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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. 13-2195-02
Hi-Country Estates Homeowners Association)	
for Approval of Its Proposed Water Rate)	TESTIMONY OF JUSTUN
Schedules and Water Service Regulations)	EDWARDS
)	
)	

Hi-Country Estates Homeowners Association (“Hi-Country”) hereby submits the Testimony of Justun Edwards in this docket.

Dated this 17th day of October, 2013

/s/ J. Craig Smith
J. Craig Smith
Megan E. Garrett
SMITH HARTVIGSEN, PLLC
*Attorneys for Hi-Country Estates
Homeowners Association*

**TESTIMONY
OF
JUSTUN EDWARDS**

**FOR
HI-COUNTRY ESTATES
HOMEOWNERS
ASSOCIATION**

October 17, 2013

Docket No. 13-2195-02

1 **Please state your name and address.**

2 Justun Edwards. I live at 11915 South Dynamite Cir. Herriman, Utah 84096.

3

4 **Please state your position and describe your responsibilities with Herriman City.**

5 I am Director of Water Services for Herriman. My job responsibilities include
6 overseeing the operation and maintenance of the city's culinary water and secondary irrigation
7 water systems. I oversee department budgeting, billing, purchasing, and operations and manage
8 all capital projects in order to maintain adequate water service for the growing population.

9

10 **For which party will you be offering testimony?**

11 I will be offering testimony for Hi-Country Estates Homeowners Association ("Hi-
12 Country").

13

14 **Have you testified before the Public Service Commission ("PSC") on previous occasions?**

15 No

16

17 **What is the purpose of your testimony?**

18 The main purpose of my testimony is to explain the agreement between Herriman and Hi-
19 Country, under which Hi-Country outsources the operation of the water system and the billing of
20 water customers to Herriman.

21

1 **Please describe your duties and involvement with the Hi-Country Estates water system.**

2 I oversee all operations and maintenance for the association's water system, identical to
3 my responsibilities with the city. The only difference is that the city does not own the water
4 system.

5

6 **Can you briefly explain the current arrangement between Hi-Country and Herriman?**

7 Essentially, Hi-Country has outsourced the entire operation of the water system to
8 Herriman, including the billing of Hi-Country water customers. As Herriman runs its own water
9 system, the necessary personnel, equipment, and procedures were—for the most part—already in
10 place. Herriman is now responsible for all aspects of the water system, including repairs and
11 maintenance. The Hi-Country board is made aware of all major operations and involved in all
12 major purchase decisions.

13

14 **How did the agreement between Hi-Country and Herriman come about?**

15 Hi-Country approached the city about the subject. Previously, Jordan Valley Water
16 Conservancy District had maintained the Hi-Country system and it made sense for us to do so
17 because we are much closer and consider them a good neighbor. After several meetings and
18 discussions the agreement was drafted and then approved by the city council and the Hi-Country
19 board.

20

21 **When did Herriman take over billing and operation of the water system from Hi-Country?**

1 The contract was signed on June 14, 2012 and the actual transition happened beginning in
2 November 2012.

3

4 **How has the arrangement worked thus far?**

5 The arrangement has worked well from Herriman's perspective. Operating and
6 maintaining Hi-Country's water system is not that different from operating and maintaining the
7 city's own water system. The same goes for the billing; with the exception of needing to
8 manually read the Hi-Country meters, the billing of Hi-Country customers follows basically the
9 same process as billing the Herriman customers.

10

11 **How are the day-to-day operations of the Hi-Country water system handled?**

12 All tanks, pump stations, and wells are visited by a trained operator daily. Maintenance of
13 critical infrastructure follows the same schedule as Herriman City's. Herriman system operators
14 report any day to day issues that might arise to me.

15

16 **Who makes decisions regarding operations of the Hi-Country water system?**

17 I do.

18

19 **What happens in the case of an emergency with the Hi-Country water system?**

20 As Herriman is responsible for the entire operation of the water system, Herriman would
21 respond to an emergency with the Hi-Country system in the same manner as it would respond to
22 an emergency with the city water system. Depending on the severity of the emergency, either an

1 email would be sent or a phone call would be made within a few hours notifying the Hi-Country
2 board members.

3

4 **What authority does Herriman have to make expenditures for the Hi-Country water**
5 **system?**

6 Herriman has authority to make any expenditure that is included in the approved budget
7 for the year. For any single, non-emergency expenditure over \$10,000 that is not specifically
8 identified in the budget, Herriman must get approval from the Hi-Country Board of Directors.

9

10 **What approvals are required for such expenditures?**

11 There must be a majority vote by the Hi-Country board to approve a non-emergency
12 expenditure over \$10,000. No further approvals are needed from the city.

13

14 **What authority does Herriman have to make capital expenditures for the Hi-Country**
15 **water system?**

16 At this time Herriman would need Hi-Country board approval to make capital
17 expenditures that are not in the agreed-upon budget for the year.

18

19 **What say does the Hi-Country Board of Directors have regarding expenditures involving**
20 **the Hi-Country system?**

21 They can make recommendations about the expenditures and operation of the system,
22 and must approve all purchases over \$10,000. They are also involved in the budget process.

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Who keeps billing records for Hi-Country water customers?

Herriman keeps all billing records for Hi-Country customers and also does the actual billing and collections for Hi-Country customers.

Who handles the accounting and bookkeeping for the Hi-Country water system and customers?

Herriman keeps all accounting and bookkeeping records for the Hi-Country system. Hi-Country's water system records and entries are kept separate from the Herriman water system records, but are maintained using the same system.

What is the duration of the agreement?

The agreement, by its terms, has a duration of 99 years. However, certain actions must be taken each year to keep the agreement in force.

What actions must be taken each year and when?

Before November 15th of each year, Herriman must submit to Hi-Country a budget for operating the water system for the following calendar year. Then, within four weeks of receiving the budget, Hi-Country must submit any concerns with the budget to the city in writing. If Hi-Country doesn't raise any concerns, the budget is deemed to be approved by Hi-Country.

1 **What happens if the actions are not taken?**

2 The agreement may be terminated by the city on sixty days' notice if Hi-Country and
3 Herriman are unable to agree on a budget for operation of the system before the end of January
4 of a given year.

5

6 **How can the agreement be terminated?**

7 As I just noted, the city can terminate the agreement if the city and Hi-Country are unable
8 to come to an agreement on the operating budget for the upcoming year. Also, the city can
9 terminate the agreement on sixty days' notice if Hi-Country's current rates are insufficient to
10 cover the city's proposed budget and the PSC does not grant a rate increase to cover the
11 operations budget. However, in such a case, Hi-Country can still pay the difference between the
12 approved rates and the costs to operate the system.

13 Also, either party may terminate the agreement with 18 months' notice.

14

15 **What level of service does Herriman provide to Hi-Country water customers?**

16 Under the agreement, Herriman is obligated to provide "reasonable and customary" water
17 service consistent with the service provided to customers of the Herriman water system. I don't
18 believe the Hi-Country water customers have experienced any difference in their water service
19 since Herriman took over and I do not expect any negative changes in the future.

20

1 **What about standby customers?**

2 Standby customers will continue to pay standby fees. Any fees charged upon connection
3 to the system will be those fees approved by the PSC.

4
5 **Does Herriman charge connection fees when a standby customer desires to become an
6 active customer?**

7 Yes, Herriman will charge the connection fee approved by the PSC.

8
9 **What effect does the PSC asserting jurisdiction over Hi-Country have on the arrangement
10 between Herriman and Hi-Country?**

11 Herriman will charge the rates and fees approved by the PSC. Other than eliminating that
12 sort of vagueness in the agreement about the rates to be charged, I don't believe that the PSC's
13 involvement has much effect on the operation of the system.

14
15 **What are the payment terms of the agreement?**

16 Herriman does not charge Hi-Country for this service, per se. The arrangement is such
17 that all payments from water usage billing to Hi-Country association members, are deposited in a
18 completely standalone account. All expenditures made by Herriman in the course of operating
19 the system are charged that account. To put it another way, the water revenues collected from the
20 Hi-Country customers are used to pay for the expenses incurred by Herriman in operating the
21 water system. Based on that arrangement, there really is no payment or fee paid to Herriman for

1 operating the system, just the actual hard costs of doing so are taken out of the revenues
2 collected.

3

4 **Is the amount paid constant from year to year?**

5 As noted above, the arrangement is not really such that a payment is made by Hi-Country
6 to Herriman for operating the water system. The amounts that Herriman expects to expend for
7 various purposes are determined by the budget that the parties agree on at the beginning of the
8 year. That budget will change from year to year based on any projects for the year that are
9 included on the budget and also will change based on the water rates that are charged to Hi-
10 Country customers.

11 While the city doesn't expect there to be drastic changes to the cost of operating the
12 system from year to year, we do not have much history to go off of in making future predictions.

13

14 **Does Herriman make a profit on its management of the Hi-Country water system?**

15 Herriman doesn't intend to make a profit on operating the Hi-Country system. Revenues
16 are kept completely separate between the two water systems. Herriman does not charge a fee for
17 operating the Hi-Country water system beyond the actual costs of doing so. Only hard costs are
18 charged to Hi-Country.

19 To explain the process, Herriman bills Hi-Country customers according to the Hi-
20 Country rates that are in effect. The Hi-Country customers remit payment on those bills directly
21 to Herriman and the money collected from the Hi-Country water customers is maintained in an
22 account that is totally separate from the Herriman City water accounts.

1 When Herriman incurs costs in the course of operating the Hi-Country water system,
2 those costs are paid out of that same Hi-Country account. The goal is obviously to have some
3 positive amount of money in the account at the end of the year—meaning that the costs to
4 operate the Hi-Country system were less than the fees paid by the Hi-Country customers. At the
5 end of the year, Herriman and Hi-Country will discuss what to do with any surplus money in the
6 account—whether to leave it in the account for the future or to pay it out to Hi-Country, etc.

7

8 **What happens if the actual cost of operating the system varies significantly from the**
9 **expected cost shown in the budget?**

10 Unless directed otherwise by the Hi-Country board, if there is an excess of revenues, they
11 would be placed in a capital project/rainy day account for future improvements or to make large
12 repairs. If there is a shortfall in revenues, Hi-Country would be expected to cover the shortfall.
13 In the event of a large shortfall that Hi-Country could not cover with funds on hand, an
14 agreement could presumably be made between the association and Herriman, with City Council
15 approval, for the City to give a short term loan to help cover the immediate shortfall.

16

17 **How will the proposed capital reserve fees be handled?**

18 Assuming that capital reserve fees are collected in the future, the capital reserve funds
19 collected from Hi-Country customers will be placed in a separate account that will be managed
20 by Herriman but not part of the city's accounting/books.

21

1 **How is net income earned by Hi-Country handled?**

2 Net income will stay in the Hi-Country account to be used in future periods, if necessary,
3 unless directed otherwise by the Hi-Country board.

4
5 **Do you have any concluding remarks and/or recommendations to the Commission?**

6 Hi-Country is a small water system and I believe the arrangement between the city and
7 Hi-Country will be beneficial to the Hi-Country customers. Herriman desires to be a good
8 neighbor to Hi-Country and has therefore made this arrangement. The city has a great deal of
9 experience running its own water system and brings that expertise to the management of Hi-
10 Country's system. Also, Hi-Country is only paying for the hard costs incurred by Herriman in
11 operating the system, making that arrangement much more favorable to Hi-Country than if they
12 would hire employees or a third party to perform the same service.

13
14 **Does this complete your testimony?**

15 Yes, it does. Thank you.

CERTIFICATE OF SERVICE

I hereby certify that on the 17th day of October, 2013, I served a true and correct copy of the foregoing **Testimony of Justun Edwards** 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
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