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*Attorneys for Community Water Company*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>In the Matter of Community Water Company, LLC</b>	)	
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	)	<b>DOCKET NO. 16-098-01</b>
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**SUR-REBUTTAL TESTIMONY**  
**OF**  
**MIKE FOLKMAN**  
**COMMUNITY WATER COMPANY**  
**NOVEMBER 14, 2016**

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  
6 Water Company. Summit Water Distribution Company is located at 8506  
7 Bluebird Lane, 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  
15 also 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  
22 requests 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  
28 Response to the Division's Fourth Data Request. The Company understands the  
29 current rate case is to establish a rate to support the operations and maintenance of  
30 the Company and is not a rate case for capital improvements.

31 As discussed, the Company is currently in negotiations to transfer ownership of  
32 the Company to an established water supplier, most likely Summit Water  
33 Distribution Company. Transfer of the Company will most likely require certain  
34 generally needed infrastructure improvements be made to safely and practically  
35 consolidate the Company system into an existing system. The Company continues  
36 to believe transfer to another provider is the most efficient and least expensive  
37 way to provide 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  
42 and completed. Accordingly, the Company requested the rate be adjusted to  
43 increase its capital reserve account to fund the priority improvements as a  
44 "bridge" between 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,  
51 a 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  
60 entirely different infrastructure scenarios than the present circumstance where  
61 new and evolving negotiations may change the scope and scale of needed  
62 infrastructure.

63 While the Company fully understands and appreciates the Division's need for  
64 supportable numbers, we ask the Commission to not use past rate cases to decide  
65 whether the Company has timely complied with preparing a new expenditure  
66 request. Preparing for a future capital rate case may present a novel configuration  
67 of infrastructure not contemplated in the past. Collecting supportable costs for that  
68 rate should be judged against a new and contemporary timeline.

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

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

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

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

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

82 **CONCLUSION**

83 Q. DOES THIS COMPLETE YOUR TESTIMONY?

84 A. Yes it does. Thank you.

DATED this 14th day of November 2016.

Mike Folkman

A handwritten signature in black ink, appearing to read 'Mike Folkman', followed by a long horizontal line extending to the right.

**CERTIFICATE OF SERVICE**

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

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