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July 12, 2010

Ruben H. Arrendondo
Administrative Law Judge
Utah Public Service Commission
160 East 300 South
4th Floor
Salt Lake City, Utah 84111

Ted Boyer
Chairman
Public Service Commission of Utah
160 East 300 South
Salt Lake City, Utah 84111

Ric Campbell, Commissioner
Public Service Commission of Utah
160 East 300 South
Salt Lake City, Utah 84111

Ron Allen, Commissioner
Public Service Commission of Utah
160 East 300 South
Salt Lake City, Utah 84111

Julie Rochard
Commission Secretary
Public Service Commission of Utah
160 East 300 South
Salt Lake City, Utah 84111

Via e-mail to: psccal@utah.gov

In re: In the Matter of the Request for a Rate Increase
Of Hidden Creek Water Company
DOCKET NO. 09-2440-01

Dear Judge Arredondo, Chairman Boyer and Commissioners Campbell and Allen,

On behalf of a broad coalition of homeowners and customers of Hidden Creek Water Company, I write to request the Commission to depart in several important ways from the Division's recommendations concerning the proposed rate increase in this matter. I am writing to provide additional information to the Commission that is intended to correct and clarify customer concerns about the Division's recommendations in this matter and to correct several possible misimpressions that may have been created at the recent hearing. As noted in the enclosed proposals, a large and broad group of the Company's customers urge the Commission to depart from the Division's recommendations in three respects, described in detail below and in the attached customer recommendations.

At the hearing on July 6, 2010, we believe both the Company and the Division misstated customer views with respect to the Division's latest recommendation, dated June 14, 2010. Speaking for the Division, Mark Long stated to the effect that the Division's recommendations reflected customer feedback, and that there was just a small group of vocal opponents that remained. This is inaccurate. At the hearing, Tracy Tanner, speaking for the Company, stated that five of the eight interveners were in favor of the Division's latest proposal. This is also inaccurate.

Despite numerous customer objections, the Division continues to recommend an extremely punitive tiered pricing structure that, according to the Division's estimates, will result in increases of between 174% and 375% for Customers. This rate structure severely penalizes customers for using water that was allocated to their lots as a condition for development. Second, the Division has strongly resisted widespread Customer preference for audited financial books. Third, the Division has insisted that the proposed Capital Reserve Account be unlimited, with only a theoretical limit of the replacement cost of the total infrastructure, an amount that is unknown.

As the attached proposals make clear, a majority of the Company's customers who have built homes in the developments serviced by the Hidden Creek Water Company are in agreement that several important changes should be made before the Division's recommendations are adopted. We have not been able to contact other lot owners who have not built homes, since the Company refused my request for contact information for those customers, and several current homeowners were out of town (the Wilsons, the Holtzaphels, and the Jacksons) when these papers were circulated, so we do not think an inference of support for the Division's recommendations should be drawn from the absence of some homeowners' signatures on these proposals. We also note that some of the customers who have signed the proposals (the Barrons and the Thomas's) own multiple lots, some of which have homes on them and some of which do not. These proposals have been signed by many of the interveners that Tracy Tanner was counting as being supportive of the Division's recommendations. We have limited ourselves to those issues that we believe are most important, even though many of us have strong reservations about other parts of the Division's recommendations.

Attached to this letter please find three recommendations, each signed by a majority of the homeowners and customers who are living in Company's service area. These proposals have been drafted separately, to highlight customer concern with specific provisions, and to give customers the opportunity to sign some and not sign others, as several have done. We note that these recommendations represent very broad agreement among customers that certain recommendations of the Division should be rejected by the Commission.

The first requests the Commission to reject the Division's recommendation for a tiered rate structure that is designed to punish customers for using water that was assigned to their lots when the developments were approved. Instead we propose a simple flat rate structure. According to the Division, the Company needs revenues of \$48,000.00 per year. We believe this can be better accomplished by a simple flat rate structure that would charge each customer \$80.00 per month. Fifty customers paying \$80 per month results in income of \$48,000.00.

Our supporting reasons for this simpler approach are included in the recommendation. Some customers expressed the view that lot holders who have not yet built their homes should be charged less. For example, such customers could be charged \$60.00 per month if the rate of buildup of the Capital Account were somewhat slowed. I do not think there would be strong customer opposition to this idea.

Second, the customers request the Commission to reject the Division's recommendation that there be no audited financial statements. We believe audited financial statements are a basic component of accountability, and are clearly warranted in this case. We understand that this is a cost that will be borne by customers. Again, supporting reasons are included in the recommendation. One customer noted that the Commission should make it clear that the Capital Reserve Account should be included in this audit, a clarification with which I think all signers of the recommendation would agree.

Third, the customers urge the Commission to reject the Division's recommendation of a limitless Capital Reserve Account that will continue indefinitely until there is enough money in the account to pay the total replacement costs of the total infrastructure of the entire water system, at which point the Division says it will recommend an adjustment. We do not even know what that theoretical limit might be. The Division states, "Setting a target amount for the Capital Reserve Account initially sounds reasonable, but imposing a cap of any amount less than the current total replacement cost defeats the purpose of having a reserve account to be used for repairs and replacement of the infrastructure." Div. Resp. A.2., June 14, 2010.

We believe this is simply not correct, and we believe it is not standard practice to require water companies, large or small, to have a capital reserve account that is large enough to cover the current replacement costs of the entire system. It does not defeat the purpose of having a reserve account to have the amount of that reserve set at a level that is designed to meet reasonably foreseeable needs. One customer (Ray Crosby) noted that for comparative information, the Alpine Cove Water Company with 58 customers maintains a \$50-60 thousand reserve, which over the years has proven adequate.

We had hoped to have an opportunity to present our views directly to the Commissioners, Ted Boyer, Ric Campbell, and Ron Allen, at the hearing on July 6, 2010, but, as far as we could tell, none of them

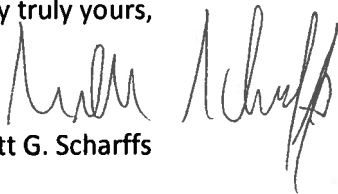
were present at the hearing. Although the transcript of the hearing will be helpful in getting a sense of customer concerns about the Division's recommendations, we hope that these signed proposals will help the Commission understand the depth and breadth of customer concerns about these three aspects of the Division's recommendations.

After the hearing, I spoke by phone with Bill Duncan, Manager, Telecom & Water Section, and he suggested that we address our concerns directly to the Commissioners, since they sometimes do not go along with Division recommendations. At Mr. Duncan's suggestion, I also contacted, Patricia Schmid, an assistant attorney general who represented the Division at the hearing, to ask her what the customer's options were for providing additional information to the Commission. Although I reached her on July 8th, she was on her way out of town and said she could not answer my questions until she got back on July 20th. Because we are uncertain what the Commission's time frame is on this issue, we didn't want to wait until then, and we hope this letter and the enclosed recommendations are an appropriate mechanism for placing our concerns and views before the Commission. We invite the Division, as well, to reconsider its recommendation based upon this additional evidence of customer views.

If you have questions about any of the information contained here, we hope you will feel free to contact us.

Please provide copies of this letter to anyone who should receive it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brett G. Scharffs". The signature is written in a cursive style with a large, prominent initial "B".

Brett G. Scharffs

Flat Rate Billing Structure

Proposal

We, the undersigned customers of the Hidden Creek Water Company, urge the Commission to reject the Division's recommendation of a tiered payment schedule that is designed to punish customers for using water that was allocated to their lots when those lots were purchased. Under the Division's recommendation, the Company will have revenues of approximately \$48,000.00 per year. This level of income can be easily accomplished by charging the Company's 50 customers \$80 per month, which would total \$48,000.00 of revenue per year, which is our recommendation. The Company's fixed expenses are estimated by the Division to be approximately \$25.00 per month, so the other \$55.00 per month could be allocated to the Capital Reserve Account.


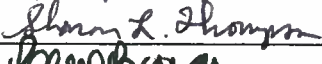


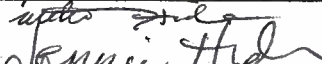



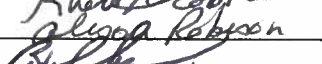
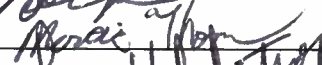


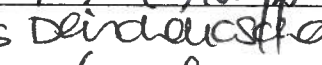







Rationale:

The Division believes its proposal will result in conservation. This is undoubtedly true. The Division states that its proposal will result in increased water rates of between 174% and 375%. This would be analogous to the government instantly increasing the cost of gasoline from \$3.00 per gallon to \$8.22 per gallon (a 174% increase) or from \$3.00 per gallon to \$14.25 per gallon (a 375% increase). Such an increase would surely result in conservation, but it would be clearly unfair and unacceptable public policy. Any government official who adopted such an increase would expect a short political life. In our conversations with the Division staff, we have not found one of them who believes that such an increase imposed on them would be fair or good policy. The only difference here is that the Customers do not have significant political power.

Here the Division has recommended an increase of 174% to 375%, which it describes as a "large increase" that "will have a big impact on ratepayer's bills." This is a serious understatement. Charging all customers an equal amount to cover the capital reserve account (\$55 per month) and the fixed expenses of the Company (\$25 per month) is not a subsidy of some customers by others. We believe the Division's characterization of this as a subsidy is inaccurate and misleading. The Division's recommendation results in punishing customers for using water that was assigned to their lots as a condition for the development being approved. Because the developers had to allocate water to each lot as a condition for development, the cost of that water was in all likelihood built into the price paid for the lots.

We note that our proposal would result in the same projected level of income as the Division's recommendation. We also note that the current water usage of all customers is well below the amount of water that was allocated to each of these lots at the time ^{they} ~~there~~ were approved for development by Utah County. We do not believe that customers should be punished for using water that they effectively purchased at the time they bought their lots. The certification made by the Company to Utah County contemplates that "the delivery of water shall be subject to the payment of all hookup fees, and all usual monthly water delivery charges." The Company charges for hookup fees and under the Division's

recommendation will be able to charge up to \$3,350 for a first time service connection fee. We believe a charge that includes \$55 for the Capital Reserve Account and \$25 to cover fixed expenses is a "usual monthly water delivery charge," but that a punitive tiered rate structure that punishes customers for using amounts of water far below what was allocated to their lots is not.

Name	Signature	Address
1. Steve Thompson Sharon Thompson PAUL BARRON	  	260 Hubble Creek Canyon Springville Utah 84663
2. Dion Barron Emily Krommenhoek	 	3 S. Meadow Dr. Springville, UT 84663
3. Adam Krommenhoek MUCO 44102	 	245 Hubble Creek Canyon Springville, UT 84663
4. Jennie Hyde Cheryl Jackson Petersen	 	470 E. Arrow Dr. 84663 Springville, UT
5. Rodney C. Petersen		232 Hubble Creek Canyon Springville, UT 84663
6. Bj Stangard Bj Stangard Pope	 	641 Hubble Creek Canyon
7. Rhett & Alison Robison	 	1154 Hubble Creek Canyon Rd Springville, UT 84663
8. Bill & Marcia Thomas		435 Hubble Cr Rd. Springville UT 84663
9. Lisa H. Imbery		693 Hubble Cr. Springville, UT 84663
10. Brett Scharffs		944 Hubble Creek Cyn Rd
Deirdre Scharffs		Springville, UT 84663
Karie Cling		246 Hubble Creek Springville, 84663
Jan Cling		

Audited Financial Statements

Proposal:


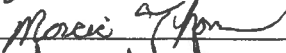
We, the undersigned customers of the Hidden Creek Water Company, urge the Commission to reject the Division's recommendation of no audited financial statements, and instead ask the Commission to require the Company to have audited annual financial statements on a going forward basis. Customers should be sent a copy of this report each year, and it should specifically include a clear and complete accounting of all payments made to anyone in the Tanner Family, and their affiliates.



Rationale:

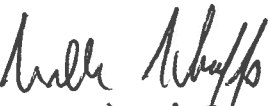

The Division states that while it agrees in principal that financial accountability is a valuable goal, the Division is of the opinion that audited financial statements are not necessary. We disagree. The Tanners have a history of charging other customers for water or standby water, including lot owners who have not built homes, but of not charging themselves, either for actual water use, or for standby water. They also have a history of making payments to themselves for various repairs and maintenance items, without disclosing these payments. The Company's accountant admitted in a Commission hearing that there were hundreds of thousands of dollars of Company expenses that had not been accounted for in the Company's books. We also note the Company's propensity for secrecy, and general patterns of behavior that have generated mistrust among customers, including the secrecy with which the Company tried to have this rate increase imposed on customers. We believe it is a simple matter of good corporate responsibility and accountability that audited financial statements be required. This is an expense that would be shared equally by all Company customers.



Name	Signature	Address
1. Steve Thompson		200 Hubble Creek Canyon Springville Utah 84663
2. Sharon Thompson Dave Barron		3 S. Meadow Dr. Springville UT 84663
3. DiAnn Barron		17 N. Meadow Drive / 245 Hubble Creek Springville, UT 84663
4. Emily Krommenhoek Adam Krommenhoek		47 MEADOW DR. SPRINGVILLE, UT 84663
5. Jennie Hyde Cheryl Jackson Petersen		222 Hubble Creek Canyon Springville UT 84663
6. Rodney C. Petersen		704 Hubble Creek Rd Springville UT 84663
7. John J. Balian Teresa P. Balian		641 Hubble Creek Canyon
8. Margaret Pope Ray Crosby		252 Hubble Creek Canyon Springville UT 84663
9. Stacy Crosby Rob & Allison Robinson		1154 Hubble Creek Canyon Rd Springville UT 84663

Hubble Creek Canyon

10. BILL & MARCIA THOMAS	 	135 NOBBLE CREEK CYN RD SPRINGVILLE UT. 84663
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11 Lisa & Troy Hobbler   6023 Hobbler Cr. Cyn. Rd
Springville Ut. 84663

12 Brett Schaff 
Deirdre Schaffs  944 Hobbler Creek Cyn Rd
Springville, UT 84663

13. Dan Cleng 
Kane Cleng  216 Hobbler Creek
Springville, UT 84663

Capping the Capital Reserve Account


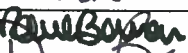





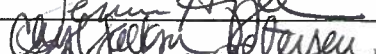


Proposal

We, the undersigned customers of the Hidden Creek Water Company, urge the Commission to reject the Division's recommendation of an unlimited Capital Reserve Account. The Division takes a position that the account must be increased until it "exceeds the replacement cost of the total infrastructure" of the Company, at which point the Division says it will recommend an adjustment. This is clearly excessive and is not based upon sound public policy. We believe a target should be set for the Capital Reserve Account (we would suggest an amount of \$50-\$100,000, to be reviewed in the future, as necessary), and that the monthly customer charge for the capital account be automatically eliminated when the target amount is reached.

We also urge the Commission to make it clear that the Capital Account must be held in trust for the benefit of the Company's customers.

Rationale:

An unlimited Capital Account, or a Capital Account that represents the complete replacement costs of the entire system, is clearly not warranted. The Division says that "imposing a cap of any amount less than the current total replacement cost defeats the purpose of having a reserve account to be used for repairs and replacement of the infrastructure." This is simply not true or accurate. Having a reasonable and prudent reserve does not require a total replacement fund. We do not think it is either usual or customary for water companies, large or small, to be required to have a Capital Reserve Account that represents the complete replacement cost of the entire system infrastructure. We urge the Commission to press the Division on this point. We think it is fair to describe the Division's position on this issue and extreme and inflexible.

Name	Signature	Address
1. Steve Thompson		200 W. 2nd St. Cent. Canyon Springville, Utah 84663
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4. Mike Hurd JENNIFER HYDE	 	47 MEADOW DRIVE 47 MEADOW DRIVE
5. Rodney C. Petersen	 	232 Horse Creek Canyon Springville, UT 84663
6. Margaret POPE		641 Horse Creek Canyon

7. Ray Crosby	Stacy Crosby	Ran Olsen Stacy Crosby	252 Hobble Creek Canyon	Springville UT 84663
8. Ruth & Alison Robison	Ruth Robison Alison Robison	Ruth Robison Alison Robison	1154 Hobble Creek Canyon Rd	Springville UT 84663
9. Bill & MARECK THOMAS	Bill Thomas Mareck Thomas	Bill Thomas Mareck Thomas	135 HOBBLE CREEK CYN.	SPRINGVILLE UT. 84663
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