

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the
Application of Hi-Country
Estates Homeowners Association
for Approval of its Proposed
Water Rate Schedules and Water
Service Regulations

Docket No. 13-2195-02

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HEARING PROCEEDINGS  
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TAKEN AT: Public Service Commission
Hearing Room 451
160 East 300 South
Salt Lake City, Utah

DATE: Tuesday, March 11, 2014

TIME: 8:35 a.m.

REPORTED BY: Nancy A. Fullmer, RMR

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4

THE HEARING OFFICER: Good morning,

5

everyone. We are on the record. And thank you for joining us

6

for this hearing today involving Docket 13-2195-02 in the matter

7

of the application of Hi-Country Estates Homeowners

8

Association for approval of its proposed water rate schedule and

9

water service regulations.

10

For those who do not know me, I'm Melanie Reif. I

11

serve as the Administrative Law Judge for the Utah Public

12

Service Commission. And this morning--as some of you know,

13

this morning is the continuation of the hearing that started last

14

week and we rescheduled it for this morning at 8:30. And let's

15

start by taking appearances starting with you, Mr. Smith.

16

MR. SMITH: Thank you. Craig Smith and Adam

17

Long on behalf of the applicant Hi-Country Estates Homeowners

18

Association.

19

THE HEARING OFFICER: And, Mr. Smith, do you

20

have with you witnesses today?

21

MR. SMITH: I do. We have Mr. Randy Crane who's

22

an officer in the homeowners association. We have Krystal

23

McCauley who's an expert witness for us. And--

24

MR. LONG: Justun Edwards.

25

MR. SMITH: --Justun Edwards will be coming

1 shortly. He works for Herriman City who we have a contract
2 with to operate the water system.

3 THE HEARING OFFICER: And when do you expect
4 Mr. Edwards?

5 MR. SMITH: I expect him here by about 10:00.

6 THE HEARING OFFICER: Okay. Thank you. Ms.
7 Schmid?

8 MS. SCHMID: Yes. Patricia E. Schmid with the
9 Attorney General's Office on behalf of the Division of Public
10 Utilities. And the Division's witness is here with me today. Her
11 name is Ms. Shauna Benvegnu-Springer.

12 THE HEARING OFFICER: Mr. Flitton, welcome this
13 morning.

14 MR. FLITTON: Hi. How are you? I'm here on
15 behalf of Rodney Dansie. Unfortunately, he's not able to be
16 here today. I spoke with his doctor last evening and his blood
17 infection is still being taken care of. What I would really like is
18 to have a continuance of the hearing. I think I know the answer
19 to that question, but--

20 THE HEARING OFFICER: Let me ask you a
21 question, Mr. Flitton. So the last time we met your
22 representation was that we would meet this morning, we would
23 convene at 8:30, and that you would either be present with your
24 client, Mr. Rodney Dansie, or you would have another witness or
25 witnesses present.

1 MR. FLITTON: Yeah. And the position of my client
2 is that he feels like he's the only one that would actually be able
3 to give the testimony. So we've kind of just been scrambling
4 trying to, you know, get here and see how that works. But,
5 unfortunately, he's just not--his health is not good enough to be
6 here.

7 THE HEARING OFFICER: Okay. And is there any
8 estimation as to when he will be out of the hospital?

9 MR. FLITTON: I spoke with the doctor. The
10 doctor--unfortunately, what the doctor said is it's about six
11 weeks.

12 THE HEARING OFFICER: Okay. And do you
13 have--have you talked to Mr. Dansie about the deadline that the
14 Commission is under in this case?

15 MR. FLITTON: I did.

16 THE HEARING OFFICER: And do you have any
17 response to that based on Mr. Dansie's condition?

18 MR. FLITTON: No. I think it puts us right at that
19 really close time frame to--what is it--
20 May 7th is the 240-day deadline?

21 THE HEARING OFFICER: It's in early May, sir.

22 MR. FLITTON: Yes.

23 THE HEARING OFFICER: And--okay. So--

24 MR. FLITTON: I mean, it's kind of an impossible
25 situation. I mean, I don't know how to resolve it either. He

1 clearly, you know--I mean, he's ill and he is unable to come.
2 His doctor said he's unable to come, but--

3 THE HEARING OFFICER: Did you discuss the
4 possibility with him of you participating to the extent you're able
5 and that should you wish to file something post hearing--

6 MR. FLITTON: I did. You know, one of the
7 disadvantages I have is I would like to have him be able to be
8 here to hear the direct testimony so that when we
9 cross-examination witnesses that I have his assistance and I'm
10 able to do that. But we did talk--we did talk about that.

11 THE HEARING OFFICER: Uh-huh.

12 MR. FLITTON: You know, because, I mean, believe
13 it or not, we feel bad that this has happened, and that, you
14 know, we're unable to fully participate. I would like nothing
15 more than just to, you know, hold the hearing, have the
16 testimony go and move forward. But, you know, I did talk to him
17 about, you know, perhaps maybe what we do is file a post
18 hearing brief or do something like that.

19 THE HEARING OFFICER: Is that acceptable to
20 him?

21 MR. FLITTON: Not really. I mean, he doesn't--he
22 would really like to be able to participate.

23 THE HEARING OFFICER: Okay. Does he have the
24 ability to participate by telephone?

25 MR. FLITTON: No. He's sedated and I just don't

1 think it would be, you know, appropriate to do it by telephone at
2 this point.

3 THE HEARING OFFICER: Okay. What are you
4 proposing, sir?

5 MR. FLITTON: I don't know. You know, I mean, I
6 respect everybody that's here and everything else. You know, I
7 thought that--as of last week, I thought we would be able to
8 move forward. But at this point, you know, I don't think that
9 we--you know--we have the ability to fully participate in these
10 proceedings and so I would ask that we have a continuance and
11 push it out a ways so that we can have him be able to
12 participate.

13 THE HEARING OFFICER: When we discussed this
14 last week, the concern was that we are up against a deadline.

15 MR. FLITTON: Right. Exactly.

16 THE HEARING OFFICER: And, ultimately, this is
17 the Commission's determination, but a six-week delay with
18 uncertainty about whether and if Mr. Dansie would even be
19 available then is--I don't see how that is even possible.

20 MR. FLITTON: And I understand that. And that's--I
21 mean, that's what his doctor estimates. But you're exactly right.

22 THE HEARING OFFICER: His doctor would be in
23 the best position to assess his condition.

24 MR. FLITTON: Yeah. And I have no idea whether
25 that's even, you know, feasible or what.

1 THE HEARING OFFICER: Okay. Are you prepared
2 to proceed this morning?

3 MR. FLITTON: I am.

4 THE HEARING OFFICER: And is Mr. Dansie
5 prepared that that may, in fact, happen that that is what is
6 scheduled to happen?

7 MR. FLITTON: Yes. I told him that, you know, it
8 very well may be that we--you know, that we're going to move
9 forward.

10 THE HEARING OFFICER: Okay.

11 MR. FLITTON: I just get concerned. I mean, you
12 know, Patricia Schmid raised the question, too. It creates--it
13 creates an issue for an appeal in the fact that he, you know,
14 these are--
15 this is a circumstance that he didn't create. And, you know, I
16 just worry a little bit about that. I don't know where that's going
17 to go. I just--you know, I just think if we could postpone the
18 hearing for some time, you know, and still meet that 240-day
19 deadline, then, you know, we don't have those issues out there.

20 THE HEARING OFFICER: Mr. Flitton, have you
21 discussed this with opposing counsel?

22 MR. FLITTON: No, I haven't. Because I spoke with
23 the doctor very late yesterday afternoon.

24 THE HEARING OFFICER: Is there anything further
25 you wish to say before we take the other appearances and hear

1 from counsel about this issue?

2 MR. FLITTON: No. I just appreciate your
3 attention. Thank you.

4 THE HEARING OFFICER: Thank you.

5 Mr. Coon?

6 MR. COON: Yes. William Coon. I represent
7 myself and I have no witnesses.

8 THE HEARING OFFICER: Thank you, Mr. Coon.
9 Welcome this morning.

10 Mr. Smith, you've heard Mr. Flitton's request again
11 for a continuance in this matter. How do you respond?

12 MR. SMITH: It is regrettable that Mr. Dansie's not
13 able to be here today and I would like to be able to try to
14 accommodate him further, but I think we really need to go
15 forward today. I think when we spoke last week at the originally
16 scheduled date of the hearing, I think we discussed an
17 alternative way that Mr. Dansie and his side could proceed even
18 if he was still in the hospital.

19 I would note that the rights that he claims under are
20 not his personal rights, they're of a family trust. And that he's
21 not the only member of that family trust. There are other family
22 members that are members of that trust. And I think we
23 discussed even at that time, even though it wasn't ideal for
24 anyone, that perhaps if he was unable to come, that one of his
25 siblings who are also members of that same trust and

1 presumably have knowledge of many of the same facts--at least
2 many times I've seen Mr. Dansie at hearings, I've seen other
3 members of his family with him at various meetings and
4 hearings over the years that we've been involved--could come
5 and adopt his testimony and be cross-examined.

6 You know, ironically, I think I'm the one who's most
7 prejudiced on my side as the one who's most prejudiced by this
8 because Mr. Dansie's already had the opportunity to submit his
9 testimony. His testimony is already of record. And what we
10 don't have the opportunity to do is to cross-examine Mr. Dansie
11 because he's not here. And I would love to have the opportunity
12 to cross-examine him because I think there are many points I
13 would like to see brought out more fully through
14 cross-examination.

15 But, again, you know, if it was a few days or a week
16 or two, I would go along with that. But if it's six weeks or more, I
17 just think we're to the point we need to go forward. And, like I
18 say, it's regrettable and disappointing, I think, to the
19 homeowners association that they don't have their opportunity
20 to, you know, be able to put on all the evidence they would like
21 to put on through cross-examination. So that's our--that's our
22 position.

23 THE HEARING OFFICER: How do you feel about
24 the suggestion that was made about proceeding and allowing
25 Mr. Dansie to file something post hearing once Mr. Flitton has

1 an opportunity to confer with him? Of course, there would be a
2 very short time limit on that and there would be most likely the
3 desire for a reply to that submission and with a short time limit
4 on that as well. Or do you see--or do you see this differently?

5 MR. SMITH: No. I would have no problems as long
6 as we have the opportunity to reply to it. You know, since it is
7 our application, I think we're entitled to kind of the last word on
8 this thing and--so as long as we have an opportunity to reply
9 and it was a short period of time for both, I would have no
10 objection to that.

11 THE HEARING OFFICER: Okay. Anything further,
12 Mr. Smith?

13 MR. SMITH: No. Thank you.

14 THE HEARING OFFICER: Ms. Schmid.

15 MS. SCHMID: Thank you.

16 THE HEARING OFFICER: Ms. Schmid, I think your
17 microphone is a little far away.

18 MS. SCHMID: That's because I have too much
19 stuff in front of me.

20 This is a complex and frustrating, in many ways,
21 situation. What I suggest is that because Mr. Dansie's issues
22 raised in his testimony do not address general rates and general
23 concerns, I suggest that we consider bifurcating the hearing,
24 and this morning going forth regarding the general rates and
25 other general issues, while counsel and counsel's clients

1 discuss what to do about Mr. Dansie's opportunity to present
2 testimony, participate, and be cross-examined.

3 I think that I would like a little bit of time to talk to
4 my client about what to do. I recognize the Commission has a
5 firm deadline and we cannot take that lightly, but just as that we
6 need to make sure that the hearings are conducted the best that
7 they can be.

8 THE HEARING OFFICER: Could you give me a
9 little bit more information on what you mean by bifurcating the
10 issues? Which issues would you bifurcate?

11 MS. SCHMID: So what I would do is out of the
12 collection of all the issues, I would suggest proceeding this
13 morning on everything but the well lease agreement and its
14 specific rate. So we would address general rates. We would
15 address connection fees and things like that this morning.

16 MR. FLITTON: Can I jump in? There is one more
17 issue, too, and that is the service area issue.

18 MS. SCHMID: I would suggest that that be handled
19 in connection with the well lease since it seems to be tied more
20 to that than perhaps to the other issues. And at this point I'm
21 not recommending a bifurcation for decision or a continuance.
22 What I'm requesting is just an opportunity to go forward with
23 what we have that I think are issues Mr. Dansie has not
24 expressed interest in via his testimony.

25 I do recognize that he owns two standby lots and

1 he will be affected by rates pertaining to that. But I do not
2 recall that he presented any testimony considering his two lots
3 within the service area as it is currently defined.

4 THE HEARING OFFICER: Okay.

5 MR. FLITTON: I think that's correct.

6 THE HEARING OFFICER: Mr. Flitton, just one
7 moment, please.

8 Mr. Smith, Ms. Schmid has proposed an option for
9 consideration in how to handle this going forward in part and
10 delaying in part. How do you respond to that proposal?

11 MS. SCHMID: Pardon me. If I may clarify, it was
12 not necessarily delaying for a long time, but allowing us this
13 morning while we are proceeding on the other issues to explore
14 ideas and see what might be appropriate to do with the well
15 lease issues. So I'm not necessarily suggesting at this point a
16 continuance of the hearing, but I am thinking that may or may
17 not be necessary. But we have witnesses here ready to proceed
18 on the main issues.

19 THE HEARING OFFICER: I'm sorry, I may have
20 misunderstood what you were saying. I thought you were saying
21 that bifurcating would mean we would proceed with the rate
22 case this morning and we would come back and revisit the
23 Dansie issues, i.e. the well agreement and the service area
24 issues at a later time when he's able to participate.

25 MS. SCHMID: I was not as clear as I should have

1 THE HEARING OFFICER: Do you need more than
2 ten minutes?

3 MS. SCHMID: Maybe 15.

4 THE HEARING OFFICER: 15? And we'll
5 reconvene at 9:10. Okay.

6 MR. SMITH: Thank you.

7 THE HEARING OFFICER: Mr. Flitton, was there
8 something else you wanted to say before we go off the record?

9 MR. FLITTON: No. I think the suggestion of
10 Patricia's is very good, actually, just to bifurcate some of those
11 issues because, you know, they are unique. I mean, my client's
12 issues are sort of unique to the rest of these proceedings. And if
13 we could, you know, push those off and, you know, give him an
14 opportunity to participate, I think that would be really helpful. I
15 think there's a lot of work that goes on just doing the rate case
16 itself and then we address those other issues at a later time.

17 THE HEARING OFFICER: Mr. Smith, one final
18 question before we go off the record.

19 MR. SMITH: Yes.

20 THE HEARING OFFICER: Are the Dansie issues
21 inexplicably related to the rate case such that bifurcating would
22 not be possible inasmuch as his issues go to the rates
23 themselves?

24 MR. SMITH: Well, yeah. The connection there
25 is--and I'm not--you know, I have to think a little bit more about

1 how much we could split those up. But the issue is obviously if
2 we have to do what Mr. Dansie believes is our legal obligation,
3 that changes our entire rate structure. Our rates are based on
4 not doing that. We do have a transportation rate to address
5 some day serving him water and the cost it would take to do
6 that, but--

7 THE HEARING OFFICER: Well, let me be clear. I
8 don't intend in any way by my question to imply or indicate
9 any--any direction one way or the other regarding that issue,
10 so--

11 MR. SMITH: But I think there are things we could
12 cover without--you know, I think, for example, for my--from my
13 perspective, the testimony of Krystal McCauley doesn't
14 really--isn't really affected one way or the other by--you know,
15 her testimony we could cover that. I don't see Mr. Dansie having
16 any role or effect in that and also the testimony from Justun
17 Edwards is separate.

18 Now, Mr. Crane has some testimony that does go to
19 that issue of the Dansie well lease so that part I don't think
20 should be bifurcated. Also, as far as my understanding that
21 most of the testimony from the Division wouldn't, but there is
22 some testimony from the Division that does go to that lease. So
23 that's kind of how I see the lease as far as presentation of
24 evidence. Not so much as the connection of the issues, but
25 more of the presentation of evidence. Those things being, you

1 know, where there is not much of any connection is for those
2 witnesses and the issues that they're going to discuss.

3 THE HEARING OFFICER: Okay. Before we go off
4 the record and take a recess, I do want to address a couple of
5 other issues that are pending before the Commission related to
6 this case. And I intended to address those right away this
7 morning assuming that we were moving forward. And I think
8 that inasmuch as we are where we are at the moment, I would
9 like to address each of them with all of you.

10 The first is the motion to exclude Dansie's
11 testimony, which was filed by the applicant in this case on
12 February 20th. According to my review of the docket as of early
13 this morning, there has been no response filed to that motion.
14 Under Commission rules, absent a response or reply, the
15 Commission may presume there is no opposition. Mr. Flitton,
16 did you file something?

17 MR. FLITTON: I did.

18 THE HEARING OFFICER: And when did you file it?

19 MR. FLITTON: I filed it--it was probably--what was
20 it--last Wednesday? Last Tuesday?

21 THE HEARING OFFICER: Do you have a copy of
22 what you filed?

23 MR. FLITTON: I don't have it with me.

24 THE HEARING OFFICER: How did you file it?

25 MR. FLITTON: My paralegal was responsible. She

1 should have filed that on Tuesday. I talked to Mr. Smith about it
2 and had an extension.

3 THE HEARING OFFICER: What do you mean you
4 had an extension?

5 MR. FLITTON: I had an extension for a day.

6 THE HEARING OFFICER: There is a rule, sir, that
7 requires you to file within a certain time frame.

8 MR. FLITTON: Right.

9 THE HEARING OFFICER: This isn't like--
10 this isn't like District Court where there may be--

11 MR. FLITTON: Well, then it was filed a day late.

12 THE HEARING OFFICER: Well, if you filed it on
13 Wednesday, not necessarily.

14 MR. FLITTON: No. It would have been--
15 what day was it, Craig? Was it Tuesday?

16 MR. SMITH: Yeah. I think we talked on Monday.

17 MR. FLITTON: On Monday, yes. So it was
18 Tuesday that it was submitted.

19 THE HEARING OFFICER: Okay. We're going to go
20 into recess. During that recess, sir, could you please call your
21 paralegal?

22 MR. FLITTON: Unfortunately, she's in Mexico.

23 THE HEARING OFFICER: Do you have somebody
24 in your office you could talk to about getting a copy of that?

25 MR. FLITTON: She's the only one.

1 THE HEARING OFFICER: Did you serve a copy of
2 the reply?

3 MR. FLITTON: She should have. I gave her the
4 document and asked her to serve.

5 THE HEARING OFFICER: Okay. Sir, do you
6 understand you're ultimately responsible for the filing?

7 MR. FLITTON: I do understand that, yes.

8 THE HEARING OFFICER: Mr. Smith, did you get a
9 copy of the filing?

10 MR. SMITH: I don't recall getting a copy of that
11 filing, no.

12 THE HEARING OFFICER: Ms. Schmid, did you get
13 a copy of the filing?

14 MS. SCHMID: Not that I have seen.

15 THE HEARING OFFICER: And, Mr. Coon, have
16 you?

17 MR. COON: No, I haven't.

18 THE HEARING OFFICER: Okay. We will double
19 check with our office, sir, to see if we have received something
20 and we'll be in recess. Thank you.

21 (Recess taken.)

22 THE HEARING OFFICER: We're back on the
23 record. Thank you everyone for your patience and for that
24 recess opportunity. We are going to move forward today and
25 the Commission recognizes that Mr. Dansie is not here. We

1 also recognize that the hearing was scheduled for last week and
2 the Commission made an accommodation for Mr. Dansie under
3 the circumstances due to his hospitalization for him to either be
4 present today or for another witness or witnesses to be present
5 to testify on his behalf.

6 The Commission also recognizes that there is a
7 motion to exclude his testimony pending, which the Commission
8 has not received a response to and the parties also
9 acknowledge they have not received a response to either. That
10 being said, in the interest of equity in this circumstance
11 recognizing Mr. Dansie's circumstance and what we are going to
12 do is we are going to move forward in this proceeding and we
13 will do so today.

14 We will allow Mr. Dansie the opportunity through
15 the issuance of the order in this case to file any motion or
16 motions that he feels may be necessary to address any issues
17 which have not already been addressed in this case. To the
18 extent that the motion is pending, under normal circumstances,
19 the motion would be granted.

20 However, given the cumulative circumstances and
21 the equitable considerations that we are giving to Mr. Dansie,
22 we are going to deny the motion. But we also make the
23 following notes that we recognize this matter has been going on
24 for a very long time and that there are some very strong feelings
25 on both sides about the--about certain facts in this case. We

1 don't think it would be helpful to deny--excuse me--to grant the
2 motion and deny the testimony under the circumstances and
3 would probably delay the matter further.

4 So what we intend to do is we intend to accept the
5 testimony from Mr. Dansie in this matter and like the testimony
6 that has been filed on behalf of the company, which we believe
7 could be said to have similar problems with the way the
8 testimony is presented, we will give the testimony the weight
9 that it's due. So I hope that that resolves our initial issues.

10 With respect to the bifurcation question, inasmuch
11 as I haven't directly addressed that, we will not be bifurcating
12 the hearing. We will be hearing the hearing like we normally
13 would and we will be ordering an order like we normally will.

14 And Mr. Dansie and Mr. Dansie's counsel, Mr.
15 Flitton, again, Mr. Flitton, you are welcome to as this matter
16 proceeds and as it concludes, if you choose to file a motion, you
17 are free to do so until the order is issued. We would like to
18 note that there are response times so in order to be fair to the
19 other parties if they do choose to respond to such motions,
20 you'll want to do that as soon as possible.

21 MR. FLITTON: Okay. Thank you.

22 THE HEARING OFFICER: So without delaying this
23 any further, are there any questions that you have before we
24 proceed with this matter?

25 MS. SCHMID: I have one suggestion.

1 THE HEARING OFFICER: Yes, Ms. Schmid.

2 MS. SCHMID: The usual practice before the
3 Commission is to e-mail pleadings and e-mail the Commission
4 an electronic copy and submit a signed original. It is--in my
5 experience it has been the practice that we have not used the
6 three-day by mailing rule that other courts such as District Court
7 uses.

8 I believe it would be helpful if the Commission
9 would instruct the parties--Mr. Flitton, I believe, is the one who
10 has not followed our procedure and he is not often before us.
11 But I believe it would be helpful if the Commission would order
12 in this case that the date pleadings are due is the date that they
13 must be served. And they must be served electronically rather
14 than by U.S. mail. I believe that would eliminate some of the
15 confusion and uncertainty as to when things were filed or not
16 and whether service was made properly.

17 THE HEARING OFFICER: So, in essence, the date
18 he files them with the Commission would be the date he serves
19 them, either hand delivers or electronically delivers them to the
20 opposing counsel?

21 MS. SCHMID: Yes. So, for example, with the
22 15-day response time, by the 15th the documents--by--or on the
23 15th, the response would be filed with the Commission, both in
24 original and electronic form, and the parties would be served
25 that same day by electronic mail.

1 THE HEARING OFFICER: I'm looking at Rule
2 746-104, Subsection (d), which allows for 15 days to file a
3 response and ten days to file a reply. How would your proposal
4 be different than what the rule allows?

5 MS. SCHMID: It would clarify that the Utah Rule of
6 Civil procedure that allows a three-day, we'll call it, grace period
7 for mailing of service does not apply in this instance.

8 THE HEARING OFFICER: Okay. I see what you're
9 saying.

10 Mr. Flitton, I think Ms. Schmid is trying to be
11 extraordinarily helpful to you realizing that you probably aren't
12 that familiar with Commission rules and statutes and that sort of
13 thing. But let me draw your attention--and if you have a note
14 pad or something you could make a note of this. Rule 746-104
15 is the filing of service rule that you will be held to.

16 MR. FLITTON: Right.

17 THE HEARING OFFICER: And, as I indicated
18 earlier, our rules do not necessarily mirror the rules of the
19 District Court, the Civil Rules of Procedure--or the Rules of Civil
20 Procedure. So as Ms. Schmid explains, there is no additional
21 time that gets tacked on for mailing. So if that helps you,
22 please do keep that in mind.

23 MR. FLITTON: Okay.

24 THE HEARING OFFICER: Okay? So are there any
25 other questions before we begin? Okay. I assume not.

1 So, Mr. Smith, this being your application, you have
2 the floor if you would like it. And inasmuch as you have made
3 an indication that you--the Company adopts the position of the
4 Division, I think that was your position in the last hearing, was it
5 not?

6 MR. SMITH: Yeah, that's correct. We largely
7 adopt all except for the transportation fee, which is involved
8 with--

9 THE HEARING OFFICER: In that instance,
10 sometimes the Division will go first.

11 MR. SMITH: I think that would make sense to have
12 the Division go first.

13 THE HEARING OFFICER: If that's what you would
14 like and that's what the Division is willing to do, that's fine.

15 MS. SCHMID: Of course.

16 The Division would like to call as its witness Ms.
17 Shauna Benvegna-Springer. May she please be sworn?

18 THE HEARING OFFICER: Ms. Springer, good
19 morning.

20 MS. BENVEGNA-SPRINGER: Good morning.

21 THE HEARING OFFICER: Would you please raise
22 your right hand? And do you swear that the testimony you're
23 about to give is the truth?

24 MS. BENVEGNA-SPRINGER: I do.

25 THE HEARING OFFICER: Thank you.

1 SHAUNA BENVEGNU-SPRINGER having been first
2 duly sworn, was examined and testified as follows:

3 EXAMINATION

4 BY-MS.SCHMID:

5 Q. Ms. Benvegnu-Springer, could you please state
6 your full name and spell it for the record.

7 A. My name is Shauna Benvegnu-Springer,
8 S-H-A-U-N-A, B-E-N-V-E-G-N-U, dash, S-P-R-I-N-G-E-R.

9 Q. By whom are you employed and in what capacity?

10 A. I'm employed by the Department of Commerce
11 Division of Public Utilities for State of Utah as a utility analyst.

12 Q. In connection with your employment, have you
13 represented and participated on behalf of the Division in this
14 docket?

15 A. I have.

16 Q. Could you please briefly tell what activities you
17 have participated in on behalf of the Division?

18 A. I have reviewed the application of the Company.
19 I've performed research surrounding the numerous dockets of
20 the Company in prior times. The Division, myself, and another
21 have conducted a site visit at the Company's site, and reviewed
22 the infrastructure of the Company. Also, we have analyzed the
23 information that's submitted in the application of the number of
24 exhibits and completed the analysis of revenues and expenses
25 and concluded with a rate design as recommended in my

1 testimony.

2 Q. Did you prepare or cause to be prepared under your
3 direction what has been prefiled as Shauna Benvegna-Springer
4 Direct, DPU Exhibit No. 1.0 DIR, including DPU Exhibit No. 1.1
5 through 1.9 DR--pardon--and also table one, which is a rate
6 summary?

7 A. I did.

8 Q. Did you prepare and cause to be filed rebuttal
9 testimony premarked as DPU Exhibit No. 2.0 rebuttal?

10 A. I did.

11 Q. Do you have any changes or corrections to that
12 prefiled testimony?

13 A. I do.

14 Q. Could you please walk us through those?

15 A. Yes. There are some minor typographical changes.
16 On page seven of the direct testimony, line 77, the word "of"
17 should be inserted between user fee and \$78 per month. So it
18 should read a monthly user fee of \$78 per month.

19 On page eight, line 87, the monthly use fee should
20 be \$78 instead of \$31.50 per month.

21 On page 11, lines 144 and 145, the words "to up"
22 should be reversed. It should be "up to."

23 On lines 152, the word "for" should be replaced
24 with "to" and the word "produced" should be "produce." So it
25 should read the anticipated cost to produce the 2013-calendar

1 year.

2 Q. If I may, did you submit corrected exhibits showing
3 these corrections or did the corrected exhibits you submitted
4 pertain only to the exhibits, not the written testimony?

5 A. That's correct. The corrected exhibits were only
6 submitted and not the corrected testimony.

7 Q. Please continue with regard to the corrections in
8 the testimony portion.

9 A. Okay. On page 14, line 202, "current base rate"
10 should be replaced with "monthly use fee."

11 THE HEARING OFFICER: Ms. Springer, could you
12 repeat that, please?

13 MS. BENVENU-SPRINGER: Sure. On page 14 of
14 the direct testimony, line 202, "current base rate" should be
15 replaced with "monthly use fee."

16 On page 25, line 429, the amount should read
17 22,958 instead of 22,956.

18 Those are all the corrections for the direct
19 testimony. On the rebuttal testimony, on the table on page
20 three, the line six, Hi-Country water consumption rate should be
21 \$0.54 instead of \$0.53. That is all the corrections that I have.

22 BY MS. SCHMID:

23 Q. In addition to those corrections that cover the body
24 of the testimony, did you prepare and cause to be filed DPU
25 Exhibit No. 1.2 DR on February 3, 2014 that is a corrected

1 exhibit concerning the HOA income statement analysis and DPU
2 Exhibit No. 1.7 direct also on that same date that is a corrected
3 HOA--pardon me--corrected exhibit showing HOA rate design?

4 A. I did.

5 Q. With these corrections, if I were to ask you the
6 same questions today as those asked in your direct testimony
7 and rebuttal testimony, would your testimony, including exhibits,
8 be the same today as when filed and corrected?

9 A. Correct. They would be.

10 Q. Do you have a summary to give today?

11 A. I do.

12 Q. Please proceed.

13 MS. SCHMID: Pardon me, before I go there, I
14 would like to move the admission of DPU Exhibit Nos. 1.0 DR
15 through 1.9 DR filed on January 30th of 2014, corrected Exhibit
16 Nos. 1.2 DR and 1.7 DR filed on February 3, 2014, and Ms.
17 Springer--Benvegna-Springer's rebuttal testimony, Exhibit No.
18 2.0 REB filed on February 20, 2014 teen.

19 MR. SMITH: We have no objection.

20 THE HEARING OFFICER: Any objection?

21 MR. FLITTON: No.

22 THE HEARING OFFICER: Ms. Schmid, just for
23 clarification, on the corrected Exhibits 1.2 and 1.7, mine are
24 noted as Exhibit 1.2 and 1.7 respectively. There's no DR after.

25 MS. SCHMID: Thank you. I will--

1 THE HEARING OFFICER: And mine are--
2 let's see, well, at least the 1.2 is date stamped February 4th.
3 I'm assuming that's the exhibit you're referring to.

4 MS. SCHMID: Thank you. I will make corrections
5 to future exhibit lists.

6 THE HEARING OFFICER: Okay.

7 MS. SCHMID: As you have with this one.

8 THE HEARING OFFICER: Okay. I just want to
9 make sure I got the right copy.

10 MS. SCHMID: Okay. Thank you.

11 THE HEARING OFFICER: Thank you. Your
12 exhibits are admitted and your testimony.

13 MS. SCHMID: Thank you.

14 BY MS. SCHMID:

15 Q. Please proceed with your summary.

16 A. My first testimony addresses 11 items in the
17 application; namely, the service area modification, residential
18 rates and fees, authorizing and requiring a reserve fund,
19 emergency water fees for domestic supply, and emergency
20 water fees for fire suppression, maintaining a connection fee,
21 and active meter replacement fee, addressing an outside service
22 connection review fee, addressing the BLM rates, addressing
23 the well lease rates, and, last, addressing the interest and late
24 fee on delinquent balances.

25 With regard to those service area modification, the

1 applicant has requested that the service area be updated to the
2 current customers that are being served, which includes 35
3 vacant lots, 90 residential customers, and one government
4 customer, which is the BLM, for a total of 126. Within the
5 service area that was originally filed with the Commission many
6 years ago, there was also a parcel in the southwest corner that
7 was included in that service area. And they are requesting that
8 that parcel be removed since it does not have any infrastructure
9 to that parcel, nor has water been delivered to that area.

10 The Division is in agreement and recommends that
11 the Commission adopt the modification as presented. The
12 residential water fees and rates include a standby fee, a
13 monthly user fee, a water consumption fee, and conservation
14 tiers. The Division recommends the a new standby fee of
15 \$31.75 from \$12.41. It recommends the monthly user fee to go.
16 The standby fee--let me back up a minute. The standby fee is
17 paid only by those individuals that are not connected to the
18 system, meaning vacant lots or individuals that have been
19 disconnected because maybe they own their own well or have
20 opted not to use the water system.

21 The monthly user fee is a fee that would be
22 charged or is charged to all users connected to the water
23 system to the residential users of the water system. Currently,
24 the fee is \$42.19. Based on our analysis, the fee should go to
25 \$78. That fee is calculated based on the fixed user costs and

1 the system standby fee. So it includes the \$31.75 embedded in
2 the \$78 fee. We are recommending a water consumption fee of
3 \$0.54 per thousand. That is the cost of service to deliver water,
4 which includes the cost for power and chemicals.

5 And then from there we are recommending
6 conservation tiers be implemented. Five conservation tiers
7 would be--are being recommended as tier one, two, three, four,
8 and five with the respective rates of \$0.81 up to \$4.10 per
9 thousand as itemized in the testimony. Because currently the
10 company does not have a reserve fund and most of its
11 infrastructure--80 percent of its infrastructure has depreciated,
12 funds have not been set aside for replacement of the
13 infrastructure and so the Division is requesting the Commission
14 authorize the Company to establish a reserve fund under the
15 requirements or the outline as listed in my testimony.

16 Within the reserve fund would be funded primarily
17 from two sources. One would be from \$13.55 that is embedded
18 in the standby fee of \$31.75 and in the monthly user fee of \$78.
19 And then any water that is used, above the cost of service of
20 \$0.54 per thousand on the conservation tiers, that revenue
21 above the \$0.54 would then--
22 we're recommending would go to the reserve fund and fund the
23 reserve fund.

24 Based upon that, we estimate that this could
25 generate anywhere from \$272,290 to \$363,750 over a five-year

1 period versus \$151,653 proposed by the Company.

2 Currently, in the monthly user fee there is a
3 \$10,000 water minimum that's included, which we are
4 recommending would be removed. And that way individuals
5 would be only paying for water that they use, not necessarily up
6 to \$10,000, if or when they use it.

7 The emergency water fees are based upon a
8 connection that the water system has with Herriman City.
9 Currently, Herriman City is charging \$2.33 per thousand gallons
10 of water used. And we are recommending that that rate be
11 placed into their tariff so when emergency water must be
12 purchased from Herriman City for those high demands, that is
13 passed on to the customers at the same cost that Herriman City
14 charges to the customers.

15 So we're recommending that both the emergency
16 water for domestic supply and the emergency water for fire
17 suppression both be set at \$2.33 per thousand, which is the
18 cost for Herriman.

19 In the agreement with Herriman City, because
20 Herriman City is maintaining and doing all the bill collecting for
21 the water company, there is a reconnection fee of \$250 in the
22 contract that is charged to customers. The Company removed
23 that from their tariff. I think it might have been an error. And
24 we are recommending that that be maintained in the tariff so
25 that that can be charged per the contract to the customers.

1 There is an active meter replacement fee of \$300
2 per incident that we're recommending should remain also in the
3 tariff. The Company has requested an outside service
4 connection review fee of \$10,000 per incident. This is if
5 someone on the outside--outside of the service area would like
6 to have service provided to them by the water company, this
7 would be a fee of what it would take in order to obtain water
8 rights, build necessary infrastructure, identify any water quality
9 issues, have necessary testing done of any additional water
10 source that may be provided, et cetera. And we are supporting
11 that the \$10,000 rate be approved.

12 The BLM rates annual fee we're recommending
13 would be \$558 with a monthly fee of \$78, which is similar to or
14 what the residential rate is. They would also be subject to the
15 \$54 of water consumption rate with anything above that \$54
16 water use being charged at the conservation rates. Currently,
17 the BLM--

18 THE HEARING OFFICER: Ms. Springer, I'm going
19 to interrupt you for just one second. When you said \$54 use,
20 did you mean--

21 MS. BENVEGNI-SPRINGER: \$0.54.

22 THE HEARING OFFICER: Okay. Thank you.

23 MS. BENVEGNI-SPRINGER: Currently, the BLM
24 operates a burro ranch near Butterfield Canyon on property that
25 is leased to them by Kennecott Copper Mine. And the burro

1 ranch has been under a lot of scrutiny and allegations and as
2 such they have pretty much shut that operation down and
3 they're using it mainly as a minimal resting station for which
4 they're transferring animals back and forth. So they are using it
5 on a very limited basis and their water usage has dropped
6 significantly from what they have used in 2012 to what they
7 used in 2013 as addressed in my testimony.

8 The Company requested that a well lease rate of
9 \$3.85 per thousand be approved. The Division is recommending
10 that that well lease rate not be approved on the basis that it is
11 not prudent to pass those costs on to ratepayers. The well
12 lease agreement provides that 12 million gallons of water would
13 be provided at no cost to Dansie properties. The Division
14 believes that the contract that was entered into was imprudent
15 at the time that it was executed and that this cost should not be
16 borne by any rates of the ratepayers currently being served.

17 And, lastly, that the Company has asked for
18 interest and a late fee on the delinquent balance of \$10 plus
19 \$0.18 per annum. Prior practice of the Commission has allowed
20 one or the other, not both, on a delinquent balance so the
21 Division has recommended that the language that should be
22 adopted should be that a late fee or interest, whichever is
23 greater, may be applied to a delinquent balance.

24 The Division believes that the rates as outlined in
25 my testimony are just and reasonable, that they are in the public

1 interest and does serve the public well.

2 BY MS. SCHMID:

3 Q. Ms. Benvegna-Springer, recently in the course of
4 your examination and based in part upon testimony provided at
5 last week's public witness hearing by the Division of Drinking
6 Water witness, do you have any comments on the sufficiency of
7 water rights to serve connected and standby customers?

8 A. Yes. Within the last week we received an updated
9 report from the Division of Drinking Water, which illustrates that
10 the Company does have sufficient capacity for storage for the
11 126 connections that have been authorized by the Commission.
12 They also have sufficient water rights for the 126 water
13 connections, but they do not have sufficient water source
14 capacity.

15 Currently, the well that the water company uses to
16 produce the water produces water at 100 gallons per minute.
17 They also have a Herriman connection that provides 50 gallons
18 per minute. Between the two connections, that provides--if they
19 were running simultaneously, it would provide 150 gallons per
20 minute with--
21 assuming that all 126 connections would need source capacity
22 at any point in time should they fail and need to be served.
23 There is not sufficient water source to meet that demand.

24 Q. At the moment, though, there are only about 90
25 connected lots; is that correct?

1 A. That is correct. 91 connections with the
2 government.

3 Q. And so it seems that the Company might have some
4 time to rectify the source capacity issue with respect to the
5 unconnected lots?

6 A. That is correct. They do have a plan in place that
7 they are working on in order to rectify the situation, but it has
8 not been resolved as of yet.

9 MS. SCHMID: Thank you very much. Ms.
10 Benvegna-Springer is now available for cross-examination and
11 questions from the Commission.

12 THE HEARING OFFICER: Mr. Smith?

13 MR. SMITH: Yeah, I do have some questions.

14 EXAMINATION

15 BY-MR.SMITH:

16 Q. Ms. Benvegna-Springer, if I could have you go to
17 page three of your rebuttal testimony, that's where you had
18 table one, between lines 34 and 35, I have some questions
19 about table one.

20 A. Okay.

21 Q. Do you have that in front of you?

22 A. I do.

23 Q. Thank you. Couple questions. You provide two
24 scenarios, scenario one and scenario two. In scenario one, can
25 you explain, just so I make sure everybody understands, the

1 difference between scenario one and scenario two? Can you
2 take a minute and explain that?

3 A. Sure. Scenario one uses the proposed rate that
4 the company applied for which was \$3.85. And it makes an
5 assumption that the cost for using that rate would be \$46,000 to
6 \$46,200. And if those were the costs, the well lease cost per
7 month would be \$30.56. Residents--in other words, this would
8 be an additional cost that would be borne by a ratepayer in
9 addition to their \$78 monthly rate. And if they were using a
10 minimum amount of water in this example it was \$62 or
11 700--7,000--I'm sorry. It would be 7,543 gallons for an average
12 household. They would be paying about \$4 in water
13 consumption rate so their total bill would be \$112.55 if they
14 were to provide the cost of the well lease.

15 Taking that amount of 7,543 gallons of water
16 dividing it by the total cost, essentially, they would be paying
17 nearly \$15 per thousand gallons for water. In this instance, it
18 would be \$14.92.

19 In scenario two, what this assumes is that
20 additional water would be purchased from Herriman City at the
21 cost of \$2.33, plus they would have to cover the water
22 consumption rate of \$0.54 to deliver the 12 million gallons. So
23 the cost would be 34,320 plus the fixed costs. We did estimate
24 some legal fees that were the case so the total cost would be
25 \$45,256. And then taking those costs and dividing it by the 126

1 users--I'm sorry--by the 90 users, they would be paying \$78 plus
2 their \$4 for their water use and their actual bill would be \$11.93.
3 So it would be again close to the \$15 per thousand gallons they
4 would be paying for water.

5 Q. And under scenario two, that would be spread
6 throughout the entire ratepayers of Hi-Country; is that correct?

7 A. Actually, this would only be charged to users of--I'm
8 sorry--that is correct. This \$30.56 or the \$29.93 would be
9 applied to all 126.

10 Q. Okay.

11 A. But in this illustration, it just applied it to the
12 current water users that are receiving water to show the impact
13 of those water users.

14 Q. Right. And also you're assuming that under the
15 transportation or the proposed well lease rate, that would also
16 be applied under your scenario to all of the--

17 A. Standby.

18 Q. --users of Hi-Country; is that correct?

19 A. So it would be applied to standby users and the
20 water user.

21 Q. Have you considered whether the well lease rate
22 could be applied just to those, if any, who were obtaining water
23 under the--we'll call it the Dansie well lease? Have you looked
24 at the 3.85 under that scenario?

25 A. And applying it just solely to the 91 users?

1 Q. Yes.

2 A. I did not.

3 Q. No. No. Yeah. Applying it--yeah, applying it--let
4 me back up. Applying it only to new users who would be using
5 part of that 12 million gallons per year.

6 A. No, I did not.

7 Q. Okay.

8 A. I did not know how many users there would be that
9 would be using the 12 million gallons.

10 Q. Right. Okay.

11 A. There's discussion that would be possibly five
12 connections. In the well lease agreement, it talks there would
13 be five connections for the Dansies' immediate family. There's
14 also discussion that there would be an additional 50 connections
15 somewhere down the line. Because we don't know how that
16 water would be used, where it would be used, where it would be
17 transported to, we don't have a plan on how that would be
18 implemented or where it would be going. It's hard to discern
19 what the true cost of it would be.

20 Q. Thank you. Now, the Division's aware that the
21 Commission has previously ruled that this well lease agreement
22 with the Dansies and the amendment to it should have been
23 something that was approved by the Commission. Are you
24 aware of that prior ruling?

25 MS. SCHMID: Object to the fact insofar--the

1 question--insofar as that refers to or asks for a legal conclusion.

2 THE HEARING OFFICER: Craig, would you like to
3 rephrase the question?

4 MR. SMITH: Yeah. Let me rephrase it.

5 BY MR. SMITH:

6 Q. Are you aware of prior rulings the Commission has
7 made in regards to the well--the Dansie well lease and its
8 amendment?

9 A. I am.

10 Q. And does the Commission have any disagreement
11 with those determinations that were made by the Commission?

12 MR. FLITTON: Objection. That calls for a legal
13 conclusion.

14 MS. SCHMID: I will make the same objection.

15 MR. SMITH: I'm just asking for the Division's
16 position on this.

17 THE HEARING OFFICER: Sustained.

18 BY MR. SMITH:

19 Q. Okay. Is there any record that you're aware of that
20 the Commission ever approved the well lease agreement or its
21 amendment?

22 A. I am not aware.

23 Q. And I believe in your testimony you discuss the
24 prudence and reasonableness of the well lease agreement; is
25 that correct?

1 A. That is correct.

2 Q. And if--what is the position of the Division as to the
3 prudence and reasonableness of the well lease agreement?

4 A. The Division's position is that the well lease
5 agreement is not a prudent transaction that should be bore by
6 the ratepayers. That is, it would place unjust and unreasonable
7 rates upon the ratepayers.

8 Q. You also considered whether the well lease
9 agreement and its amendment would be descriptatory.

10 A. We have not addressed that position.

11 Q. How about preferential?

12 A. We have not addressed that position.

13 MR. SMITH: May I have just a moment here? Let
14 me see if I have any more questions.

15 BY MR. SMITH:

16 Q. Taking your attention back to the rate table, what's
17 your understanding about the \$10,000 connection fee? Do you
18 understand that's for the nonstandard connections? Do you
19 consider that to be the fee or a deposit towards the fee?

20 A. As we understand it, the tariff language should
21 reflect that it would be a deposit fee for outside review of any
22 connections to the water system.

23 Q. Are you familiar with the concept of a de facto
24 public utility?

25 A. No, I'm not.

1 Q. Let me ask this question: If anyone being served
2 water would charge the \$3.85 well lease fee and that was not
3 charged to other ratepayers, only those who were to obtain
4 water through that well lease, what would be the Division's
5 position on the--on the \$3.85 fee under that scenario?

6 A. Could you repeat the question, please?

7 Q. Yeah, I'll do my best. If the \$3.85 per thousand
8 gallon well lease fee was only charged to those who obtained
9 water through the 12--part of the 12 million gallons through the
10 well lease and not to the other ratepayers, what would be the
11 Division's position regarding that well lease rate of \$3.85?

12 MS. SCHMID: Objection. Calls for speculation.
13 The witness has already stated that the Division did not
14 consider the scenario of the \$3.85 being charged just to users
15 taking water from the well lease, not to all users.

16 MR. SMITH: I'm just asking a hypothetical.

17 THE HEARING OFFICER: Sustained.

18 MS. BENVENEGNU-SPRINGER: I'm sorry, could you
19 repeat the question again?

20 MR. SMITH: She sustained the objection.

21 THE HEARING OFFICER: I sustained the
22 objection. You don't have to answer.

23 MS. BENVENEGNU-SPRINGER: Okay.

24 MR. SMITH: That's all the questions I have.

25 THE HEARING OFFICER: Mr. Flitton?

1 EXAMINATION

2 BY-MR.FLITTON:

3 Q. Let me ask you about your conclusions in your
4 testimony in the rebuttal testimony regarding the well lease
5 agreements. You've come to the conclusion that the well lease
6 agreement is not prudent; is that correct?

7 A. That's correct.

8 Q. Okay. And that's based on your review of Utah
9 Code Annotated 54-4--or .4.4(a); is that right?

10 A. Correct.

11 Q. Did you take into consideration the--in making
12 that--taking that position, did you take into consideration the
13 opinions of the Utah courts upholding the well leases as
14 conscionable?

15 MS. SCHMID: Objection insofar as it calls for a
16 legal conclusion. I do recognize, however, that Mr. Flitton did
17 say "did you take into consideration" rather than asking the
18 witness's testimony on the merits of that retention.

19 THE HEARING OFFICER: I'm going to sustain the
20 objection. And, Mr. Flitton, if you wish to rephrase it in a way
21 that's--

22 BY MR. FLITTON:

23 Q. Are you aware that there's court cases that have
24 addressed the validity of the well lease agreement?

25 A. I am.

1 Q. And did you--did you take those cases into
2 consideration in addressing--in making the decision to--whether
3 or not the well lease is prudent?

4 MS. SCHMID: I refresh the objection.

5 THE HEARING OFFICER: Sustained.

6 BY MR. FLITTON:

7 Q. Do you believe that the Division has the authority to
8 ignore those court decisions?

9 MS. SCHMID: Objection. Calls for a legal
10 conclusion.

11 THE HEARING OFFICER: Sustained.

12 BY MR. FLITTON:

13 Q. In analyzing the rate structure that's contained in
14 your tables, what sources of water supply did you consider as
15 potential sources to supply water under the well lease
16 agreement?

17 A. Can you identify which tables you're referring to?

18 Q. Yeah. I'm talking about table one.

19 A. In rebuttal testimony?

20 Q. Yes.

21 A. In scenario one, there actually was not a water
22 source identified as such because we were backing into it based
23 upon the well lease rate that was proposed by the Company. So
24 the water source was not applied in that scenario.

25 For scenario two, the water source that would be

1 used would be more likely a combination of the well and the
2 Hi-Country current well that they're using, plus the Herriman
3 City connection. It could be assumed that in scenario one it also
4 could be the Herriman connection.

5 Q. Was there any analysis of other potential sources
6 of water supply?

7 A. Currently, those are the only two sources that are
8 available to the Company without drilling new wells, which would
9 be--the cost would be fairly exorbitant at this point.

10 Q. Based on what?

11 A. Based on estimates from the Division of Drinking
12 Water.

13 Q. And you have estimates from those--

14 A. I do.

15 Q. --those sources? What would be the cost of that;
16 do you remember?

17 A. They hover around a million dollars.

18 Q. What about a connection with the Dansie well?

19 A. I do not know.

20 Q. You didn't analyze the cost?

21 A. No. Because I don't have information regarding the
22 Dansie well.

23 Q. So if I could--if I can go back to the well lease
24 agreement a little bit. Your view--or the opinion of the Division
25 is that the well lease agreement is not prudent. Did the Division

1 consider the fact that the homeowners association received the
2 water system without cost originally?

3 A. Those activities were done prior to being regulated
4 by the Commission.

5 MS. SCHMID: And objection insofar as the
6 question seems to be going towards the sufficiency of the
7 consideration for the well lease agreement, which is a legal
8 conclusion.

9 MR. FLITTON: Well, that's really not where I'm
10 headed.

11 THE HEARING OFFICER: Mr. Flitton, I'm going to
12 sustain the objection. I also fail to see the relevancy of the
13 question.

14 MR. FLITTON: Well, let me back up then.

15 BY MR. FLITTON:

16 Q. Your assumption is that the well lease agreement
17 imposes a burden on the ratepayers, correct?

18 A. That is correct.

19 Q. Okay. But those same ratepayers also received the
20 water system and are there any costs in the tariff with respect to
21 the actual infrastructure for the water system?

22 MS. SCHMID: If the witness knows.

23 MS. BENVENEGNU-SPRINGER: Could you restate the
24 question again?

25 BY MR. FLITTON:

1 Q. Yes. What I'm asking is in the tariff, are there
2 costs for--are there any--let me back up. Typically, in the public
3 utility situation there is a provision for, you know, recapture of
4 capital costs for water system. Are there such costs in this
5 tariff?

6 A. There are.

7 Q. Okay. What are those?

8 A. The depreciation costs for the infrastructure that is
9 currently in place.

10 Q. Okay. And why is that in the tariff?

11 A. Because those are assets of the water company.

12 Q. Okay. But the water company--do you know
13 whether or not the water company paid for any of those assets?

14 A. Whether they pay for it or it was contributed in a
15 contribution, they are assets that are held by the water company
16 to provide the water service.

17 Q. Okay. And so explain to me a little bit about what
18 the depreciation costs go towards. Is that to allow the Company
19 to replace infrastructure in the future?

20 A. That is correct.

21 Q. But it's not to recompense anybody for the
22 infrastructure that was originally put in, is it?

23 A. No, it is not.

24 Q. Okay. But in similar cases, that occurs, correct?

25 MS. SCHMID: Objection as to form of the question.

1 Perhaps the question could be restated.

2 THE HEARING OFFICER: Mr. Flitton?

3 BY MR. FLITTON:

4 Q. You've participated in other hearings, correct?

5 A. I have.

6 Q. And in those cases is there--is it typical or common
7 for a provision to be made in the tariff to compensate the owner
8 of the system for capital contributions to the system?

9 A. Normally that is not the case because the assets
10 are contributed to the water company and the assumption is
11 made that the developer or the owner of the system, if it's a
12 private system, is being compensated through the sale of their
13 improved lots.

14 Q. So that's not typical?

15 A. That is not typical. The scenario I just explained is
16 more typical.

17 Q. So what bearing--explain to me a little bit more
18 about your conclusion or your opinions that the well lease is not
19 prudent. You say first that there's a potential ratio in the
20 contract. Is that--why is that a relevant factor?

21 MS. SCHMID: Objection insofar as it asks for a
22 legal conclusion.

23 MR. FLITTON: It's her testimony.

24 MS. SCHMID: Perhaps the question could be
25 rephrased in a more narrow fashion.

1 THE HEARING OFFICER: Mr. Flitton, I'm going to
2 let you rephrase that question. I do want--I do wish to ask you
3 two things. First of all, when I'm speaking if you would allow me
4 to complete what I'm saying before you state what you're going
5 to say in response, that would be really helpful for both of our
6 understandings and also for the reporter who is taking this
7 down.

8 Secondly, I want to note that the rules the
9 Commission follows for proceedings such as this, the
10 Commission may in some circumstances exclude nonprobative,
11 irrelevant, or unduly repetitive evidence. So if you could get to
12 the heart of what you're wanting to get to in a way that is
13 allowable and let's move on. Because you keep coming back to
14 the lease and if you could cover that issue and move on, it
15 would be very much appreciated.

16 MR. FLITTON: Okay. First off, I'm not giving any
17 evidence. I'm asking questions. And, secondly, I appreciate
18 your comment.

19 BY MR. FLITTON:

20 Q. Explain to me how you calculated what the total
21 cost of the well lease would be on the rates.

22 A. Under?

23 Q. Under both scenario one and scenario two.

24 A. I explained that with the--Mr. Smith. But under
25 scenario one, we make an assumption that the \$3.85 times the

1 12 million gallons of water would equal the \$46,000 in costs
2 assuming that the 3.85 is a true cost. In other words, that the
3 3.85 rate is a true cost rate to determine what rates would be.

4 Q. And that raises an important question. How do you
5 come up with the 3.85 per thousand?

6 A. The 3.85 per thousand is the rate that is requested
7 by the Company.

8 Q. Okay. But is that the true cost? Because when
9 you're looking at the impacts of the well lease agreement,
10 shouldn't you be considering the actual costs?

11 A. Again, this was--these scenarios are based on
12 assumptions of various facts to illustrate what a user of the
13 water would be paying.

14 Q. But you did not--you did not go into analyzing what
15 the actual costs would be? You just used the requested rate,
16 correct?

17 A. Right. Documentation was not submitted to support
18 this \$3.85.

19 Q. So there may be much less expensive alternatives
20 out there?

21 A. Maybe.

22 Q. If--if, in fact, it was less expensive--let me give you,
23 you know, a hypothetical. Let's say it was half that cost. Would
24 it change your position with respect to the well lease?

25 A. You would have to determine and look at what

1 those costs are based upon. Again, this was a number that was
2 thrown out by the Company and we were trying to illustrate the
3 rate that the Company requested. Again, it's not supported by
4 any documentation so the Division is not supporting this rate.

5 Q. Right. The question I asked, though, was if the
6 rate was--if the actual costs were less to produce the water for
7 the well lease, would it change the Division's opinion or decision
8 with respect to the well lease agreement?

9 A. Again--

10 MR. SMITH: Objection. I think that calls for
11 speculation on the witness's part.

12 MS. SCHMID: Could I perhaps have the chance to
13 object to questions my witness is asked first?

14 THE HEARING OFFICER: You may add if you wish.

15 MS. SCHMID: Thank you. Objection. Calls for
16 speculation and also asked and answered.

17 THE HEARING OFFICER: Sustained.

18 BY MR. FLITTON:

19 Q. Does the--let me ask you a little bit about the
20 service area issue, too. What is the position of the Division with
21 respect to the back 80 acres as part of the Dansie property? Is
22 there a reason that is not included in the service area of the
23 Company?

24 A. Currently, the Company is not servicing the back 80
25 acres.

1 Q. So is it your position that because you don't think
2 the well lease is prudent that the--well, let me give you
3 foundation. Okay. Are you aware that in the well lease
4 agreement that there's an obligation to serve that property?

5 MS. SCHMID: Objection insofar as it calls for a
6 legal conclusion.

7 THE HEARING OFFICER: Sustained.

8 MR. FLITTON: How do I get to that issue? It's in
9 the well lease agreement. I mean, I guess I'll make a motion
10 after. But I would like to know the Division's position with
11 respect to whether or not there's an obligation to serve that
12 property. They've made a legal conclusion in their direct
13 testimony with respect to whether the well lease is prudent.
14 That's a legal conclusion.

15 MS. SCHMID: If I could have leeway to address
16 these issues. Legal questions are not appropriate to be asked
17 of the Division's lay witness. Issues regarding prudence are
18 appropriate to be asked of the Division's witness because as the
19 Division's witness, the Division is charged with presenting
20 recommendations regarding just and reasonable rates. Whether
21 or not a cost or a charge or an expense is prudent is a factual
22 determination based upon the facts presented in this case and
23 the witness is qualified to answer that. The witness is not
24 presented as a legal expert, nor is prefiled testimony the proper
25 form in which to argue legal issues.

1 THE HEARING OFFICER: Mr. Flitton, do you have
2 further questions for the witness?

3 MR. FLITTON: No, that's it.

4 THE HEARING OFFICER: Mr. Coon, questions for
5 Ms. Schmid [sic]?

6 MR. COON: No questions.

7 THE HEARING OFFICER: Okay.

8 MS. SCHMID: Ms. Benvegna-Springer, not Ms.
9 Schmid.

10 THE HEARING OFFICER: I'm sorry. I'm terribly
11 sorry. And, Ms. Springer, I apologize.

12 I do have questions for Ms. Springer. And, Ms.
13 Springer, as I have done before, I apologize for not using your
14 full name because it does seem to get me a bit tongue tied.

15 MS. BENVEGNA-SPRINGER: I'll give you a lesson
16 later.

17 THE HEARING OFFICER: Please forgive me.

18 EXAMINATION

19 BY-THE HEARING OFFICER:

20 Q. Ms. Springer, I would like to start with your direct
21 testimony, please. And if you would turn to page six of that. On
22 lines 72 through 74 you outline the number of customers and
23 such and then you get into your recommendation. Do you know
24 whether Mr. Dansie is receiving service from the water company
25 presently?

1 A. He is not.

2 Q. So he's not one of the 126 customers, nor is he one
3 of the 91 customers--I'm sorry. He is not one of the 91 water
4 users, nor one of the 35 standby customers?

5 A. Let me clarify this. Mr. Dansie owns two lots. Of
6 the 35 that are currently standby customers, he owns two vacant
7 lots. Water is not connected to those lots at this present time.

8 Q. So in your calculation he would be attributed
9 to--would he constitute two customers then or--

10 A. Correct, he would be.

11 Q. And do you know if he has made a request for
12 water at those lots?

13 A. He has. He has not been provided water due to no
14 payment.

15 Q. Okay. Would it be correct to call him a standby
16 customer if he's not paying?

17 A. Individuals that are not connected, whether they do
18 not have--if they have a vacant lot, if they're not connected
19 because they have their own private wells, or if they've been
20 connected in the past and they have been disconnected for no
21 payment, I'll classify--they're classified as standby customers.

22 Q. Okay. And you did say that the lots are vacant?

23 A. Correct.

24 Q. No dwelling at all resides?

25 A. On one lot there is a shed.

1 Q. Okay. Is there any activity on the property?

2 A. It looks pretty vacant.

3 Q. Okay. Do those properties have their own well?

4 A. I understand there is one well on one of the lots
5 known as the Glazier Well.

6 Q. And is that well active?

7 A. I do not know that.

8 Q. Do you know if there's any water at all being used
9 on the property?

10 A. My observation was that there is not and
11 information from the Company indicates there is not water on
12 the Company--on the lots--excuse me--on the property.

13 Q. Okay. Let's go to the next page, which is your
14 table one rate summary. I believe you've already clarified this
15 that the \$78 monthly user fee in the Division recommendation
16 column, that would apply to standby customers?

17 A. The \$78 fee would not apply to standby customers.

18 Q. Okay.

19 A. That would only apply to those currently receiving
20 water.

21 Q. Okay.

22 A. The 31.75 system standby fee would apply only to
23 non-connected or standby customers as I've defined them.

24 Q. Okay. And the tiers that are mentioned here,
25 there's reference later in your testimony to conservation. Is it

1 the Division's position that establishing these tiers would
2 advance conservation?

3 A. Yes, in a number of different ways.

4 Q. Would you like to elaborate on that?

5 A. Yeah. Number one would be the fact that
6 individuals are paying only for what they use and not for block
7 amounts. And so as they use water in greater amounts that the
8 rate would go up in an inclining fashion. In providing a fifth tier,
9 which the Company did not recommend, it does provide excess
10 water above 50,000 gallons at \$4.10 per thousand, which is a
11 price that does get a consumer's attention. And so we believe
12 that that rate would alter behavior and reduce the amount of
13 water that would be used. So, namely, for those two reasons, it
14 would implement conservation.

15 Q. Thank you. To your knowledge, are there a number
16 of high water users in the Hi-Country area?

17 A. There are.

18 Q. And could you clarify that a little bit more so that
19 we have some perspective? What would be the normal average
20 usage for a household?

21 A. Normal average usage for indoor water is about
22 8,000 gallons a month for a household of four individuals.
23 Some individuals do not use that much. Some households are
24 around 5,000. But there are those who exceed.

25 And as I've indicated in my testimony, during June

1 of 2012, which was their highest water usage recorded, the low
2 was a thousand gallons and the high was 361,000 gallons in one
3 month. Now, again, this is the summer months, and 4 million
4 gallons used by 90 users is a lot. The average being 44,000.

5 Q. And is that for inside and outside use?

6 A. That would be for inside and outside use, yes.

7 Q. Do you have the ability to delineate between the
8 inside and outside or is it just--it's just one meter for both uses?

9 A. Correct.

10 Q. Okay. The reconnection fee after disconnect,
11 under the Division's recommendation, is \$250. Did I understand
12 you correctly that that is per the contract that Herriman has with
13 Hi-Country?

14 A. Correct.

15 Q. Okay. And on the customer late fee issue, as you
16 were explaining, I was wondering so if you have a customer who
17 is late and your provision is to charge the late fee of \$10 or 18
18 percent, whichever is greater, how would you know what to
19 charge when you don't really know how long that person is going
20 to be in arrearage?

21 A. It's based upon the delinquent balance for the prior
22 30 days, so after 30 days if there is a delinquent balance. And,
23 normally, what is done is you apply the 18 percent per annum
24 rate. If that is greater than the \$10 amount, then the interest
25 rate would be charged. If it is less than the \$10 amount, the

1 \$10 amount would be charged.

2 Q. Okay. Inasmuch as your table does not state the
3 language "whichever is greater," is it the Division's desire to
4 stipulate that that change be made?

5 A. Yes.

6 THE HEARING OFFICER: Ms. Schmid, would that
7 be something you would like to address?

8 MS. SCHMID: I believe that would be appropriate.

9 THE HEARING OFFICER: Okay. The Commission
10 accepts that change.

11 BY THE HEARING OFFICER:

12 Q. Do you know, concerning the active meter
13 replacement each incident, the \$300 fee, do you know if those
14 are intended to be wireless meters that would be able to be read
15 wirelessly?

16 A. Yes, they will be.

17 Q. Okay. The connection fee, the outside service
18 connection fee, I'm sure you must have an exhibit that
19 addresses that in more particularity. And I think it would be
20 helpful for the Commission to understand that a little more in
21 detail than just a straight number. And--well, let me see if I can
22 get an answer to that first and then I have a follow-up question,
23 too.

24 Can you direct me to the exhibit that would address
25 that?

1 A. In my testimony, I believe it's on page 29.

2 MS. SCHMID: Of your direct?

3 THE WITNESS: Of my direct testimony, line 493.

4 It outlines what the fee would go towards paying.

5 BY THE HEARING OFFICER:

6 Q. Okay. And earlier in your testimony you called it a
7 deposit. Help me understand what you mean by deposit. And
8 how does that differ from a fee?

9 A. My testimony did not address it as a deposit. It
10 addressed it as a fee.

11 Q. Okay.

12 A. The Company would like to use it more as a
13 deposit. In other words, they want the \$10,000 upfront before
14 they perform this review, begin doing any review process
15 whatsoever.

16 Q. Okay. Are you aware of any such requests that are
17 pending before Hi-Country for outside service connection
18 review?

19 A. One. Which would be Mr. Dansie's well lease
20 agreement.

21 Q. Do you know if he's paid anything to receive that
22 review?

23 A. I have not seen any records to indicate that he has.

24 Q. Okay. Currently--

25 A. The reason being is because the Company cannot

1 charge that at this time. It's not been approved by the
2 Commission.

3 Q. Okay. So the--so under your scenario, would it be
4 that the Company would do the work and then they would get
5 paid or would it be--what I think I'm imagining the Company
6 would propose, which is that they would take an application and
7 they would receive a fee and then they would do the work, and
8 what--how do you--

9 A. I believe that's the language that they would put in
10 their tariff, that an application form would be received with the
11 \$10 fee. But the Company needs to provide that tariff language.

12 Q. Okay. And so is there a difference in position from
13 what the applicant is proposing to what the Division is proposing
14 inasmuch as the fee be paid at the time of the connection
15 review application?

16 A. The Division would prefer that it be paid prior to
17 having work done so that it does not harm the water company
18 and not be--you know, somebody decides that they don't--I
19 mean, they've got to be serious about getting water.

20 Q. Okay.

21 A. That way the water company isn't harmed by doing
22 this type of work and then somebody decides they're not going
23 to do it.

24 Q. Moving down to the BLM schedule, the BLM has
25 proposed under the Division's recommendation to pay an annual

1 fee of \$558. Could you please help me understand how that
2 number was derived?

3 A. If I remember correctly, this amount was derived by
4 taking--I would have to go back to the formula and look at how it
5 was calculated.

6 Q. Feel free to take a moment to do that. And, in part,
7 this relates to a question I had on page 17 of your testimony
8 referring to the \$558 fee on line 262. And, again, I just have
9 the same question.

10 MS. SCHMID: I believe the formulas are not
11 included in the exhibits and Ms. Benvegna-Springer has them in
12 her office. Perhaps she could check that on a break.

13 THE HEARING OFFICER: Okay, sure. Sure. We
14 can hold that for a response when you come back.

15 MS. BENVEGNU-SPRINGER: Okay.

16 BY THE HEARING OFFICER:

17 Q. So I see that you--the Division's recommendation
18 mirrors what's up above for regular water users and stand--well,
19 not standby user, but regular water users from the sense of the
20 monthly user fee and the tier rate. What I'm wondering is
21 should there not be consistency in the other provisions as well
22 such as reconnection in event they do disconnect, then want to
23 reconnect in the future? Just thinking that perhaps that could
24 be a possibility. Is there any reason why that would not apply to
25 the BLM?

1 A. As we develop the rate schedule, this is the rate
2 schedule for water use. The other fees would apply to all,
3 would apply to BLM and to residential. So, in other words--

4 Q. Okay. So the fact that it's up above doesn't
5 necessarily mean it wouldn't apply to the BLM?

6 A. Correct. So, for example, from the service
7 connection all the way down to the outside service fee, those
8 would still apply to the BLM.

9 Q. Okay. And they only--okay. So the service
10 connection, no change?

11 A. So there--I probably should have labelled these
12 additional fees that would be applied to all customers.

13 Q. Okay. So let me just make a note here. So the
14 service connection to the--

15 A. Outside service connection review fee.

16 Q. Okay. All of those would apply to the same area
17 just below the separate tiers under the BLM?

18 A. Correct.

19 Q. Okay. To your understanding, does Herriman
20 provide any form of water other than the emergency backup
21 water?

22 A. That is the only water they are providing currently.

23 Q. Okay. Ms. Springer, on the very bottom of your
24 table, the effective date--the proposed effective date is April 1
25 of 2014. I just note that that may be problematic--

1 A. Right.

2 Q. --given that the order date isn't until early May.

3 A. Right. We followed--we followed what the Company
4 wanted. They wanted it to be effective April 1st and we did not
5 have a problem with that, although we're aware that there still
6 needs to be the 30-day notice.

7 Q. Did you have any discussions with Herriman about
8 the arrangement that Herriman and Hi-Country have?

9 A. I did.

10 Q. On line 101 of your direct testimony, you state that
11 emergency backup water from Herriman City was 654,000
12 gallons. Is that how much the Hi-Country users used or that
13 was provided and maybe stored in some fashion?

14 A. That was what they used during the calendar year
15 2012.

16 Q. Okay.

17 A. During the calendar year 2013--let's see, I know
18 they used more. Oh, yeah. On line 104 it states in 2013
19 Hi-Country used 1.79800 gallons of emergency backup water.

20 Q. It says BLM usage dropped from--oh, I see. You're
21 at 104. I'm looking at 105, okay.

22 A. Right.

23 Q. On line 117 of your testimony you refer to the fee
24 as calculated using the fixed water system cost. Is that outlined
25 in your Exhibit 1.2?

1 A. Yes.

2 Q. Okay.

3 A. Yes. If you go to column J on Exhibit 1.2, you can
4 see those costs that are reflective and they total \$16,001 that
5 are related to--oh, I'm sorry. The standby fee is in column H.
6 So the total costs are 47,906 and \$0.32 that are related to the
7 standby fee fixed costs.

8 Q. Okay. Thank you.

9 A. That's on page three.

10 Q. Yes, I've got that. Thank you. One thing I noted
11 and while we were looking at your exhibit, on that very last page
12 that we were just at, the total expenses are listed after the net
13 income?

14 A. Correct. Before the net income? They're listed
15 before and after.

16 Q. Okay.

17 A. The one after is a check figure.

18 Q. What changed on this exhibit from the earlier
19 exhibit? What was the need to correct this particular--

20 A. In the previous exhibit that was filed, there were
21 some categories that had not been distributed into fixed system
22 user and water consumption expenses. And so, for whatever
23 reason, those sales were cleared. And so I had to go back and
24 re-input those.

25 Q. Okay. Does the corrected Exhibit 1.2 have any

1 bearing on the recommendation that the Division is making?

2 A. The exhibits match the recommendation that the
3 Division is making.

4 Q. Okay. And that recommendation being the
5 recommendation in your direct testimony?

6 A. Correct.

7 Q. Back to page ten of your direct testimony, Ms.
8 Springer, is the Division aware of any plans or interest that
9 Herriman may have in purchasing the water system?

10 A. I am not.

11 THE HEARING OFFICER: In coming to my question
12 on page 17, which relates to the same question that we talked
13 about earlier in the--on page seven of table one, I think now
14 would probably be a good opportunity to take a recess and we
15 can come back and address that same question. How about we
16 take a 15-minute break?

17 MR. SMITH: That would be fine.

18 MS. SCHMID: Thank you.

19 THE HEARING OFFICER: Okay.

20 (Recess taken.)

21 THE HEARING OFFICER: Back on the record.

22 BY THE HEARING OFFICER:

23 Q. Ms. Springer, so when we left you were going to
24 give me some more information about the \$558 figure, which
25 shows up under the annual fee amount under the Division

1 recommendation for the BLM rate and is also referenced on
2 page 17, line 262 of your direct testimony.

3 A. That's correct. After further review, we notice that
4 that is actually a duplicative amount that should be removed.
5 Thank you for catching that.

6 Q. That annual fee should--

7 A. That annual fee for the BLM, the \$558, should be
8 removed.

9 Q. So in column one the current amount is \$1,755.
10 The Company's proposed amount is 1,950 and the Division's
11 recommendation should now be--

12 A. Zero.

13 Q. --zero. Okay.

14 A. Again, thank you for pointing that out to us.

15 Q. Okay. So would that also be the same case on line
16 262 of page 17 that the Division recommends an annual fee of
17 that would be zero--

18 A. Correct.

19 Q. --dollars? Okay. So I assume in reviewing
20 whatever it was you were reviewing, you discovered there is no
21 annual fee?

22 A. Right. Initially, what we were trying to do is have
23 BLM pay for their fixed costs upfront, but by having
24 them--because of their water usage, they are using water similar
25 to a residence now. As a residential use, they're not using large

1 amounts of water. And, as a result, that monthly fee should not
2 be there.

3 Q. Okay. Okay. Thank you. And just to make sure
4 that we have all our T's crossed and I's dotted, as we did earlier
5 with the revision of this page under the customer late fee, is it
6 the desire of the Division to amend this page to reflect the
7 change that we discussed?

8 A. It is.

9 THE HEARING OFFICER: And, Ms. Schmid, do you
10 support that?

11 MS. SCHMID: I do.

12 THE HEARING OFFICER: Okay. It is accepted.
13 Okay.

14 BY THE HEARING OFFICER:

15 Q. Ms. Springer, maybe I'm misunderstanding this, so
16 please let me know if that's the case. On page 24 of your direct
17 testimony, line 408, you refer to the adjustments that you're
18 making as being illustrated on Exhibit 1.8. When I looked at
19 Exhibit 1.8, I wasn't sure that I was tracking you correctly and
20 so I want to make sure. Is it indeed Exhibit 1.8?

21 A. It is not. They are in Exhibit 1.2.

22 Q. Okay. That is helpful. Thank you. And it's the 1.2
23 corrected, right?

24 A. Correct.

25 Q. Okay. So I'll make that change on your--

1 in your direct testimony.

2 A. Thank you.

3 Q. Page 25, line 421, are you referring to the Rocky
4 Mountain rate case settlement?

5 A. I am.

6 Q. Okay. Line 27--excuse me--page 27, line 455, you
7 are quoting Hi-Country and there's a reference to one parcel. Is
8 that the one parcel--is that the 80-acre parcel; do you know?

9 A. As I understand it, that is a parcel near lot 107,
10 which could be defined as the 80 acres.

11 Q. Okay. Do you know who owns--

12 A. Mr. Dansie owns that.

13 Q. Mr. Dansie? Okay. Just trying to connect all the
14 dots here. Make sure I fully understand what you're saying.
15 Ms. Springer, based on the information that you provided in your
16 testimony, on page six in part and also on page 27 in part,
17 outlining the connections that the Company has and the standby
18 customers that it has, and also the testimony that you provided
19 from information from the Division of Drinking Water and the
20 Division of Water Rights, is it the Division's position that the
21 company does not have the capability to do what Mr. Dansie is
22 asking?

23 A. That's correct.

24 Q. As far as providing water to the 80 acres and doing
25 so--scratch that part of the question. And is it also correct that

1 the \$10,000 fee would, if approved by the Commission, allow
2 the company to position itself in a way that they would be doing
3 the work that would be required to have that infrastructure in
4 place, to have the water rights in place, to do the various things
5 that could then result in Mr. Dansie receiving service?

6 A. The \$10,000 fee allows the Company to explore
7 what would be required. It does not allow payment of the
8 infrastructure itself or obtaining water rights or any of that. It
9 allows the Company to explore what would be required to make
10 an expansion and if it would be feasible to do so.

11 Q. Okay.

12 A. And it could apply to Mr. Dansie or any other
13 developer who wanted to expand any of the land that's out
14 there.

15 Q. On line 29 of your direct testimony--
16 excuse me--page 29 of your direct testimony, line 501, you
17 discuss the 3.85 per gallon charge that is later addressed in the
18 table in your rebuttal testimony. And, in part, you mentioned
19 that you don't have any information to--I don't know if the proper
20 word would be to justify that amount. But in reviewing this,
21 were you able to obtain that information?

22 A. No. No information was obtained to support,
23 document, or justify the \$3.85.

24 Q. Okay. Thank you. Ms. Springer, in your direct
25 testimony the corrected Exhibit 1.7, can you help me understand

1 line 17, please?

2 A. The actual cost for--there are actually two columns
3 here. In other words, if we're using the water for 2012, the cost
4 for water in 2012 would be \$0.70 per thousand. This would be
5 the cost of service to deliver that water. When we're using the
6 2013 water that was produced and used, the rate goes to \$0.54
7 per thousand.

8 Q. Is that also the cost to deliver?

9 A. That is the cost to deliver. Essentially, what we're
10 doing is we're taking the--on line 13 there are \$16,000 worth of
11 costs that came from--
12 this is the cost that we're projecting will be used in the future.
13 If we use the 2012 water volume, you get \$0.70. If you use the
14 2013 volume of water it becomes less at \$0.54.

15 Q. Okay. And that's the basis for the very first
16 calculation on page seven of the Division's recommendation in
17 your direct testimony, which would be the \$0.54 for the first
18 10,000 gallons?

19 A. Correct.

20 Q. Okay. Thank you, Ms. Springer. I am going to turn
21 to your rebuttal testimony now. And I know a lot has been
22 asked of you of the table one. And I just want to make sure that
23 I understand that the result, which is scenario two, which is, as I
24 understand it, assumes the water being purchased from
25 Herriman?

1 A. Correct.

2 Q. That the amount would be charged to all water
3 users including standby water users?

4 A. Correct.

5 Q. And the amount being the very last line, line 15?

6 A. Line 15 under scenario two, \$14.84 would be the
7 rate that they would be paying for the 7,000 gallons of water
8 that they would be receiving.

9 Q. Okay.

10 A. In other words, if you take the \$111.93 divided by
11 the 7,543, that would be the rate they're paying for the water.

12 Q. Okay.

13 A. But the true result--

14 Q. In line 11--I'm sorry, please.

15 A. That would be the true result of the water cost.

16 Q. Okay. And line 11, could you explain the 29.93 a
17 little bit more and clarify whether that is applicable to all water
18 users including standby?

19 A. Yes. Line 11 is calculated by taking line ten up
20 above in both scenarios and dividing it by the 126 users in line
21 one and dividing it by 12.

22 Q. Okay. Ms. Springer, I believe this is probably the
23 last question I have for you. And I know that a lot has been
24 asked of you of your analysis regarding the prudence of the well
25 lease between Hi-Country and Mr. Dansie. Your testimony has

1 been entered into evidence and accepted as part of this docket.
2 I do think it might be helpful for you to read what you have
3 stated on page six of your testimony. In response I think this
4 may respond to some of the issues that were raised earlier.
5 And if you don't mind just reading 77 through 89, I think that will
6 conclude my questions of you.

7 A. Sure. I analyze the facts under the prudent
8 standards set forth in Utah Code Annotated 54.4.4(a). My
9 analysis showed that the entering into the well lease agreement
10 was not prudent because, one, the duration of the contract. And
11 what I was referring to there was the amendment of 1985.

12 Number two, the benefits do not commensurate with
13 the cost of providing the well demonstrating gross disparity.

14 Number three, originally the 1977 well lease
15 agreement had no limitation on the volume of water to be
16 delivered. It was arguably limited by the standard of
17 reasonableness.

18 Number four, 1985 amendment, which added the
19 amount of 12 million gallons per year to be delivered
20 approximately equal the total water system use in 1985.

21 Q. Thank you, Ms. Springer. Is there anything
22 additional that you would like to add concerning that particular
23 issue?

24 A. No.

25 Q. Based on the testimony you've given today, Ms.

1 Springer, is it indeed the recommendation of the Commission to
2 disallow recovery of the obligation--

3 MS. SCHMID: Pardon me, did you mean Division?
4 Recommendation of the Division?

5 THE HEARING OFFICER: I'm sorry, did I say
6 Commission? I have a tendency to do that a lot. I get them
7 mixed up. I do apologize.

8 BY THE HEARING OFFICER:

9 Q. Ms. Springer, is it your testimony today that the
10 Division recommends that the Commission disallow recovery of
11 the obligation through rates because a contract, meaning the
12 well lease between Mr. Dansie and Hi-Country, wasn't prudent
13 and unreasonable when it was made and that allowing recovery
14 for ratepayers for an obligation of indeterminate costs and
15 duration is not in the public interest?

16 A. That is my testimony.

17 THE HEARING OFFICER: Thank you. Thank you,
18 Ms. Springer. Is there any redirect for Ms. Springer?

19 MS. SCHMID: I have no redirect.

20 THE HEARING OFFICER: Mr. Smith?

21 MR. SMITH: I have none.

22 THE HEARING OFFICER: Mr. Flitton?

23 MR. FLITTON: No.

24 THE HEARING OFFICER: Mr. Coon?

25 MR. COON: I have none.

1 THE HEARING OFFICER: Okay. Thank you. Mr.
2 Smith, your witness, please.

3 MR. SMITH: Thank you. At this time we would like
4 to call Mr. Justun Edwards to testify.

5 THE HEARING OFFICER: Okay. Does Mr.
6 Edwards wish to testify from there or up here?

7 MR. SMITH: Probably easier up there for him to do
8 that.

9 THE HEARING OFFICER: Be off the record for just
10 one second.

11 (Discussion off the record.)

12 THE HEARING OFFICER: Would you raise your
13 right hand, please? And do you swear that the testimony you're
14 about to give is the truth?

15 MR. EDWARDS: Yes.

16 THE HEARING OFFICER: Thank you, sir. You may
17 be seated.

18 JUSTUN EDWARDS, having been first duly sworn,
19 was examined and testified as follows:

20 EXAMINATION

21 BY-MR.SMITH:

22 Q. Good morning, Mr. Edwards. Thanks for being
23 here. Since you work for a city, this is probably a unique
24 experience because cities typically never have to appear before
25 the Public Service Commission. So could you state your name

1 and business address for the record, please.

2 A. Justun Edwards, 13011 South Pioneer Street,
3 Herriman, Utah.

4 Q. And could you spell your first name? Because I
5 know it's a little bit of an unusual spelling.

6 A. J-U-S-T-U-N.

7 Q. I want to make sure we get the spelling right on the
8 record for the court reporter.

9 A. I appreciate that.

10 Q. And are you employed?

11 A. Yes.

12 Q. And who are you employed by?

13 A. Herriman City.

14 Q. And what are your duties involving Herriman City?

15 A. I'm the director of water services for Herriman City.

16 Q. And can you just take a few moments and explain
17 what that job entails?

18 A. Yes. So, basically, I oversee and manage the
19 day-to-day operations of the water system for Herriman City.
20 That entails anything from keeping up and making sure the
21 meters get read, day-to-day installing meter services, making
22 sure we deliver clean drinking water to the residents. Our
23 operators maintain the pump station tanks, all those things, and
24 on top of that, handle customer concerns and comments. And
25 then also work on engineering and design to implement the new

1 types of tanks and infrastructure to keep up with our growing
2 city.

3 Q. Okay. And how long have you had that position
4 with Herriman City?

5 A. I've been director for just over four years.

6 Q. Now, are you familiar with an agreement between
7 Herriman City and the Hi-Country Estates?

8 A. Yes. There is an infrastructure service agreement
9 we have with them.

10 Q. How long has that been in place?

11 A. Since 2012, I believe. June or July of 2012 is when
12 that was put into place.

13 Q. So you've been involved in or at least had water
14 services for Herriman City during the entire time this
15 agreement's been put in place?

16 A. Yes.

17 Q. And can you just kind of briefly explain what
18 your--I'm not asking for a legal conclusion, just what your
19 understanding what Herriman does for Hi-Country Estates under
20 that agreement.

21 A. Yes. So, basically, we do the same thing for
22 Hi-Country. One is water system as we do for our own. We
23 operate and maintain the system to the same levels that we
24 would operate and maintain Herriman City's system. Day-to-day
25 operations, we go and physically check each and every site for

1 safety and issues, all water tanks, pumps, stations, wells. And
2 then also respond to customer issues or respond to--fix water
3 leaks or water sampling.

4 We also do testing and sampling for the well,
5 bacteria samples. So, basically, the same thing that we would
6 do for our own system to keep it in compliance with the Division
7 of Drinking Water and State rules.

8 Q. And that's because Hi-Country Estates is not part
9 of Herriman City?

10 A. Right. They're outside of our city boundaries.

11 Q. Were you asked to prepare written prefiled
12 testimony in this matter?

13 A. Yes.

14 Q. And do you have any corrections or changes you
15 would like to make to that testimony at this time?

16 A. No.

17 Q. Could you take a few minutes and just give a brief
18 summary of the testimony that you have previously submitted to
19 the Commission?

20 A. Yes. I have one here. So my name is Justun
21 Edwards. I'm the Director of Water Services for Herriman City.
22 I submitted the prefiled direct testimony on behalf of Hi-Country
23 Estates Homeowners Association. I submitted the testimony in
24 order to explain the agreement between Hi-Country and
25 Herriman, under which Herriman is responsible for operations of

1 the water system and billing of Hi-Country water customers.

2 To summarize, several years ago Hi-Country
3 approached Herriman about the possibility of such an
4 arrangement. The actual agreement was signed in June of 2012
5 and the City began taking over operations in November of 2012.
6 Herriman is responsible for all day-to-day operations of the
7 Hi-Country water system, including routine repairs and
8 maintenance.

9 Herriman is also responsible for billing and
10 collecting from Hi-Country water customers. Herriman operates
11 the Hi-Country water system using the same procedures the City
12 uses to operate its own water system. Herriman has significant
13 experience operating its own water system and brings that same
14 expertise to the Hi-Country system along with established
15 processes for management and billing.

16 As part of the agreement, Hi-Country and the City
17 agree upon a budget for the year that governs the City's
18 operations of the water system. Any significant variations from
19 the agreed upon budget would require approval from the
20 Hi-Country board of directors. Hi-Country is charged only
21 Herriman's actual cost relating to the Hi-Country system. I
22 believe the arrangement is very beneficial for the Hi-Country
23 customers and the City expects the arrangement to continue for
24 the foreseeable future.

25 Q. Okay. Thank you. Let me just ask a couple

1 follow-up questions on that. One is I think at some point you
2 intend the emergency--let me back up.

3 You've been in the room and heard testimony about
4 Herriman providing water to the Hi-Country Estates on an
5 emergency basis?

6 A. Yes.

7 Q. And can you explain what your understanding of
8 how that works?

9 A. Basically, it's an emergency connection agreement.
10 Therefore, if there is an emergency situation in their water
11 system, whether their well goes down that provides them water,
12 there's some sort of issue whether it be it didn't pass a sample
13 or there is a mechanical issue, then Herriman City has a
14 connection. Sorry.

15 The other issue--the other reason we provide water
16 if their well cannot provide enough water to keep up with peak
17 day demands. And those are basically the reasons we would
18 open that connection. There's a meter connection there. And
19 then that water would be serviced into their water system.

20 Q. I see. Now, at some point in time, do you expect
21 that to become a surplus water agreement rather than an
22 emergency agreement?

23 A. Yes. I would foresee that happening. Herriman's
24 water system and infrastructure has expanded over the last
25 several years bringing our water system closer to Hi-Country.

1 And, therefore, they could--we have the connections and stuff
2 for them to connect to in the future when they would like to.
3 Currently, the emergency connection comes through another
4 homeowners association, which we service with water as well.
5 And there's an interconnect between those two. So, yes, it
6 certainly would turn into a surplus.

7 Q. And can you explain--since the Commission may
8 not have experience with surplus water contracts with cities, can
9 you explain why cities provide water outside their boundary zone
10 on a surplus basis?

11 A. Yes. The surplus water agreement that we would
12 have and we have with at least one other community, the City
13 cannot guarantee with perpetuity its water to somebody else
14 outside of their district or inside their city boundaries.
15 Therefore, it becomes a surplus agreement and water would
16 only be provided to that other agency providing the City has
17 enough to supply its own residents.

18 Q. And that's due to a provision in the Utah Supreme
19 Court; is that correct?

20 A. Yes.

21 MR. SMITH: At this time I would move for
22 admission of the testimony of Justun Edwards.

23 THE HEARING OFFICER: Is there any objection?

24 MS. SCHMID: No objection from the Division.

25 MR. FLITTON: No.

1 MR. COON: No.

2 THE HEARING OFFICER: Be accepted.

3 MR. SMITH: Thank you. And at this time I would
4 tender this witness for any cross-examination.

5 THE HEARING OFFICER: Ms. Schmid, any
6 questions?

7 MS. SCHMID: No questions.

8 THE HEARING OFFICER: Mr. Flitton?

9 MR. FLITTON: No questions.

10 THE HEARING OFFICER: Mr. Coon?

11 MR. COON: No questions.

12 THE HEARING OFFICER: Mr. Edwards, I have a
13 question or two for you, please.

14 MR. EDWARDS: Okay.

15 EXAMINATION

16 BY THE HEARING OFFICER:

17 Q. Are you familiar with the rate summary that's been
18 proposed in this case?

19 A. I am fairly--yeah, I know it fairly well.

20 Q. And the rate summary is the rate summary that the
21 Division has recommended in which the Company has, at least
22 inasmuch as they've stated thus far, our agreement with. Is it
23 your position, sir, that the rates that are proposed in that
24 recommendation from the Division are just, reasonable, and in
25 the public interest?

1 A. Yes.

2 Q. Thank you. One final question. I--this is a matter
3 of curiosity relating to the surplus water agreement. Do you
4 know if there's any interest from Herriman's standpoint of
5 bringing Hi-Country into their boundaries?

6 A. Not at this time.

7 THE HEARING OFFICER: Okay. All right. Thank
8 you, Mr. Edwards, for traveling here today. We appreciate your
9 testimony. It was very helpful.

10 MR. EDWARDS: You're welcome.

11 MR. SMITH: Thank you, Mr. Edwards. We could
12 call another witness or maybe this would be an opportune time
13 to take our lunch break because I expect our next witness will
14 be more than ten minutes.

15 THE HEARING OFFICER: All right. Let's take
16 lunch. And is an hour--or do you want to go for less?

17 MR. SMITH: An hour would be fine.

18 THE HEARING OFFICER: An hour? Okay. So
19 we'll see you back here in an hour. We will be adjourned until
20 then. Thank you.

21 (Recess taken.)

22 THE HEARING OFFICER: Counsel, when we last
23 adjourned, I realized I had failed to bring something up that I
24 wished to bring up. And that is that yesterday there was a filing
25 by the Company, and we weren't entirely sure what to do with it

1 so I know that there was a call that was made. But, Mr. Smith,
2 and, Mr. Long, I just wanted to address this with you. This is a
3 purported updated tariff. So if you don't mind, just let me know
4 what you have in mind and then if I need to follow up, I'll let you
5 know.

6 MR. LONG: We prepared that tariff at the request
7 of the Division. The big changes are updated service area maps
8 to include the BLM parcel, so the horse holding area, and also
9 reflected changes requested.

10 THE HEARING OFFICER: Okay.

11 MR. LONG: And so we put a new map, plotted out
12 an approximate overlay of the service area on a topographical
13 map and legal description, again, at the Division's request, and
14 updated the rates in the table toward the beginning to comply
15 with the Division's suggestions.

16 THE HEARING OFFICER: Okay. Now, just for
17 clarification, in Ms. Springer's testimony today, there were some
18 changes. And, of course, this is going ultimately to be decided
19 by the Commission. So once the Commission issues its order, if
20 a new tariff is needed, I assume you would be filing one at that
21 time.

22 MR. LONG: Yes.

23 THE HEARING OFFICER: Okay. Okay. So this is
24 just an update based on where you are at the moment--

25 MR. LONG: Correct.

1 THE HEARING OFFICER: --in your application?

2 MR. LONG: Correct. And we made it at the
3 Division's request so we were clear as far as the service area
4 changes.

5 THE HEARING OFFICER: Okay. Very good. I just
6 wanted to make sure you knew that I was aware of that.

7 Okay. So the other thing that we wanted to do
8 before we put our next witness on is get a sense as to where we
9 are in the process. Mr. Smith, could you speak to that as far as
10 who you intend to call?

11 MR. SMITH: Yes. Thank you. We have two more
12 witnesses. We have Krystal Fishlock-McCauley, who's our
13 financial expert. And then Randy Crane, who is the
14 representative of the Company. And that's all we have.

15 THE HEARING OFFICER: Okay. And which order
16 do you intend to call them?

17 MR. SMITH: Krystal next and then followed by
18 Randy.

19 THE HEARING OFFICER: Okay. And, Mr. Coon,
20 do you intend to testify today or call a witness?

21 MR. COON: No, I don't.

22 THE HEARING OFFICER: Okay. Very good. So,
23 Mr. Smith, the floor is yours.

24 MR. SMITH: Thank you. At this time we call
25 Krystal Fishlock-McCauley as our witness.

1 THE HEARING OFFICER: Good afternoon, Ms.
2 Fishlock-McCauley.

3 MS. FISHLOCK-McCAULEY: Good afternoon.

4 THE HEARING OFFICER: Would you kindly raise
5 your right hand? And do you swear that the testimony you're
6 about to give today is the truth?

7 MS. FISHLOCK-McCAULEY: Yes, I do.

8 THE HEARING OFFICER: Okay. Have a seat. And
9 if you bring that microphone right in front of you--it doesn't pick
10 up real well unless you're practically touching it.

11 MS. FISHLOCK-McCAULEY: Okay.

12 THE HEARING OFFICER: So don't be afraid of the
13 microphone.

14 KRYSTAL FISHLOCK-McCAULEY, having been first
15 duly sworn, was examined and testified as follows:

16 EXAMINATION

17 BY-MR.SMITH:

18 Q. First of all, just to kind of get some of the
19 preliminaries done, state your name and address for the record.

20 A. Yes. My name is Krystal Fishlock-McCauley. I live
21 at 2235 Palawowa Trail, Poy, Wisconsin.

22 Q. Thank you. Can you take a few minutes and talk
23 about your educational background and your work experience?

24 A. Yes. I received my master's degree from Weber
25 State University. And I went on to get my CPA license. I

1 worked for the State for 12 years in different capacities. The
2 last six was with the Division of Public Utilities. I had--went
3 through three different positions. When I left I was considered
4 a technical consultant on basically financial and regulatory
5 issues. Since then I've done private work with individual water
6 companies. And that brings us to here today.

7 Q. Thank you. And were you retained to be a witness
8 in the matters that you're testifying on today?

9 A. Yes, I was.

10 Q. And what was your understanding to what you were
11 retained to do?

12 A. I was retained to review the Company's financials.
13 Tried to help them make sense of their financial information in a
14 regulatory setting to prepare schedules and to come up with a
15 rate design, an updated rate schedule for the Company to meet
16 their financial needs.

17 Q. Okay. And have you prepared prefiled testimony
18 for this matter?

19 A. Yes, I did.

20 Q. And do you have any corrections you would like to
21 make in your prefiled testimony?

22 A. I do not have any corrections.

23 Q. Okay. Would you take a few minutes and just give
24 a summary of your prefiled testimony for the Commission today?

25 A. Okay. Since my prefiled testimony is technical in

1 nature and has been reviewed extensively by the Division, I'm
2 not going to detail all the financial details therein. Instead, I
3 direct the Commission to my written testimony and the financial
4 information followed by the Company.

5 My prefiled testimony primarily deals with the
6 financial information submitted as part of the Company's rate
7 case application. It is in this prefiled testimony I discussed the
8 rates proposed by the Company. This included capital reserve
9 fees. I displayed the overall financial situation of the Company.
10 I discussed collection of 2012 test year for purposes of this rate
11 case and a handful of other smaller issues.

12 I want to make note that the rates explained in my
13 testimony are the rates that Hi-Country proposed in its initial
14 application. Now, however, that Hi-Country has reviewed the
15 rates proposed by the Division of Public Utilities and finds that
16 the Division's rates are preferable to the rates originally
17 proposed by Hi-Country, there is one exception and that is the
18 exception of the eliminating of the well lease fee of \$3.85 per
19 gallon that was recommended--

20 Q. Would that be per thousand gallons?

21 A. Per thousand gallons, excuse me, yes. That was
22 eliminated by the Division's proposal. I also want to note that
23 although I do--I--that I do not personally agree with some of the
24 expense adjustments proposed by the Division in its calculation
25 of Hi-Country's revenue requirement. I did, however, conclude

1 based on my review that their overall rate design and proposed
2 rates will provide the necessary revenues and are just,
3 reasonable, and in the public interest. I also believe that the
4 Division's revenue requirement calculations and rate design fit
5 well within the financial aspects of a nonprofit organization.

6 I do not believe they would be fully appropriate for
7 a rate setting for a for profit organization. Since Hi-Country is a
8 nonprofit organization, I have no argument for the use of the
9 Division's proposed revenue requirement and its new rate
10 design in this case. That is all I have at this time.

11 MR. SMITH: Okay. Thank you. At this time we
12 would move for admission of the prefiled testimony of Krystal
13 Fishlock-McCauley along with the exhibits filed with it.

14 THE HEARING OFFICER: Is there any objection?

15 MS. SCHMID: No objection.

16 MR. FLITTON: No.

17 THE HEARING OFFICER: It's admitted, Mr. Smith.

18 MR. SMITH: Thank you.

19 BY MR. SMITH:

20 Q. Just to follow up on a couple things, can you
21 explain about the well lease fee of 3.85 of what that--who's
22 supposed to pay other than the rates you helped the Company
23 prepare--the requested rates, I should say, prepare and submit
24 as part of this application, can you explain a little bit about that
25 3.85? I should say \$3.85 for the well lease.

1 A. Yes. First of all, in the--in the summation of
2 financial information leading to the position of a Company, I did
3 not include any additional costs that would relate to a well lease
4 agreement or the implementation of a line extension in which
5 the 3.85 would apply. So the general rate schedules that have
6 been presented by myself and now by the Division do not
7 include any additional costs that would be related to the
8 proposed rate of 3.85, nor the one--the \$10,000--
9 hold on, let me get the right wording--the \$10,000 outside
10 service connection review fee. These two components actually
11 go together.

12 So if you set everything else aside, then for a
13 moment I can focus primarily on the 3.85 and the parts of the
14 tariff that relate to this. In the proposed tariff, Hi-Country is
15 proposing a rate of \$3.82 for each thousand gallons delivered
16 under any well lease agreement that is entered into. The initial
17 agreement, if you go to the tariff filing, Section C, it's on sheet
18 nine, Section C, number three on sheet nine is the nonstandard
19 service connection fee. That is the \$10,000 outside service
20 connection review fee. So they're one and the same, but the
21 nonstandard service connection paragraph goes on to delineate
22 that the cost will be borne by the applicant. To me, this
23 mirrors very simply--in my history with the Division, it mirrors a
24 line extension agreement. Other times we would call it a line
25 extension agreement where someone outside the service

1 territory wants to connect to the system, the costs are
2 developed, and the new customer since it is a higher cost
3 running it to that customer, there's larger piping, there's more
4 impact on the system itself, those costs are determined at that
5 time and paid for by the applicant. And that's what I see here in
6 number three.

7 If we go back to the \$3.85, it's my understanding
8 that this was originally from a District Court case of \$3.19,
9 approximately which at the hearing of that case it was increased
10 by the consumer price index to reach the \$3.85. At the time we
11 did this filing, we did not go through the time, nor the Company
12 did not put out the money to redo the original cost estimates
13 that went into the \$3.19 at the time of the District Court case.
14 So that's why the Company at this time was proposing to go with
15 the 3.85.

16 Q. And can you explain who would be under that rate
17 as proposed by the Company, who would be those responsible
18 to pay that \$3.85 per thousand gallon?

19 A. The \$3.85 per gallon would be charged to only the
20 customers who are connecting under the agreement.

21 Q. Okay. So that would not be a charge to the other
22 ratepayers of the company?

23 A. No.

24 MR. SMITH: Thank you. That's all the questions I
25 have for this witness.

1 THE HEARING OFFICER: Ms. Schmid, any cross?

2 MS. SCHMID: Just one clarifying question.

3 EXAMINATION

4 BY-MS.SCHMID:

5 Q. So to get the 3.85, did you take the 3.19 from the
6 court decision and gross it up to the present year using the
7 CPI?

8 A. If I recall, it was grossed up to 2012 or 2013.

9 MS. SCHMID: Thank you very much and that's it.

10 THE HEARING OFFICER: Mr. Flitton?

11 EXAMINATION

12 BY-MR.FLITTON:

13 Q. Let me ask you about this 3.85. Did you do any
14 calculations on what costs are included in that amount?

15 A. Not specific costs other than what was delineated
16 in the District Court decision.

17 Q. Did you have any sense of what the cost of
18 production of the water is?

19 A. They primarily spoke of transportation and I believe
20 that the costs at that time--I'm sure the costs will be more now.
21 I can only make an assumption without doing an actual study.

22 Q. What are the transportation costs? Explain that to
23 me.

24 A. Transportation costs are the costs of piping in
25 water from one place to another.

1 Q. But aren't the pipes already in the ground?

2 A. A line extension would require additional. It's not
3 the cost of keeping that maintained. There are aspects of
4 treating water. If it has to go through a pipe system, there could
5 be additional pumping necessary.

6 Q. But you haven't looked at any of those individual
7 items?

8 A. No, I did not.

9 Q. Okay. So you talked about these line extension
10 agreements that the customer would have to pay for those,
11 right? The developer of, you know, whatever--wherever location
12 there would be a line extension, they would pay for those; is
13 that right? Did I understand you correctly?

14 A. In my history, that's how they've been treated.

15 Q. Have you reviewed the Dansie well lease
16 agreement?

17 A. I've read it once or twice. I don't understand all of
18 it.

19 Q. Okay.

20 A. I am more familiar with what we have presented in
21 the tariff and how that fits into regulatory.

22 Q. But you've opined relating to, you know, what's
23 typical of the line extension agreement. Would the Dansie well
24 agreement--well lease agreement fall into that same category?
25 Would that be an agreement that would be binding on the

1 Company?

2 MR. SMITH: I'm going to object. It calls for a legal
3 conclusion.

4 THE HEARING OFFICER: Sustained.

5 BY MR. FLITTON:

6 Q. Well, if I were to tell you that there is a well lease
7 agreement that the developer of the water system agreed to in
8 the water, would that be similar to a line extension agreement in
9 terms of governing how that water service connection would be
10 regulated?

11 A. I can't say yes or no because under the regulatory
12 avenue there are requirements that the Company has to go
13 through to stay within their regulatory requirements. And a line
14 extension agreement would need to be reviewed and approved if
15 over a certain amount of dollars were expected. And the
16 Company was going to be expected to implement asset--or
17 produce new assets of a certain amount and it would not be able
18 to go beyond what was in their own tariff.

19 Q. Okay. So what kind of regulations are there, for
20 example, with the Herriman City surplus water agreement? Is it
21 the same standards?

22 A. I don't believe they have a surplus water
23 agreement.

24 Q. Is it the same standard to be able to--we had
25 testimony today that there was--

1 A. As far as I understand, they are buying water at a
2 specific rate.

3 Q. Under a surplus water agreement.

4 A. If that's what they call it. I don't know that--

5 MR. SMITH: I'm going to object. That
6 mischaracterizes the testimony. The earlier testimony was at
7 some point they expect to have that converted from an
8 emergency water supply agreement to a surplus water--

9 BY MR. FLITTON:

10 Q. Okay. Is it the same standard, then?

11 THE HEARING OFFICER: Mr. Flitton, there has
12 been an objection made and it's sustained.

13 BY MR. FLITTON:

14 Q. Is it the same standard, though, between--you
15 know, with an agreement like that, okay, converting emergency
16 water to surplus? Is it the same standard?

17 A. I see those agreements as being completely
18 different because Herriman is--
19 Hi-Country is buying water to support its system, whereas you're
20 talking about someone buying water and putting it through their
21 system, Hi-Country system.

22 Q. What do you mean? I don't understand the
23 difference.

24 A. Okay. Herriman is buying water when it needs
25 more because its source is lacking at a certain point of usage.

1 MR. SMITH: You mean Hi-Country?

2 MS. FISHLOCK-McCAULEY: I mean Hi-Country is
3 buying from Herriman water. So it's basically an additional
4 source of water to the water company. They're buying that
5 water to support the water usage of the customers.

6 BY MR. FLITTON:

7 Q. What was the Dansie agreement then?

8 A. The Dansie agreement is to put its water and serve
9 specific locations with its own well water.

10 Q. No.

11 A. At least that's what I understood.

12 Q. Okay. So you don't have an understanding the
13 Dansie well lease agreement was to actually provide a source of
14 water supply for the development originally?

15 A. The original--the original agreement?

16 Q. Yes.

17 A. I do recall, but I would have to refresh by reading
18 it. I'm sorry, I can't answer your question fully.

19 Q. Okay. So you don't know whether or not that
20 original agreement was to supply a water source for the
21 development?

22 A. I recall something about source that, from what I
23 understand we were looking at today, was Dansie's own wells
24 being used as the source in transporting the water to specific
25 locations owned by Dansie.

1 Q. So help me understand what your understanding of
2 the agreement is so I can gauge your testimony. So your
3 understanding is that the original agreement was what?

4 MR. SMITH: I'm going to object for lack of
5 relevance of the question. I don't think it makes any difference
6 what this witness understands.

7 THE HEARING OFFICER: Mr. Flitton--

8 MR. FLITTON: Well, you guys sort of testified as
9 an expert. And I want to understand the basis of her testimony.
10 And I think that this issue is relevant.

11 THE HEARING OFFICER: Mr. Flitton, I think this is
12 beyond the scope of what Ms. Fishlock-McCauley has been
13 called to testify on. And so on that basis, I'm going to sustain
14 the objection.

15 MR. FLITTON: Did she not opine, though, about
16 the agreement in the first place in direct testimony?

17 THE HEARING OFFICER: Mr. Fishlock [sic], if you
18 have questions, you need to direct them to the witness.

19 MR. FLITTON: That's all I have. Thank you. And
20 it's Mr. Flitton, by the way.

21 THE HEARING OFFICER: I'm sorry, Mr. Flitton.
22 Thank you.

23 Mr. Coon?

24 MR. COON: Yes.

25 THE HEARING OFFICER: Do you have questions

1 for Ms. Fishlock-McCauley?

2 MR. COON: No, I don't.

3 THE HEARING OFFICER: Okay. Ms.

4 Fishlock-McCauley, thank you very much for being with us today
5 and for the background about yourself. And I just have a
6 question or two for you, please.

7 EXAMINATION

8 BY-THE HEARING OFFICER:

9 Q. When you worked for the Division, do you recall
10 whether there was a standard that would allow a rate such as
11 3.85 to be what's been referred to as grossed up based on the
12 consumer price index? Is that a standard that the Division
13 and/or the Commission recognizes?

14 A. Not over that many years we wouldn't have agreed
15 to a rate without doing a more current analysis.

16 Q. Okay. And do you have a more current analysis for
17 the 3.85?

18 A. No. At the time we prepared this, we didn't have
19 the resources at the time to prepare it.

20 THE HEARING OFFICER: Okay. I don't have any
21 further questions. Thank you for your testimony today. You
22 may be excused.

23 MR. SMITH: Thank you. At this time we would call
24 Mr. Randy Crane as a witness on behalf of the Company.

25 THE HEARING OFFICER: Good afternoon, Mr.

1 Crane.

2 MR. CRANE: Good afternoon.

3 THE HEARING OFFICER: Could you please raise
4 your right hand? And do you swear that the testimony you're
5 about to give is the truth?

6 MR. CRANE: I do.

7 THE HEARING OFFICER: Thank you. You may be
8 seated. Will you adjust the microphone so you're speaking into
9 it, please?

10 MR. CRANE: Can you hear me?

11 THE HEARING OFFICER: Yeah.

12 RANDY LEE CRANE, having been first duly sworn,
13 was examined and testified as follows:

14 EXAMINATION

15 BY-MR.SMITH:

16 Q. Could you please state your name and address for
17 the record.

18 A. My name is Randy Lee Crane and I live at 13682
19 South Mount Shaggy Drive in Herriman, Utah, Phase I--Herriman
20 Phase I--or Hi-Country Estates Phase I.

21 Q. So you live within the boundaries of the service
22 area of the Hi-Country Estates Homeowners Association Water
23 Company; is that right?

24 A. That is correct.

25 Q. How long have you resided there?

1 A. Oh, it's been 18 years.

2 Q. Okay. And during that 18 years, have you been
3 involved with the water company and the homeowners
4 association?

5 A. Yes. Over the last, I'm going to say, 12 years I've
6 been involved with--directly involved with the water company as
7 a member and then finally as the president of the water
8 company. And then about six years ago I resigned and--it's
9 been, like, about eight years ago--and then went on the--
10 became a director of and vice president of the homeowners
11 association.

12 Q. So you've held positions with both the water
13 company and the homeowners association; is that right?

14 A. That is correct.

15 Q. And over what period of time have you held those
16 positions starting when?

17 A. I would say over the last 12 years.

18 Q. Okay. And what position do you currently hold?

19 A. I'm vice president of the homeowners association.

20 Q. And as vice president, can you tell us a little bit
21 what your duties and responsibilities are particularly regarding
22 the water company?

23 A. The water company, basically through the years I
24 have been involved with just handling the legal--I shouldn't say
25 just handling, but mostly the legal aspects of the HOA with

1 support from the legal committee and the board of directors.
2 I've also been responsible for maintaining the gate at the
3 entrance. And not so much overseeing the water system. That
4 was turned over to Brad Barlocker who is our
5 secretary/treasurer.

6 Q. Okay. But are you familiar with the operations of
7 the water system?

8 A. Yes, I am.

9 Q. And were you asked to provide prefiled written
10 testimony in this proceeding we're here for today?

11 A. Yes, I was.

12 Q. And did you do that?

13 A. Yes, I did.

14 Q. And could you take a few minutes and give a
15 summary of that prefiled testimony to the Commission and those
16 that are here?

17 A. Yes. My name is Randy Crane and I've submitted a
18 prefiled testimony on behalf of Hi-Country Estates Homeowners
19 Association. I am a homeowner in Hi-Country Estates one
20 subdivision and am currently the vice president of the
21 homeowners association board of directors. I have submitted
22 both direct and rebuttal testimony. As both sets of testimony
23 deal with similar issues, I will summarize both in general terms.

24 As written, the testimony is fairly long. This
25 introduction will basically just note the areas covered by my

1 prefiled direct and rebuttal testimony. I refer the Commission to
2 my written testimony for further details. My testimony includes
3 a description of the water company history, including the
4 exemptions granted to the Company, exceptions excepting it
5 from PSC regulations, and the Company's return to the PSC
6 regulations in 2012 based upon serving customers outside of
7 the HOA.

8 These current proceedings are a direct
9 consequence of the Company coming back under the PSC
10 regulation and my testimony covers that, the proposed changes
11 to the Company's tariff, changes to the Company's rates,
12 planned capital improvements, and the Company's contract with
13 Herriman, changes to the Company's service area and the
14 ongoing issue with the well lease agreement with Mr. Dansie.

15 The changes to the tariff are generally minor and
16 the final version of the tariff will depend upon the rates
17 approved by the Commission. The Company proposed a rate
18 structure in its initial filing that we believe would provide
19 sufficient revenue to the Company. However, the Company now
20 prefers the rate structure as proposed by the Division of Public
21 Utilities and intends to support the Division's proposed rate,
22 with a single exception of the well lease rate proposed by the
23 Company that would apply to any water required to be delivered
24 to Mr. Dansie under the well lease agreement or any other large
25 customers.

1 The \$10,000 amount was meant to cover the initial
2 deposit to the association for investigating of a connection to
3 our water system. The cost for the connection and engineering
4 we estimate to be about 100(k) for the Dansie connection. That
5 is based upon prior engineering that was done, costs that were
6 done several years ago.

7 The Company is planning several significant capital
8 improvement projects; namely, meter replacements, a new pump
9 station, and upgrades to the Company's monitoring systems.
10 The Company expects that its current reserves combined with
11 revenues from the rates set through these proceedings will be
12 sufficient to fund these improvements and any necessary capital
13 projects in the future.

14 In 2003 we investigated drilling a new well, but
15 deemed it not to be economical at that time. In the 2003 year,
16 we estimated an initial budget of 500(k) and that today could
17 swell up between 750 and 100(k).

18 Currently, to meet consumers' demand we take
19 water from Herriman during high demand time, typically during
20 summer months and during times of maintenance of the well in
21 the system. The Company has also entered into an
22 arrangement with Herriman City under which Herriman is
23 responsible for day-to-day operations of the water system
24 including routine maintenance and repairs as it is also
25 responsible for billing and collections for Hi-Country water

1 customers.

2 Under the agreement Herriman operates the water
3 system according to the agreed upon budget and any large
4 expenditures not included in the budget are approved by the
5 Company. The Company believes this arrangement is very
6 beneficial to its ratepayers as Herriman Water Department has
7 both the capacity and expertise to efficiently operate Hi-Country
8 water system and the arrangement takes the burden off of
9 Hi-Country residents who have previously helped with the
10 operations and billing on a volunteer basis.

11 The 1977 well lease agreement with the 1985
12 amendment to that agreement is under--under which Intervener
13 Rod Dansie has claimed to be entitled to 12 million gallons of
14 free water annually from the Company as well as a variety of
15 other benefits. Mr. Dansie believes that the Company
16 ratepayers should have to pay to supply these benefits. The
17 well lease has been extremely litigated and yet remains an issue
18 despite the efforts of the Company to provide water to Mr.
19 Dansie according to the terms of the Corfish (phonetic)
20 decision. Through these proceedings and the Commission's
21 power to over--or Commission's power over contracts entered
22 into by public utilities, the Company hopes to put an end to this
23 dispute and over the well lease agreement once and for all.

24 One other--before I conclude, last Wednesday I
25 brought up the fact that we are concerned about the quality of

1 water being delivered by the Dansie well. And I would like to
2 address that. The cancer rate in Hi-Country and the quality of
3 water served by the original Dansie well, which is now Dansie
4 well number 15, as I stated, we identified 18 cases of cancer,
5 which involved the original 50 Hi-Country Estates residents. We
6 initially had identified 20 cases and reported these names to the
7 Salt Lake County Health Department. In a letter we received
8 from the Salt Lake County Health Department in 2007, the
9 department confirmed 18 of these suspected cases were, in
10 fact, on the registry and they were going to continue to look into
11 the ground water issue and keep us informed.

12 As I stated, to our knowledge, there have been
13 no--there have not been any identified new cases of cancer in
14 any of the residents that have moved into the HOA since our
15 association was disconnected from the Dansie well number 15.
16 Unfortunately, due to the numerous other lawsuits by Mr.
17 Dansie, we have upped this issue for a later date.

18 On 2011, June 21st, in a subcommittee meeting of
19 the Salt Lake Council, Mr. Dansie stated his well had quality
20 issues. In order to serve his proposed subdivision of
21 approximately 1500 homes, he would need to commingle the
22 water from his--the Dansie wells. He did state that the concern
23 was the high level of TDS, total dissolved solids. In researching
24 this issue, it was found that the TDSs in his water currently is
25 around 900 parts per million.

1 The Division of Drinking Water has set a standard
2 of having your TDSs below a thousand PPS for having what they
3 qualify good drinking water. The TDS monitoring of Dansie well
4 number 15 was done by Kennecott from 1976 to 2007.
5 Historically, during this time the TDS concentration has been
6 above the 1,000 parts per million level, specifically during the
7 period that they had been delivering water from this well to
8 Hi-Country Estates.

9 The monitoring part of the agreement between
10 Kennecott and Dansie was to provide--
11 was so that they could justify providing bottled water to the
12 Dansie properties as long as the TDS levels were above the
13 1,000 parts per million threshold.

14 Dansie has stated the need to connect and
15 commingle his water with Hi-Country water system and was to
16 have the ability to reduce the level of TDSs in his water. That
17 makes no sense. The level of TDSs in the water delivered from
18 the Hi-Country water system is consistently above 1,000 TDS
19 PPM level, not significantly, but above, and as reported in
20 Hi-Country--as reported in Hi-Country's drinking waters quality
21 report that are issued once a year.

22 In lab tests dated 2008 that were performed on the
23 Dansie water system, not only does the water from Dansie's well
24 number 15 have high levels of TDS, but the well also has high
25 levels of alpha-emitting--emitters approximately 15.8 picocuries

1 per liter with a maximum limit of 16 picocuries per liter and has
2 uranium of 7.7 micrograms per liter, which is the primary source
3 of alpha particles.

4 In subsequent research it has been found that a
5 letter was sent to the Dansie Water Company.

6 MR. FLITTON: Your Honor, let me object. Number
7 one, this testimony about all these, you know, particulates or
8 whatever, there's no evidence of it. There's nothing in the
9 record--

10 MR. CRANE: Yes, there is.

11 MR. FLITTON: --that demonstrates that. Where is
12 it in the record?

13 MR. CRANE: It's in my prefiled motion or--

14 MR. FLITTON: The background information is in
15 the record?

16 MR. SMITH: Yeah, it's attached.

17 MR. FLITTON: I don't recall any of it.

18 MS. SCHMID: Would it be Exhibit 10, the March
19 20, 2007 letter, perhaps?

20 MR. SMITH: Yeah. There's a letter dated March
21 20, 2007 from Kennecott.

22 MR. FLITTON: You're talking about the information
23 on drinking water, the public input?

24 MR. SMITH: No. This was--there's also a March
25 11, 2009 letter to J. Dansie from Pam Fauver of the Division of

1 Environmental Quality.

2 THE HEARING OFFICER: Which exhibit number is
3 that, please, Mr. Smith?

4 MS. SCHMID: 12 or 11?

5 MR. SMITH: Yeah. One is ten. The first one I
6 mentioned Kennecott is Exhibit 10 to Mr. Crane's testimony.
7 And then the letter from the Division of Drinking Water is Exhibit
8 12 to Mr. Crane's testimony.

9 THE HEARING OFFICER: Mr. Smith, it might be
10 helpful if you--

11 MS. SCHMID: Oh, and perhaps Exhibit--
12 sorry--Exhibit 14, as well?

13 MR. SMITH: Yeah. I'm sorry, that's the one I'm
14 looking at, Exhibit 14.

15 THE HEARING OFFICER: Mr. Smith, it may be
16 helpful if you specifically identify where in those exhibits so that
17 Mr. Flitton--

18 MR. SMITH: Yeah, why don't we do this. I will just
19 ask some questions of Mr. Crane. And that way he can respond
20 to questions and if they need to make objections, they can make
21 objections. I'll suggest we do it that way.

22 MR. CRANE: Okay.

23 MR. SMITH: At this time we would move for
24 admission of Mr. Crane's prefiled testimony as well as the
25 attached exhibits.

1 THE HEARING OFFICER: Mr. Smith, why don't we
2 wait to do that after he testifies?

3 MR. SMITH: Okay.

4 THE HEARING OFFICER: Ms. Schmid, did you
5 want to add something? Okay.

6 BY MR. SMITH:

7 Q. I want to first talk to you, Mr. Crane, a little bit
8 about the \$3.85 proposed fee for well lease transportation of
9 water. Are you familiar with that part of the tariff?

10 A. Yes, I am.

11 Q. Can you explain to the Commission where that
12 came from?

13 A. It was approximately 2003, 2004, I believe, that we
14 had a court hearing in which Judge Brian was going to issue a
15 final decision. During that period we hired a PE to review what
16 the cost would be to transport water through our system and to
17 Mr. Dansie.

18 Q. Okay. Can you turn to Exhibit 8 of your prefiled
19 testimony? It's a document entitled Final Judgment, Honorable
20 Pat B. Brian. I've got some extra copies if anybody needs
21 copies of that. Do you recognize that document--

22 A. Yes.

23 Q. --as part of your prefiled testimony?

24 A. Yes. It's the final judgment that Judge Brian
25 issued.

1 Q. And is that--your understanding, is that the--still in
2 force?

3 A. Yes, it is.

4 Q. And if you look at--if you go to the third page of
5 Exhibit 8 to your prefiled testimony, do you see near the bottom
6 of the page where it says judgment and order, do you see
7 there's a two there?

8 A. Okay. Judgment and order, yes.

9 Q. Okay. And is it your--what's your understanding of
10 the--what this judgment requires you or what it requires
11 Hi-Country to do or not do?

12 A. To the best of my knowledge, what was decided by
13 this final decision was that the well lease agreement was a valid
14 contract unless the PSC intervened. And it goes on to state the
15 PSC has the power to construe contracts affecting ratepayers or
16 rate making. Hi-Country order prohibits the well lease from
17 affecting the rates paid by the customers, i.e. the association
18 members.

19 Q. Now, some of your testimony--you talked about
20 different Dansie wells. There's the Dansie well number one;
21 Dansie well number 15. Are those two different wells or are
22 they the same well?

23 A. They are the same well. When the contract was
24 signed, it was identified as Dansie well number one. Currently,
25 in the--under the state engineer's documentation, it had been

1 identified as Dansie well number 15 for--as he goes through his
2 purposes.

3 Q. So when you talk about well one or 15, we're
4 talking about the same well; is that right?

5 A. That is correct.

6 Q. And when you're talking about the contract, you're
7 talking about the well lease agreement between--with Mr. Dansie
8 claiming certain rights under this proceeding?

9 A. That is correct.

10 Q. Going to paragraph ten on page five of Exhibit 8,
11 the final judgment, is that where the \$3.19 comes from that the
12 Company has used to develop its transportation well lease rate?

13 A. That is correct.

14 Q. And how did the Court come to this--if you know,
15 how did the Court come to this figure of \$3.19?

16 A. We supplied the Court--our company supplied the
17 Court with documentation of what it was costing to supply water
18 through the system. And the courts basically evaluated that and
19 came down with this fee.

20 Q. Okay. And what's this fee? When it says
21 transportation costs, do you know what the transportation costs
22 are made up of?

23 A. Basically, it's to transport water from the Dansie
24 well number one or 15, depending upon when it was dated,
25 through our system which includes taking it up to our tank. It

1 would require us to do any treating of the water, the additional
2 pump costs, if needed, the maintenance on the system as
3 required, and then provide the storage of that water so it could
4 be transported out the front gate to his system.

5 Q. Okay. And then the difference between--
6 what does the difference come from from the 3.19 to the 3.85
7 that's in the proposed tariff from the Company?

8 A. Several years ago we readjusted our water rates.
9 And at that time we discovered or found a CPI,
10 consumer--whatever--

11 Q. Price index?

12 A. --price index, that basically identified water and
13 water systems and that. And we applied that to all of our rates
14 at that time going forward. So the homeowners' cost, either for
15 the standby fee or for the rates they were paying, were all
16 adjusted at the same time by that amount. So that was how we
17 came up with the \$3.85, I believe is what it is today.

18 Q. Okay. And, as far as your understanding, is the
19 Company complying with this, the final judgment that's yours as
20 Exhibit 8 to your testimony?

21 A. Yes, we are. We have made several attempts to
22 hook Mr. Dansie up by submitting letters from the Division of
23 Drinking Water that Bob Hart provided to us that he testified to
24 on Wednesday. That was written in response to a letter that I
25 wrote to him and the Division director, Mr. Bousfield, submitted

1 that letter back to the Company. And that was submitted to Mr.
2 Dansie and he rejected it out of hand.

3 Q. Now, is Hi-Country currently leasing well number
4 one or, slash, 15, whatever you want to call it, from Mr. Dansie
5 at this time?

6 A. We have not leased or had anything to do with well
7 number one for over 20 years. So, no, we are not.

8 Q. Okay. And do you have concerns about the water
9 quality of the Dansie well, slash, 15?

10 A. That is correct.

11 Q. And I would like to have you look at Exhibit 14 to
12 your testimony. We have an extra copy here.

13 MR. SMITH: I have extra copies if anyone else
14 needs one.

15 BY MR. SMITH:

16 Q. Do you recognize Exhibit 14 to your prefiled
17 testimony?

18 A. Yes, I do. It's the one I was referring to in my
19 initial attempt.

20 Q. That's when you got the objection, correct?

21 A. That's correct.

22 Q. And what's your understanding of Exhibit 14 to your
23 testimony?

24 A. Basically, it's a notice of increased radiological
25 monitoring based upon the alpha. Those alpha results were over

1 the maximum containment level, MCL, on Dansie well, which is
2 WS001, which would be Dansie well 15, because it's the only
3 certified culinary well that he has.

4 Q. So that's the same well as well number one under
5 the well lease agreement?

6 A. That is correct.

7 MR. FLITTON: I'm going to object to the relevance
8 of this line of questioning.

9 MR. SMITH: I think it's very relevant. They're
10 claiming certain rights that--and claim that we should be taking
11 water from a--

12 MR. FLITTON: But you're re--

13 MR. SMITH: Let me finish. They have rights and
14 we should be taking water. I think there were some questions
15 earlier about, well, isn't there other cheaper water available to
16 you other than buying it from the city? Well, this is the water
17 that's available to us and this is one of the reasons why we
18 don't want to have anything to do with this water because of
19 water quality issues.

20 MR. FLITTON: I guess my position is you're
21 relitigating what's already been decided by the courts. I mean,
22 you're making the same arguments. The courts have found the
23 agreement is valid and that it's not unconscionable against
24 public interest. And, you know, there's an obligation. I don't
25 understand why this is part of the rate case. It doesn't make

1 any sense.

2 THE HEARING OFFICER: Mr. Flitton, if I might
3 interject for just a second. And maybe I'm misunderstanding
4 what Mr. Smith is doing here, but as I'm hearing what he's
5 doing, I think--and please tell me if I'm wrong, Mr. Smith--I think
6 what he's doing is he's using this information to establish why
7 the system should not be commingled. Is that correct?

8 MR. SMITH: That's correct.

9 THE HEARING OFFICER: Okay. So I am going to
10 overrule the objection and allow the questioning to continue.

11 BY MR. SMITH:

12 Q. Thank you. Mr. Crane, do you have any--what's
13 your--do you know what it means when somebody gets a letter
14 saying they have increased radionuclide in their water?

15 A. Yes. Well, it--increased nuclides, which are, as it
16 states here, is the grossed alpha. And, again, his well has been
17 identified as having the gross alpha particle content of above 15
18 picocuries per liter.

19 Q. Okay. I also now want you to take a look at Exhibit
20 10 of your prefiled testimony. Again, we have an extra copy of
21 it for you so you don't have look through your prefiled testimony.

22 MR. SMITH: We have extra copies if anyone else
23 needs one.

24 BY MR. SMITH:

25 Q. Do you recognize Exhibit 10 to your prefiled

1 testimony?

2 A. Yes, I do.

3 Q. And can you tell the Commission what that is?

4 A. This is a letter that Kennecott Copper sent to Mr.
5 Dansie outlining that--outlining that his water system--as of
6 2007 that his water--his TDSs in his water were below the 1,000
7 PPS level and that they would no longer be serving bottled
8 water to Mr. Dansie. The following graphs show the levels of
9 TDS and sulphates. And you will notice that during the period
10 he was serving us and from the '70s through about '94, his total
11 dissolved solids went above 1,000 and at times went above
12 1100. Since disconnecting, it took some time for the water
13 quality to settle down and has subsequently fallen below the
14 1,000 TDS level.

15 Q. And that's--1,000 is a cutoff point for drinking water
16 purposes?

17 A. Yeah. They recommend that you don't have
18 anything above 1,000 TDSs, mainly because of water quality
19 and drinkability.

20 Q. Now, has Mr. Dansie on occasion made demands of
21 the Company that he be reconnected to the company system?

22 A. Yes, he has on numerous occasions.

23 Q. Has he ever provided the Company with any water
24 quality information to show what the quality of the water that his
25 wells would produce or his well number one would produce?

1 A. He has denied both the request from our legal
2 counsel to do so for this hearing as well as any time along the
3 way. So he has refused to supply any information of his
4 system.

5 Q. Okay. One of the--this is actually an exhibit. I'm
6 going to give you a copy of this. In fact, I think I gave you one
7 during the lunch break. This is Exhibit E to Mr. Dansie's
8 prefiled testimony. I want to ask you some questions. It's an
9 opinion by the Utah Court of Appeals.

10 A. I didn't keep it. I gave it back.

11 Q. And, as I said, this was submitted by Mr. Dansie.

12 A. Okay.

13 Q. Okay. If you could go to--there's an opinion and a
14 descending opinion. But I would like you to go to page four,
15 paragraphs 14 and 15 of the main opinion, not the descend.

16 A. Okay.

17 Q. First of all, do you recognize this document?

18 A. Yes, I do. Yes, absolutely.

19 Q. And what is it?

20 A. This was the memorandum decision and order the
21 last time we went to court with Mr. Dansie over the well lease
22 agreement.

23 Q. So this is the most recent court ruling in any of
24 your decisions with any of your many court battles--I don't know
25 what to call them--with Mr. Dansie; is that correct?

1 A. That is correct.

2 Q. And do you have an understanding--you heard Mr.
3 Flitton make some comments about that we're trying to relitigate
4 something. What's your understanding of the decision of the
5 court in regards to what the--what's before the Commission
6 today?

7 A. Again, the courts stated--and I think--I believe it's
8 in here. But the final decision was, as issued by Judge Brian,
9 was binding and that unless the PSC intervened, that the well
10 lease agreement would go forward. But, you know, as we know,
11 PSC has intervened and has the right. Basically, the impression
12 I got from the trial was that once the PSC intervened, then the
13 District Court and the court systems no longer were of
14 concern--or were concerned about how things went forward.

15 MR. FLITTON: I'm going to object to that response
16 on the basis that it contains legal conclusions. He's not
17 qualified as a legal expert and also, you know, it is speculative.

18 MR. SMITH: I'll withdraw the question.

19 Am I to understand since I'm--I don't understand
20 where this document lies as far as whether it's been admitted or
21 not. I know we haven't gotten Mr. Dansie's testimony. This is
22 an exhibit to Mr. Dansie's testimony, but I know you overruled
23 the objection to the motion we made about Mr. Dansie's
24 testimony. So is this considered admitted or do I need to make
25 a motion to have this exhibit admitted and entered into

1 evidence? Or I could just ask you to take notice of it as it is a
2 court document.

3 THE HEARING OFFICER: Whichever way you
4 prefer, Mr. Smith. Technically, the admission of Mr. Dansie's
5 testimony and the exhibits would be requested by his counsel.

6 MR. FLITTON: Should we do that now?

7 THE HEARING OFFICER: I think Mr. Flitton is
8 offering to make that simple in offering up the testimony along
9 with the exhibits. Is that correct?

10 MR. FLITTON: Yes, I am. Thank you.

11 THE HEARING OFFICER: Yes. Unless there's an
12 objection, which I don't hear, the Commission does accept the
13 testimony that's been filed by Mr. Dansie along with the exhibits,
14 including his direct testimony and his surrebuttal.

15 MR. SMITH: Okay. Thank you.

16 BY MR. SMITH:

17 Q. Do you know why the--do you know the
18 circumstances that surrounded the disconnection of the Dansie
19 well from the Hi-Country water system?

20 A. In general, the Dansie well or water system, there
21 was some, I'll say, mischief that went on with the system, the
22 company system, and a few other things that took place. And,
23 finally, the PSC ordered the systems disconnected.

24 Q. If I would have you look at Exhibit 5 to your prefiled
25 testimony--oh, no, sorry. That's the wrong one. That's the

1 wrong order. Let's have you look at Exhibit 6 of your testimony.
2 Five, we'll talk about that, too. Is this the report issued on April
3 9, 1992? Is this the order that you're referring to as far as
4 being ordered to find an alternative water source and disconnect
5 from the Dansie well?

6 A. I'm going to say yes.

7 Q. I was going to say if you look at the synopsis about
8 a third of the way down, it says, Commission ordered the utility
9 to cooperate with an intervener to bring about--bring alternative
10 water source.

11 A. Yes.

12 Q. Okay. Now, let me have you take a look at Exhibit
13 5 to your prefiled testimony. That's the report and order dated
14 March 17, 1986.

15 A. Okay.

16 Q. Are you familiar with this document?

17 A. Yes, I am.

18 Q. And what's your understanding of what that order
19 the Commission requires the Company to do?

20 A. Let me make sure that--you're going to have to help
21 me out.

22 Q. Okay. If you look at--if you go to page 11 of that
23 report and order, now, at that time this talks about Foothills.
24 Can you say who was the owner of Foothills Water Company at
25 that time?

1 A. I'm going to believe--at this time it was kind of
2 questionable. It was Mr. Bagley, I believe.

3 Q. Okay. And you see that sentence, the Commission
4 finds it unreasonable to expect Foothill to support the entire
5 burden of the well lease agreement?

6 A. Yes.

7 Q. And it talks about being grossly unreasonable. Do
8 you see that language in there?

9 A. It strictly benefits Foothill without taking account
10 the benefits Bagley may have perceived in the future.

11 Q. It talks about future--

12 A. Yeah.

13 Q. --limitless benefits? Are you aware of any limits on
14 the benefits Mr. Dansie's claiming under the well lease
15 agreement?

16 A. No. He is claiming 12 million gallons of water
17 basically free and any additional water that's available. So it
18 would be forever and the quantity would be whatever was
19 available going forward.

20 Q. Okay. What benefits is the Company receiving
21 from the Dansie well lease agreement?

22 A. We have not received any benefits. I wouldn't
23 other than the legal issues.

24 Q. Now, you heard there was some questioning earlier
25 of a witness about how the Company may have come into--how

1 the HOA may have come into ownership of the assets of the
2 water company?

3 A. That is correct.

4 Q. And you--were you around when that happened or
5 do you understand how that happened?

6 A. I read various things on how that took place, but I
7 was not an owner at that time. It took place before 1996 when I
8 moved in. But, basically, my understanding is that there were
9 two quiet titles that were issued, basically quiet titling the water
10 rights and the infrastructure and the roads and basically the
11 common area to the homeowners of Hi-Country.

12 Q. Okay. Did Mr. Dansie ever donate or give the
13 infrastructure of the water company to the homeowners
14 association?

15 A. No, he did not. He sued the association and was
16 compensated for specific things he was able to identify that he
17 put into the system as well as later on he sued and he was
18 awarded property taxes that he had paid on the water system,
19 including interest to the tune of over \$20,000.

20 Q. So for things that he was able to show that he
21 actually paid for, he was reimbursed by the homeowners
22 association?

23 A. That is correct.

24 Q. Are you aware of any kind of donation or gift of any
25 assets by Mr. Dansie to the HOA?

1 A. No, I'm not.

2 Q. Okay. Let's go to--I want you to take a look at a
3 couple maps that are in the record. And I don't think these are
4 part of your testimony, but one is a map from the original
5 Hi-Country. We have extra copies of this because these come
6 from two different places in the record. The first page of the
7 map that I'm giving you--and we probably ought to mark this as
8 an exhibit, Judge.

9 THE HEARING OFFICER: The court reporter will
10 also need a copy.

11 MR. SMITH: Okay.

12 THE HEARING OFFICER: You may want to mark
13 the exhibit so that--

14 MR. SMITH: Yeah. We ought to mark this one.
15 This has not been marked. The other one has been marked in
16 prior testimony.

17 THE HEARING OFFICER: Will you mark it so that
18 when you give it to the court reporter it will be part of the
19 transcript?

20 MS. SCHMID: Pardon me, can we have a brief
21 recess and maybe make a few more copies? I don't think
22 everyone got copies unless--do you have them?

23 THE HEARING OFFICER: Sure. Let's take a
24 five-minute break. We're off the record.

25 (Recess taken.)

1 Exhibit-1 marked

2 MR. SMITH: We've marked this as hearing Exhibit
3 No. 1, but before we go to that, I have a follow-up question on
4 the radionuclide issue, Mr. Crane.

5 BY MR. SMITH:

6 Q. You talked earlier about concerns about cancer
7 rates and how the rate--has the rate of nuclides connected to
8 your concern about cancer of people in your area?

9 A. Yes. The alpha particles if they are on the exterior
10 of the body will basically bounce off or be caught by the skin.
11 When alpha particles are ingested, they can cause various types
12 of cancer and kidney failure. And that's a big concern, you
13 know. And that's why we--when we stumbled on the 18 potential
14 cases of cancer within the association, we started looking for
15 the smoking gun, so to speak.

16 THE HEARING OFFICER: Mr. Smith, may I
17 interrupt for one second?

18 MR. SMITH: Sure.

19 THE HEARING OFFICER: Concerning this line of
20 testimony, I'm just wondering is there anything out there that
21 connects Mr. Dansie's water or his water system to these cases
22 of cancer or is this an allegation that is just speculation?

23 MR. SMITH: I don't think it's speculation. I think
24 that's why they have this safe drinking water limits that his well
25 is exceeding because of those studies and those connections.

1 But I don't have any more questions on this.

2 THE HEARING OFFICER: Okay. Have the cases
3 of cancer been connected to his drinking water?

4 MR. SMITH: That's my understanding of why they
5 have that--that's why they have that safe drinking water.

6 THE HEARING OFFICER: Okay. I don't think
7 you're answering my question.

8 MR. SMITH: I'm sorry. I'm not trying to avoid your
9 question.

10 THE HEARING OFFICER: I think you are trying to
11 avoid my question. Mr. Crane, I'll address the question to you.
12 Are you aware of any court case or negligence actions against
13 Mr. Dansie that these cases have been connected to the water
14 that he served?

15 MR. CRANE: The only connection--no, there's not,
16 other than the sequence of events. And understanding that my
17 training is as an engineer, so I put two and two together and I
18 come up with hopefully four every time. As we looked at the
19 number of cases of cancer, which according to the health
20 department, were--didn't qualify as being a cluster, but were
21 extremely high for the number of residents that were living at
22 Hi-Country at that time, they were concerned about the ground
23 water issues. And, you know--so, you know, you take that dot,
24 then you go and look at the dot that says high alpha--

25 THE HEARING OFFICER: Okay. So do you have

1 anything more than the speculation?

2 MR. CRANE: It is speculation, yes.

3 THE HEARING OFFICER: All right. Thank you.

4 MR. SMITH: Thank you.

5 BY MR. SMITH:

6 Q. Let's go now to the maps that have been marked as
7 Hearing Exhibit No. 1. Do you recognize these maps as Hearing
8 Exhibit No. 1?

9 A. Yes, I do. They are Hi-Country Estates service
10 area for Hi-Country.

11 THE HEARING OFFICER: Mr. Smith, are you
12 referring to the document that was just copied?

13 MR. SMITH: Yes.

14 THE HEARING OFFICER: Okay.

15 MS. SCHMID: And would that perhaps be better
16 termed Company Hearing Exhibit 1 in case we have more?

17 MR. SMITH: Sure. We can do that.

18 BY MR. SMITH:

19 Q. I'll--do you recognize the map that's the first page
20 of Company Hearing Exhibit No. 1?

21 A. Yes, I do.

22 Q. And what is that showing?

23 A. It basically shows the service area which includes
24 the one 40-acre plot--I believe it's 40 acres of Mr. Dansie's. If
25 you look where it says section five and you go straight down and

1 to the left, that area right there is Mr. Dansie's 40 acres.

2 Q. So this was--tell me if I'm correct. My
3 understanding is that this is--this first page of the Company
4 Hearing Exhibit No. 1 is the original boundaries of the
5 Hi-Country Estates water system as originally determined
6 when--back when the Company was originally under Public
7 Service Commission jurisdiction?

8 A. That is correct.

9 Q. And you heard Mr. Dansie--there's some reference
10 as to what Mr. Dansie calls his back 80?

11 A. Yes.

12 Q. Do you know what that's referencing?

13 A. Yes. The lot that I identified right below and to the
14 left of section five and the lot which would be directly below
15 section five, those are two 40 acres or that would make up the
16 80-acre parcel.

17 Q. And could you mark those--do you have a pen that
18 you could mark those on your exhibit with a D? And I take it
19 each one of those is a 40-acre parcel; is that correct?

20 A. That is correct.

21 Q. And for my observation of this map, only one of
22 those 40--two 40-acre parcels was ever within the boundaries of
23 the Hi-Country Estates Water Company service area?

24 A. That is correct.

25 Q. Now, let me have you go to the second page of

1 Company Exhibit No. 1 and ask if you can identify what the
2 second page of Company Exhibit--second and third pages of
3 Company Exhibit 1 are.

4 A. Yes. It's the current proposed boundary for the
5 water service areas.

6 Q. Okay. Does this show the area that the Company is
7 currently serving on second page of Company Exhibit 1?

8 A. That is correct.

9 Q. And can you identify the location of the Dansie
10 back 80 parcels that have been referred to?

11 A. Yes. If you look at where it says section five, you
12 come down to where--through the blacked out area and there is
13 a--basically a recess, right below that there are two 40-acre
14 plots that are directly below that recess and to the left.

15 Q. Would you mark each of those with a D and then
16 show that to the Commission and also to anybody in the
17 audience so they can see the ones you're marking.

18 A. (Writing.)

19 Q. And I take it the Dansie back 80 is outside the
20 proposed service area of the Company.

21 A. That is correct.

22 Q. Now, you heard some discussion about that there's
23 some sort of a legal requirement that the Company served this
24 back 80?

25 A. Yes, I have.

1 Q. Are you aware of any legal requirement to do so?

2 A. There's nothing that I have seen in the well lease
3 agreement or the amendment that specifically identifies these
4 two parcels.

5 Q. And I take it these parcels are not being served by
6 the Company at this time.

7 A. That is correct.

8 Q. Have they been served during the whole time
9 you've lived there?

10 A. No, they have not.

11 Q. And does the Company have any infrastructure in
12 the Dansie back 80 to serve those two parcels?

13 A. We do not.

14 Q. Are there any residences or houses on these
15 two--on the back 80?

16 A. There are not any. No, there are not.

17 Q. Okay. Now, if you look at page three of Exhibit
18 Company Hearing Exhibit No. 1, can you identify what that is?

19 A. It's a topo map for the Hi-Country Estates area.

20 Q. So this would show the service area of Hi-Country
21 Estates as you're proposing to have approved by the
22 Commission over--laying over a topographical map?

23 A. That is correct.

24 Q. And does that help illustrate the topography in that
25 area?

1 A. If you know how to read a topo map, yes, it does.

2 Q. Do you know how to read a topo map?

3 A. Yes, I do.

4 Q. And based on your knowledge of the area in this
5 topo map, is it feasible for the Company to serve that back 80 of
6 Mr. Dansie the way he's requesting?

7 A. No, it's not. The current two upper wells are at the
8 same level as his back 40s are or back 80 and, therefore, we
9 would not be able to pump water to those lots without putting
10 another pump in there. Basically, the two wells--or the two
11 pumps--the two container tanks that are sitting--
12 that we serve the upper areas, they basically feed our water
13 system through gravity and so we would not be able to gravity
14 feed that area.

15 Q. Is the Company able to serve the rest of the area
16 that is proposed to be included in the service area of the
17 Company?

18 A. Yes, it is.

19 Q. And it has infrastructure to do so in those areas?

20 A. With the exception of the three 40-acre plots on the
21 left-hand side. They have not requested and we have not put in
22 infrastructure to serve them at this time.

23 Q. The owners of those properties, are they paying
24 fees for those properties?

25 A. Yes, they are.

1 Q. So they're paying standby fees for those
2 properties?

3 A. Yes, that's correct.

4 Q. And when the time comes, I guess they'll be
5 required to install the infrastructure?

6 A. We will have to install infrastructure, that is correct.

7 Q. Okay. Let me take a few minutes and talk--

8 A. Let me restate that. I believe, to be honest with
9 you, that I misstated that. We are not requiring them to pay
10 standby fees at this time for those three 40-acre lots because
11 we do not have infrastructure in there.

12 Q. I see. What are they paying, either the Company or
13 the Hi-Country Estates?

14 A. They are not paying for water or--and for standby
15 fees for that.

16 Q. Are they part of the HOA?

17 A. Yes, they are.

18 Q. Are they paying their HOA fees?

19 A. Yes, they are.

20 Q. Okay. Let's talk a little bit about some of the
21 source and storage issues the Company faces. Are you familiar
22 with the sources and storage facilities of the Company?

23 A. Yes, I am.

24 Q. And what are the current--what is the current
25 source of water for the Company?

1 A. The current source for the water company consists
2 of two sources. One is Hi-Country Estates well one, which is at
3 the intersection of Shaggy Mountain Road and down in the
4 corner. And then we have a interconnect with the Hi-Country
5 Estates phase II that is supplying the emergency backup that is
6 being supplied by Herriman.

7 Q. Okay. Do you have source--if you were to serve
8 another, like, say 50 connections, does the Company have
9 sources to do that?

10 A. In the future we do, yes. Currently, during the
11 summer we're at a point where we have to be careful. People
12 have to conserve.

13 Q. Okay. And so what if you were to have to provide
14 an additional 12 million gallons a year?

15 A. It would drain our system. And it depends--again, it
16 depends on the time of year. During the summer, which I would
17 assume would be the high impact time for delivering that water,
18 we have no excess capacity.

19 Q. So your system is maxed out during the summer
20 months?

21 A. That is correct. With the Herriman supply and our
22 well.

23 Q. How about your storage? What's the storage
24 capacity of the system?

25 A. We have a 300,000-gallon tank, which is our lower

1 tank, and then two 50,000-gallon tanks, which are the upper
2 tanks.

3 Q. Have you ever had any forest or range fires in the
4 area of the Hi-Country Estates?

5 A. We've had several. Over the last couple of years
6 we've had one on the area that we would consider the back 40s.
7 We had lightning strike and that had to be put out. And then we
8 had another one--I'm trying to--it was lot 51, I believe. A truck
9 was driving down the road and there was wire hanging down
10 from some--I would say the overhead lines and he caught it, it
11 flipped up and hit the power lines and it came down and it
12 started a fire on Mr. Dansie's property.

13 Q. Does the Company have sufficient storage for fire
14 flow purposes for the number of units that you have there, the
15 number of homes?

16 A. It does.

17 Q. How about if you were to add another 50 homes?

18 A. That I would say--I believe it would, but I would
19 have to defer to the Division of Drinking Water to make that
20 decision. We would have to go through the process of, you
21 know, establishing whether or not we could exceed our capacity
22 of 120 homes.

23 Q. Now, you were here when Mr. Hart testified on the
24 witness stand; is that right?

25 A. That is correct.

1 Q. And are you familiar with Mr. Hart, who he is and
2 what he does?

3 A. Yes, I am. He is an engineer with the Division of
4 Drinking Water.

5 Q. Okay. Do you concur with the letters that he
6 presented the Commission?

7 A. Yes, I do. He's the expert.

8 Q. And are you able to connect somebody without the
9 permission of the Division of Drinking Water, connect another
10 system to your system?

11 A. I would not want to try without their permission, no.
12 It's against the law, specifically.

13 Q. Right. And I guess you believe it's in the interest
14 of Hi-Country to stay within the bounds of laws and Utah
15 regulations?

16 A. That is correct.

17 MR. SMITH: Okay. That's the--at this time I would
18 make a motion to--I would ask to have admitted, I should say,
19 Mr. Crane's prefiled testimony and exhibits as well as Company
20 Hearing Exhibit No. 1.

21 THE HEARING OFFICER: Any objection?

22 MS. SCHMID: None.

23 MR. FLITTON: No.

24 MR. COON: No.

25 THE HEARING OFFICER: They are admitted, Mr.

1 Smith.

2 MR. SMITH: Thank you. At this time I will tender
3 the witness to cross-examination.

4 THE HEARING OFFICER: Very good. Ms. Schmid?

5 MS. SCHMID: No questions.

6 THE HEARING OFFICER: Mr. Flitton?

7 MR. FLITTON: Yeah, I just have a few questions.

8 EXAMINATION

9 BY-MR.FLITTON:

10 Q. What is the current status of Mr. Dansie's two lots
11 with respect to water service?

12 A. He is basically in default of paying his standby
13 fees.

14 Q. Okay. But tell me a little bit about why he was put
15 on standby fee status.

16 A. Because he's a homeowner or a property owner
17 within Hi-Country Estates and it's an HOA and--

18 THE HEARING OFFICER: Mr. Flitton, could you
19 please clarify what you mean by Mr. Dansie's lots? Because I
20 understand that there are--there's the back 80 and then there's
21 also something else. So just--let's be sure we're clear.

22 BY MR. FLITTON:

23 Q. Mr. Dansie has two lots within the development,
24 correct?

25 A. That is correct.

1 Q. Okay. What are those lot numbers?

2 A. 43 and 51.

3 Q. Yes, okay. Thank you. And so when I'm talking
4 about the standby fees, those two lots are on standby status,
5 correct?

6 A. That is correct.

7 Q. When were they put on standby?

8 A. They've always been on standby.

9 Q. Okay. They have never had water service?

10 A. I take it back. They have had water service for a
11 couple months based upon a--I don't want to say decision, but a
12 conclusion after one of the court hearings and they were waiting
13 for an appeal that would be advisable to put him on, hook him
14 back up. But the exact reason why we hooked him up, just we
15 were trying to play nice, okay?

16 Q. When was that exactly?

17 A. Oh, boy, I can't--it's been about eight years ago.

18 Q. Okay.

19 A. Specifically, I can't tell the date.

20 Q. And you were involved in that decision to put him
21 back on the system?

22 A. I was in on the water board at that time. It was a
23 decision that I did not agree with.

24 Q. Okay. So what was the reason--was he
25 requesting--had he been requesting to have water service prior

1 to that?

2 A. He has requested to have water service at no cost
3 as long as I've been up there for those lots.

4 Q. And at that time the board agreed to reconnect his?

5 A. With the assumption he would pay the standard
6 fee.

7 Q. Okay. Were you involved in the decision to put him
8 on standby originally?

9 A. No, I was not. That was--those lots were under--let
10 me go back. Mr. Dansie requested that all lots within
11 Hi-Country be paid standby fees when he ran the system and
12 the PSC at the time agreed to that. And so all the lots within
13 Hi-Country were put on standby fee or standby status or
14 basically had to pay standby or pay the cost for being served
15 water.

16 Q. Were you involved in the decision to request that
17 Hi-Country Estates be under PSC jurisdiction?

18 A. Yes, I was.

19 Q. Okay. What's the reasoning for that?

20 A. We had gone through the courts and they made
21 their final decision and it says unless the PSC intervenes and
22 the fact that Mr. Dansie was going--if we went through and
23 hooked Mr. Dansie up, assuming that everything was kosher, if
24 we hooked Mr. Dansie up, we would be in violation of the law in
25 that--in that he is now an outside source as well as we have

1 other connections that were not within the HOA, but were
2 treated as if they were in the HOA for the rate cases. But now
3 he was demanding we hook him up and give him free water.

4 Q. So I don't quite understand. Is what you're saying
5 is that these proceedings are to--are to try to get rid of the
6 obligation to supply water to Mr. Dansie?

7 A. No. These proceedings are to provide a fair and
8 just rate structure for all people that want to be hooked up to
9 our system.

10 Q. Okay. Well, explain that a little further. So if you
11 weren't in these proceedings, your view is you would have to
12 supply water to Mr. Dansie free of charge?

13 MR. SMITH: I'm going to object. I don't know what
14 the relevance of his understanding of legal--you know, that's a
15 legal conclusion that he's asking for.

16 MR. FLITTON: I disagree. What I'm trying to
17 understand is--he sort of opened the door here about why we're
18 even in these proceedings. And he brought it up that, you know,
19 the court case came out and they decided to be regulated.

20 MR. SMITH: That's already been decided. The fact
21 that PSC has jurisdiction was a separate proceeding. We had a
22 decision on that. It was not appealed by Mr. Dansie. He was a
23 party to that, as well. So, I mean, that's water under the bridge
24 and really nothing we need to, I think, talk about today as
25 jurisdiction of PSC. It's a done deal.

1 THE HEARING OFFICER: Mr. Flitton, I'm going to
2 allow you to rephrase your question if you would like.

3 MR. FLITTON: Okay.

4 BY MR. FLITTON:

5 Q. Basically--the question basically is is it because of
6 the well lease agreement that we're--
7 that the Company made a decision to seek regulation by the
8 Public Service Commission?

9 A. To answer that, you have to understand what the
10 PSC does and it regulates the rates. We serve currently not
11 only the homeowners within Hi-Country, but I'm going to say
12 about seven or eight homeowners that do not have ownership in
13 Hi-Country. However, we have treated them just like they were
14 homeowners within Hi-Country. They have paid basically the
15 same rates--well, they've paid the same rates and/or
16 homeowners fees.

17 Had we not come under the PSC and we were
18 taking--sending water free of charge to Mr. Dansie for his
19 interpretation of the well lease agreement, those homeowners
20 could have come to the PSC and said, "Why are we not being
21 regulated by the PSC?" We had no choice at that point in time
22 but to come to the PSC because we have--we serve not only
23 homeowners who have an interest in the system, but like, you
24 know, I'm going to say UP&L who serves people that are not
25 owners of the system. We have to be conscious of their rights,

1 as well. And that's where the PSC steps in.

2 Q. So when the water system was deregulated, when
3 you had a letter of exemption in 1996, wasn't one of the
4 conditions that you had to make those people outside become
5 members?

6 A. I would have to go look. For all intents and
7 purposes, they are, but we still--I mean--

8 Q. Are they shareholders, members?

9 A. They are not shareholder, no, they're not.

10 THE HEARING OFFICER: Mr. Flitton, I'm going to
11 interject here for just a moment. We're really rehashing things
12 that are not at issue before the Commission at this present time
13 and go back to a proceeding that Mr. Dansie was indeed a part
14 of. I realize you may not have been a part of that, but the
15 rationale for the Commission's decision to exercise jurisdiction
16 is set forth in the order if you wish to review that. And so let's
17 move on and you're welcome to continue if you wish. But I
18 would like to move past this particular subject that you're
19 focused on.

20 MR. FLITTON: Okay. No, I just--I wasn't satisfied
21 with the answer with respect to the reasoning of the
22 Commission--or of the Company in terms of seeking jurisdiction,
23 but I'll move on.

24 BY MR. FLITTON:

25 Q. Do you have--you said that it would cost

1 approximately \$100,000 to reconnect to the Dansie well--to the
2 Dansie water system. Is that based on estimates that you made
3 or have?

4 A. I do not have. It was based upon conversations
5 that we've had with Byron Colton who was our PE at the time. It
6 could range anywhere from 50 to 100,000 to connect that. It's
7 based on what was required by the Division of Drinking Water to
8 what extent Mr. Dansie knows his water system, which he has
9 characterized as not knowing at various other proceedings. So,
10 you know, it could range, you know, in that area. We would
11 have to--the interconnects are expensive. We would have to
12 clean lines. And then we would have to basically run everything
13 on his wells.

14 Q. Explain to me what was done when the system was
15 disconnected.

16 A. The lines were severed as far as I know. I was not
17 there at that time.

18 Q. Okay. But are you familiar with what was done?
19 How much water line was taken out when it was severed?

20 A. I have no idea. I was not there.

21 Q. So how do you come up with an estimate that it
22 would cost?

23 A. The cost is based upon what it would take to get
24 the engineering studies done, the hydrology study is about ten
25 to \$15,000 and that was quoted to me today by Justun Edwards.

1 The additional piping, digging it up, and then placing the
2 metering in, the SCADA system that would have to be put in
3 place in order to run his well into our system, the engineering
4 that would have to go into it, we're not cheap.

5 Q. Well, that seems like a pretty high price to me. I
6 mean, from my understanding, the pipes were just severed.

7 A. It isn't just connecting the pipes. You have to put
8 interconnects in.

9 Q. So how much--

10 A. I--

11 Q. How much is SCADA, for example, on a well?

12 A. It can range--right now we're in the process of
13 updating ours and it's about a \$30,000 update.

14 Q. For each source?

15 A. For the system, yes.

16 Q. For the system. But I'm saying to add that well to
17 the SCADA, how much would that be?

18 A. I don't know the specific number.

19 Q. But it's not 30,000?

20 A. It would not be 30,000.

21 Q. Okay. And how much is putting in, you know, the
22 pipe connection?

23 A. The estimate was given to me by a professional
24 engineer and I'll say it was off the cuff a little bit. But it was a
25 swag by him when he looked at what it would cost based upon

1 his experience. I had to take that as the estimated cost.

2 Q. Okay. But the bottom line is that you really don't
3 have a very clear estimate, do you?

4 A. No, I do not.

5 Q. Okay. So when you say that it will cost \$100,000,
6 that was off the cuff?

7 A. That was off the cuff to a point, but it was based
8 upon what our conversations were.

9 Q. Okay. So let me just be absolutely clear. I mean,
10 to reconnect the system, obviously, you know, water quality
11 standards would have to be met.

12 A. Yes.

13 Q. But it's basically reconnecting the two pipes, right?
14 Am I correct? There's two pipes that were--that were--

15 A. That's correct.

16 Q. Okay. It's reconnecting the two pipes and it's
17 putting in a SCADA system on the wells so that you can monitor
18 what's going on?

19 A. Correct.

20 Q. And then flushing the system, which I don't think
21 has a very high cost to it. That's pretty much what it would
22 take, correct?

23 A. Incorrect.

24 Q. Why?

25 A. You still have to do your hydrology model--hydraulic

1 model as required by the State. And, again, that's around a ten
2 to \$15,000 expense.

3 Q. Why so much? The system was interconnected
4 before.

5 A. Because the State requires it today.

6 Q. Well--

7 A. That's a question for the Division of Drinking Water.
8 They have made the rules and the rules are now in effect that
9 we have to follow. And one of them is to do a hydrology model
10 to make sure that our system--

11 Q. Hydrology or hydraulic?

12 A. Hydraulic, excuse me. Hydraulic.

13 Q. Okay. But those rules have been in place for a
14 long time, have they not?

15 A. They have not been hooked up.

16 Q. But the rules have been in place is what I'm trying
17 to say.

18 A. No. It's been recent. I would say within the last
19 five years.

20 Q. Okay. Well, that's not my understanding. Okay. So
21 you would have to go through that process. But, you know, the
22 system was connected before, correct?

23 A. It was connected before, that's correct.

24 Q. Okay. So the assumption is those hydraulic models
25 would show that the system works?

1 A. That's an assumption that you're willing to make.
2 MR. FLITTON: Okay. All right. I have no further
3 questions.

4 THE HEARING OFFICER: Mr. Coon, questions?

5 MR. COON: No questions.

6 THE HEARING OFFICER: Mr. Crane, I have a few
7 questions for you.

8 MR. CRANE: Yes.

9 EXAMINATION

10 BY-THE HEARING OFFICER:

11 Q. Regarding the Division's recommendation
12 notwithstanding the exception that the Company has noted
13 regarding the \$3.85 charge for the well lease fee, is it your
14 position, sir, that the rates being proposed again by the
15 Division's recommendation are just, reasonable, and in the
16 public interest?

17 A. Yes, they are.

18 Q. Okay. And concerning Mr. Dansie's lots 43 and 51,
19 which you explained are within the HOA; is that correct?

20 A. That are within the HOA.

21 Q. Is he being charged a standby fee?

22 A. Currently, he is being billed a standby fee.

23 Q. And is he paying a standby fee?

24 A. No, he's not.

25 Q. Okay. Has he at any time paid a standby fee that

1 you're aware of?

2 A. Not physically. There's some records that indicate
3 that he had, but I would not say that. I couldn't back those up,
4 so the answer is no.

5 Q. Okay. And that point in time when he received
6 water for a couple of months, do you know whether he paid for
7 that service?

8 A. No, he did not.

9 Q. Okay. Was he billed for that service?

10 A. Yes, he was.

11 Q. In your testimony you refer to the capacity of the
12 water company being 120. Is that possibly a misstatement? I
13 believe that the Division has testified that it's a total of 126.

14 A. That is correct, I misstated.

15 Q. Okay. Does Mr. Dansie live in Hi-Country?

16 A. No, he does not.

17 Q. Where does he live?

18 A. He lives to the east of Hi-Country approximately
19 about a mile outside our gates.

20 Q. Is his home serviced by Hi-Country?

21 A. No, it's not.

22 Q. Okay. His back 80 that you've identified on
23 Company Hearing Exhibit No. 1, are there any homes built on
24 those properties?

25 A. No, there are not.

1 Q. And from what I can tell by the topo map, it's a
2 fairly steep area.

3 A. That is correct. The County has restrictions back
4 there, Foothill Overlay Zone, and the ability to build on a lot of
5 those lots back there is very restrictive.

6 Q. Okay. To your knowledge, is it possible to build a
7 home?

8 A. Yes, it would be possible to build a home.

9 Q. Okay. On page two of the Company Hearing
10 Exhibit No. 1, you identified I believe it's three total properties,
11 one of which is in section six and two which are in section seven
12 that are outside of your area but are paying homeowners fees;
13 is that correct?

14 A. That is correct.

15 Q. How are those owners getting water?

16 A. Again, those lots are not developed.

17 Q. Okay. And they are not paying standby fees?

18 A. No, they're not. It was deemed that it was
19 inappropriate to charge them standby fees when we did not have
20 service up to that area.

21 Q. Okay. So there's no infrastructure that would allow
22 you to serve those homes?

23 A. Not at this time.

24 Q. Okay. So why are you proposing that those
25 properties would be in your service area?

1 A. Because they are part of the homeowners
2 association and they are, in fact, part owners of the water
3 system. Even though it's just junk, they are part of the HOA.

4 Q. Okay. So what I want to focus on is the water part
5 of it.

6 A. Okay.

7 Q. Okay? So did I understand you to say they are a
8 part of the water system?

9 A. They are part of the homeowners association and,
10 by default, they are owners like all homeowners up there,
11 owners of the water system.

12 Q. Okay. So are the lots currently owned by--have
13 they been sold since the developer--

14 A. Yes. They are owned privately.

15 Q. Privately, okay. And have you received any
16 requests to provide water to those lots?

17 A. No, we have not.

18 Q. Okay. Do they propose the same problems that the
19 Dansie back 80 propose inasmuch as you identified some pump
20 problems and the general grade challenges?

21 A. There would be some issues that way, yes.

22 Q. Okay. And would these individuals--
23 would these individuals fall under the \$10,000 fee?

24 A. No, they would not because they are part owners of
25 the system. There would have to be some decision on how--if

1 they wanted to put piping up there whose responsibility that
2 would be.

3 Q. Okay. So if these properties are part of the HOA
4 and they are part of your service area, why weren't they part of
5 your service area to begin with?

6 A. I can't answer that. I don't know, to be honest. It
7 may be that--I wonder if the map as shown did not include--was
8 cut off at that area. I assumed that they were part of the service
9 area, but I'm not sure. They never were, okay.

10 THE HEARING OFFICER: Mr. Smith, do you have
11 an explanation as to why they are now being added, but weren't
12 originally when they were part of the homeowners association to
13 begin with?

14 MR. SMITH: Yeah. We're adding those because
15 those are in our future plans to serve because of the
16 relationship we have. And I think I've gotten some correction,
17 and maybe I could point this out, that my understanding is that
18 these owners of these properties, the three that we're talking
19 about, three are not members of the HOA but pay association
20 dues for use of the roads. At least that's what I was told by our
21 president here.

22 MR. CRANE: That would be correct, yes.

23 MR. SMITH: And so they would be subject to the
24 \$10,000 fee if and when they decided to be connected.

25 MR. CRANE: Okay. I stand corrected.

1 THE HEARING OFFICER: Okay. So, Mr. Crane,
2 let's go back.

3 MR. CRANE: Sorry about that.

4 BY THE HEARING OFFICER:

5 Q. Just so we're taking your testimony and not
6 accepting the testimony that might be otherwise perceived from
7 your counsel. So do you wish to correct your testimony as it
8 pertains to the three properties, one in section six and two in
9 section seven, as to why you're requesting to add those?

10 A. Yes. They are basically in our future plans for
11 delivery. They are not a part of the HOA at this time, but they
12 do pay homeowners fees for access through the association.

13 Q. Okay. And so if any of those owners came to you
14 and requested water service, you--
15 assuming that you had a \$10,000 fee in place for outside
16 service connection review, would you charge those owners that
17 fee?

18 A. The intent of that fee was to basically protect the
19 HOA. I think that we would probably ask them to put it in
20 escrow and we would spend what was necessary to qualify the
21 system going forward and what it would take to get the system
22 in place. And if it was less than 10,000--I think our study said
23 that we would keep it, but that's a decision that would have to
24 be made then. I would say that we would charge them, but
25 if--basically, the fee was to establish a way of protecting the

1 HOA for, you know, future development and the homeowners,
2 basically.

3 Q. Would you treat Mr. Dansie similarly regarding his
4 back 80?

5 A. Yes, we would. And understand that the one--and I
6 don't know which specific lot it was. I think it was the one that
7 we were serving initially. He went to court and asked to be
8 removed from the HOA because there was a mixup on the deed
9 and so the courts--

10 Q. Are you referring to Mr. Dansie?

11 A. Yes. Excuse me, Mr. Dansie went to court and he
12 requested that that one 40-acre, the one that we were--that was
13 in our system or in our service area, be removed from the
14 Hi-Country Estates homeowners due to a mixup in the title. And
15 that was so deemed. And we are still in the process of trying to
16 establish what his--what he's required to pay for access to the
17 HOA to get back to that property.

18 Q. Okay. Does Mr. Dansie use your roads--

19 A. Yes, he does.

20 Q. --to access those two 40-acre parcels?

21 A. Yes. Specifically during the summer he will put one
22 or two cows back there in order to qualify for a greenbelt. So
23 he will be--because there's no water, no feed basically, he has
24 to bring and take water back there and to take feed back there
25 for the cows.

1 Q. And like the property owners in section six and
2 section seven, does he pay a homeowners fee to access the
3 roads?

4 A. That has been litigated. We were supposed to
5 negotiate that. He's been unwilling to come up with a
6 reasonable price and we're still--
7 because of the cost of litigation, we have not finished that up.

8 Q. Okay. So help me understand this. If, in fact,
9 these three properties that are proposed to be part of your
10 service area are a part of your future plans for water delivery,
11 wouldn't that be--wouldn't that contradict charging them the
12 \$10,000 fee? I'm just--and--

13 A. I guess I'm willing to throw that back on the PUC
14 and PSC to make that decision. If it's for residential type
15 connection, probably not. If it's for multiple units back there
16 where they want to go develop, you know, say 40 acres and they
17 want to put eight or ten homes back there, then that would be a
18 different situation.

19 Q. Is that something you think you have clarified in
20 your application?

21 A. No, we did not.

22 THE HEARING OFFICER? Mr. Smith, do you wish
23 to respond to that issue?

24 MR. SMITH: My understanding is even though they
25 are in our future plans that they will still have to qualify just like

1 anyone else that would want to extend the system beyond just a
2 regular hookup. And that they would be subject to that \$10,000
3 fee just as anyone else that may own property that's not
4 developed within the service area or come to the Company and
5 ask to be added to the service area in the future.

6 THE HEARING OFFICER: Were these people made
7 aware of this proceeding?

8 MR. SMITH: I'm assuming they got--

9 MR. WILLIAMS: As far as I know. I'm not sure. I
10 mean--

11 MR. SMITH: Do you know if they have regular
12 notices sent out to all of their--

13 MR. WILLIAMS: Usually, yes. But I don't know
14 what the mailing lists are.

15 MR. SMITH: I don't have a mailing list. My belief is
16 that they got the notices just like anyone else who pays dues to
17 the HOA does.

18 THE HEARING OFFICER: Can you tell me who
19 owns the parcel in the lower quadrant of the section six?

20 MR. WILLIAMS: The lower--where's the map?

21 MR. SMITH: It's right here. This would be--

22 MR. WILLIAMS: The name is Labrea, L-A-B-R-E-A.

23 MR. SMITH: I'm sorry--

24 MR. WILLIAMS: Oh, no, that one is--

25 THE HEARING OFFICER: Could you identify

1 yourself for the record, please, sir?

2 MR. WILLIAMS: I'm Noel Williams.

3 THE HEARING OFFICER: Thank you.

4 MR. WILLIAMS: Which one are we talking about?

5 Immediately left of the Dansie properties?

6 THE HEARING OFFICER: Yes.

7 MR. WILLIAMS: That is the estate of Jack
8 Oakland. I think the contact that we have is named Ozenthorp,
9 but I'm not sure about that.

10 THE HEARING OFFICER: And the property below
11 that?

12 MR. WILLIAMS: Beltran.

13 THE HEARING OFFICER: How do you spell that?

14 MR. WILLIAMS: B-E-L-T-R-A-N.

15 THE HEARING OFFICER: And the property that's
16 just below and to the left?

17 MR. WILLIAMS: Sections six and seven?

18 THE HEARING OFFICER: Yes.

19 MR. WILLIAMS: That's actually two 20-acre
20 parcels and it is--they're both Labrea, L-A-B-R-E-A.

21 THE HEARING OFFICER: And, sir, do you know if
22 these individuals received notice of this proceeding?

23 MR. WILLIAMS: I don't know. I can make a phone
24 call and see.

25 BY THE HEARING OFFICER:

1 Q. Mr. Crane?

2 A. Yes.

3 Q. So who made the decision that this--that these
4 properties would be planned for future delivery?

5 A. I think it was a general discussion based upon the
6 fact that they do pay homeowners fees for access and,
7 therefore, wanted to give them the right to be part of the
8 system.

9 Q. You're part of the board of directors for the
10 homeowners association, right?

11 A. That is correct.

12 Q. And so was there a vote taken on this issue?

13 A. Can I defer to Noel Williams, our president of the
14 association?

15 Q. No. So you're to testify based on your own
16 knowledge.

17 A. I do not know when that decision was made.

18 Q. Do you know if a vote was taken?

19 A. I do not know if a vote was taken.

20 Q. Did you ever personally speak to these property
21 owners to discuss what's being proposed and what might be the
22 result of them being part of the water system?

23 A. No, I did not.

24 Q. Okay. I may be repeating myself, sir, but I just
25 want to make sure in the event I thought of this question and I

1 didn't actually ask you. You've described that the back 80, the
2 Dansie back 80, presents some unique circumstances that would
3 make it very difficult, as I'm understanding your testimony, to
4 serve.

5 A. That's correct.

6 Q. Would these properties that you're proposing to add
7 also present the same kind of challenges?

8 A. To the best of my knowledge, they would.

9 THE HEARING OFFICER: Okay. And has there
10 been anything that has been admitted in the case that shows
11 that these properties are part of the homeowners association?

12 MR. SMITH: I'm not aware of anything that has
13 been admitted that shows they're part of the association as
14 they're outside the association boundaries. But I also just was
15 informed that they've checked the notice records of the
16 association and these three property owners all did get notice of
17 this proceeding.

18 THE HEARING OFFICER: Are these properties at
19 all involved in the prior docket?

20 MR. SMITH: No. I don't believe they were.

21 THE HEARING OFFICER: Okay. Inasmuch as the
22 water company was purporting to serve customers out of its
23 area?

24 MR. SMITH: No. These were not. There are other
25 ones that are served outside of what was our then service area,

1 but not these folks.

2 THE HEARING OFFICER: Okay.

3 BY THE HEARING OFFICER:

4 Q. Mr. Crane, how many board members are there?

5 A. There are five.

6 Q. And are they all voting members?

7 A. Yes, they are.

8 Q. On page ten of your testimony, approximately, lines
9 five and six, you refer to the pipes as it being--that--you state
10 the pipes are aging but in good condition. Did you personally
11 assess the pipes?

12 A. Over the years I've been involved with the
13 maintenance of the system and as much as I can assess them, I
14 would say yes.

15 Q. Okay. Are they aboveground or underground?

16 A. They're underground.

17 Q. Okay. So how did you make that assessment?

18 A. Mainly, the fact that we don't have significant
19 issues with them and the fact that the transite pipes typically do
20 not have issues unless we have ground movement. And it's
21 fairly stable up there. So I'm going to say we have not had any
22 significant leakage and except for just this spring when the
23 ground softened and we had some--you know, a couple
24 blowouts. But I would say just going on experience in dealing
25 with the system.

1 Q. On the same page that we're looking at, lines 11
2 and 12, you refer to the meters and state that they're all
3 functional, however, you intend to begin replacing them in 2013.
4 If they're functioning, why are you replacing them?

5 A. There are two reasons. One, they are typically in
6 the range of 15 to 20--maybe 25 years old. As meters of that
7 age, they do wear and they do report lower delivered water.
8 That, along with the fact that we want to go with wireless
9 connection to facilitate reading the meters throughout the year.
10 Right now we cannot read during the winter months because the
11 meters are buried, so we do not know how much water people
12 are using. And if we go with the--the new rate structure where
13 you pay per gallon, it's nice to have--or per thousand gallons,
14 it's nice to know what that is and on a monthly basis.

15 Q. Okay. And in part of the analysis that Herriman is
16 requiring you to replace the meters?

17 A. It's their desire because of the cost to read the
18 meters.

19 Q. Okay. Is that something that Herriman does in the
20 city limits?

21 A. Yes. They are able to sit down at their office
22 building and read, I think, about 90 percent of their meters as
23 opposed to having go up and actually look at the meter.

24 Q. Mr. Crane, you--you mentioned that with respect to
25 the Division recommendation there was one point of

1 disagreement between you and the Division, between you,
2 meaning the Company, and it's the \$3.85 well lease--excuse
3 me--yes, the well lease fee per 1,000 gallons. I know that
4 you've explained that a bit and another witness has explained
5 the Company's position on that a bit, about how that number
6 came about. Is there anything more that you can add to that
7 issue to help the Commission understand why it is important
8 that you get that fee and that--do you have anything more other
9 than what's been testified to as the consumer price index
10 adjustment that grossed up the \$3.19 amount to justify charging
11 that fee?

12 A. Based upon--well, the grossing up the amount,
13 everything is more expensive than it was when the court case
14 was settled. That was justification. Everybody in the
15 association is paying the higher rate based upon that CPI. We
16 felt it was a fair increment. That--as far as the grossing up, that
17 was the basis.

18 The costs were again reviewed by the district court
19 and held basically by the appellate court to be approved. We
20 went forward with that. And, you know, the fact of going back
21 that the documentation that we supplied at that time to the
22 district court was what was used for Judge Brian to establish
23 what that rate was, we felt that that was what we were held to
24 by law. And the fact that we were held to the well lease
25 agreement then the decision was a valid document, then the

1 Court's establishment of the rate for 1,000 gallons was also
2 requirement for us to go forward with.

3 Q. In Ms. Benvegna-Springer's testimony--
4 Ms. Springer, I'm sorry if I really tortured your name. I have a
5 very difficult time with that. My apologies--she testifies
6 that--and please give me just a moment to find exactly where
7 this is. She testifies in her rebuttal testimony, Mr. Crane, that
8 the Division recommends that the Commission disallow recovery
9 of the obligation, meaning the well lease obligation through
10 rates because the contract was imprudent and unreasonable
11 when made, allowing recovery from ratepayers for an obligation
12 of indeterminate costs and duration is not in the public interest.
13 Do you agree with that position, sir?

14 A. I'm going to say--I assume she's talking about the
15 ratepayers being Hi-Country?

16 Q. Yes, sir.

17 A. I think it's a misstatement in the fact that our
18 ratepayers, according to who is going to have to pay that, it
19 would have been Mr. Dansie and not the ratepayers. That \$3.85
20 was to be paid by Mr. Dansie to supply water from our system
21 out--or through our system. Does that make sense?

22 Q. Help me understand how you come to determine
23 that--that that would be--what analysis would allow that?

24 A. The--okay. My understanding of the Court's
25 decision for water to be pumped through Hi-Country Estates or

1 be delivered from Hi-Country Estates was per 1,000 gallons, Mr.
2 Dansie would have to pay the \$3.85 for every 1,000 gallons he
3 was to receive. Not the homeowners. If, in fact, he was to get
4 the water free without having to pay for that, then the
5 homeowners would have to pay subsequent--that \$3.85 or
6 basically the transportation cost.

7 So he would either have to pay it or if he got the
8 water free like he purports to say the well lease agreement
9 states, then the homeowners would have to pay it. So, in that
10 case, yes, I would agree with Ms. Springer's testimony.

11 Q. Okay. And in reading Mr. Dansie's testimony, and
12 which he filed--he filed his direct testimony as well as his
13 surrebuttal testimony, it seems clear to me that he believes that
14 he's entitled to free water.

15 A. You have to take it in the context of when the
16 contract was signed and that free water--
17 and I will put it in specific terms. That free water is a
18 commodity. That commodity comes from his well. And, yes,
19 that is free to him. But to transport that through the system
20 costs money and the courts basically decided that that was
21 \$3.85--or \$3.19 when they decided.

22 But you go back to when all this was going on in
23 the well lease agreement, basically, it talks to free water coming
24 from Dansie well number one or 15, however you want to say.
25 That is his well. That is his water right. That is his commodity.

1 To get that through our system, he has to pay.

2 THE HEARING OFFICER: Okay. Is there any
3 redirect?

4 MR. SMITH: I have just maybe a couple questions.

5 EXAMINATION

6 BY-MR.SMITH:

7 Q. Does Mr. Dansie pay for access to his back 80?

8 Does he pay the homeowners association for use of the
9 homeowners association roads for access to his back 80?

10 A. We have had a trial on that and the courts have
11 deemed that he is supposed to pay. The agreement as to how
12 much he is supposed to pay for access has yet to be finalized.

13 Q. So is he currently paying anything?

14 A. No.

15 Q. And then the--let me just ask a couple questions
16 about the \$3.18. So your understanding of what the Court ruled
17 is that even though this could be water out of a well owned by
18 Mr. Dansie, that the cost to pump it, move it, do whatever the
19 HOA--or the water company needs to do to it, that was
20 determined to be \$3.19 per 1,000 gallons?

21 A. That is correct.

22 Q. And that was based on evidence that was submitted
23 to the Court, I suppose by both sides, as to what those
24 expenses were?

25 A. I'm going to say yes. I know it came from our side.

1 I don't know if Mr. Dansie provided much evidence.

2 Q. Well, he was a party to that proceeding.

3 A. That's correct.

4 Q. And so he had the right to submit whatever
5 evidence he wanted to submit to the Court.

6 A. That is correct.

7 Q. And as far as your understanding, that's a final
8 decision by the Court that's never been overturned by any
9 appellate court?

10 A. In local tries, it has not.

11 MR. SMITH: Okay. That's all the questions I have.

12 THE HEARING OFFICER: Okay. Ms. Schmid?

13 MS. SCHMID: Would it be appropriate to take a
14 break after Mr. Crane is excused? We've been going for a little
15 more than two hours.

16 THE HEARING OFFICER: Yes. I think that's a
17 great idea. I don't have any further questions. Are we finished
18 with Mr. Crane?

19 MR. SMITH: Yes.

20 MS. SCHMID: Yes.

21 THE HEARING OFFICER: Okay. Mr. Crane, you
22 may be excused. Thank you very much. And we will be in
23 recess for 15 minutes.

24 MR. SMITH: Thank you.

25 (Recess taken.)

1 THE HEARING OFFICER: And thank you,
2 everyone, and thank you, Mr. Crane, for your testimony, and for
3 everyone who has participated in this and for the briefing, et
4 cetera. It's been very helpful.

5 Mr. Smith, I know you've asked to have your
6 testimony admitted and we've done that. It might be a good
7 idea now while we're on the record to take judicial notice or
8 administrative notice of your application and any pertinent
9 filings related to that.

10 MR. SMITH: Thank you. We would like to do that,
11 have you take notice of the filings and also the previous
12 orders--reports and orders that have been entered--that have
13 been issued by the Commission involving the same Company--or
14 same--and predecessor companies that serve the same area.

15 THE HEARING OFFICER: To that extent, I think
16 you've included those.

17 MR. SMITH: Yeah. Those have all been included.
18 I just want to make sure I do whatever I need to do to get them
19 on the record.

20 THE HEARING OFFICER: Yes. Yes. Mr. Crane's
21 testimony's already been admitted so you've got that covered.
22 So your application and all of the pertinent exhibits are--the
23 Commission takes notice of that, as well.

24 MR. SMITH: Thank you.

25 THE HEARING OFFICER: Are there any--

1 are there any issues that we need to address before we adjourn
2 today?

3 MR. SMITH: One issue that I would like to raise is
4 a while back--and I don't think the time for responding is
5 running, but I think it runs in the next day or two depending on
6 the three day's mailing, but we did file a motion for summary
7 judgment on behalf--on the Dansie--I'll call them the Dansie
8 issues. And I just was curious whether the Commission was
9 going to--how they were going to--are they going to consider
10 that, not consider it, have a hearing on it?

11 THE HEARING OFFICER: Sir, we are aware of that
12 motion and we will address it as appropriate.

13 MR. SMITH: Okay. That's fine. That's fine.
14 Thank you.

15 THE HEARING OFFICER: Ms. Schmid?

16 MS. SCHMID: If I may, the Division is planning on
17 filing a response tomorrow.

18 THE HEARING OFFICER: Okay.

19 MS. SCHMID: And that will be served via e-mail
20 upon the parties and filed hard copy and electronically with the
21 Commission.

22 THE HEARING OFFICER: Okay. Thank you.
23 Appreciate that notice.

24 MR. SMITH: Thank you.

25 THE HEARING OFFICER: Okay. Mr. Flitton, we

1 were just finishing up and just about ready to adjourn here. Are
2 there any final issues that you wish to address, questions that
3 you have regarding the proceeding?

4 MR. FLITTON: No. I think we'll file a post hearing
5 brief probably within the next week or so.

6 THE HEARING OFFICER: Okay. As I mentioned in
7 the outset, the Commission is amenable to post hearing motions
8 on issues that have not already been addressed. So to the
9 extent that new issues have been raised in this proceeding that
10 have not already been briefed or otherwise addressed, you're
11 welcome to do that. And I do want to emphasize that in my
12 explanation earlier, I gave a number of reasons and focused on
13 the equitable considerations regarding Mr. Dansie's absence, et
14 cetera.

15 And I do wish to note that part of the Commission's
16 consideration in making its determination to go forward today is
17 also the fact that we are under a statutory obligation to issue an
18 order within a certain period of time. And we know that you all
19 have worked very hard and we have a lot of work to do in this,
20 as well. So unless there's anything further, we will be
21 adjourned.

22 And between now and the date that the order is
23 issued, we will entertain motions or responses. And, again, if
24 you could kindly keep any filings to issues that have not already
25 been addressed, that will be appreciated. And I just want to

1 remind you of the fact that the Commission is extremely
2 sensitive to that issue as far as being repetitive and just--so,
3 please, try to--try not to do that.

4 MR. SMITH: Okay.

5 THE HEARING OFFICER: Okay? So are there any
6 questions?

7 MS. SCHMID: Just one clarification. If motions
8 were filed and replies or responses to those motions were filed,
9 would it be the Commission's direction that those be served by
10 e-mail and that there not be the three days that is commonly
11 awarded in civil court?

12 THE HEARING OFFICER: There will not be three
13 days and there never will be three days awarded.

14 MS. SCHMID: Thank you.

15 MR. FLITTON: One of the issues that I have--one
16 of the questions I have--

17 THE HEARING OFFICER: Yes, sir.

18 MR. FLITTON: --is that, you know, when we
19 responded to things and we file things, are we going to be
20 required to bring them down here?

21 THE HEARING OFFICER: Yes, sir.

22 MR. FLITTON: Same deal, right?

23 THE HEARING OFFICER: Yes, sir. That's in the
24 rules. Until an actual physical filing along with an electronic
25 filing has been received by the Commission, the matter is not

1 considered filed.

2 MR. FLITTON: Okay.

3 THE HEARING OFFICER: Any questions, Mr.
4 Smith?

5 MR. SMITH: No. Thank you for your patience
6 today, Judge Reif.

7 THE HEARING OFFICER: You're very welcome.
8 Thank you all for your patience and thank you for being a part of
9 this proceeding and for your testimony.

10 And, Mr. Coon, I wanted to recognize you and ask
11 you if you had anything further.

12 MR. COON: No, I don't.

13 THE HEARING OFFICER: Okay. Thank you for
14 being here. The Commission will take it under advisement.

15 MR. SMITH: Thank you.

16 MS. SCHMID: Thank you.

17 (Hearing concluded at 3:31 p.m.)

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CERTIFICATE

This is to certify that the foregoing proceedings were taken before me, NANCY A. FULLMER, a Registered Merit Reporter and Notary Public in and for the State of Utah;

That the proceeding was reported by me in stenotype and thereafter caused by me to be transcribed into typewriting, and that a full, true, and correct transcription of said testimony so taken and transcribed is set forth in the foregoing pages;

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

Nancy Fullmer, RMR