed Rate Schedule. The DPU should also make it clear in its development of tiered pricing of water that this is how it envisioned the Tiered pricing structure to operate.

BACKGROUND

The Red Pine complex has five (5) phases consisting of two hundred (200) Chalets in four (4) phases) and sixty (60) Townhomes. A Recreation Center also exists for the exclusive use of all 260 connected customers of Community Water. All of the land in the 5 phases is common area with an undivided interest shared by all 260 connected customers in each of their respective phases.

All 200 Chalet connected customers share a common water meter. The 60 Townhome units are individually metered as is the Recreation Center. No individual connected customer has the capability of watering any landscaping within the common areas. As it stands, when Red Pine was built, Jack Roberts, the Red Pine developer and also founder of Community Water, installed a separate landscaping system with 13 meters (#'s 106 – 118) to meet the landscaping needs of the campus.

Meters #106 – 113 service the 200 Chalets and meters 114 – 118 service the 60 Townhomes. Currently each Townhome connected customer receives their own water bill and the Red Pine HOA receives a combined bill for the Chalet shared water and for landscaping water (meters #106 – 118) for the entire complex. The irrigation bill is divided between the Townhomes and Chalets by the HOA based on meter location. The resulting cost itemization is then collected from owners through their HOA quarterly dues.

Prior to the new interim rate approved on 9/15/16 by the Commission,, **Tariff 02-098-T01**, as adopted from **Docket 01-098-01**, stated that the 200 Red Pine Chalets are deemed to receive a monthly allotment of 5000 gallons of water for each of the 200 connected customers for the base rate of \$12.00 per connected customer. This 5000 gallon allotment of water times 200 individual connected customers equates to a total of 1,000,000 gallons at Tier 1 pricing. Beyond this amount, the next tier pricing takes effect. This is the same as any individually metered home which is allowed 5000 gallons per month before higher tiered pricing rates apply regardless of irrigation or culinary use. I will refer to this as Chalet internal water use. Internal water use is billed separately from the landscaping water. The tariff, as adopted in **Docket 01-098-01**, addressed clearly the methodology for billing Red Pine landscaping water. This methodology, which is critical to equitable treatment of all connected customers, is absent from the rate currently before the Commission, and therefore is at the heart of my testimony. That current tariff states as follows:

“Example: Service identification numbers 106 – 118. Users are defined as the total units being served within the Red Pines Owners Association. This includes Red Pine Townhomes, Pool House, and Red Pine Chalets. This incorporates 261 dwellings or units. The association would be sent one billing notice computed using 13 irrigation only meters @ minimum charge(including oversize meter charge) plus 261 units times tier 1 gallons billed at the tier 1 rate plus all additional gallons billed at the tier 2 rate”

With respect to the aforementioned service numbers, it should again be noted that meter numbers 106 – 113 service the landscaping needs for the 200 shared-meter Chalet Units and meter numbers 114 – 118 service the landscaping needs for the 60 individually-metered Townhomes. The 261 units referenced in the current tariff above include the Recreation Center.

The same tariff also calls out the billing procedure for Hidden Creek HOA (known at the time as Park West Condominiums) with respect to its irrigation/culinary meters numbers 241 – 249 that track water usage for the 130 connected customers.

Solution

An easy approach to maintaining an equitable rate to Red Pine, as well as the other HOAs in their Service Area is to have Community Water first specifically identify an allocation of 12,000 gallons for each connected customer, then to configure the billing software so that it combines the consumption of meters #106 -113 with the consumption of the shared culinary meter that supplies water to the 200 Chalet connected customers. The proposed Tier 1 rate usage of 12,000 gallons per connected customer, times 200 connected customers equates to 2,400,000 gallons per month for the collective 200 Chalet connected customers. Any water usage less than 2.4M gallons would be billed at a Tier 1 and consumption in excess of 2.4M gallons would then be billed at the appropriate higher Tier prices.

The same approach should apply the 60 individually metered connected customers in the Phase 5 Townhomes. Here 60 connected customers times 12,000 gallons equals 720,000 per month.

The usage of meter numbers 114 – 118 would then be added to the total consumption of the 60 individual connected customers. Any usage from meters #114 – 118 which exceeds the collective amount of 720,000 gallons per month would be billed at the appropriate higher tier.

A single billing for landscaping water could still be sent to the HOA so long as it properly itemizes and separates the lumped irrigation water use and associated costs from meters #114 – 118 from the lumped irrigation water use and associated costs of meters #106 – 113 for the Chalets. All individual Townhome connected customers will be billed by CWC for the base rate of \$33.20 per month and the HOA would in turn bill the Townhomes the additional irrigation cost through quarterly assessments.

I know that there are other Home Owner Associations within the customer base that have similar concerns. Both Hidden Creek, with One Hundred and Thirty (130) Unit owners, and Plat B & D with thirty (30) owners, have similar concerns. As noted above they, along with Red Pine represent 420 of the approximately 500 Community Water customer base. All 420 connected customers have some type of shared irrigation meters. Plat B & D has its meter setup the same as the Red Pine Townhomes i.e. individual unit meters and shared landscaping meters. Hidden Creek on the other hand is a unique case. Not only are there nine shared (9) meters, some of their 9 meters are landscaping only; some meters are indoor culinary only, and some meters deliver **both** indoor culinary and outdoor landscaping water. This somewhat similar yet different aspect of Tier 1 water allocation and billing software must be sorted out with respect to the 130 connected customers at Hidden Creek so as to maintain equity throughout the entire customer base.

Interim Rate Hearing on 9/13/16

On September 13, 2016 a hearing was held for the Interim Rate. I participated telephonically at that hearing. At the hearing CWC presented a document that was accepted as **Exhibit B**. Exhibit B attempted to address the concerns I have expressed for Red Pine water allocation and billing methodology. It also attempted to address similar concerns Intervener Scott Savage expressed on behalf of Plat B&D HOA. I was not given Exhibit B prior to the hearing nor was I able to examine it until several hours after the hearing concluded.

Exhibit B addresses two billing methodologies; one for Red Pine Chalets, and one for both Red Pine Townhomes and Plat B & D. Exhibit B did not address the Hidden Creek HOA situation.

Upon my examination I discovered the Rate Table in Exhibit B for Red Pine Chalets was unclear. I then spoke with Emily Lewis, legal counsel for CWC, and our conversation lead to the clarification of the billing methodology for the Red Pine Chalets. Subsequently CWC submitted for inclusion into the Docket **Amended Exhibit B** which clarified the Red Pine Chalet methodology as it relates to the Tier 1 usage and billing. The DPU objected to the inclusion of Amended Exhibit B on September 14, 2016, most likely on its timing and/or procedural grounds. I believe the Amended Exhibit B does in fact resolve my concerns for equitable treatment under the Rate before the Commission and therefore should be incorporated before final approval is granted. However, I wish to point out that while the allocation of water (12,000 G x 60 connected customers is addressed, the billing methodology for the Red Pine Townhomes and Plat B & D should be held to closer scrutiny.

In the case of Red Pine Townhomes, CWC is proposing that the total gallons of landscaping water used from meters #114 - 118 be first divided equally amongst the 60 individually metered connected customers. An individual Townhome bill would then be computed based upon an individual unit's inside usage plus $1/60^{\text{th}}$ of the landscaping water added. Historically the method has been to calculate the landscaping water bill cost from meters #114 – 118 and then divide that **cost** equally amongst the 60 connected customers. Red Pine HOA believes that the method of first calculating the water cost from meters #114 – 118, then dividing that cost by 60 connected customers is more equitable than dividing the gallons by 60 units. It is, after all, the HOA who controls the watering of the common areas and not an individual connector customer. CWC billing software can easily track and implement the methodology preferred by Red Pine HOA.

I also wish to point out what appears to be an inequality of the base rate between single family homes and HOAs with shared meters. CWC plans to implement the base charge of \$33.20 to each and every customer in addition to each and every landscaping meter. In the case of Red Pine Chalets this would mean $\$33.20 \times 200$ Units + $\$33.20 \times$ the 8 landscaping meters (#106 – 113) for a grand total of \$6,905.60. While an individual homeowner would be paying a base charge of \$33.20, a Chalet owner would now be paying a base charge of \$34.53 per month i.e. $\$6905.60/200$. In the case of the Townhomes, the 4 meters # 114-118 would add \$2.21 to each and every connected customer i.e. $(4 \times \$33.20)/ 60$ for an effective monthly base charge of \$35.41. In the case of Plat B & D HOA with 30 individual metered connected customers and 2 shared irrigation meters the monthly base charge would amount to \$35.41 $(\$33.20 \times 30 + \$33.20 \times 2)/ 30$.

Conclusion

I know that there are other Home Owner Associations within the customer base that have similar concerns. Both Hidden Creek, with One Hundred and Thirty (130) connected customers, and Plat B & D with thirty (30) connected customers, have similar concerns. They along with Red Pine represent 420 of the approximately 500 Community Water customer base. The omission of how Community Water intends to address water allocation associated with each connected customer, and billing for collective meters like those found at Red Pine, Hidden Creek, and Plat B & D will have grave implications to over 80% of the customer base of Community Water. This issue was not addressed in the two previous rate proposals and is not clarified in the proposed rate case to be heard and ruled on by the Commission.

I had occasion to speak many months ago with Ron Slusher at the Division of Public Utilities. Mr. Slusher authored the Division's rate proposed and presented in the Division's testimony for Docket 15-098-01. This proposed rate then formed the foundation upon which Mark Long of the Division acted along with additional information requested of Community Water so as to further refine the new rate put forth in Docket 16-098-01.

I speak of this because Mr. Slusher told me in our conversation that the Division did indeed look at all water usage for Red Pine, i.e. both indoor and outdoor landscaping usage and considered the combination of the two as helping to calculate the 12,000 gallon consumption figure used for Tier 1 pricing in Docket 15-098-01.

It appears readily evident that this same consideration was brought forward and still applies to the rate developed by the Division in Docket 16-098-01.

Furthermore, it is important that this billing issue be resolved now because landscape watering will cease by the end of September this year and will not restart until late spring of 2017, long after a final rate has been approved. By not having a clear and definitive understanding of water allocation and the corresponding billing process, at this point, may very well bring about the “Law of unintended consequences”. I again urge the Public Service Commission to withhold any approval until such time as Community Water addresses and the DPU endorses our billing concerns.

DATED this 21st day of September, 2016

A handwritten signature in black ink that reads "Terry Lange". The signature is written in a cursive, flowing style.

Terry Lange
President Red Pine HOA

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of September, 2016, I caused a true and correct copy of the foregoing **Testimony of Intervenor Terry Lange in the Matter of Increased Rates and Tariff for Community Water Company, LLC** to be electronically served to the following:

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