

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the)
Application of Cedar Ridge)
Distribution Company for an)
Increase in Rates for Water)
Usage Over 12,000 Gallons per)
Month to .50 per 1,000 Gallons)
 Docket No. 13-2423-01

HEARING

TAKEN AT: Heber M. Wells Building
 160 East 300 South, Room 451
 Salt Lake City, Utah 84111

DATE: Monday, July 29, 2013

TIME: 10:00 a.m. to 11:04 a.m.

REPORTED BY: Michelle Mallonee, RPR

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APPEARANCES

Melanie Reif
Administrative Law Judge

FOR DIVISION OF PUBLIC UTILITIES:

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DAVID Z. THOMPSON, PRO SE (Appearing telephonically)
JON Z. THOMPSON, PRO SE

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PROCEEDINGS

THE COURT: We'll be on the record. Good morning, everyone. I'm Melanie Reif, Administrative Law Judge for the Utah Public Service Commission. And this morning is Monday, June 29, 2013. And this is the date and time for the interim rate hearing in Docket No. 13-2423-01, entitled, "In the Matter of the Application of Cedar Ridge Distribution Company for an Increase in Rates for Water Usage Over 12,000 Gallons per Month to 50 cents per 1,000 Gallons."

As noted in the record, this hearing was duly noticed on July 18, 2013.

And at this time, let's start with taking appearances, starting with Mr. David Thompson.

Mr. David Thompson, would you please read your name in the record and identify your position with the company.

MR. DAVID THOMPSON: David Z. Thompson. I'm president of Cedar Ridge Distribution Company.

THE COURT: And will you be representing yourself today, sir?

MR. DAVID THOMPSON: Yes.

THE COURT: Okay. So you do not have counsel in this matter. Is that correct?

1 MR. DAVID THOMPSON: That is correct.

2 THE COURT: Okay.

3 And here in the hearing room, we also have, as
4 part of Cedar Ridge --

5 Sir, would you please identify yourself.

6 MR. JON THOMPSON: I am Jon Z. Thompson. I'm a
7 member -- a corporate member of the corporation, Cedar
8 Ridge Corporation.

9 THE COURT: Okay. And are you related to
10 Mr. David Z. Thompson?

11 MR. JON THOMPSON: Yes, I am. I am a brother.

12 THE COURT: Okay. All right. Thank you, sir.
13 And you are also representing yourself today. You do not
14 have counsel. Is that correct?

15 MR. JON THOMPSON: That is correct, yes.

16 THE COURT: Okay. All right. Very good. Thank
17 you.

18 MR. JETTER: And Justin Jetter representing the
19 Utah Division of Public Utilities. And with me is
20 Division of Public Utilities Utility Analyst, Shauna
21 Benvegna-Springer.

22 THE COURT: Thank you. Welcome everyone, again.
23 And I don't anticipate that this will be a lengthy
24 hearing. But nevertheless, there are a number of things
25 that I'd like to get clarification. And that

1 clarification will be useful to have on the record. So
2 please bear with me as I go through all of this.

3 Mr. David Thompson, I'm going to start with you.
4 This is your application. You have requested an interim
5 rate review by the Commission. And at this time, I'd
6 like you to present your application and any
7 justification you have for it. And, if possible, it
8 would be helpful to me, if you could, explain any changes
9 in the initial general rate increase request that you
10 made, which was actually filed with the Commission on
11 May 6, 2013, and the subsequent interim rate application,
12 which was filed on July 18, 2013, and any other
13 subsequent alterations to that request that you may be
14 making.

15 DAVID Z. THOMPSON,
16 testified as follows:

17 DIRECT TESTIMONY

18 MR. DAVID THOMPSON: My initial request a for
19 rate increase is a response to an increase in charge for
20 the wholesale water that we purchase from Tremonton City.
21 It had begun at 35 cents per 1,000 gallons of water
22 provided to the system. It changed. It increased to 50
23 cents per 1000 gallons as of last July 1, 2012. Because
24 of that increase, the water company essentially was going
25 in the hole 15 cents per 1,000 gallons because all we

1 were able to charge was 35 cents per 1,000 gallons of
2 water used by the customers of Cedar Ridge.

3 That's the basis, and really the only basis, for
4 the rate increase, was to meet the actual direct costs
5 for water. It was costing the water company 15 cents per
6 1,000 gallons more than we're able to collect. That's
7 the basis of the original application.

8 The interim application was requested so that we
9 could make these rates -- or collect this money in this
10 summer because, of course, that's when the biggest use of
11 water is, is during the summer months. And I didn't
12 anticipate all the time frames properly when I made my
13 first rate increase. And that's the reason that I
14 requested an interim, is to put this into place sooner,
15 if possible, rather than at the end of the 240-day time
16 frame.

17 The Division of Utilities, they recommended a
18 change in the basic rate, which is in this
19 recommendation -- which I believe is a good idea. So I
20 don't have any objections to what has been proposed by
21 the Division. And I think that's all I have to say, I
22 think.

23 THE COURT: Okay. I'm also going to give the
24 opportunity for Mr. Jon Z. Thompson to add to anything
25 that's been said, if you wish to do so, sir.

1 MR. JON THOMPSON: I have no -- nothing to add
2 to that.

3 THE COURT: Okay. Very well.

4 Mr. David Thompson, I'm afraid I neglected --
5 and this is something that's a little bit tricky when you
6 have somebody on the telephone -- but I neglected to
7 actually swear you in.

8 Would you mind if I swear you in after the fact?
9 And you'll be swearing that the testimony that you just
10 provided is the truth. Is that acceptable to you?

11 MR. DAVID THOMPSON: Yes.

12 THE COURT: Okay. So if you would kindly raise
13 your right hand.

14 MR. DAVID THOMPSON: I got it raised.

15 THE COURT: Very good. And do you testify
16 that -- or excuse me.

17 Do you swear that the testimony that you have
18 just provided is the truth?

19 MR. DAVID THOMPSON: Yes.

20 THE COURT: And do you further swear that the
21 answers that you will be giving and the further testimony
22 that you will be giving through this interim rate hearing
23 this morning is the truth?

24 MR. DAVID THOMPSON: Yes.

25 THE COURT: Thank you, sir.

1 Division, do you have any questions for
2 Mr. David Z. Thompson?

3 MR. JETTER: We have no questions, your Honor.

4 THE COURT: Okay. Thank you.

5 CROSS-EXAMINATION

6 BY THE COURT:

7 Q. Mr. David Z. Thompson, I do have a number of
8 questions for you, just to make sure that everything is
9 clear and that the Commission has a good understanding of
10 your rate application, in particular the rate application
11 that pertains to your request for an interim rate.

12 And I want to back up, because this all started
13 back in May when you filed the request for the rate
14 increase. And I know that that was -- well, that was
15 precipitated by the increase from Tremonton City. Is
16 that correct?

17 A. Yes.

18 Q. Okay. And I believe you were notified of that
19 as early as March of 2012.

20 Do you recall that letter that Tremonton sent to
21 you, notifying you of the increase that would take effect
22 July 1, 2012?

23 A. Yes, I do remember the letter. And I was
24 notified by them that it would be raising -- their rate
25 would raise to 50 cents per 1,000, effective July 1,

1 2012. I wasn't sure how that would affect us overall
2 over the long term, and I wanted to see how the year
3 ended, the water usage and everything. And so I declined
4 to make a change at that point, just because I wanted to
5 see what would happen overall with costs.

6 Q. Okay. And I think --

7 A. Is the reason I didn't do anything last year.

8 Q. Okay. And I think, if I understand you
9 correctly, the reason that you didn't seek a change is
10 because you wanted to explore what would happen, what the
11 water usage would be. It wasn't a matter of you deciding
12 unilaterally whether you would change the rate, it was a
13 matter of whether you would actually make an application
14 to the Commission, correct?

15 A. Yes.

16 Q. Okay.

17 A. I wanted to wait and see after a year's use, a
18 full year's use, how that would affect overall.

19 Q. Okay. And in your application, you indicate
20 that as a result of that increase, that Cedar Ridge
21 Distribution Company took a loss of \$2,388.60. Is that
22 correct?

23 A. That's as far as I can remember the numbers.
24 I'm trying to remember that number. I don't recall that
25 exactly, but it's close to that amount.

1 Q. Okay.

2 A. I mean, that amount seems correct to me. I
3 don't have it in front of me.

4 Q. Okay. So at the end of your letter when you say
5 that the Company has been operating, quote, unquote in
6 the red this year, is that the number that you were
7 referring to?

8 A. Yes. You know, it has been operating at a net
9 loss if it were to pay all the bills. The water company
10 is not paying me for my water master duties, nor for my
11 secretarial duties. So it hasn't gone -- hasn't actually
12 gone in the red this year, but that's because it hasn't
13 actually paid me because I haven't given the water
14 company a bill for my services yet.

15 However, it will go in the red without a rate
16 increase because we don't have the offsetting income for
17 those direct costs.

18 Q. Okay. Mr. David Z. Thompson, just for
19 clarification, you do understand that we're not here to
20 discuss the rate or whether you've been paid as a
21 master -- water master, or whether the secretarial
22 services have been paid. Is that clear?

23 A. Yes. But I just explained.

24 Q. Okay. Yes. Then I appreciate that. Thank you.
25 Okay.

1 Mr. David Z. Thompson, on June 14, 2013, the
2 Commission requested that the Company file notice of
3 proof of the proposed rate change to the affected
4 customers. And do you recall making a filing in response
5 to that?

6 A. Yes. I -- those notices were hand delivered to
7 the customers.

8 Q. Okay.

9 A. That day.

10 Q. Okay. And you did make a filing, noting that
11 you had, indeed, notified your customers, correct?

12 A. Yes. As I remember, when we made that filing
13 that it was hand delivered. I think that's how it was
14 stated.

15 Q. Okay.

16 A. I'm trying to remember the wording of that. I
17 just don't recall the wording.

18 Q. Okay.

19 A. And I thought we said that we hand delivered
20 them. I think a couple of them, the people were on
21 vacation or something. And so we taped the notice to
22 their door, and then we mailed one.

23 Q. Okay.

24 A. So that they had two chances to get it.

25 Q. Okay. Very good. And for the background for

1 the Commission, could you tell me how many customers you
2 have?

3 A. I think we have 31 customers.

4 Q. Okay. And those are -- those are all current
5 customers receiving service?

6 A. Yes.

7 Q. Okay. So you would have given notice to all 31
8 customers in the manner that you just described?

9 A. Yes.

10 Q. Okay. Initially in your -- Mr. David Z.
11 Thompson, initially in your request for a rate increase,
12 you were seeking a rate increase for usage over 12,000
13 gallons. And then when you filed your interim rate
14 request, your request was somewhat revised in as much as
15 it states that the rate increase requested is from, "35
16 cents to 50 cents per 1,000 gallons or any portion
17 thereof."

18 Is your current request, meaning the interim
19 rate request, is that a correct reflection of what you
20 are requesting in as much as the increase is concerned in
21 this docket?

22 A. Yes. I modified the term with the wording "or
23 any portion thereof." It was kind of an overlooked -- I
24 was just afraid that without it to get a -- to do the
25 proportions, I guess is the best way to say that.

1 THE COURT: Okay. Thank you for that
2 clarification, sir.

3 Mr. David Z. Thompson, I'm not sure if you have
4 all of these documents with you. I suppose it would
5 really help if you did.

6 But I am referring now to the Application for
7 Interim Rate Increase. And I just want to ask you a
8 couple of questions about that. You've already confirmed
9 that you have 31 customers. And I want to get a little
10 bit of clarification regarding paragraph 4 on page 2 of
11 your interim rate application.

12 You state that Cedar Ridge is currently
13 operating at a net loss each month. Is that assuming the
14 issues that you mentioned earlier -- which aren't before
15 the Commission but are a matter of general business for
16 your company -- which is that it would assume that you
17 were paying the master water -- or excuse me, the water
18 master and the secretarial fees? Or are you, in fact,
19 operating at a net loss each month as a result of not
20 charging these amounts?

21 A. If we were to -- if the water company were to
22 pay for water master duties and secretarial, if that was
23 actually done, they would be operating at a net loss.
24 Technically we are. But that bill has not been presented
25 to the water company, so the water company hasn't had to

1 pay it. So therefore, there are funds to pay for the
2 cost of the water to Tremonton City and other
3 miscellaneous costs, water testing and so on.

4 Q. Okay. So you haven't actually realized a loss,
5 but you anticipate a loss should those other bills be
6 presented?

7 A. Yes.

8 Q. Okay.

9 A. Yes.

10 Q. Okay.

11 A. Yes. We actually haven't had the loss because
12 the bills are not all paid because -- and that's because
13 not all the bills have been presented.

14 Q. Okay.

15 A. If that makes sense. I don't know if I'm saying
16 that correctly or not.

17 Q. Mr. Thompson, one other question for you.

18 So Tremonton upped its rate from 35 cents to 50
19 cents. And that's exactly the rate that you are looking
20 to transfer to your customers, is that correct --

21 A. Yes.

22 Q. -- the wholesale rate?

23 A. That is correct. Just transferring that direct
24 cost of the water on to customers.

25 Q. Okay. And you are proposing that that rate be

1 charged based on use, correct, so --

2 A. Yes.

3 Q. Okay. One other question for you, please,
4 Mr. David Thompson. At the very end of your interim rate
5 request, you essentially pray for relief in the manner of
6 getting an order from the Commission no later than 45
7 days from the date of your application. The date of your
8 application is July 18. And that's the same date that it
9 was filed. And today, of course, is July 29.

10 What are you anticipating as far as -- for
11 example, when is your next billing cycle? Would your
12 next billing cycle be August 1?

13 A. Yes.

14 Q. Okay.

15 A. It would be August 1. Of course, I would -- it
16 would be great if I could have it approved for that
17 billing cycle. I don't know if that's possible. It's
18 just that it would be good if we could do that so that
19 we're at the end of that -- right on the billing cycle
20 and we don't have to read the meter again during the
21 middle of the month, if possible.

22 Q. Okay. Now, I just want to make sure that we're
23 all on the same page here. Because I was anticipating
24 that at the conclusion of the hearing, that the
25 Commission would announce a bench ruling, either granting

1 or denying your request, and that that would be
2 effective -- we could make it effective today or
3 August 1, whichever is more sensible.

4 But in as much as this water has already been
5 used, maybe the Division wants to address that issue.
6 And we'll get to that further.

7 But I've noted that your preference would be
8 that it be effective the next billing cycle, which is
9 August 1. But there is an issue of retroactive rate
10 making, which, depending on how you're billing, would
11 depend on how soon you could actually implement this
12 change. So let's let the Division address that when we
13 get to them. And that will be probably very soon because
14 I think I'm almost done with my questions for you.

15 A. Okay. As for changing our billing paperwork,
16 that can be done in a matter of minutes, hours -- an hour
17 at the most. That would not take that much to change
18 that portion of it.

19 Q. Okay, sir. Thank you for that clarification.

20 One other thing that I wanted to be sure to get
21 on the record. And Mr. David Z. Thompson, as you are
22 aware, on July 18, 2013, the Commission issued a
23 scheduling order and notices of hearing in this matter.
24 And importantly, with respect to this particular hearing,
25 the Commission ordered that, "No later than July 22,

1 2013, the Company is instructed to provide notice to its
2 customers of interim rate increase hearing noted above."
3 And, of course, that's the hearing that we're having
4 today.

5 The Commission does note that it did receive on
6 July 25 an e-mail filing -- first it came as an e-mail,
7 and then it was actually filed as a hard copy filing --
8 that notes that the notice, which is actually a copy of
9 the scheduling order and notices of hearing, were hand
10 delivered to 29 customers on Friday and Saturday, July 19
11 and 20, and mailed to two customers on Friday, July 19.

12 Is that, indeed, a correct --

13 A. Yes.

14 Q. -- representation?

15 A. We hand delivered the 29th. Two of the
16 customers were on vacation. It was mailed to them.

17 Q. Okay.

18 A. Yes.

19 Q. Okay. Thank you, Mr. Thompson. I wish to note
20 that the request for notice has been received and does
21 comply with the request to give notice.

22 The next thing I want to go to, and we're -- in
23 some respects, we're jumping ahead just a little bit
24 because the Division hasn't had a chance to give its
25 presentation.

1 But in as much as you've already identified that
2 you agree with the Division's recommendation, I want to
3 go over a few things with respect to that and just make
4 sure that I'm understanding you correctly and the
5 Commission is understanding you correctly and that we
6 have your testimony to that effect on the record.

7 A. Okay. I'm not sure I needed to respond. I'm
8 not sure. Did I miss a question there?

9 Q. No, Mr. David Z. Thompson, you did not miss a
10 question. I'm reviewing my notes at the moment. And I'm
11 about to formulate a question. Thank you. You're
12 jumping the gun.

13 A. Okay. I just wasn't sure I heard everything or
14 not, where I'm on the road, you know.

15 Q. You're doing fine.

16 A. Actually, I'm on the road, but I'm stopped. I'm
17 not driving.

18 Q. Okay. Good idea. I was getting a little
19 concerned when you said that.

20 A. Yeah, I figured that might be a problem. So I
21 am actually stationary.

22 Q. Mr. Thompson, explain to me what you understand
23 the Division's recommendation to encompass.

24 A. I understand that we're having a minimum monthly
25 rate without any water usage at, as I remembered -- let

1 look it up here because I can't remember that exact
2 amount -- \$52.80 per month and then to charge for all
3 water usage. That would be a water usage rate, not an
4 overage rate. It's says, "Water usage rate of 50 cents
5 per 1,000 gallons or any portion thereof." And that's
6 how I understand it.

7 So I think, in a nutshell, that's what it's --
8 what I'm asking and what the Division has recommended.
9 And I believe that is a good recommendation.

10 Q. Okay. Thank you, sir. And do you also
11 recognize that part of what the Division is requesting is
12 that what's now termed an "overage rate" would be revised
13 and referred to as a "water usage rate"?

14 A. Yes. I think that's an excellent idea.

15 Q. Okay. And is it your position -- is it the
16 position of Cedar Ridge that the proposal, as presented
17 and as amended by the recommendation of the Division, is
18 just and reasonable?

19 A. Yes.

20 Q. Okay. And I have one other question, and I
21 don't want this to alarm you. It's just an observation.
22 And I know that the Commission greatly appreciates it
23 when applicants make extra efforts with notice. And the
24 Commission does note that, as indicated on the filing in
25 the Division's recommendation which was filed with the

1 Commission last Friday, July 26, 2013, that the Company
2 mailed a copy of the Division's recommendation to each
3 customer last Friday through the US Postal Service. And
4 it's believed that most customers would receive that
5 notice the following day, which is a Saturday.

6 The first thing I want to ask you is: Are you
7 aware of any objection or -- let's just leave it at
8 objection to the proposed increase and adjustment that
9 would result if the Commission approves it as reflected
10 in the Division's recommendation?

11 A. I'm not aware of any adverse reaction to that --
12 to this rate -- interim rate request. There were some
13 comments about two months ago, but they haven't been
14 brought back up --

15 Q. Okay.

16 A. -- to me.

17 Q. Thank you, Mr. David Z. Thompson. I don't need
18 you to go any further into that.

19 A. Okay.

20 Q. I just wanted to make sure that our commission
21 docket does not reflect any objection or anyone filing
22 any comments or requests to intervene in the docket to
23 otherwise become involved to express concern. So your
24 testimony is consistent with that.

25 I'm just a little bit curious. Given the short

1 time frame, where you were -- this was last Friday and
2 you were mailing to the customers the copy of the
3 Division's notice.

4 Since the hearing is today -- and I know your
5 community is very small, having been there, and I'm
6 assuming that probably hand delivery would have been
7 probably simpler and less expensive -- was there a reason
8 you chose to use the US mail service?

9 A. The reason was, was I was not around. And my
10 wife, who helps me, wasn't around, either, to do the hand
11 delivery that day. We just -- we couldn't get it done.
12 That's all. So we elected to mail them last Friday. We
13 put them in -- we took them to the -- I personally didn't
14 take them to the post office, but they were delivered to
15 the post office on Friday. And we know -- we know that
16 some came Saturday. Of course, I don't know all of them
17 because I only talked to a couple to see if they had
18 received theirs Saturday, and they had received them
19 Saturday.

20 We mailed them out of the Tremonton Post Office.
21 And we're in Deweyville. It's just the next day
22 delivery.

23 Q. Okay.

24 A. There's no post office in Deweyville. So we
25 took them to the Tremonton Post Office, which is

1 five miles away. Now, maybe not everyone received them
2 Saturday. I can't say that because I, of course, haven't
3 asked every customer. But a few customers received
4 theirs that I talked to on Saturday.

5 Q. And did they give you any input? Were they
6 supportive? Did they --

7 A. They just said that we've got to pay the bills.
8 That's basically the comments. I'm just trying to cover
9 the costs, and they can see that -- those that I've
10 talked to.

11 Q. Okay. All right. Mr. David Z. Thompson, thank
12 you for your testimony today and for responding to the
13 Commission's questions.

14 Is there anything further that you think that
15 would be helpful for the Commission to take under
16 consideration in determining whether to issue an approval
17 with respect to your interim rate request?

18 A. I would just like to, if it's possible, to have
19 it approved for that next billing cycle so it stays on a
20 billing cycle. That would be tremendous.

21 And then I had one question that has nothing to
22 do with that. But are there other individuals on the
23 phone calling in today besides myself?

24 Q. Mr. David Z. Thompson, you heard all of the
25 introductions at the very beginning. Those are the only

1 individuals who are participating in this hearing.

2 A. Okay.

3 Q. And so the short answer is no. You are the only
4 person on the telephone and with respect to --

5 A. Okay.

6 Q. Okay.

7 A. I just was curious. That's all.

8 Q. Okay. Now, before I move on to the Division, I
9 do want to ask just one bit of clarification with respect
10 to the effective date, should the Commission choose to
11 issue a bench ruling today and either grant or deny your
12 request.

13 Assuming that the Commission wanted to grant
14 your request, we were talking about an August 1 date.
15 But help me understand: When you send out your invoices
16 for August, that's based on water usage that's already
17 occurred, correct?

18 A. That is correct.

19 Q. Okay.

20 A. We bill -- on the 1st of August, we'll bill for
21 the use of water during July.

22 Q. Okay. Okay. So -- very good. We'll let the
23 Division address that very issue with respect to the
24 concern that I raised earlier.

25 And I don't have any further questions for you,

1 sir.

2 THE COURT: Are there any follow-up questions
3 from the Division?

4 MR. JETTER: No, I don't think so.

5 THE COURT: Okay. Mr. David Z. Thompson, thank
6 you for joining us today by telephone. I hope you'll
7 stay on the line so that you can listen to the remainder
8 of the hearing. And I may have an additional question
9 for you, too, as we continue.

10 MR. DAVID THOMPSON: I'll stay on the line.

11 THE COURT: Okay. Very good.

12 MR. JETTER: I'd like to just start out briefly
13 just to address the issue of when the billing cycle with
14 the rates, if approved by the Commission, go into effect.
15 I believe there is some precedent in certain situations
16 for having a mid cycle rate change approved and go into
17 effect, in effect, slightly retroactively through the
18 beginning of that current period of rate cycle.

19 But in this particular case, the Division's
20 position will be that the appropriate rate increase cycle
21 would be the cycle of water use beginning August 1. And
22 so that would show up on the September 1 bill. And the
23 reason behind that is there probably are customers who
24 used the volume rate throughout the month of August -- or
25 excuse me, throughout the month of July, with the

1 understanding that the rate was at the previous set 35
2 cents per 1,000 gallons. And we think it would be more
3 equitable, probably, to begin the new rate, if approved
4 by the Commission, starting August 1 so that the
5 customers, while they're using that, the water from the
6 system, are with the knowledge that it's under the new
7 rate.

8 THE COURT: Thank you, Mr. Jetter.

9 MR. JETTER: That's the Division's position on
10 that.

11 THE COURT: Thank you. I appreciate that
12 clarification.

13 MR. JETTER: With that, I would like to swear in
14 and call our first witness, Shauna Benvegna-Springer.

15 THE COURT: Ms. Benvegna-Springer, are you ready
16 to testify this morning?

17 MS. BENVEGNA-SPRINGER: Yes, I am.

18 THE COURT: And would you kindly raise your
19 right hand.

20 And do you testify that -- excuse me. Do you
21 swear that the testimony you are about to give is the
22 truth?

23 MS. BENVEGNA-SPRINGER: I do.

24 THE COURT: Thank you. You may proceed.

25 MR. JETTER: Thank you, your Honor.

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

4 DIRECT EXAMINATION

5 BY MR. JETTER:

6 Q. Would you please state your name and occupation
7 for the record.

8 A. My name is Shauna Benvegnum-Springer. I'm a
9 utility analyst for the Utah Division of Public
10 Utilities.

11 Q. Thank you. And have you reviewed the filings
12 and application made by Cedar Ridge Distribution Company
13 in this docket?

14 A. I have.

15 Q. And did you prepare a memorandum that was dated
16 July 25, 2013?

17 A. I did.

18 Q. Does that memorandum still accurately reflect
19 the Division's position and your analysis of an interim
20 rate increase for the Cedar Ridge Distribution Company?

21 A. It does.

22 Q. Did you have any additions or edits that you
23 would like to make to this?

24 A. The only addition we would like to make is that
25 the rate for the, both the monthly minimum rate and the,

1 what we are titling water usage rate, would be effective
2 August 1, 2013.

3 Q. Thank you. And could you briefly explain why
4 the Division had recommended something slightly
5 different, and what the differences are between this and
6 what the initial application for interim rate filed by
7 the Company was?

8 A. Right. In reviewing the billing records, the
9 bills have been done in such a fashion where, when the
10 meter is read, the usage is rounded up to the next
11 thousand usage, the nearest thousand use rounded up.
12 There were some concerns and questions from a number of
13 customers who were a little -- wondering about that
14 methodology. The actual tariff states for use of water
15 over 12,000 gallons per 1,000. It doesn't address the
16 fraction thereof or a rounding methodology. And so we
17 wanted to address that for clarification purposes.

18 Also, when the billing process is done,
19 Jennifer, who is the one who does the billing process,
20 she'll read the meter. She puts the meter readings into
21 a spreadsheet that actually does the calculation. And
22 then she has to actually do a rounding up to the nearest
23 thousand calculation in addition. Whereas, if it was
24 just left as-is for the actual usage and divided by the
25 thousand, it would be a fractional use. And then the

1 individuals would be billed at that fractional use in
2 addition to the per thousand.

3 So we're recommending that that 50-cent water
4 usage rate be calculated at the per thousand gallons and
5 any fraction thereof that's used, rather than having it
6 rounded up, effective August 1st.

7 We're not recommending that the Company go back
8 and revise or refund because it's a very small -- I'm
9 going to call it -- immaterial amount for the last 12
10 months that this process has been going on. And it would
11 cause the Company really a lot more time to do those
12 calculations and make the adjustments for very small
13 amounts of 50 cents or less on the bills.

14 The other change that we made is reducing the
15 amount in the minimum monthly rate by \$4.20. And the
16 reasoning for that is because when this \$57 monthly rate
17 was developed, it was based upon usage of up to 12,000
18 gallons per month. In that \$57, there is embedded \$4.20,
19 which essentially is 12 times the 35 cents, in that cost.
20 And so with Tremonton raising that bill, logically we
21 would add \$1.80 to it. But when we do that and we put
22 the information back into the model that was previously
23 used for these rates, it shows that the company would be
24 over earning.

25 So rather than add that as a component, there's

1 another concern, also, as many of the customers are not
2 using 12,000 gallons per month seven months of the year,
3 except for two customers. And now that we have the water
4 usage history, that allows us to see that that really
5 needs to come out of that minimum amount and be used as
6 an overall water usage rate at the cost of the wholesale
7 contract.

8 Therefore also, in going forward, as these types
9 of increases come about, this would be the only rate,
10 hopefully, that would need to change in future requests,
11 rather than the monthly minimum rate or anything else.

12 There are some customers, we believe, that like
13 paying the straight \$57 a month for several months. And
14 with this, they're going to be paying a different amount
15 each month. And so during the rate case, we're going to
16 look at either a flat or a budget amount for that type,
17 where there would be a true-up once a year for the usage
18 so that they could still pay their flat amounts or budget
19 amounts, whatever you want to call it, and would address
20 that concern that they do have.

21 I just want to make a clarification on the
22 interim rate that, if the final approved rates in the
23 general case are higher than the approved interim rates,
24 that the Company would not be able to go back and add
25 additional funds, that they would only be able to -- they

1 would only be able to go forward with those rates.

2 Likewise, if the Company interim rates --
3 general rates are less than the interim rates, then there
4 would be some refunding that would occur.

5 I believe that concludes my explanation.

6 Q. Thank you. Finally, do you believe that the
7 proposed interim rates in this memorandum that we've been
8 discussing would result in a just, reasonable -- just and
9 reasonable rates and be in the public interest, at least
10 for the time period until the final rate is set at the
11 end of the rate case?

12 A. Yeah. We do believe that these are fair and
13 reasonable rates. And it is in the best interest of the
14 both the customer and the company to have these rates as
15 they are, especially having the rates effective as soon
16 as possible. A preference would be to go to August 1.
17 If the Commission sees fit to take it earlier than that,
18 I think that's in the best interest of the company to do
19 that. But I think August 1 is fair for both the
20 customers and the company.

21 MR. JETTER: Thank you. I have no further
22 questions for Ms. Springer.

23 THE COURT: Thank you both.

24 Mr. David Z. Thompson, you have an opportunity
25 to ask questions or clarification of the Division and/or

1 its witness. Do you have any questions you wish to ask?

2 MR. DAVID THOMPSON: No. I think I understand
3 everything that's been discussed there, yes.

4 THE COURT: Okay.

5 And Mr. Jon Z. Thompson, you, as well, have an
6 opportunity to ask the Division and/or its witness any
7 clarification.

8 CROSS-EXAMINATION

9 BY MR. JON THOMPSON:

10 Q. Thank you. I would just wonder about Tremonton
11 City. Mrs. Shauna, she mentioned that these rates would
12 probably hold now for a while. One thing that could
13 change that would be the fact that Tremonton City, they
14 can raise their rate.

15 A. Right.

16 Q. I'm just wondering, is that arbitrarily done, do
17 you know? Or can they just raise their rate without any
18 justification and pass that on to Deweyville? Or is that
19 probably something that maybe isn't pertinent to this
20 hearing?

21 A. As I understand it in reading through the
22 contract with Tremonton City, they do a calculation based
23 on costs of what it is costing them to deliver the water
24 to Cedar Ridge through the pumping system that they have.
25 They do have a mechanism for what was referred to as

1 demand, where there's more demand or less demand.
2 Primarily when there's less demand, there is a charge
3 that they add on in their calculation. But they like to
4 keep things as stable as possible. From, both their
5 behavior in the past and what the contract reflects, is
6 that they like to keep the costs and the rate constant
7 for as long a period of time as they can, so.

8 MR. JON THOMPSON: Thank you.

9 THE COURT: Mr. Jon Z. Thompson, I'd also like
10 to mention that Tremonton is not under the jurisdiction
11 of the Utah Public Service Commission. So while
12 Ms. Benvegna-Springer's information is very helpful, you
13 may find it useful to contact Tremonton yourself for
14 further clarification.

15 And in as much as you receive a subsequent
16 increase, I would imagine that that would trigger a
17 subsequent application to the Commission for review. And
18 in as much as it would be something that you would want
19 to have done expeditiously, you would do, as you did in
20 this case, which is not only file an application for a
21 general rate increase, but you would also file for the
22 interim rate increase so that you get as quick attention
23 as possible. Does that help you?

24 MR. JON THOMPSON: Yes, that does. Thank you.

25 THE COURT: Okay. Good. Mr. Jon Z. Thompson, I

1 also wanted to follow up with you -- I didn't do it at
2 the end of Mr. David Z. Thompson's testimony. But you
3 are certainly -- as part of this hearing and part of the
4 applicant, you certainly have the ability to add anything
5 or to reflect upon or even ask any questions regarding
6 the testimony that was given by Mr. David Z. Thompson.
7 And I actually want to ask you a couple of things, which
8 are just rather standard.

9 But before I do that, do you have any questions?

10 MR. JON THOMPSON: No, your Honor. I'm pretty
11 well pleased with the Division.

12 THE COURT: Okay.

13 MR. JON THOMPSON: And will be pleased with the
14 Commission, if we can get a rate increase established on
15 the date.

16 THE COURT: Okay. Now, before I ask you a
17 couple of things, I want to follow up with Ms.
18 Benvegna-Springer just on an issue that she was covering
19 for me. I think she's finished her testimony.

20 CROSS-EXAMINATION

21 BY THE COURT:

22 Q. And just so I'm clear, Ms. Springer. I
23 understand that -- and please clarify me if I'm
24 misstating -- that the Division's recommendation is that
25 the changes that are reflected in its memo -- and again,

1 its memo was filed with the Division last Friday,
2 July 26, 2013 -- that the changes that are reflected
3 there, and particularly the changes on page 4, the
4 Division is proposing that those changes take effect
5 August 1, 2013. But in as much as billing is concerned,
6 that they, the Company consider -- can consider the rates
7 in effect August 1, but they wouldn't actually be billed
8 until the following month.

9 A. That is correct.

10 Q. All right.

11 A. That's correct.

12 Q. Okay.

13 THE COURT: And Mr. David Z. Thompson and
14 Mr. Jon Z. Thompson, are you both in accord with that
15 recommendation? And let me take Mr. David Z. Thompson
16 first, since he's on the telephone.

17 MR. DAVID THOMPSON: Yes, that's fine.

18 THE COURT: Okay.

19 MR. JON THOMPSON: Yes, uh-huh. That would be
20 fine.

21 THE COURT: Okay. Very good. All right.

22 Ms. Springer, I have no further questions for
23 you.

24 And I'd like to turn now to Mr. Jon Z. Thompson.

25 I'm sorry for jumping around a little bit, but I just

1 want to make sure that we have an absolute pristine,
2 clear record here.

3 Mr. Jon Z. Thompson, you've heard the testimony
4 in the case today, and -- before I proceed, I realized I
5 haven't sworn you in. So let me swear you in. So you're
6 not going to get away with that today.

7 Would you kindly raise your right hand. Thank
8 you so much, sir.

9 And do you swear that the testimony you are
10 about to give is the truth?

11 MR. JON THOMPSON: I do.

12 THE COURT: Okay. Thank you, sir.

13 JON Z. THOMPSON,
14 having been first duly sworn,
15 was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY THE COURT:

18 Q. Okay. Do you, sir, agree with the Division's
19 recommendation, as you understand it, as it's been
20 presented today, and as it's further reflected in the
21 Division's memo July 25, 2013, and which has been filed
22 with the Commission on July 26, 2013?

23 A. I do.

24 Q. Okay. And is it your understanding that -- or
25 is it your position, sir, that should the Commission

1 approve the interim rates as requested, that to do so
2 would be just and reasonable and in the public interest?

3 A. I do.

4 Q. Thank you, sir.

5 Is there anything else that you wish to add
6 concerning this pending application?

7 A. No, your Honor.

8 THE COURT: Okay. All right. Is there anything
9 else that anybody else -- that anyone wishes to add?

10 MR. JETTER: No, your Honor.

11 THE COURT: And just for the record, just to
12 make sure that we have the opportunity, is there anyone
13 here who wishes to raise an objection concerning this
14 interim rate application?

15 Hearing and seeing no such objection, we'll be
16 off the record for a five-minute recess. And we'll be
17 back shortly. Thank you. We'll be adjourned -- in
18 recess.

19 (A break was taken from 10:52 a.m. to 10:55 a.m.)

20 THE COURT: Let's be on the record, please.

21 And there's one thing that I meant to ask Ms.
22 Springer when I was asking her for some clarification.

23 FURTHER CROSS-EXAMINATION

24 BY THE COURT:

25 Q. With respect to the Division's recommendation

1 and in as much as it differs from the Request as applied
2 for, and considering that part of what the Division is
3 focusing on is that they're focusing on the idea that
4 customers be billed for their usage rather than what they
5 could have used, is it also the Division's position that
6 taking the approach the Division has offered advances the
7 policy and benefits of water conservation?

8 A. It does to some degree. That's another thing we
9 are looking at in the general rate case, is to see if we
10 need to put in place a conservation-tiered rate structure
11 in addition to what is here.

12 Q. And maybe taking that a step further and
13 utilizing, say, an example you have, like on page 3,
14 where you talk about if a customer uses 21 -- just barely
15 over 21,000 gallons. And let's assume that the customer
16 is aware of their meter and what they're utilizing and
17 their billing cycle. That -- it seems plausible that
18 such a customer, if they were just being billed on some
19 sort of basis where you're rounding up, that they might
20 say, "Well, you know, if I'm going to be billed for
21 22,000 gallons, why don't I just go ahead and use 22,000
22 gallons?"

23 So I think in that regard, would it be the
24 Division's position that that -- allowing customers to be
25 billed for the actual usage rather than what they could

1 have used would benefit and -- benefit not only water
2 conservation, but the policies that support water
3 conservation?

4 A. Yes. That would be correct.

5 THE COURT: Okay. All right. Thank you, Ms.
6 Springer.

7 The Commission is prepared to issue an order in
8 this case. And the Commission's order is that the
9 Request, as presented and as further amended in the
10 Division's recommendation, is approved. And it is
11 approved as the parties have presented and agreed upon.

12 So the way that this will work is that the bench
13 order will be effective August 1st. And that will be the
14 date that the rates take effect. So those rates will
15 then first be applicable to the company's September
16 billing cycle.

17 And then we'll hear -- we'll see you back for
18 the general rate case. And we'll talk about the
19 permanency of that and whether that's appropriate. But
20 we make no determination on that issue, just the interim
21 rate at this point.

22 And Mr. David Z. Thompson, I know you're still
23 on the phone there waiting patiently. Do you have any
24 questions about what I just stated?

25 MR. DAVID THOMPSON: Nope. Nope. The effective

1 rate is August 1st. So I understand that.

2 THE COURT: Okay. And so when you do your --
3 when you do your August billing, you may want to send out
4 a notice that this new rate is in effect, that these new
5 rates are in effect, just to make sure that everybody is
6 on the same page. So that they know, effective
7 September 1, they're going to be charged different rates.

8 MR. DAVID THOMPSON: Yes. I would put that in
9 the billing -- in the bill -- or with the bill.

10 THE COURT: Okay.

11 MR. DAVID THOMPSON: That's the (inaudible) the
12 way to say that, I guess.

13 THE COURT: So this order today is considered a
14 bench order. It will be followed up with a written
15 order. But a bench order has the full effect of an
16 order. So you may proceed as we've discussed.

17 And, unless there are any questions, I believe
18 we're all finished.

19 So Mr. Jon Z. Thompson, I believe you have a
20 question.

21 MR. JON THOMPSON: I'm not really sure what you
22 just said there. Is there going to be a change in the --
23 a tier charge? That's not going to take effect at this
24 point in time.

25 THE COURT: That is not before the Commission at

1 this time. What's before the Commission is the rate
2 increase. The monthly minimum fee is going to be amended
3 from \$57 to \$52.80. And there will be eliminated from
4 that the reference -- any reference to the number of
5 gallons of water.

6 The overage rate will be amended to water usage
7 rate, and that amount will be amended from 35 cents to 50
8 cents. And that will be for all water used and any
9 fraction of 1,000 gallons, as indicated in the Division's
10 recommendation.

11 Anything beyond that would be discussed at the
12 general rate case. And so that will be for another day.

13 MR. JON THOMPSON: Okay. Thank you. Thank you.

14 THE COURT: You're very welcome.

15 Mr. David Z. Thompson, any questions from you?

16 MR. DAVID THOMPSON: No. I think that covers
17 it.

18 THE COURT: Okay.

19 MR. DAVID THOMPSON: Yes.

20 THE COURT: All right. And thank you very much
21 for being here today. I know that it was a long drive
22 for you, Mr. Jon Z. Thompson.

23 And Mr. David Z. Thompson, thank you for joining
24 us, even though you've been out of town.

25 And thank you, Division for all your work in

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this. It's very helpful.

And as I mentioned, we'll have an order. And in the meantime, you have the bench order. So have a very nice day. And we're adjourned.

(The matter concluded at 11:04 a.m.)

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CERTIFICATE

State of Utah)
 ss.

County of Salt Lake)

I, Michelle Mallonee, a Registered
Professional Reporter in and for the State of Utah, do
hereby certify:

That the proceedings of said matter was
reported by me in stenotype and thereafter transcribed
into typewritten form;

That the same constitutes a true and correct
transcription of said proceedings so taken and
transcribed;

I further certify that I am not of kin or
otherwise associated with any of the parties of said
cause of action, and that I am not interested in the
event thereof.

Michelle Mallonee, RPR, CSR