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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| In the Matter of the Application of |) | Docket No. 13-2195-02 |
| Hi-Country Estates Homeowners Association |) | |
| for Approval of Its Proposed Water Rate |) | ADDENDUM TO |
| Schedules and Water Service Regulations |) | APPLICATION TO APPROVE |
| |) | PROPOSED WATER SERVICE |
| |) | SCHEDULES AND RATES |

Hi-Country Estates Homeowners Association (the “**Company**” or “**Hi-Country**”), hereby submits this Addendum to its Application to Approve Proposed Water Service Schedules and Rates, filed on July 10, 2013 (the “**Application**”). This Addendum is submitted to respond to deficiencies in the initial Application identified by the Utah Public Service Commission (the “**Commission**”) in its order issued on August 6, 2013.

Hi-Country responds to the deficiencies identified by the Commission as follows (the relevant text from the Commission’s order is italicized below):

A. Deficiency #1

Water Usage -- Utah Admin. Code R746-700-50(C)(5). Utah Admin. Code R746-700-50(C)(5) requires an applicant to provide “[t]he water usage per month or billing cycle, showing minimum and overage gallons used[.]” The Division alleges the Company provided a spreadsheet which is inadequate for completing a proper analysis under R746-700-50(C)(5). According to the Division, it needs the Company to provide water usage for each

month of the test period, by connection, in order to complete a proper analysis under R746-700-50(C)(5).

The billing data used in preparing the test year analysis for the rate case is attached as Exhibit A. Note that the data provided includes detailed billing information, including water use by connection each billing cycle, for January 2012 through October 2012. Information on water use by connection per billing cycle is unavailable for November and December 2012 as the amount of snow on the ground prevented manual meter readings from being taken.

B. Deficiency #2

Secondary Water -- Utah Admin. Code R746-700-50(C)(9). Utah Admin Code R746-700-50(C)(9) requires an applicant to include “[i]nformation on any secondary/irrigation water system (the same information as [required by] C. 1, 2, 5, 6, 7, and 8 [of this rule].” The Division states the Company did not provide the information required by R746-700-50(C)(9); namely, “[e]ach connection identified [as required by (C)(1), see n.1 below], date put into service [as required by (C)(2), see n.1 below], metered or unmetered,[2] classified as residential or commercial,[3] water usage per month . . . [as required by (C)(5), see n.1 below], [anticipated] growth [as required by (C)(7), see n.1 below], and water usage and billings projected for the next three years [as required by (C)(8), see n.1 below].” Division Memo at 2, filed August 1, 2013.

Hi-Country does not have a separate system for secondary or irrigation water. All water used by Hi-Country customers (including any water used for residential irrigation) is metered and provided through the primary/culinary water system.

The billing data provided in Section A above identifies each connection individually and shows the water usage per billing cycle, including overage gallons used, and the amounts billed per cycle. Note that the billing data in Exhibit A does not include detailed information for November and December, as the amount of snow on the ground during those months made manual reading of the meters impossible. Hi-Country does not expect water usage to increase during the next three years and therefore also does not expect billings to change,

other than to reflect the new rates set through this rate case proceeding. Hi-Country's estimate of expected billings for the next three years (2013, 2014, and 2015) is reflected on the pro forma financial statements previously submitted as part of Exhibit G of the Application. The billing projections from those pro forma financial statements are included in the table below.

| Revenue Source | 2011 Dollar Amounts (Annual Report) | 2012 Dollar Amounts (Annual Report) | 2013 Dollar Amounts (test year) | 2014 Dollar Amounts (projected) | 2015 Dollar Amounts (projected) |
|-----------------------------------|-------------------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Standby System Fees - Residential | \$ 2,778.72 | \$ 5,175.04 | \$ 11,592.00 | \$ 11,592.00 | \$ 11,592.00 |
| Metered Residential Customers | \$ 92,343.88 | \$ 84,991.20 | \$ 99,367.91 | \$ 99,367.91 | \$ 99,367.91 |
| Metered Public Authorities | \$ 8,039.43 | \$ 5,002.02 | \$ 4,670.97 | \$ 4,670.97 | \$ 4,670.97 |

C. Deficiency #3

Tax Returns -- Utah Admin. Code R746-700-50(D)(9). Utah Admin Code R746-700-50(D)(9) requires an applicant to include “[c]opies of tax returns for the prior two complete years[.]” The Division reports the Company indicated it has not yet filed tax returns for 2011 or 2012, but has provided the necessary information to its tax accountant and expects returns to be filed for both years on or before September 16, 2013.

Tax returns have been prepared by Hi-Country's accountant and sent to the Internal Revenue Service as of August 27, 2013. Hi-Country's state and federal tax returns for 2011 and 2012 are attached to this Addendum as Exhibits B through E.

D. Deficiency #4

Additional Rates -- Utah Admin. Code R746-700-51(C). Utah Admin Code R746-700-51(C) requires an applicant's “. . . proposed rates for each rate component of each rate schedule and the billing determinants for the test period for all rate components used to calculate revenues necessary to recover the proposed revenue requirement.” The Division states the Company's application under the New Rate Schedule proposes an Active Meter Replacement Fee, a Nonstandard Service Connection Review Fee, and Well Lease Customer Fee; however, the Company has not provided in its schedules and exhibits any supporting documentation to explain and demonstrate the calculation of the proposed additional rates.

Active Meter Replacement Fee

The Active Meter Replacement fee is stated as “Company cost of meter and labor for replacement”. Hi-Country recognizes that meter replacements are generally infrequent events and has accordingly set the fee for such replacement at the cost of the meter itself and the cost of the installation of the new meter. A specific or set cost is not included because the actual cost of a replacement meter depends on the size of the connection which varies from one customer to another.

Nonstandard Service Connection Review Fee

The Nonstandard Service Connection Review Fee is based on an estimate of the costs that would be incurred by Hi-Country in evaluating and reviewing a nonstandard connection (i.e., a connection for purposes other than supplying culinary water to one single-family dwelling). Hi-Country believes that the stated \$10,000 Nonstandard Service Connection Review Fee is sufficient to ensure that any requests made for nonstandard connection are serious and likely to move forward. Additionally, the fee is designed to protect existing Hi-Country ratepayers in that ratepayers will not be forced to bear the financial burden of evaluating and reviewing such requests.

Well Lease Customer Fee

The Well Lease Customer Fee is listed as \$3.82 per 1000 gallons delivered. This amount is based on the decision in a court case regarding the Well Lease (*Hi-Country Estates Homeowners Association v. Bagely & Company, et al.*, case no. 020107452, attached to this Addendum as Exhibit F). In that case, the court determined that the Dansies are entitled to

transport water from their well (Dansie Well No. 1) through the Hi-Country water system, provided that the Dansies pay the pro-rata cost of transporting the water through Hi-Country's water system. The court stated that "[p]ro rata transportation costs are calculated by taking the Association's costs of operating the Association's entire Water System, subtracting costs incurred by the Association to produce and treat the water from the Association's well, and dividing that remaining amount by the number of gallons transported through the Association's Water System." The court also determined that a reasonable transportation fee, calculated using the court's stated methodology, at the time of trial, was \$3.19 per thousand gallons of water transported.

As the calculation was based on costs at the time of the trial (in 2005), Hi-Country has adjusted the \$3.19 amount set by the court based on inflation since 2005, coming to the current rate of \$3.82 per thousand gallons.

E. Supporting Documentation

1. With the submission of the information in this Addendum, Hi-Country asserts that its Application substantially complies with the minimum filing requirements established by the Commission in Utah Admin. Code R746-700-10, R746-700-50, and R746-700-51 for a general rate case filing.
2. With the information in this Addendum, the Application is accompanied by the necessary information and schedules in accordance with Utah Code Ann. § 54-7-12(2) to support a determination by the Commission that the proposed rates in the Application are just and reasonable.

3. Additional supporting documentation will be provided to the Division of Public Utilities and the Commission as required.

F. Miscellaneous

1. Correspondence or communications pertaining to this filing should be directed to:

Attorneys for Hi-Country:

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WHEREFORE, Hi-Country respectfully requests that the Commission:

1. Enter an order recognizing Hi-Country's Application to Approve Proposed Water Service Schedules and Rates as complete and as satisfying statutory and Commission requirements;
2. Enter an order authorizing Hi-Country to implement the requested rates, as outlined in the proposed Tariff sheets filed with the Application; and
3. Enter an order authorizing Hi-Country to implement the adjusted rates, rules, and regulations as contained in Tariff No. 2 effective October 1, 2013.

Respectfully submitted this _____ day of September, 2013

SMITH HARTVIGSEN, PLLC

J. Craig Smith
Jeffrey R. Gittins
*Attorneys for Hi-Country Estates Homeowners
Association*

CERTIFICATE OF SERVICE

I hereby certify that on the ____ day of September, 2013, I served a true and correct copy of the foregoing **Addendum to Application to Approve Proposed Water Service Schedules and Rates** by causing the same to be delivered to the following:

Via hand delivery and email to:

UTAH PUBLIC SERVICE COMMISSION
c/o Gary Widerburg, Commission Secretary
160 East 300 South, Fourth Floor
Salt Lake City, Utah 84111
psc@utah.gov

Via U.S. mail to:

John S. Flitton
Lara A. Swensen
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