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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

**In the Matter of Community Water            )       Docket No. 16-098-01**  
**Company, LLC                                        )**  
**)**       **Direct Testimony of Intervenor Francis**  
**)**       **Amendola to the Application**  
**)**       **Submitted by Community Water Co.,**  
**)**       **LLC on August 24, 2016, for an**  
**)**       **Interim Rate Increase**

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Being duly sworn, I, Fran Amendola, hereby state that I am an intervenor in Docket 16-098-01. I was also an intervenor for Docket 15-098-01 which has since been withdrawn by the applicant, Community Water Company (CWC). I have reviewed the Application, and submit the following Direct Testimony. I also want to state for the record that I managed CWC either as an employee of American Ski Company, Utah dba, The Canyons, or as a consultant for over a decade and am familiar with the issues facing CWC today.

There are two issues on which that I would like to provide Direct Testimony.

These are:

- Allocation of water for each connected customer, and
- Annual operating expenses associated with the purchase of water.

## Allocation of Water for Connected Customers on Shared Meters

I would like to first endorse the Comments and Direct Testimony on the Application submitted by Mr. Terry Lange on behalf of Red Pine HOA, and Mr. Scott Savage on behalf of Plat B & D with respect to water allocation and associated billing of connected customers with shared irrigation meters. The comments made by these individuals touch on what I believe to be the most important, yet unaddressed, issue of the Rate Case which is the allocation of water to all connected customers at Tier 1 pricing.

In the current Tariff under which CWC operates, HOAs with shared irrigation meters (and in some cases mixed irrigation/culinary like the Hidden Creek Condominiums) were assigned 5,000 gallons of water for the base rate paid by each connected customer. This was specifically called out, and explained by use of examples, in the current Tariff of CWC. The Interim Rate approved by the Commission on September 15, 2016 fails to include any allocation for shared irrigation meters associated with large HOA complexes. By not including the Tier 1 allocation of 12,000 gallons for each connected customer that pays the base rate of \$33.20 per month, over 400 customers of the approximate 500 customers are being treated in an inequitable manner. The base rate of the approved Interim Rate applied to Red Pine HOA, Plat B&D, and Hidden Creek Condominiums will unfairly impact over 80% of the customer base. It is imperative that this assumed oversight be addressed. The introduction of Exhibit B by CWC at the Hearing on September 13 attempted to address this issue. The approach brought forth by CWC at the Hearing, with some minor changes like those provided in Amended Exhibit B which was not accepted into the record due to DPU opposition, should be integrated into the Final Rate developed by the DPU and approved by the

Commission. Otherwise, the Final Rate should not be approved.

### Annual Operating Expense of Purchased Water

During the hearing on September 13, 2013 Intervenor William Grenney submitted verbal testimony that addressed an invoice for approximately \$16,000 for water purchased by Community Water Company (CWC) from Summit Water Distribution Company (SWDC). This invoice for purchased water was not included in the rate analysis completed by the DPU because it came into the DPUs possession after the rate analysis was completed. A portion of purchased water was applicable to 2015—the analysis year for the Division’s rate. Inclusion of the cost of purchased water can materially impact the rate structure and warrants further analysis.

First, I want to contrast payments made to Weber Basin Conservation District (WBCD) to maintain water rights associated with water diverted by CWC from water purchased from SWDC for use in the CWC system. Water payments to WBCD are to maintain water rights that support the diversion or withdrawal of water from wells and stream flow for distribution to its customers. These payments are annual payments required to cover the cost of administering the water rights underlying “wet water” delivered to CWC customers. As provided on Exhibit D-2 General Ledger July – December 2013 of the Docket, payment was made in the amount of \$28,495 to WBCD. While the referenced exhibit is from 2013, this expense is an annual expense for roughly the same amount each year with modest adjustment. This is an annual payment and should be accounted for as part of the operating expenses of CWC on an annual basis, including in 2015 which is the base year for calculating the Rate currently before the Commission.

In contrast to annual payments to WBCD to sustain water rights, purchased water to make up for a shortfall should be looked at very differently. Purchased water by CWC through an interconnection with SWDC is not an annual occurrence. I make this statement because, as noted above, I managed CWC for over ten (10) years, and during that period it was not a frequent occurrence. Purchased water could constitute water needed to supply water to the CWC customer base in the event of an abrupt failure such as an unplanned outage resulting from a waterline break by construction work, or for a planned outage to replace a pump or repair other infrastructure. Based upon Mr. Grenney's comments at the hearing, the invoice from SWDC for approximately \$16,000 covered water delivered to CWC through the interconnection during both 2015 and 2016. The portion of that water delivered in 2015 does belong in the Interim Rate which was based on 2015 financials.

On a going forward basis, accounting for purchased water should be handled discretely instead of being assigned as a fixed, annual operating expense that could impact the ongoing rates charged to CWC customers. There are several factors that need to be considered when addressing purchased water. These are addressed below:

Frequency--First and foremost, the purchase of water is not a routine annual practice. One can verify that there were many years that CWC did not have to purchase water for planned or unplanned outages. CWC has historically not had shortfalls in delivering adequate volumes of high quality water to its customer base.

Volume--The amount of water that might be necessary to make up a shortfall whether short-term or for an extended period can vary drastically. In some cases it may be needed to augment production during irrigation season due to low stream flow in Willow Creek late in the irrigation season. This augmentation, even if necessary, could be minimal and can often be managed by reasonable restrictions on water used for irrigation by its customers.

On a short-term basis, it might be necessary to purchase water if a break in a waterline occurs. In this case, an expedited repair or a request to the customer base to suspend irrigation while the repair can be completed can reduce the overall amount of water required to address a shortfall from an unplanned outage.

Who Bears the Cost--In most cases, the party responsible for an unplanned, abrupt outage or even in some cases a planned, sustained outage in water delivery should be charged for the interruption in service thereby reimbursing CWC for any purchased water. This situation can occur during construction near the base of the Canyons resort, where many of the main distribution lines of CWC are located. Similar situations could exist during construction of the golf course at the resort as well. If infrastructure is damaged from an unplanned outage like when a contractor hits a waterline, the repair costs as well as the cost for any purchased water should be passed on to the responsible party thereby offsetting any out of pocket expenses incurred by CWC.

Offsetting Cost of Produced Water--The cost of purchased water needs to be offset by the cost of not having to produce the water that is purchased. The actual cost of purchased water can be obtained from the contract between SWDC and CWC to provide an accurate assessment of this difference.

Sale of Excess Water--Finally, CWC can also sell water to SWDC in some cases through an existing interconnection if excess water is available. This would represent a revenue stream. Selling water to SWDC can offset higher pumping and delivery costs of SWDC from lower elevations (pumping zones) for water used at the Canyons Resort base where both SWDC and CWC operate and SWDC is providing most of the water to new construction. During the non-irrigation months, CWC sources (wells and stream flow) can produce excess water. SWDC currently has an agreement in place with Mountain Regional to purchase a significant amount of water which demonstrates that a need may exist within SWDC to purchase water.

Even if water is not sold to SWDC, water can be “returned” to SWDC after issues causing outages or shortfalls are addressed. This is a reasonable approach because SWDC delivers high volumes of water to Canyons Resort for snowmaking and other uses within the resort during the winter months. Because irrigation has ceased, CWC does have surplus water during these months that represent high demand for SWDC. The contract between CWC and SWDC that allows SWDC to manage daily operations of CWC can address this issue.

Based upon the aforementioned reasons, the DPU should analyze the likelihood and conditions of purchasing, and for that matter, selling water. This analysis can provide the basis of whether or not there should even be an annual operating expense for purchased water beyond that paid to WBCB to maintain their water rights. The analysis will also help arrive at the appropriate amount of any annual operating expense. Based upon my experience managing CWC for over a decade either as an employee and consultant, there should not be a significant line item for

purchased water. A strong argument can be made for not having a line item for purchased water. A significant annual operating expense for purchased water would represent an ongoing burden for the customer base which, in many years, is unnecessary. I respectfully request that the Division and Commission give serious consideration to all of these points prior to assigning a significant annual operating expense that materially impacts the ongoing rates paid by CWC customers.

DATED this 21<sup>th</sup> day of September, 2016

Francis Amendola



Option A Environmental Consulting LLC

Intervenor

## CERTIFICATE OF SERVICE

I hereby certify that on September 21, 2016 a copy of the foregoing **Direct Testimony of Intervenor Francis Amendola to the Application Submitted by Community Water Company, LLC on August 24, 2016 for an Interim Rate Increase in Docket 16098-01** was emailed on the 21<sup>th</sup> day of September 2016 to the following:

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