

June 21, 2018

Water Customer

Re: Rate Case Filed with the Public Service Commission

Dear Water Customer,

We are sending this letter to inform all customers about the rate case that has recently been filed with the Utah Public Service Commission. As the water system is now under the jurisdiction of the Public Service Commission, all changes to the water rates or other terms of service must be approved by the Public Service Commission. The rate case is the vehicle through which changes to the water rates are approved. During the rate case process, the Utah Division of Public Utilities and the Public Service Commission will examine the proposed rates and review the water system's financial history and future financial outlook. A summary of the changes requested in the rate case filing is provided with this letter.

The process will also involve one or more hearings and a public meeting before final approval of the changes. You are welcome to attend any or all of the proceedings and offer your input. Contact information for the Public Service Commission and the Division of Public Utilities can be found at the end of this letter

The requested rates are higher than your existing rates due to multiple factors. The new rates include a "Reserve Fund Monthly Customer Charge", which is paid by all customers (active or standby). The funds collected through this charge will build up a legally-required cash reserve to be used for future replacement of water system infrastructure. In part, the requested rates are also driven by increased costs to the water company, such as increased electric costs and the cost of chlorination. The requested rates cover the accounting and legal costs of preparing and filing the rate case. The rates are designed such that these costs are spread over a five year period.

Despite the costs involved with preparing the rate case, we believe that pursuing the rate case now will save money on future legal bills and ensure the continued financial health of the water system. Including the above items in regular rates will prevent the water company from needing large special assessments in the future—particularly for major repairs as the water system ages. We believe that proactively and transparently addressing these issues through the rates now, rather than relying on special assessments in the future, is best for the customers and the water company.

Through the rate case process and by submitting to Public Service Commission oversight, we also hope to put an end to the disputes over the well lease agreement with the Dansie family

and obtain a clear order from the Public Service Commission preventing the water company customers from being forced to subsidize the Dansie family's current or future water use.

If you would like to offer your input on the new rates or any other proposed changes, you can contact the Division of Public Utilities or the Public Service Commission:

Utah Division of Public Utilities
P.O. Box 146751
Salt Lake City, Utah 84114-6751
(801) 530-7622

Utah Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114
(801) 530-6716

Additionally, various filings and decisions relating to the rate case will be available on the Public Service Commission's website at www.psc.utah.gov/utilities/water/dockets.html. Also, feel free to contact me or another member of the Board if you have additional questions.

Sincerely yours,
Hi-Country Estates Homeowners Association

Noel Williams, President

Proposed Changes to rate and terms of service for Hi-Country water customers:

Water Rates and Miscellaneous Charges

NEW RATE SCHEDULE	
Water Charges	
Base Rate (0 to 10,000 gallons)	\$69.00
Overage Rate: 10,000 gal to 20,000 gal	\$1.45 per 1,000 gal
20,001 gal to 30,000 gal	\$1.69 per 1,000 gal
30,001 gal to 40,000 gal	\$1.96 per 1,000 gal
40,001 gal plus	\$2.27 per 1,000 gal
Monthly Standby Fee	\$27.60
Reserve Fund Monthly Customer Charge (applicable to all customers)	\$20.09
Second Source Water from Herriman Water System Due to Lack of Domestic Supply	Charged at cost proportionally to all customers using more than the 10,000 gallons included in the base rate
Second Source Water from Herriman Water System Due to Fire Control or Other Common Use	Charged at cost equally to all customers
Miscellaneous Charges	
Service Connection Fee	\$750.00
Temporary Service Suspension Fee	\$50.00
Account Transfer Fee	\$25.00
Meter Test Fee	\$10.00
Customer Late Fee (plus 18% interest)	\$10.00 per month
Security Deposit	\$150.00
Returned Check Fee	\$25.00
Active Meter Replacement Fee	Company cost of meter and labor for replacement
Nonstandard Service Connection Review Fee	\$10,000.00

OLD RATE SCHEDULE (for reference)	
Base Rate (0 to 10,000 gallons)	\$42.19
Overage Rate (10,000 gal to 20,000 gal)	\$2.30 per 1,000 gal
20,001 gal to 30,000 gal	\$2.67 per 1,000 gal
30,001 gal to 40,000 gal	\$3.10 per 1,000 gal
40,001 gal plus	\$3.60 per 1000 gal
Monthly Standby Fee	\$12.41
Service Connection Fee	\$750.00
Temporary Service Suspension Fee	\$50.00
Reconnection Fee (after disconnection)	\$250.00
Account Transfer Fee	\$25.00
Meter Test Fee	\$10.00
Customer Late Fee	\$10.00 per month
Security Deposit	\$150.00
Returned Check Fee	\$25.00

In addition to the rates above, we are seeking to make several other changes to the tariff, including the following:

- adding language to use a second source for fire emergency response
- adding a Well Lease Rate Schedule and language for same
- adding language to describe conditions of service for standard and non-standard service connections
- deleting language to require a 66% approval from current residents to add a potential customer outside the service area
- adding new reconnection language
- adding language to limit the water supply for fire suppression
- adding language to place a lien on property for delinquent accounts
- replacing the term “account holder” with the term “customer” along with other minor clarifying language which does not change the intent or meaning of the tariff rules
- modifying the water company service area to cover customers outside of the HOA who are currently connected to the system