

J. Craig Smith (04143)
(jcsmith@smithlawonline.com)
Adam S. Long (14701)
(along@smithlawonline.com)
SMITH HARTVIGSEN, PLLC
175 South Main Street, Suite 300
Salt Lake City, Utah 84111
Telephone: (801) 413-1600
Facsimile: (801) 413-1620

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Formal Complaint of Duncan, Gavril, Workman, Bates, et al against Eagles Landing Water Company LLC)))))))))	Docket No. 13-2477-02 TESTIMONY OF DAVID OLSEN
--	---	--

Eagle’s Landing Water Company, LLC, (the “**Company**”) hereby submits the attached
prefiled Testimony of David Olsen on behalf of the Company.

Respectfully submitted this 10th day of January, 2014

SMITH HARTVIGSEN, PLLC

/s/ J. Craig Smith

J. Craig Smith
Adam S. Long
Attorneys for Eagle’s Landing Water Company

CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of January, 2014, I served a true and correct copy of the foregoing **TESTIMONY OF DAVID OLSEN** by causing the same to be delivered to the following:

Via hand delivery and email to:

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

Via hand delivery to:

Office of Consumer Services
160 East 300 South, 2nd Flr.
Salt Lake City, Utah 84114

Via U.S. mail to:

Brent & Raeleen Duncan
HC13 box 312
Fairview UT 84629

Elmo & Bonnie Richins
HC13 box 310
Fairview, UT 84629

Trevor & Jessica Butterfield
HC13 box 311
Fairview UT 84629

John & Mary Gavril
HC13 box 302
Fairview UT 84629

Gene & Betty Allen
HC13 box 308
Fairview UT 84629

Chris and Sheri Paulos
HC13 box 300
Fairview UT 84629

Ronald & Phyllis Workman
HC13 box 307
Fairview UT 84629

Gary & Pam Monson
HC13 box 309
Fairview UT 84629

Dustin & Brenda Bates
165 Highland Hills Blvd
Decatur TX 76234

Bryan & Teresa Young
HC13 box 314
Fairview UT 84629

Via e-mail to:

Patricia Schmid (pschmid@utah.gov)

Justin Jetter (jjetter@utah.gov)

Brent Coleman (brentcoleman@utah.gov)

Utah Assistant Attorneys General

/s/ J. Craig Smith

**TESTIMONY
OF
DAVID OLSEN**

FOR

EAGLE'S LANDING WATER COMPANY

January 10, 2014

Docket No. 13-2477-02

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

2 David Olsen. My business address is 772 South Carterville Rd, Orem, UT 84097.

3 **Please state your position and describe your responsibilities with the Eagle's Landing**
4 **Water Company.**

5 I am the owner of Eagle's Landing Water Company (the "**Company**"). As such, my
6 responsibilities include the overall management and supervision of the Company as well as
7 various other tasks as needed. I was also the developer of the Eagle's Landing subdivision, but
8 due to the downturn in the economy, the remaining lots that I owned in the development are in
9 the process of being foreclosed upon.

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

11 I will be offering testimony for the Company.

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

13 I was present at the hearing when the Company was granted its Certificate of
14 Convenience and Necessity in Docket 07-2477-01, but I do not believe I actually offered
15 testimony.

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

17 The primary purpose of my testimony is to describe the Company's position with respect
18 to the subjects covered in the testimony of the complainants that was previously filed in this
19 docket. As such, I will break down my testimony as follows: (1) company background, (2)
20 generator rental, (3) turn on fees, (4) connection fees, (5) monthly charges, and (6) conclusion.

21 **I. Company Background**

22 **Could you describe the background of the Company and how you came to be involved?**

23 I became involved with the Company and the development when I purchased both at a
24 bankruptcy sale. At that time, there were a couple of houses already constructed and the water
25 system and the subdivision generally were in a state of disrepair. I subsidized repairs and
26 improvements to the subdivision and the water system, including getting the tank cleaned up and
27 installing a larger pump on the well.

28 The development was originally planned and platted for 95 houses, which, at the time
29 looked to be very achievable as the area was attracting more full-time residents than expected.
30 However the crash of the housing market and the general downturn in the economy caused those
31 plans to fall apart. The development currently has 11 completed homes and one that is soon to
32 be built. I do not anticipate that the development will reach anywhere near the planned 95 homes
33 anytime soon. Many of the current owners purchased their houses as short sales or foreclosures.

34 The water system was designed to serve the full planned development. The current well
35 can pump enough water to serve fifty or so homes and another well was planned when the level
36 of development required it. During the initial application process, the Commission and the
37 Division of Public Utilities noted that the Company was expecting a few years of revenue
38 shortfalls but I expected that the development company would subsidize operation of the water
39 company. The development company has subsidized the operation of the water company for
40 years and I note that the current customers do not have any issues with water delivery or water
41 quality. Clearly, the development never really took off and the development company is no
42 longer able to subsidize the operations of the water company.

43 Basically, the Eagle's Landing subdivision is a failed development that is expected to remain
44 basically in its current state of development for the near future. I believe that the Company and

45 the customers need to work together to make sure that the customers continue to receive quality
46 water service while providing the Company with enough revenue to operate.

47 **II. Generator Rental**

48 **Please describe the situation with the generator rental.**

49 Some time ago, wildfires near the area of the Eagle's Landing subdivision caused the
50 subdivision to lose power. As the subdivision did not have power, the well pump was inoperable
51 and unable to deliver water to the residents. The power outage lasted less than 3 days. The
52 residents took it upon themselves to rent a generator to power the well pump at a cost of
53 approximately \$129. The generator rental was strictly necessary as the storage tank had more
54 than enough water in it to provide water for a short time. However, as a gesture of goodwill
55 toward the customers, I have reimbursed them for the generator rental.

56 **III. Turn On Fees**

57 **Please describe the turn-on fee as listed in the Tariff.**

58 The tariff lists the fee for "Turn-on service where meter is already in place" as \$100.
59 This is the fee charged when a new customer starts receiving water service from the Company or
60 when water service that has been turned off for any reason is turned back on.

61 **And what is the situation with those fees?**

62 Some of the water customers have paid the fee and others have not. The Company's
63 hope is that the Commission will clarify that the turn-on fee is required to be paid when a
64 customer starts receiving service and that those customers owing the fee will pay it. This fee is
65 to be paid when a new customer starts receiving service regardless of whether the house is

66 receiving water service for the first time (after paying the connection fee) or the house had
67 previously had water service.

68 **IV. Connection Fees**

69 **Please describe the connection fee as listed in the Tariff.**

70 The relevant portion of the Tariff is included below:

<u>Service Connection Charges</u>	
1"	service to property line, where service fronts property line, including meter and materials. One time charge for each service requiring new meter installation. \$ 4,000

71
72 The fee of \$4,000 is to be paid by each new customer connecting to the water system. Among
73 other things, the fee covers the water meter, the service line, and the labor and materials to
74 physically connect the water pipe from the Company's system to the customer's house.

75 **And what is the situation with those fees?**

76 As with the turn-on fees, some customers have paid them and some have not. Regardless
77 of whether the fees have been paid, all of the customers are currently enjoying the benefits of
78 having water service provided by the Company. Due to the financial difficulties of the
79 development and the fact that the Company is serving only a small fraction of the intended
80 customers and thereby not generating sufficient revenues to hire employees to manage the
81 Company and to see that the various fees were billed as they should have been at the time the
82 connection was installed, there were a number of customers from whom the connection fees
83 were not collected prior to the service being installed. The Company believes that it is owed this
84 money as the company has borne the costs of connecting the homes to the system, and,

85 importantly, the Company needs more than \$35 per month from 12 customers to continue to
86 operate. This problem is exacerbated by the additional fact that due to foreclosures and short
87 sales the few homes that have been built in the Eagle's Landing development have changed
88 hands and the current owners do not believe that they should pay service connection charges, as
89 evidenced by the complaints that led to this proceeding.

90 **And what is the Company hoping to accomplish through these proceedings before the**
91 **Commission?**

92 The Company is seeking a resolution to the matter in the form of an order from the
93 Commission addressing this issue. The Company is not aware of any relevant law or
94 Commission rule that would address the current situation with connection fees. There is clearly
95 a disagreement among the Company and some of the customers as to whether the fees are owed
96 to the Company by the current customers. The Company, for its part, believes that the fees
97 should be paid. However, the Company also foresees potential issues if the Company were to
98 tell one customer that the fee is not owed when their neighbor has paid the fee. The Company
99 does not wish to be in any position where the customers that have paid the fees as required are
100 feeling like they were treated unfairly when their neighbors are not required to pay the fees.
101 Also, the Company does not currently have the resources to make refunds of any amount to any
102 customers.

103 **V. Monthly Charges**

104 **Please describe the Company's monthly billing amounts.**

105 The Company made an arrangement with customers a number of years ago—in an effort
106 to benefit the water customers—to bill a “level bill” of \$55 per month, regardless of the amount

107 of water used. The Company did this because the system had plenty of capacity to deliver water
108 to the small number of existing customers. Doing so simplified the billing for both the Company
109 and the customers and I believe it was a very beneficial arrangement for the customers as they
110 could essentially use as much water as they wanted for a low monthly cost—particularly low for
111 a small, isolated development. It also saved the Company the expense of reading the meters
112 every month. The development is in a fairly remote area along Highway 89 between Thistle and
113 Fairview, so having someone read the meters would necessarily involve several hours of travel
114 time and the associated expenses.

115 **And what led to the current complaints about the billing?**

116 Regrettably, the Company apparently did not sufficiently communicate the level billing
117 arrangement as new customers come on the system, which lead, at least in part, to the complaints
118 that are part of the docket. That said, these customers have nonetheless received the benefits of
119 the level billing system.

120 **Can you explain?**

121 I believe that, in every case, the current customers have paid less under the level billing
122 system at \$55 per month than they would have paid if they would have been billed for water used
123 in excess of the base amount (of 10,000 gallons) during the irrigation season. The area where the
124 subdivision is located is relatively dry, yet most (if not all) of the customers have been able to
125 maintain lush, green grass on their approximately one-acre lots while paying only \$55 per month.
126 I'm fairly certain that a homeowner on a small lot with municipal water could not keep their
127 small lawn irrigated during the growing season for an average of \$55 per month.

128 **And what is the Company's billing approach going forward?**

129 As requested by the customers in their complaints, the Company will be charging
130 according to the tariff for the base 10,000 gallons and overage amounts. I expect that summer
131 bills for all customers will increase significantly and that, on average, the customers will end up
132 paying more than \$55 per month.

133 VI. Conclusion

134 **Do you have any concluding remarks?**

135 I recognize that some customers have been dissatisfied with aspects of the Company's
136 operations and the Company will work to fix those issues. I do want to point out that there are
137 no complaints about the quality of the water delivered by the Company and no complaints about
138 the delivery of water to the homes of the Company's customers. Indeed, the customers enjoy the
139 benefits of a system that is much larger than needed for their use and relatively new.

140 I would like to point out that the Company is serving essentially what remains of a failed
141 development and that the rates that have been paid by the customers are probably much lower
142 than any other comparable community served by a public utility. The Company must increase its
143 revenue to continue to operate. To that end, the Company anticipates filing a rate case with the
144 Commission seeking approval of significantly higher rates in order to keep the Company viable.
145 The Company needs a certain amount of revenue to simply keep operating—to pay for meter
146 reading, the electricity for the well pump, and the costs of water quality testing and
147 compliance—and the current amounts that the Company can collect is not sufficient.
148 Additionally, the Company must have sufficient revenue to build up capital reserves for the
149 replacement of infrastructure that will be necessary in the future. At this time the Company has

150 no funds set aside to replace system components that over time will wear out and need to be
151 replaced.

152 **Does this conclude your testimony?**

153 Yes it does. Thank you.