

**TO:** Public Service Commission Of Utah

**FROM: **Complainants****  
Frank and Pat Cumberland  
Larry and Sharon Zini  
Dawn Martell  
Bob Kimball  
Marsha Smith  
Jeff Larsen

**DATE:** May 15, 2012

**SUBJECT:** In the matter of the request of Mountain Sewer for approval of an Interim Rate Increase

**RE:** Docket No. 11-097-01, 11-097-02, and 11-097-03

In April 2011, the complainants filed a formal complaint regarding service problems with Mountain Sewer. On May 25, 2011 the Complainants filed a supplement to the formal complaint regarding billing irregularities, disregard of individual corporate entities, and possible commingling of funds between and among Mountain Sewer Corp., Lakeview Water Corp. and other corporations, including the personal finances of the previous owner.

On April 6, 2012 Mountain Sewer Corp. filed an application for a general rate case to increase the rates for sewer services. Included in the rate

increase is a request for an Interim Rate Increase to be effective within 45 days (May 21, 2012).

The Complainants served by Mountain Sewer do not agree with the calculations in the Interim Rate Case documents for Mountain Sewer. These disagreements include the number of customers, the lack of payment of connection fees and standby fees on plated lots during the test period. We also object to the inclusion of any calculations associated with the Special Assessment request, as they cannot be a part of the Interim Rate Case.

The Complainants have prepared two exhibit spreadsheets both of which are attached. Complainants Interim Rate Response Exhibit A is using the requested interim monthly rate fee of \$57.06 with the effective date of May 21, 2012 through January 20, 2013, 8 full months. This time period reflects the revenues and expenses forward under the interim rate case. The Complainants feel this timeframe will more accurately reflect the financial impact of the interim rates on Mountain Sewer. The Complainants Interim Rate Response Exhibit B has been

calculated using an alternative proposal by the Complainants for an interim rate fee of \$50.00 a month for the same 8-month period.

The following are explanations of line items on both of Complainants Interim Rate Response Exhibits A and B:

**Line 2 Monthly, Yearly and 8 Month calculations:**

**Line 2** the new Monthly rate for 128 customers is shown in Column B, the Yearly totals in Column C, and the 8-month test period is shown in Column D. Also listed on lines 4, 5, and 6, in Column B are the individual fees that comprise the Monthly rate of \$57.06 for Exhibit A, and \$50.00 for Exhibit B.

**Line 8 Standby Customer Fees:**

Within Mountain Sewer's service area are some new phases of development currently underway. One of those phases has received plat approval. These lots are not shown on the Mountain Sewers rate case spreadsheets. Under the interim rates effective May 21, 2012, the lots in that plat approval should be required to pay both the new connection fees and standby fees from May 21, 2012 forward.

**Line 8** on both of the Complainants' exhibits reflects the increase for these new plats, showing 59 customers including the additional 5 customers that will be required to pay \$24.40 for standby fees effective May 21, 2012. These 5 customers will add \$976 in additional standby fees to the revenue stream for the 8-month test period.

**Line 10 contains the sub totals of lines 2 and 8 on both Complainants Exhibit A and B.**

**Line 12 Connection fees on both Complainants Exhibit A and B:**

Mountain Sewer has asked for an increase in the tariffs for connection fees from \$3,000 to \$5,000 per lot. This higher fee is to be paid prior to plat approval. The interim rate increase includes all aspects of the general rate case except the special assessment. Therefore the new connection fees will become effective May 21, 2012.

Approval of the interim rate fees requires that the **connection fees be paid prior to plat approval for lots**. The spreadsheets for Mountain Sewer's rate case do not include the newly platted lots that are owned

by Valley Enterprises and others in the calculations for the rate case. Nor are these lots included in the Pro forma projections for 2013 and 2014.

The Complainants have added the connection fees on each of the attached exhibits (line 12) for the additional 5 completed lots @ \$5000 each. This would infuse an additional \$25,000 in connection fees into Mountain Sewer during the period of the Interim Rate Case. We submit that the failure of Mountain Sewer to consider the collection of the connection fees on platted lots is a violation of the new tariffs effective May 21, 2012 and a violation of Public Utilities Statutes: 54-3-7 (Charges not to vary from schedules) and 54-3-8 (1) (a) (Preferences Forbidden to the advantage or disadvantage of others).

**Line 19 Management fees on both Exhibits:**

Mountain Sewer's rate case includes a management fee for Mr. Bowden of \$24,000 a year. Yet Mr. Bowden advised all those present at the scheduling meeting on May 10, 2012 that Mountain Sewer was in immediate financial peril. The Complainants believe that it would be prudent for Mr. Bowden to reduce his salary during the 8-month test

period (May 2012 to January 2013). We suggest that the Commission consider the full management fee request during the hearings on the full rate case. This reduction would help Mountain Sewer to become financially solvent during the test period. To illustrate the impact of a reduction in the management fees on the bottom line for Mountain Sewer, the complainants reduced these fees on Line 19 of the complainant's spreadsheets Exhibit A and Exhibit B.

**Lines 20 and 21 on both Exhibits:**

Line 20 of Exhibit A and B reflects removal of the Amortization of Rate Case Expense (line 34 of Mountain Sewer's Pro forma Income Statement) since it is a component of the Special Assessment per Mountain Sewer's General Rate Case G9 Income Statement Notes, Note #6.

Line 21 of Exhibit A and B reflects removal of the Interest Expense (line 51 of Mountain Sewer's Pro forma Income Statement) since it is a component of the Special Assessment per Mountain Sewer's General Rate Case G9 Income Statement Notes, Note #6).

The complainants did not include in either Exhibit A or B monies identified by Mountain Sewer in their General Rate Case G8 Income Statement on line 65, other Miscellaneous Wastewater Revenues – Special Assessment, since Mountain Sewer’s Special Assessment request is not being considered with the Interim Rate Increase.

DOCKET NOS. 11-097-03

CERTIFICATE OF SERVICE

This is to certify that on May 15, 2012 a true and correct copy of the foregoing Complainants Response to Interim Rate Increase was sent to the following as indicated below:

Via e-mail

Ray and Peggy Bowden  
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Sharon Zini, Complainant