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Attorneys for Community Water Company

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

SUR-REBUTTAL TESTIMONY
OF
MIKE FOLKMAN
COMMUNITY WATER COMPANY

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION
3 WITH COMMUNITY WATER COMPANY.

4 A. My name is Mike Folkman. I am employed as a System Operator with Summit
5 Water Distribution Company and contracted to do business with Community Water
6 Company. Summit Water Distribution Company is located at 8506 Bluebird Lane,
7 Park City, UT 84098.

8 II. IDENTIFICATION OF WITNESS

9 Q. FOR WHICH PARTY WILL YOU BE TESTIFYING?

10 A. I am testifying on behalf of Community Water Company (“Company”).

11 Q. HAVE YOU TESTIFIED BEFORE THE UTAH PUBLIC SERVICE
12 COMMISSION (“COMMISSION”) ON PRIOR OCCASIONS?

13 A. Yes. I testified as a fact witness in this matter in person at a hearing held on
14 September 13, 2016 on the Company's Application for Interim Rate Increase. I also
15 supplied written Direct Testimony on September 21, 2016 regarding several
16 priority improvement requests for the Company. I also assisted with preparing
17 responses to several of the Division's data requests for the Company.

18 II. PURPOSE OF SUR-REBUTTAL TESTIMONY

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. The general purposes for my Sur-Rebuttal Testimony is to respond to the Rebuttal
21 Testimony of Mark Long regarding the Company's priority improvements requests
22 and the Division's changes to the recommended rate structure.

23 III. RESPONSE TO MARK LONG REBUTTAL TESTIMONY

24 **Q. DO YOU HAVE ANY GENERAL COMMENTS BEFORE ADDRESSING**
25 **SPECIFIC ISSUES RAISED IN MR. LONG'S TESTIMONY?**

26 **A.** Yes. I want to reiterate why the Company submitted its priority improvements list
27 attached to my Direct Testimony and further explained in the Company's Response
28 to the Division's Fourth Data Request. The Company understands the current rate
29 case is to establish a rate to support the operations and maintenance of the Company
30 and is not a rate case for capital improvements.

31 As discussed, the Company is currently in negotiations to transfer ownership of the
32 Company to an established water supplier, most likely Summit Water Distribution
33 Company. Transfer of the Company will most likely require certain generally
34 needed infrastructure improvements be made to safely and practically consolidate
35 the Company system into an existing system. The Company continues to believe
36 transfer to another provider is the most efficient and least expensive way to provide
37 safe and sustained water service to its customers.

38 An unfortunate consequence of simultaneous transfer negotiations and a rate case
39 is that many of the specific improvements needed to consolidate systems are still
40 evolving, many are beyond the scope of maintenance and operations, and the
41 optimal timing of a transfer may be before a second capital rate case is initiated and
42 completed. Accordingly, the Company requested the rate be adjusted to increase its
43 capital reserve account to fund the priority improvements as a "bridge" between
44 this limited rate case and future capital improvement rate case.

45 While the Company felt it prudent to explain the circumstances, the Company
46 acknowledges negotiations are ongoing and cost estimates remain the best

47 information available until specific infrastructure improvements are identified and
48 can be bid on. The Company understands estimates lack the specificity needed to
49 be included in the current rate. It defers to the Division's decision to exclude the
50 priority improvement requests. If the Company is to remain publically regulated, a
51 future capital rate case will most likely be needed to raise the needed funds to
52 improve the Company system.

53 **Q. DO YOU HAVE ANY RESPONSES REGARDING THE DIVISION'S
54 STATEMENTS ON TIME TO PREPARE EXPENDITURE REQUESTS?**

55 A. The Company takes issue with the Division citing to previous rate cases as being
56 informative for this rate case. While the cited provisions are responsive to the
57 threshold needed to include infrastructure requests in a rate base, which we do not
58 generally meet, prior cases should not inform the adequacy of time needed or
59 passed to properly prepare expenditure requests. Prior rate cases presented entirely
60 different infrastructure scenarios than the present circumstance where new and
61 evolving negotiations may change the scope and scale of needed infrastructure.
62 While the Company fully understands and appreciates the Division's need for
63 supportable numbers, we ask the Commission to not use past rate cases to decide
64 whether the Company has timely complied with preparing a new expenditure
65 request. Preparing for a future capital rate case may present a novel configuration
66 of infrastructure not contemplated in the past. Collecting supportable costs for that
67 rate should be judged against a new and contemporary timeline.

68 **IV. RESPONSES TO THE DIVISION'S RECOMMENDED RATE CHANGES**

69 **Q. DOES THE COMPANY SUPPORT THE CHANGES TO THE RATE AS**
70 **RECOMMENDED IN MR. LONG'S REBUTTAL TESTIMONY?**

71 A. Yes. The Company generally supports the new recommendations of the Division.

72 **Q. DO YOU HAVE ANY SPECIFIC RESPONSES TO THE DIVISION'S**
73 **RECOMMENDED CHANGES?**

74 The Company understands the reasoning for reallocating the Water System Repair
75 costs between Fixed and Variable Expenses to make customer's proportion of
76 repair costs more in-line with their actual usage of the system. The Company also
77 supports the inclusion of a new line item of \$6,491.00 for water purchased from
78 Summit Water Distribution Company. The Division correctly points out that the
79 system is aging and the need to continue to purchase water will most likely continue
80 until the system is upgraded.

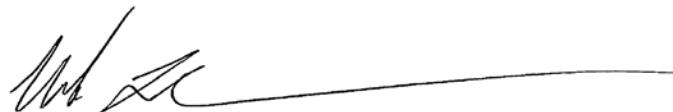
81 **CONCLUSION**

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

83 A. Yes it does. Thank you.

DATED this 14th day of November 2016.

Mike Folkman



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing SUR-REBUTTAL TESTIMONY OF MIKE FOLKMAN was emailed on the 14th day of November, 2016 to the following:

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