

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Hi-Country
Estates Homeowners
Association's Updated Tariff to
Comply with the Commission's
May 5, 2014, Report and Order

Docket No. 14-2195-T01

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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, July 8, 2014

TIME: 8:17 a.m.

REPORTED BY: Nancy A. Fullmer, RMR

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APPEARANCES

ADMINISTRATIVE LAW JUDGE:

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FOR DIVISION OF PUBLIC UTILITIES:

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Hearing Proceedings

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July 8, 2014

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PROCEEDINGS

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THE HEARING OFFICER: Good morning,

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everyone. My name is Melanie Reif. I serve as the

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administrative law judge for the Utah Public Service

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Commission. This morning is a hearing in Docket 14-2195-T01

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entitled In the Matter of Hi-Country Estates Homeowners

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Association's Updated Tariff to Comply with the Commission's

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May 5, 2014, Report and Order. Let's start by taking

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appearances, please.

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MR. SMITH: Thank you. Craig Smith and Adam

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Long are here on behalf of Hi-Country. We also have one of our

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board members, Randy Crane, who is here with us, as well.

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THE HEARING OFFICER: Thank you, Mr. Smith.

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MS. SCHMID: Patricia E. Schmid with the AG's

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Office with the Division. And with me is Shauna

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Benvegna-Springer, the Division's witness.

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THE HEARING OFFICER: Welcome, everyone.

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Thank you so much. As noted in the notice for the hearing this

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morning, we've asked that the parties come prepared to provide

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testimony, clarification, and/or additional information requested

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in the June 6, 2014, order on whether Hi-Country's proposed

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tariff, which was filed on May 15, 2014, in this docket should be

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approved by the Commission. And, so, that is the scope of this

1 hearing.

2 Mr. Smith, would you like to--did you have
3 something that you needed to address? I'm sorry I caught you
4 off guard.

5 MR. SMITH: No. You're fine. We would be happy
6 to kind of give an overview. If you would like, I would have Mr.
7 Long do that. We have been in contact with the Division since
8 their recommendation came out. And I think we've resolved a
9 number of the issues that they have had concerns about.

10 THE HEARING OFFICER: Okay. Now, in the order
11 that was issued by the Commission on the 6th of June, the
12 concerns of the Division are listed there, as well as
13 concerns--additional concerns, which start on page 4 of the
14 Commission. And because we'll be taking this opportunity for
15 testimony, clarification, and/or additional information, we can
16 proceed item by item, if you wish, or if you have something that
17 you propose to the Division and you wish to address that, or if
18 the Division wishes to respond to conversations that you've
19 already--or however you think this could be addressed most
20 efficiently is entirely--it is your tariff, so I wanted to give you
21 that opportunity.

22 MR. SMITH: Okay.

23 THE HEARING OFFICER: Also, just to be clear,
24 has there been a withdrawal of the tariff and a revised tariff
25 filing.

1 MR. LONG: We haven't filed one. We have a
2 version showing changes from the tariff that we filed on May 15.
3 And that was prepared mostly for discussion with the Division. I
4 propose that we discuss that together today, as far as changes
5 go, to comply with the suggestions of the Division and the
6 Commission.

7 THE HEARING OFFICER: Okay. And, Mr. Long,
8 has that been filed with the Commission?

9 MR. LONG: No, not yet. I have copies here.

10 THE HEARING OFFICER: Okay. And, so, how do
11 you wish to proceed? Do you wish to hand that out and go over
12 that as your proposed revised tariff or--

13 MR. LONG: If that's acceptable, I think that would
14 give us at least something to discuss and we can look at the
15 changes that the Company has made. And there are a few
16 issues that we need Commission input on as to how the
17 Company should proceed. The Company's overall goal is to do
18 this as quickly and painlessly as possible, more or less.

19 THE HEARING OFFICER: Let's back up just a little
20 bit to make sure there's no misunderstanding about the order
21 that was issued on the 6th of June. That order, in part, as I
22 mentioned, goes through the concerns that the Division raised.
23 And it also addresses concerns of the Commission. Right now,
24 all the Commission has before it is what was filed on the 5th of
25 May and--or excuse me--on the 15th of May. And that is what is

1 presently being proposed and that's presently what we're here to
2 discuss. So, if there's been a withdrawal of that and a refileing
3 of something else, I think that that's appropriate. But aside
4 from that, if there are concerns or clarification that you need
5 with respect to the Commission's order, please let me know if
6 there is something that you're not clear about. But that's the
7 purpose of this hearing is to give you the opportunity to explain,
8 et cetera, clarify what it is that you have proposed presently.

9 MR. LONG: Okay. The Company does have
10 changes to the tariff that was filed previously primarily--primarily
11 in response to the Division's concerns and the Commission's
12 concerns.

13 THE HEARING OFFICER: Okay. Ms. Schmid, let
14 me ask you, if I may, please, inasmuch as you've been in
15 contact and the Company has been in contact with you, do you
16 see a reasonable way of addressing this? And I think what I'm
17 asking is, have the Division's concerns been addressed?

18 MS. SCHMID: Most of the Division's concerns have
19 been addressed and resolved. There are a few open questions
20 that remain after we have discussed and a redline has been
21 prepared. And those questions, we suggest, be submitted to the
22 Commission for decision.

23 THE HEARING OFFICER: Okay. Unfortunately, we
24 don't have those before us right now. So, this hearing is
25 scheduled on what was filed on the 15th. And inasmuch as that

1 hasn't been withdrawn and a proposed refiling, that's why the
2 order was written the way it was and why we wanted to meet to
3 discuss that filing. Mr. Smith.

4 MR. SMITH: Let me suggest this. I think the
5 outline that Mr. Long was just discussing or the redline, I should
6 say, that he was just discussing is a good way to kind of
7 address item by item the items that the Division's concerns and
8 the Commission's concerns. I think that will help show that I
9 think--as Ms. Schmid said, I think we have resolved most of
10 those and we are prepared to file--withdraw and file a tariff.
11 There are a couple, maybe one or two, issues that have not
12 been--we don't feel like we have resolved them and would like to
13 have input from the Commission on that one or two issues.
14 They aren't major issues.

15 And, frankly, you know, we could live with either
16 way that--either how the Division would like to see it, or how we
17 propose it on those remaining one or two issues. But I think we
18 could use today to at least narrow down to those one or two
19 issues and point out what we propose to file to resolve both the
20 Commission and the Division's concerns on all of the other
21 items.

22 THE HEARING OFFICER: Okay. Ms. Schmid, does
23 that sound acceptable to you?

24 MS. SCHMID: Yes, it does.

25 THE HEARING OFFICER: Okay. All right. So, Mr.

1 Smith, if I'm following you correctly, what you'll do is you'll
2 follow the order that the Commission has laid out and address
3 item by item.

4 MR. SMITH: That's correct.

5 THE HEARING OFFICER: And soon to the extent it
6 facilitates that explanation or discussion, you'll use what you
7 brought with you today.

8 MR. SMITH: That's correct.

9 THE HEARING OFFICER: Okay. I think that
10 sounds reasonable. Let's proceed in that manner.

11 MR. SMITH: Thank you.

12 THE HEARING OFFICER: Mr. Smith and Mr. Long,
13 let's begin by marking this as an exhibit just for--maybe
14 discussion exhibit.

15 MR. SMITH: Thank you. That's a great idea.

16 THE HEARING OFFICER: Okay. So, I'll--
17 if it's acceptable to you, I'll call this Company's Discussion
18 Exhibit No. 1.

19 MR. SMITH: Thank you.

20 THE HEARING OFFICER: And I'll--you may
21 proceed.

22 MR. LONG: Certainly. So, this exhibit shows
23 changes--proposed changes to the tariff filed on May 15. I
24 might suggest that we go through the Commission's order that
25 includes both the Division's concerns and the Commission's

1 concerns and discuss how those are proposed to be addressed
2 by the Company.

3 THE HEARING OFFICER: Thank you, Mr. Long.
4 That sounds excellent.

5 MR. LONG: On page 2 of the Commission's order
6 No. 1 is a paragraph added by the Company to the tariff that in
7 the exhibit we propose to simply remove. In the Company's
8 opinion, that was a clarifying statement but not necessary.

9 THE HEARING OFFICER: Okay.

10 MR. LONG: Number 2 on page 2 of the
11 Commission's order.

12 THE HEARING OFFICER: Mr. Long, just one
13 moment.

14 Ms. Schmid, just for ease of procedure, would you
15 like an opportunity to interject after each one of these or do you
16 want to summarize your position at the end?

17 MS. SCHMID: Perhaps we can interject as we go
18 along so we're discussing the same thing. We will not have
19 many interjections.

20 THE HEARING OFFICER: Okay. To that extent,
21 then--and thank you for that clarification--I would like to go
22 ahead and swear in Ms. Benvegna-Springer. Excuse me, I'm not
23 quite getting that right, but I'm trying. And so, Ms. Springer,
24 let's swear you in, if you would please raise your right hand.
25 And do you swear that the testimony you're about to give is the

1 truth?

2 MS. BENVEGNO-SPRINGER: I do.

3 SHAUNA BENVEGNO-SPRINGER, having been first
4 duly sworn, was examined and testified as follows:

5 THE HEARING OFFICER: Thank you. Mr. Smith,
6 do you intend to call a witness today with respect to any of your
7 presentation?

8 MR. SMITH: We may, but we're not sure at this
9 point.

10 THE HEARING OFFICER: Well, in the event you
11 do, let's go ahead and swear in your witness or witnesses.

12 MR. SMITH: Okay. That would be Mr. Crane.

13 THE HEARING OFFICER: Mr. Crane, thank you for
14 being here this morning, sir. You're welcome to have a seat at
15 the table, if you wish.

16 MR. CRANE: Okay.

17 THE HEARING OFFICER: It's up to you wherever
18 you're more comfortable. So, I'm going to go ahead and swear
19 you in, if you would kindly raise your right hand, please.

20 Do you swear the testimony you are about to give is
21 the truth?

22 MR. CRANE: I do.

23 THE HEARING OFFICER: Thank you very much.
24 You both have been sworn in. And that will carry out for the
25 entire hearing. And, so, with that, let's continue.

1 And, Ms. Schmid, I'll leave it up to you to make it
2 clear to me when you're ready to make your concerns, or what
3 have you, and we can have Ms. Springer also testify. And if you
4 just want to say that is acceptable or that would be helpful to
5 have that on the record.

6 MS. SCHMID: We will do that.

7 THE HEARING OFFICER: Okay.

8 MS. SCHMID: Thank you.

9 THE HEARING OFFICER: So, we've had just one
10 paragraph of the tariff discussed.

11 MS. SCHMID: And the Division finds the
12 Company's proposed change acceptable.

13 THE HEARING OFFICER: Okay. Thank you.

14 MR. LONG: On page 2 of the Commission's order,
15 Paragraph 2, the Division recommended that the Company
16 restore its original language as far as cost allocation for water
17 use for fire suppression. And in the redlined version, this is--
18 the Company essentially sees three instances or situations
19 where it would need emergency backup water. So, those are a
20 lack of supply and simply using more water than the Company
21 can provide from its well during the summer months. The
22 second is extra water to correct contamination in the system.
23 And the third, then, is fire suppression.

24 And the Company proposes that obviously for the
25 emergency backup water due to lack of supply, only the

1 customers actually using water pay a portion of the share of the
2 emergency backup water, and, likewise, to correct contamination
3 in the system.

4 Fire suppression, on the other hand, as the
5 Company believes it benefits everyone in the neighborhood,
6 whether they're an active water company customer or on their
7 own well or even a undeveloped lot. The Company believes
8 everyone benefits from water use for fire suppression and
9 proposes to allocate the cost equally across all customers
10 standby and active.

11 MS. SCHMID: The Division would like to address
12 this issue.

13 MS. BENVENEGNU-SPRINGER: In the previous
14 tariff--in the previous tariff that was filed, Paragraphs A, B, and
15 C of section 4 on page 5 were consolidated into one. And,
16 again, we are recommending that that original language be
17 replaced. What they're doing is they are-- initially was that
18 these charges for emergency was only for those that were being
19 used as active customers. It wasn't for both water users and
20 standby customers. It doesn't allow for a standby customer to
21 have an opportunity to--because they're not using any water for
22 support for, say, the customer--it's being brought against all
23 customers rather than--it's being brought against active and
24 standby customers rather than just those customers that are
25 using water.

1 It is true that some customers have their own well.
2 And, so, they're using their own well to fight fires. We
3 recommend that the original language be placed back.

4 THE HEARING OFFICER: Ms. Springer, this is a
5 follow-up to your testimony. Was there anything in the rate
6 change application or discussion at the hearing that this was a
7 proposed change?

8 MS. BENVENU-SPRINGER: No, there was not.

9 THE HEARING OFFICER: Okay. Mr. Smith, I'm
10 sorry. I didn't give you an opportunity to ask any follow-up
11 questions before I jumped in there. You're welcome to, if you
12 wish.

13 MR. LONG: I think Mr. Crane may want to address
14 the situation of the fire suppression and customers with their
15 own wells.

16 MR. CRANE: There has been testimony by one
17 individual that he has sufficient water to fight a fire. That is
18 incorrect. The fire department will move him off his property if--
19 by force if it's required to get him out of the area. So, he will not
20 be able to use one of his wells nor his water from his well.

21 If we do have a fire up there, more than likely the
22 power will be shut off because it will burn the lines down. We
23 do have exposed lines. So, that basis is not a valid situation.
24 The only place that we are going to have sufficient fire
25 suppression water is from our lines, our well, and from

1 Herriman's connect. That is a benefit to everybody, all lot
2 owners. And it's no different than in the city where if there's a
3 fire, everybody basically pays for the water to suppress that fire.

4 That being said, if we are going to divide basically
5 those from who pay for it and those who do not pay for it, then
6 the idea will come down is, why should we suppress fire on their
7 property when they are not paying for it? It is a matter of
8 basically paying for the services that you are receiving. It's the
9 same with the police. If you are not paying for their service,
10 they're not going to come out and basically do their job. We do
11 not have what you would call police protection in Hi-Country for
12 speeding because we're private. If we were in the country and
13 on roads, they will pick you up for speeding. So, it's a situation
14 where you need to pay.

15 MR. SMITH: Can I ask Mr. Crane--I just want to
16 clarify something. Mr. Crane, there are fire hydrants in
17 Hi-Country.

18 MR. CRANE: Correct.

19 MR. SMITH: And what are those fire hydrants
20 connected to?

21 MR. CRANE: To our water system and only to our
22 water system.

23 MR. SMITH: Thank you. I think we've covered the
24 point, so--

25 THE HEARING OFFICER: Okay. Mr. Crane, just a

1 follow-up to I think the analogy that you were trying to draw
2 between the fire--or excuse me--between the water company
3 and the police department. Will the police respond to your
4 neighborhood?

5 MR. CRANE: They will respond, but they won't
6 respond for traffic violations.

7 THE HEARING OFFICER: Okay. But for an
8 emergency, say there's a domestic dispute happening in one
9 particular residence, do they discriminate between houses?

10 MR. CRANE: No, they do not.

11 THE HEARING OFFICER: Okay. Ms. Schmid, do
12 you have any follow-up questions for Mr. Crane?

13 MS. SCHMID: Ms. Springer has some additional
14 comments.

15 THE HEARING OFFICER: Okay. Please go ahead.

16 MS. BENVEGNU-SPRINGER: In Paragraph B--in
17 Paragraph A, it states that the charge for domestic use when
18 they're using emergency water will be charged to customers
19 using water. So, it will not be charged to customers using
20 stand--that are on standby. So, I think that part is clear.

21 In section B, it states that this secondary source
22 charge will be divided among all active customers. And I think
23 we need to clarify that, as it should be either water users, those
24 receiving water use, and not all active as that could be stewed
25 as water users and standby.

1 THE HEARING OFFICER: Okay.

2 MS. BENVEGNU-SPRINGER: In section C, it is
3 clarified that it is for both active and standby. So, I think the
4 language needs to be consistent as either water users and
5 standby, whether then water users or active.

6 THE HEARING OFFICER: Mr. Long.

7 MR. LONG: The Company has no objection to a
8 change like that.

9 THE HEARING OFFICER: Okay. So, with those
10 changes, would that resolve your concerns?

11 MS. BENVEGNU-SPRINGER: That would.

12 THE HEARING OFFICER: Okay.

13 MR. LONG: So, if I can clarify, Ms. Springer's
14 requesting that we change in Paragraph 4(b), change active
15 customers on the third line to customers using water like
16 Paragraph (a).

17 MS. BENVEGNU-SPRINGER: Correct. And, then,
18 Paragraph C would read both water users, customers using
19 water and standby customers.

20 THE HEARING OFFICER: So, rather than saying
21 active and standby. Okay. So, with those changes, the Division
22 is satisfied. Is that my understanding?

23 MS. BENVEGNU-SPRINGER: Yes.

24 THE HEARING OFFICER: Okay. Thank you. Mr.
25 Long, please continue.

1 MR. LONG: On page 2 of the Commission's order
2 on Paragraph 3, the Division points out the addition of
3 Paragraph 16 and 17, the--and this is on page 7 of the redline
4 tariff. The active meter replacement fees is Paragraph 16 and
5 the outside service connection review deposit is Paragraph 17.
6 And the Division recommended that the Company clarify the
7 outside service connection review deposit to state the fee will
8 be subject to a, quote, true up, essentially refunding any amount
9 of the deposit that is in excess of what the cost the Company
10 actually incurs. And the Company has attempted to make those
11 changes in this discussion Exhibit No. 1.

12 So, Paragraph 17 on page 7 essentially defines the
13 outside service connection view deposit. And Paragraph C(3)
14 on the top of the next page or rather--sorry, at the bottom of the
15 next page, the Company has added language toward the bottom
16 of Paragraph 3 on page 8 that states, "And the excess of the
17 deposit shall be returned to the applicant," as requested by the
18 Division.

19 MS. SCHMID: The Division does have some
20 concerns with Paragraph C(3), but we'll discuss those when we
21 get there, but does recognize and approve of the addition of the
22 language "And the excess of the deposit shall be returned to the
23 applicant."

24 THE HEARING OFFICER: Okay. So, Ms. Schmid,
25 your concerns are regarding other aspects of the paragraph.

1 MS. SCHMID: Correct.

2 THE HEARING OFFICER: Okay. All right. We'll
3 come back to that. And if for some reason we get off track,
4 please bring us back to that point.

5 MS. SCHMID: Yes.

6 MR. LONG: On page 2 of the Commission's order,
7 Paragraph 4, the Division recommended removing the language
8 that states "Including connections to those customers using
9 water under the well lease," based on the Commission's prior
10 order. And the Company has made that change on page 12 of
11 the discussion exhibit, Paragraph 13(a), that language has been
12 deleted, as requested by the Division.

13 MS. SCHMID: That is acceptable to the Division.

14 THE HEARING OFFICER: Okay. Thank you.

15 MR. LONG: On page 3 of the Commission's order,
16 Paragraph 8, the Division recommends to change to the tariff
17 language that states, "Amendments, deletions, and additions to
18 these rules and regulations are proposed by the company board
19 of directors and approved by the Public Service Commission."

20 MS. SCHMID: And that change is acceptable to the
21 Division.

22 THE HEARING OFFICER: Thank you.

23 MR. LONG: And that is on page 17 of the
24 discussion exhibit at the bottom.

25 On page 3 of the Commission's order, Paragraph 9,

1 the Division suggests changing second source backup water to
2 emergency backup water rate. And the Company has made that
3 change.

4 MS. SCHMID: Acceptable to the Division.

5 THE HEARING OFFICER: Thank you.

6 MR. LONG: On page 3 of the Commission's order,
7 Paragraph 10, another language change suggested by the
8 Division changing return check fee to insufficient funds fee.
9 And that change has been made, as requested by the Division.

10 MS. SCHMID: And is acceptable to the
11 Division--oh, wait. Pardon me.

12 MS. BENVENU-SPRINGER: Going over to page 7
13 of the Company's exhibit, I have No. 15, the title return check
14 fee should be also changed to insufficient funds. And I believe
15 the wording should be changed that when a monetary instrument
16 is returned to the Company, because there are numerous types
17 of monetary instruments, not just the check at this point, for
18 insufficient funds, then the customer won't be charged for the
19 amount plus. So, I think this language needs to be reworked.

20 THE HEARING OFFICER: Are there any other
21 changes that you would like to see, Ms. Springer, other than the
22 two that you mention?

23 MS. BENVENU-SPRINGER: That is all.

24 THE HEARING OFFICER: Okay.

25 MR. LONG: The Company has no objection to

1 those changes.

2 THE HEARING OFFICER: Okay. And with those
3 changes--

4 MS. SCHMID: That will be acceptable to the
5 Division.

6 THE HEARING OFFICER: Thank you.

7 MR. LONG: And paragraph--or page 3 of the
8 Commission order Paragraph 11 on the BLM rate schedule
9 changing the term check fee to insufficient funds fee. And that
10 change has been made.

11 MS. SCHMID: That's acceptable to the Division.

12 THE HEARING OFFICER: Thank you.

13 MR. LONG: On page 3 of the Commission's order,
14 Paragraph 12, the Division suggests changing second source to
15 emergency backup water. And that change has been made.

16 MS. SCHMID: And is acceptable to the Division.

17 THE HEARING OFFICER: Thank you. I'm not sure
18 I'm seeing that--oh, yes, I do. Okay. Thank you very much.
19 Please proceed, Mr. Long.

20 MR. LONG: On page 4 of the Commission's order,
21 the Division suggests adding language addressing the
22 mechanics of the Company's capital reserve fund and
23 essentially how deposits to that fund are made on what
24 schedule. This is one of the issues where the Company and the
25 Division still have some disagreement as to the precise

1 language. And the Company previously filed a response to the
2 Division's comments proposing to change it to the capital
3 reserve language. And that capital reserve language is on page
4 18 of the discussion exhibit.

5 And if I can provide a brief overview and perhaps
6 Mr. Crane can provide some clarification. The Division's
7 proposed language essentially requires the Company to
8 make--to calculate and make a deposit every month in the
9 amount--we'll call them the overage fees so that the water rates
10 above the base \$0.54 per thousand gallons as in compliance
11 with the Commission's previous order.

12 The Company's concerned that that isn't an overly
13 onerous requirement, particularly in light of the relatively small
14 dollar amounts we're talking about. And instead the Company
15 suggests making estimated deposits into the capital reserve
16 account every month and then performing a reconciliation at the
17 end of the year and adjustment as required. That way the
18 Company ends up with the same amount in the capital reserve
19 account, but have saved dozens of hours of accounting time in
20 getting there. And as the Commission knows, the Company
21 outsources all of its accounting and most of its operations to
22 Herriman City. And the Company's goal is to make this as light
23 of a burden on Herriman's water department staff as possible.

24 THE HEARING OFFICER: Mr. Long, just for
25 clarification, so is it Herriman that would be taking on this

1 responsibility from all perspectives, that they would be
2 depositing the money, that they would be accepting the money,
3 they would be depositing the money, and then doing the
4 reconciliation at the end?

5 MR. LONG: Herriman definitely collects the money.
6 The Company's concern is that if the Company is required to
7 follow the language proposal of the Division, it may require the
8 Company to hire its own bookkeeper or accountant to make
9 those calculations for Herriman just so as to not add that extra
10 work to Herriman staff. So, the Company has proposed this
11 language, essentially, performing a reconciliation once at the
12 end of the year and adjusting, as necessary, in order to make
13 that as light of a burden as possible.

14 THE HEARING OFFICER: So, what would happen
15 if at the end of the year Hi-Country wasn't able to come up with
16 the money that is required for reconciliation?

17 MR. LONG: That is a risk--I think that risk is
18 mitigated by Hi-Country making estimated monthly payment.
19 So, the risk is there only to the extent Hi-Country's estimated
20 deposits into the reserve account are materially different from
21 what they should have been.

22 THE HEARING OFFICER: And as far as the
23 estimated amount--help me understand what you're proposing as
24 far as an estimate and how close is that to the actual amount?

25 MR. LONG: I think in this coming year, it might be

1 slightly more difficult, just because the Company hasn't had
2 experience with the new rates. The Company, on the other
3 hand, does have many years experience on data and water
4 usage under the old rates. And I believe that could be used to
5 make a reasonable estimate. And, then, going forward, that will
6 only get easier as the Company gathers more data on water
7 usage under the new rates.

8 In my opinion, while the risk might be larger in year
9 1 for under the new rates, I think the Company can still
10 successfully estimate the amounts that should be in the capital
11 reserve-- make those deposits.

12 THE HEARING OFFICER: Is there any reason why
13 Herriman, in doing what they already do for the Company,
14 cannot add this to what they're already doing?

15 MR. LONG: Yeah. I think Herriman has competent
16 accounting staff and they certainly have the capability of doing
17 so. Our concern is that it adds a significant burden on
18 Herriman's accounting staff without any real benefit to the
19 Company or its customers. So, our proposal is to make
20 estimated payments under the theory that making those
21 estimated deposits reserve account every month, with a
22 reconciliation at the end of the year, leaves the Company in the
23 exact same position it would have been in had we done this on a
24 month-by-month basis, but it saves, we expect, several dozen
25 hours of accountant time.

1 THE HEARING OFFICER: So, assuming your tariff,
2 just for the sake of assumption, I'm not saying anything about
3 what is going to happen, let's say your tariff is made effective
4 August 1 and you are then required to comply with the provision
5 that you proposed, assuming that that's a provision the
6 Commission would be willing to accept, help me understand
7 what you mean by estimate. What--how would the Division
8 know, for example, if they're reviewing or auditing your practices
9 to know that you have set aside a sufficient amount? Is it an
10 amount that you decide--what kind of calculation are you doing
11 to determine what that estimate is?

12 MR. LONG: So, the Commission's prior order, as
13 you know, requires that the Company deposit any water fees
14 above the amount--above the cost of service, so it's \$0.54 per
15 thousand gallons. So, we'll call these overage tiers. So, the
16 difference between the overage tier rate and the \$0.54 would be
17 deposited in the reserve account. And that's in compliance with
18 the Commission's order and the Division's suggested rates. The
19 Company has data for years past as to how many customers and
20 which customers use precisely what amounts of water during
21 each month.

22 And based on that the Company can make an
23 estimate of how much water will be used and what customers
24 will be paying and to what amount they'll be paying these
25 overage rates. So, by using past data, the Company believes

1 they can make a reasonable estimate of the amount that it will
2 collect in any given month.

3 THE HEARING OFFICER: Okay. Mr. Long, just so
4 it doesn't appear that Mr. Crane has not had an opportunity to
5 testify on these issues to the extent that you would like to give
6 him an opportunity to do so and to clarify the explanation that
7 you've given already, I certainly don't want to preclude that and
8 he looks like he's wanting to say something, so I didn't want to--

9 MR. LONG: Yes. By all means, we would like to
10 have Mr. Crane's input on this issue.

11 THE HEARING OFFICER: Okay.

12 MR. CRANE: I believe that the one of the concerns
13 that the Company has--Hi-Country--
14 with Herriman doing this, we are already taxing them with our
15 water system, you know, they're doing this basically at cost.
16 There is no profit for them in what they're doing for us. As we
17 add more and more items for them to do, it becomes more
18 onerous for them. And there may be a time when they say
19 enough's enough and go find someplace else to get your
20 service.

21 We want to limit that. We want to make sure we
22 stay a good customer, so to speak, a good partner in the water
23 system. And we would not tax them with this requirement to
24 make that calculations. We would have to go out and get an
25 accountant to do that and make sure it was done per the

1 requirements. That is a significant issue for us. We want to
2 comply with the--these orders and definitely. That's why we're
3 in front of you is we want to comply and we want to be under
4 your auspices, you know, for many, many years, but we couldn't
5 until we got through with our legal battle.

6 That being said, you know, as far as looking at
7 the--how much money would go into the reserve fund, you know,
8 we have been priming the HOA members for the last three years
9 that we were going to have to establish a reserve fund. And it
10 was basically going to have to come out of our HOA fees, mainly
11 to support what was required in addition to what we got from the
12 water system. So, the owners up there understand that the
13 reserve fund is coming.

14 How we fund that has been the question, how do
15 we make a honest attempt at getting what we think should be
16 put into the fund every month. I think once the rates are in
17 place, we're actually going to see a reduced amount of water
18 being used, because it's more expensive. That being said, I
19 believe that our estimates, based upon prior calculations, prior
20 usage, are going to be higher than what would actually be
21 required by if we went through and did an accounting. So, an
22 adjustment at the end of the year more likely is going to say we
23 have put more money away than we are required to. And I think
24 that that's proper. You know, we want to err on the positive
25 side.

1 If there is a concern, we may increase that amount
2 by 10 percent or 15 percent, but I don't want to take the money
3 that is going to be used for an accountant, say it's, you know,
4 the first time through it's going to be four or five hours, the
5 second time it may be less and less and less, but over the year
6 you're looking at--I'm going to say--
7 I'm going to be really conservative--yeah, right--
8 maybe 60 hours at 50 bucks an hour, you know, you're talking,
9 you know, a bunch of money that should have been in the
10 reserve fund or could have been in the reserve fund but is being
11 taken out because we have to have an accountant do the work.

12 The board, while it is more likely to do it, we would
13 have our secretary, treasurer has his own company and he does
14 his own books and he's capable of doing that. You know, as
15 this society progresses, we have less and less time to put forth
16 to doing the things that normally we did as a board of directors.
17 We are truly trying to get to a point where we are only a board
18 of directors, not a board of doers and having a management
19 company take care of the management of the association,
20 Herriman City taking care of our water system and having our
21 attorneys take care of our legal. So, we're trying to get away
22 from where there's a significant requirement for time to be at
23 hearings like this, to be at hearings, you know, wherever or to
24 do the work and working with Herriman to make sure that
25 they've resolved the issues, you know, as far as the water

1 system goes, whether it's one or the other.

2 So, you know, that is where this board has gone.
3 We're trying to make it so we can get more people involved in
4 being on the board. The board has not changed in the last five
5 years, because nobody wants to deal with these issues. And in
6 order to get more people from our association involved, we have
7 to make it so they don't have to deal with the day-to-day
8 activities, they don't have to do the accounting. They can look
9 at the accounting, do what a board of directors really does or is
10 supposed to do, and oversee or make sure things are being
11 done correctly, whereas if you're doing the work, you know,
12 you're the worst checker in the world of your own work. So, you
13 know, that is what we're trying to do and why we think that this
14 is, you know, an onerous requirement.

15 THE HEARING OFFICER: Thank you, Mr. Crane.

16 Ms. Schmid, I have some questions for Mr. Crane.
17 Do you have questions?

18 MS. SCHMID: Just one.

19 THE HEARING OFFICER: Okay. I'll let you go
20 first.

21 MS. SCHMID: One procedural issue and then one
22 question. So, may I go to the procedural issue? To the extent
23 Mr. Long intertwined facts with his explanation, would it be
24 appropriate to have Mr. Crane adopt those facts as his
25 testimony so that could be evidence upon which the Commission

1 could rely, or is that unnecessary?

2 THE HEARING OFFICER: Is there any objection to
3 that, Mr. Long or Mr. Smith?

4 MR. SMITH: No objection.

5 THE HEARING OFFICER: Okay.

6 MS. SCHMID: Thank you. And, then, my question
7 is to Mr. Crane. Has the Company talked with Herriman City
8 about the amount of time and cost that would be incurred if the
9 Division's recommended capital reserve policy was
10 implemented?

11 MR. CRANE: In detail, no, but we have had
12 discussions with doing additional work and they are resistant to
13 that.

14 The other thing is we want--if--we would want a
15 second source--second party to do the accounting issues. I
16 would feel more comfortable if that's the case.

17 MS. SCHMID: Why?

18 MR. CRANE: Because I want somebody else to
19 check what's going on.

20 MS. SCHMID: In that light, is there not a need,
21 then, to have Herriman's work audited anyway?

22 MR. CRANE: We do that once a year.

23 MS. SCHMID: Okay. Those are my questions, but
24 the Division, when it's appropriate, does have some comments
25 on the capital issue.

1 MR. CRANE: Can I make a final comment on that?
2 We do--okay. We do a formal audit once a year. But, as I said,
3 the directors do overlook the reports that are sent to us on a
4 monthly basis from Herriman. It isn't like we just sit there and
5 let them do their thing. We do review the books. And we have
6 found, you know, errors in how they put their funds and where
7 they charged. It's--you know, they end up being a non-issue, but
8 we do review what they send us and what the records show
9 once a month, basically.

10 Again, the idea is we don't want to have to be the
11 ones doing the actual work. We want to review the
12 documentation and say yea or nay. Again, I don't want to have
13 to be the one that does the accounting. If I was being paid for
14 it, it would be a different story. But, again, I'm a layperson for
15 all intents and purposes. And we're doing this as a voluntary
16 service to our HOA. And we're trying to get to a point where it
17 doesn't take a significant amount of our time, because I've got
18 other things to do just like everybody else, but this is my free
19 time. And what I'm giving up to be here, to be--to look over
20 reviews. And the whole idea to come under the PSC is we were
21 hoping it would be less onerous than what we had been going
22 through with all the legal and all the other things without adding
23 more work to our plate.

24 THE HEARING OFFICER: Mr. Crane, thank you for
25 your explanation. I do have a few questions for you, please.

1 And to some extent, you've covered a bit of what I had in mind
2 with the questions from Ms. Schmid. And back to the--so, back
3 to the proposed language, inasmuch as you've indicated that
4 you don't want to ask Herriman to do this extra bit of work, are
5 they familiar with the proposed revised tariff language that you
6 have submitted this morning in the way of discussion Exhibit No.
7 1?

8 MR. CRANE: I do not believe they have reviewed
9 that. We've had discussions with them on the previous how to
10 handle reserve funds. And, again, they've been resistant.
11 Again, they're doing this as--I'm going to say as a favor for
12 Hi-Country. They're not making any money. They're covering
13 their cost, so they're trying to minimize their exposure to this. If
14 it gets to a point where it becomes so onerous to them that they
15 have to hire another person to do our work as well as their work,
16 I think they will say we're done, find somebody else.

17 THE HEARING OFFICER: Okay. And with respect
18 to the kind of work that you've asked them to do previously and
19 they said no, what was that that you asked them to do?

20 MR. CRANE: We've been discussing doing the
21 additional accounting and they haven't said no. They will do it,
22 but it's, again, you know, we're pushing--I believe pushing the
23 envelope with them in the discussions we've had.

24 THE HEARING OFFICER: Have you entertained
25 the idea that to the extent that this might broaden the

1 relationship that you have with them already, that there's a
2 negotiation that might take place such that they--rather than
3 functioning under their existing contract, which might be for X,
4 that if they were to take on this additional requirement, that the
5 contract would then be for X plus something? Have you
6 entertained that possibility with them?

7 MR. CRANE: I have not entertained that with them.
8 The discussions that we have had, you know, specifically with
9 the water company and Justun, who runs that division, has been
10 basically we pay for their hourly rates. And that's been
11 acceptable to them as far as ensuring that they get reimbursed
12 for their effort.

13 I don't--I'm--I hesitate to answer any more, other
14 than saying I don't think--you know, they're not in business for
15 making money. And, so, it makes it a little bit tough--and I'm
16 speaking for them. And I'm not sure, but I think the hesitation
17 has been they're not in the business for making money.

18 THE HEARING OFFICER: Well, to that extent, sir,
19 isn't there a distinction between them covering their costs, their
20 personnel time, whatever is involved doing the work for you and
21 making money such that it's a profitable venture, meaning
22 they're making something over and above? Am I
23 misunderstanding you?

24 MR. CRANE: I'm going to say that I don't believe
25 they want to get into a position--and I haven't talked to them

1 about this, but I--from the discussions that we've had, and I'm
2 reading stuff into the discussion, they do not want to be a--they
3 do not want this to be a profitable exercise. But, you know,
4 Justun and Herriman City would have to answer that. There
5 seems to be a resistance to going to that side because they are
6 a municipality as opposed to a business.

7 THE HEARING OFFICER: Okay. I understand what
8 you're saying, Mr. Crane. And if your contract with them is to
9 pay them a certain hourly fee, which you've indicated for the
10 work that they do and this happens to be an additional amount
11 per month that you then pay, how would that be that they would
12 then be making a profit? They would simply be recovering what
13 they have into it, which is their personnel time and/or any
14 expenses related to doing the work that they've contracted. Is
15 there something I'm missing?

16 MR. CRANE: Well, I think there are two
17 statements. There are two items. One is the first proposition is
18 they charge a surcharge or make a profit on what we're having
19 them do.

20 THE HEARING OFFICER: I'm not assuming there
21 is a surcharge. Is there a surcharge?

22 MR. CRANE: No. But I think, you know, the way
23 your question was asked, is there any reason why--again, it
24 goes back to their staffing requirements and, you know, they
25 may--and I don't know where they sit right now as far as, you

1 know, the amount of time that their staff has to work on our
2 books as opposed to what it takes to do their work and how that
3 feeds into their--I don't want to get into a position where we're
4 pushing them to have to get another part-time or full-time
5 employee because of our requirements.

6 Now, that's my position as far as, you know, why
7 I'm resistant. If that's the case, you know, it's their decision
8 whether or not they take on the work and add an employee
9 potentially or say, no, we don't want to do it. But even at that,
10 it's an additional cost. And I guess that's where I'm coming
11 back to. Whether we have Herriman do it or have an accountant
12 do it, it's an additional cost to the Company to do this once a
13 month to go through the estimate and look at all the figures and
14 make sure that they comply. Then, as a board of directors we
15 need to approve that. And, then, it needs to go back, whereas if
16 it's a--we can establish what that estimate is, you know, in one
17 meeting and, you know, gladly do that with the Division as to
18 this is how much water we used last year, this is what we expect
19 that our base cost is, and this is what our overage should look
20 like. We can add 10 percent to that and that goes into the
21 reserve fund. We do that once. And, then, that's what happens
22 the rest of the year. We review that next year to see how close
23 we were and adjust those rates for each month up or down, as
24 required.

25 If there was a shortage, I'm going to say the HOA

1 would be required as the board of directors--would go out and
2 either out of our HOA funds make up that shortage or, you
3 know, do a special assessment to make up that shortage. I
4 don't believe that there will be--especially, you know, based
5 upon prior experience now that the rates have definitely gone
6 up, it's more expensive for the users out there for their water.
7 You know, so, yeah, I think we will be erring on the positive side
8 by establishing an estimate than by going in and taking, you
9 know, 50 or 100 bucks to do the accounting each month. That's
10 1200 bucks that could have gone in the reserve fund.

11 THE HEARING OFFICER: Mr. Crane, let's go back
12 a little bit and let me better understand your relationship with
13 Herriman. So, you mention that you have a fee that you pay
14 based on the number of hours that they put into working for your
15 company or for Hi-Country. Do you know what that amount is?
16 I assume it's an hourly rate.

17 MR. CRANE: It's an hourly rate based upon the
18 billing individuals that's doing the work.

19 THE HEARING OFFICER: Okay. So, you might
20 have somebody whose working at X rate doing certain work and
21 you might have somebody doing a different kind of work at a
22 different rate, maybe Y. Can you give me some sense as to the
23 range of those workers?

24 MR. CRANE: The range of the workers will be
25 basically the office staff. And I don't know what they make. It's

1 been a while since I really looked at the details other than--but
2 you have the office staff that takes care of the books.

3 THE HEARING OFFICER: And how much--what is
4 it charge for them--what do they charge to do that?

5 MR. CRANE: I would have to pull that up. I don't
6 know. I don't know what those rates are offhand.

7 THE HEARING OFFICER: All right. So, your
8 testimony is that you don't know what the rates are. So, what
9 would it cost you to have an accountant do that? Have you
10 investigated that?

11 MR. CRANE: Not in detail, no.

12 THE HEARING OFFICER: Is there an accountant at
13 Herriman City in this department that does this work for you?

14 MR. CRANE: I would assume Herriman has an
15 accountant, yes.

16 THE HEARING OFFICER: Well, inasmuch as the
17 scope of the work that's done for your company, is there an
18 accountant available that is doing work for you already?

19 MR. CRANE: As far as within Herriman City or
20 outside?

21 THE HEARING OFFICER: That is doing work for
22 you from Herriman.

23 MR. CRANE: From Herriman?

24 THE HEARING OFFICER: Yes.

25 MR. CRANE: The Herriman staff would. I mean,

1 they have accountants within the staff, yes.

2 THE HEARING OFFICER: Okay. I have a pretty
3 good sense of--I've been in government for a very long time and
4 I've also worked in local municipalities, so I have a fairly good
5 understanding of what the ranges are, you know, as far as what
6 people in different categories make. And that's all public
7 information. But what I'm trying to better understand is
8 assuming that you have a bookkeeper, say, doing something for
9 you at Herriman, I'm trying to understand the mentality-- the
10 rationale is probably a better word for wanting to have an
11 accountant who presumably would be much more expensive and
12 I've also--so, if you would address that question. And, then, I
13 have a follow-up question for you, as well.

14 MR. CRANE: Well, I think the--I think I've
15 answered that. It's the offhand resistance for doing additional
16 accounting work, additional work for Hi-Country. They're willing
17 to do the water collection to do the billing. It has been an issue
18 with them to try and figure out, you know, where the funds go
19 for what reason. It's something that they do not want to handle.
20 They don't mind bringing the funds in and basically being
21 responsible for that. That is their normal operation. But to get
22 past that--and there seems--
23 there has been--and I haven't been in direct conversation. This
24 is secondhand information that I've gotten. And, you know, if it
25 needs to be really addressed, needs to get Justin and maybe

1 whoever else, city manager, to address it. But there seems to
2 be a resistance to doing anything more.

3 Again, this is something that they're doing as far as
4 running our water system, that we're very lucky to have them be
5 willing to do. And to keep forcing additional requirements on to
6 them or asking them to do more and more I think is improper. I
7 realize that they have the staff to do it, but they also have a city
8 to run and, you know, this is not their prime responsibility.
9 They've been willing to work with us and support us with doing
10 what they're doing, reading the meters, but part of the
11 requirement in the--as we were looking last fall to put new
12 meters in, they were the ones that were pushing us so they
13 didn't have to have their staff go around and read the individual
14 meters, that they would agree to from basically their office and
15 it's done electronically. They're trying to minimize their
16 exposure as much as they can so there is not a concern.

17 I think that--I guess I hadn't thought about this, but
18 I would think that as a citizen of Herriman, I would be concerned
19 what are you doing running somebody else's water system?
20 Why are you doing that? What is our exposure in doing so?
21 So, we need to minimize that. And that would be my desire to
22 keep it at their exposure, as well, to a minimum, because I don't
23 want to lose them. It's been a godsend to have that off of
24 Hi-Country's back.

25 I ran the water company for eight, nine years. And,

1 you know, at that point, we had Jordan Valley taking care of
2 maintaining it. And when we had a problem, it took, you know,
3 maybe six, eight hours for Jordan Valley to take care of it.
4 Herriman is Johnny-on-the-spot. Our system is no different than
5 theirs. And that's how they handle it. They don't discriminate
6 between us and their water system when it comes to
7 maintenance. They're there. I just--you know, and maybe I'm,
8 you know, being overcautious, but I resist having them putting
9 more burden on them where when I look at it, it isn't necessary.
10 I don't think it's necessary that we do an accounting of every
11 dollar of every month that we can reconcile at the end of the
12 year.

13 THE HEARING OFFICER: Thank you, Mr. Crane. I
14 think to the extent that you elaborated a bit, you answered my
15 follow-up question for you. And before I go to the Division for
16 any follow up and their testimony, if they wish on the issue,
17 would you say that it's fair to say that you value your
18 relationship with Herriman, they do a lot for you, and you're
19 reluctant to press that relationship any further?

20 MR. CRANE: That is very correct. They are a
21 valued partner in what we're doing and they've been there to
22 support us when we have had a water leak, you know, this
23 spring. We found they were there and took care of it. There
24 was another leak down the street at the same time they found it
25 and took care of it. When we had a fire a couple years ago, the

1 city manager was up with the fire department at the fire to make
2 sure that we were being--the situation was being taken care of.

3 Now, its to their benefit that they do that, especially
4 because if we have a fire in Hi-Country, we all of a sudden will
5 be a mad rush into Herriman. And there's a lot of, you know,
6 requirements that they have to take care of. It's at the very--I
7 look at our relationship with Herriman, with the new mayor, with
8 the water department, you know, as being very valuable.

9 We are in the process right now to move our gate,
10 because 7530 butts right into the middle of the gate. It has
11 been--you know, initially, it was not a very continual discussion.
12 It has turned around. And, now, they are basically bending over
13 backwards to get our gate moved and taking care of our
14 requests, our--I'll say request, but our--what we think is
15 necessary to move the gate. So, we are in what I consider a
16 very good relationship. I just hate to put more of a burden on
17 that and keep it to that. You know, like with any friendship, you
18 know, there's a give and take. And if one side's taking too much,
19 you know, that friendship tends to go away. And I don't want to
20 push that.

21 THE HEARING OFFICER: Okay. Thank you, Mr.
22 Crane.

23 Ms. Schmid, do you have any follow-up questions
24 for Mr. Crane?

25 MS. SCHMID: I do not, but the Division does have

1 some comments on the position.

2 THE HEARING OFFICER: Okay. Sure.

3 MS. BENVEGNU-SPRINGER: With all due respect
4 with the testimony Mr. Crane has provided, the Company does
5 have records of past usage--
6 water usage for all their customers. Unfortunately, though,
7 because these rates--these conservation rates have not been in
8 place, it will change the behavior of the customers and their
9 water usage. Therefore, there is not any history on these rates
10 to estimate from.

11 And as he explained, the estimate would be high if
12 using the history usage for prior customers--prior customers'
13 usage. What that would then do is take away from the operating
14 cost the Company is going to need. I would like to just explain
15 in simple terms what the calculation is. They would basically be
16 doing two transactions each month, but they would also be
17 doing with an estimated amount. And, then, they would also
18 have to do a follow-up reconciliation and a true-up at the end of
19 the year going back to go over their estimated amount
20 comparing them with the actual. If they're doing it just with the
21 actual each month, that would eliminate duplication effort at the
22 end of the year.

23 The transactions they would be doing would be two.
24 One, they would be calculating taking the overage amount. And
25 as they--as Herriman collects the money as they're currently

1 doing, it goes into two accounts. One would be basic fee
2 account. One goes into overage account. They take the total
3 amount of money that was received for that overage account,
4 calculate the \$0.54 per thousand usage. And the excess--it
5 would be one transaction that would then go into the reserve
6 account. They're not going to have to go back line by line by
7 line by each person to identify who paid and would didn't pay.
8 It's a simple calculation.

9 Likewise, with the depreciation amount of the basic
10 fee. They take the basic fee, how many people paid the basic
11 fee. They take a portion of the 11--I believe it's 1154 and take
12 that amount and put it in aggregate into the reserve account.
13 So, there's only two transactions that they would be doing. It's
14 a very simple process. It's not complicated.

15 We have not--the Division has not talked with
16 Herriman City about this process, but we would be more than
17 willing to do so to help facilitate this and help them understand
18 how simple this can be. And so it's not a complicated thing.
19 We recognize Herriman does have a great relationship with
20 Hi-Country. We want to have that maintained. We don't want to
21 burden them. We want to keep this as simple as possible.

22 Other small companies that we have--water
23 companies that we have are doing this similar process. It's a
24 very simple process. And it's not burdensome for them either.
25 Herriman City has the contract with Hi-Country that they are

1 charging them their cost of doing business.

2 In other words, for the services that they are being
3 provided, they are charging those costs to Hi-Country for
4 maintenance, for administrative costs, for accounting, for billing,
5 for whatever time it takes them to do the Hi-Country job.
6 Municipal services can only operate at cost. They don't make a
7 profit. So, they're going to assess Hi-Country the cost of
8 whatever it takes them to do the job. Again, this is a small, very
9 simple process that will not--we don't anticipate will add very
10 much cost to what they're currently doing.

11 One other point is, as time goes by, people move
12 and when people move, if they're going back and trying to figure
13 out who moves and who doesn't move, that can play into it when
14 they're trying to do this estimate and true-up and all this
15 business. If we're doing actual month by month by month, we
16 wouldn't have to worry about that process. So, again, the
17 Division is strongly recommending that this procedure remain in
18 place and that the language that we're proposing be
19 implemented.

20 MS. SCHMID: And I do have one follow-up
21 question.

22 THE HEARING OFFICER: Please.

23 BY MS. SCHMID:

24 Q. Ms. Benvegna-Springer, in your experience and
25 based on the two transactions that you described that would be

1 necessary to have Herriman City implement the capital reserve
2 fund as proposed by the Division, do you believe that the skills
3 of an accountant are necessary to do those two transactions?

4 A. No. We currently have bookkeepers in other small
5 companies that are currently doing it that are not accountants
6 that are performing that function.

7 MS. SCHMID: Thank you.

8 THE HEARING OFFICER: Thank you for your
9 testimony, Ms. Springer.

10 Mr. Smith.

11 MR. SMITH: I was just going to suggest, if we're
12 done talking about this issue, maybe this would be a good time
13 for a short break. I do have to say I have a compromise I want
14 to talk to the Division about.

15 THE HEARING OFFICER: I think that's a great
16 segue. Let me just ask one question, if I may.

17 MR. SMITH: Sure.

18 THE HEARING OFFICER: I want to thank both
19 parties for their input on this issue. It's been very helpful. And
20 I'm sure the Commission will appreciate it very much.

21 Ms. Springer, as a follow up to the follow up from
22 your attorney, based on what you know the City of Herriman is
23 doing for Hi-Country, is there any reason to believe they could
24 not function in the way that you described in doing those two
25 transactions?

1 MS. BENVEGNU-SPRINGER: To my knowledge,
2 there is not any burden or barrier that would stop them from
3 being able to do those.

4 THE HEARING OFFICER: Okay.

5 MS. BENVEGNU-SPRINGER: Again, we would be
6 willing to work with them to help facilitate whatever would need
7 to be done.

8 THE HEARING OFFICER: I assume this will be
9 part of the conversation when we go off the record. And I don't
10 need to know anything about that, unless you want to let me
11 know when we come back on the record, but while we're on the
12 record now, let me ask you, have you been previously involved
13 with Herriman in facilitating any arrangements that involve
14 Hi-Country?

15 MS. BENVEGNU-SPRINGER: Yes. And working
16 with the--during the rate case and working with them on their
17 budgets and how much needed to be in the budgets and how
18 much amount they needed for certain types of activities, I
19 discussed that at great lengths with Herriman.

20 THE HEARING OFFICER: All right. Very good.
21 Mr. Smith, about how long do you think you would
22 like?

23 MR. SMITH: I think ten minutes would be plenty of
24 time.

25 MS. SCHMID: Could we add an additional five

1 minutes onto that, perhaps?

2 THE HEARING OFFICER: Let's make it 15
3 minutes. We'll be back just short of quarter till.

4 MS. SCHMID: Thank you.

5 MR. SMITH: Thank you.

6 (Recess taken.)

7 MR. SMITH: We have some compromise language
8 that we both agreed to. And I'll let Mr. Long go ahead and do
9 that.

10 THE HEARING OFFICER: Before we do that, let's
11 go back on the record so we're officially on the record now. Mr.
12 Long.

13 MR. LONG: So, in discussion with the Division,
14 we've come to a consensus, as far as the capital reserve
15 account requirements language.

16 Conceptually, we've agreed on doing a
17 reconciliation based on actual amounts at least quarterly, so
18 there would be no estimates involved. And to that end,
19 Paragraph B of the section I, capital reserve account
20 requirements would be changed to read, "Deposits made to the
21 capital reserve account shall be made using actual amounts
22 collected at least quarterly." And, then, at the end of Paragraph
23 C, month would be changed to quarter. And Paragraph I, in the
24 redlined version would be deleted in its entirety. And if the
25 Division has any other comments or changes--

1 THE HEARING OFFICER: Thank you, Mr. Long.
2 Ms. Schmid.

3 MS. SCHMID: There would need to be some
4 conforming changes, for example, made in Paragraph F when it
5 talks about estimated payments and things like that. But I don't
6 believe there are any other substantive things that are needed
7 to be changed. Is that correct?

8 MS. BENVENU-SPRINGER: Correct.

9 THE HEARING OFFICER: Okay. And just for the
10 record, Ms. Schmid, based on the changes that have been
11 discussed, are those acceptable to the Division?

12 MS. SCHMID: Yes, they are. Thank you.

13 THE HEARING OFFICER: Thank you.

14 Mr. Long, you may proceed.

15 MR. LONG: On page 4 of the Commission's order,
16 under Roman numeral II, additional concerns of the
17 Commission, the Commission discusses the Company's service
18 area. And the Company has discussed this with the Division.
19 And we are--there's some confusion as to whether the service
20 area should stay as it has been or whether the additional area
21 served so the BLM contract and one lot--I think the Bluebird
22 subdivision should be included in the Company's actual service
23 area. And this is one of the issues where, after speaking to the
24 Division, we are seeking guidance from the Commission.

25 THE HEARING OFFICER: Okay. We don't

1 normally weigh in on tariff language, per se, but I think what
2 you're asking for is clarification on what the Commission's order
3 stated and the Commission's order, which I have in my pile here
4 and which I'm sure you have access to, as well, refers to the
5 prior orders which identify the service area. And that is the
6 service area that we're talking about. Does that help you?

7 MR. LONG: I believe so. In this discussion exhibit
8 on the last three pages, we have two maps updated and a legal
9 description updated that match the original service area, I
10 believe, from the 1994 Commission order. So, these are--this is
11 service area as it always has been, at least as far as Hi-Country
12 resisted. So, it doesn't include the BLM land served under
13 special contract or one lot at the east--northeast corner of the
14 subdivision that the Company also provides water to.

15 THE HEARING OFFICER: Could you help me by
16 identifying the order and the date of the order that you're
17 referring to for the 1994 order?

18 MR. LONG: Yeah. One moment, please. In the
19 Commission's order issued in docket 11-2195-01, issued on July
20 12, 2012, the Commission discusses the service area in
21 footnote 1 on the first page. And in that it refers to the 1994
22 order. It says the 1994 order sets forth the service area for the
23 CPCN No. 2737 a lengthy metes and bounds description.

24 THE HEARING OFFICER: Okay. And I don't have
25 that in front of me, but I believe that's the same metes and

1 bounds. Do you have reason to believe that's different than the
2 metes and bounds description in the 1986 order?

3 MR. LONG: I don't believe so.

4 THE HEARING OFFICER: Okay. Well, assuming
5 the two are consistent, we, in reviewing what was submitted, did
6 not see that they were consistent.

7 MR. LONG: Yes. And if you'll look at the last few
8 pages of the discussion exhibit, the maps and legal description
9 have been updated or rolled back, I guess would be a better
10 term, to match that original service area description.

11 THE HEARING OFFICER: Mr. Long, what I can
12 explain is basically what is explained in the Commission's order
13 suspending the tariff. And that is that we looked line by line
14 and noted that they were not the same.

15 MR. LONG: Yes, I agree. So, the Company filed
16 an updated tariff on May 15.

17 MS. SCHMID: Filed is the wrong word.

18 MR. LONG: The Company submitted.

19 MS. SCHMID: On May 15.

20 MR. LONG: Yes.

21 MS. SCHMID: Oh, sorry. I apologize. Filed is the
22 right word.

23 MR. LONG: The Company filed a proposed
24 updated tariff on May 15. And the legal description in the maps
25 in that tariff did, in fact, differ.

1 THE HEARING OFFICER: From?

2 MR. LONG: From the previous orders, you know,
3 from 1986 onward.

4 THE HEARING OFFICER: Okay.

5 MR. LONG: In Discussion Exhibit No. 1, the last
6 three pages, so the two maps and the legal description have
7 been.

8 THE HEARING OFFICER: I see. So, what you're
9 saying is that your submission now, this discussion exhibit,
10 which may turn into a revised filing, but as of right now, it was
11 not pending before the Commission. What you're saying is that
12 your legal description has been changed so it reflects the 1986
13 order, the language that was provided there.

14 MR. LONG: Correct.

15 THE HEARING OFFICER: Okay.

16 MS. SCHMID: And that is acceptable to the
17 Division.

18 THE HEARING OFFICER: Okay. I'm sorry, we had
19 to go a long--the long and hard way. Okay.

20 Okay. Now, when I'm saying okay and that sort of
21 thing, I'm not saying okay like okay, that's fine, the Commission
22 approves that. I'm saying, okay, I understand.

23 MR. SMITH: We understand that to be the case.

24 THE HEARING OFFICER: Okay.

25 MR. SMITH: The Commission will rule at some

1 time. We understand that.

2 THE HEARING OFFICER: Okay. I want to make
3 sure everybody's on the same page.

4 MR. LONG: Okay. So that should resolve the
5 service area question.

6 THE HEARING OFFICER: Thank you for that
7 clarification, Mr. Long.

8 MR. LONG: Onto the next page, the first full
9 paragraph states, The Commission further notes the reference
10 to customers under special contract in the provision on page
11 3(a), preliminary statement 1 referenced above. And, also,
12 Company's create confusion by the mode of special contract
13 reference--the approved rate schedule.

14 The Company has made changes in an attempt to
15 comply to resolve any possible confusion. And if the Division
16 has input on these changes, the Company would welcome it.

17 THE HEARING OFFICER: Mr. Long, I'm afraid I
18 lost track of where you were. Could you please--are you on
19 page 5?

20 MR. LONG: Correct. The first full paragraph that
21 starts on page 5.

22 THE HEARING OFFICER: Okay. You're referring
23 to page 3 of your discussion exhibit.

24 MR. LONG: Correct. So, in discussion exhibit on
25 page 3, Paragraph B(1) on the fourth line down, it previously

1 stated, "The special contract rates for the U.S. Bureau of Land
2 Management are set forth in Paragraph B.3." In an attempt to
3 resolve the confusion identified by the Commission, the
4 Company has deleted "special" from that sentence. So, it will
5 now read, "The contract rates for the U.S. Bureau of Land
6 Management are set forth in Paragraph B.3".

7 THE HEARING OFFICER: Thank you for that
8 clarification. Do you wish to add anything further? I was going
9 to go to the Division to see if they have any comment about
10 that.

11 MR. LONG: No, we don't.

12 THE HEARING OFFICER: Okay. Ms. Schmid?

13 MS. SCHMID: The change to B is acceptable to
14 Division. With regard to the boundaries and service area that
15 we discussed just moments ago, the Division would request that
16 the Company make sure that the last sentence in preliminary
17 statement Paragraph 1, which begins with this tariff, applies to
18 customers of the water system, and then goes on, would request
19 that the Company make sure that there is no question what is
20 service area and what is outside the service area being served
21 by special contracts.

22 MR. LONG: Okay. Do you have post language?

23 MS. SCHMID: No. Because I don't know if Beagley
24 Acres subdivision is within the service area. I don't know if
25 South Oquirrh is within.

1 MR. CRANE: South Oquirrh is. I believe Beagley
2 Acres--

3 MS. SCHMID: So, if we can just check that.

4 THE HEARING OFFICER: I think to the extent that
5 those are not actually identified in the service area in the legal
6 description--

7 MS. SCHMID: Perhaps they could be removed.

8 THE HEARING OFFICER: It might add to the
9 confusion, frankly.

10 MS. SCHMID: I think removing them would be a
11 good idea. Then there would be no question that service area
12 does not modify customers under special contract. And the
13 service area would then be correct.

14 MR. LONG: So, just to confirm, that last sentence
15 on Paragraph A(1) would read, This tariff applies to customers
16 within the water system owned by the Company within its
17 service area, and customers under special contract.

18 MS. SCHMID: Correct. Thank you.

19 MR. LONG: The Company has no objection to that
20 change.

21 MS. SCHMID: And that would be acceptable to the
22 Division.

23 THE HEARING OFFICER: Okay. Mr. Long, please
24 go ahead.

25 MR. LONG: On page 5 of the Commission's order,

1 the second paragraph that starts on page 5 points out on the
2 rate schedules next to customer late fee, there is "redundant
3 greater of" at the beginning of that provision. And the Company
4 has removed that "redundant greater of."

5 MS. SCHMID: And that is acceptable to the
6 Division.

7 THE HEARING OFFICER: Thank you.

8 MR. LONG: On page 6 of the Commission's order,
9 the Commission points out that referring simply to the Company
10 rather than referring to the Company's water system would be
11 appropriate. And the Company has made those changes as
12 suggested throughout the tariff.

13 MS. SCHMID: And those changes are acceptable
14 to the Division.

15 MR. LONG: On page 6 of the Commission's order,
16 the second paragraph points out the addition of language
17 addressing a, quote, standard service connection. And the
18 Company's initial tariff filed in--acknowledged by the
19 Commission when the Company came back under Commission
20 jurisdiction, didn't define--simply had a paragraph called service
21 connection. The goal with this language--and I will let Mr.
22 Crane weigh on this--is simply to add transparency to the
23 process for a standard or nonstandard service connection. And
24 if I may have Mr. Crane address it.

25 THE HEARING OFFICER: One moment, please,

1 Mr. Long. So, is a standard and nonstandard service
2 connection defined in your tariff?

3 MR. LONG: So, on sheet 8, paragraph--
4 sorry--sheet 7, Paragraph 2, standard service connection, and
5 on sheet 8, Paragraph 3 is nonstandard service connection. And
6 the difference between those two is discussed at the beginning
7 of Paragraph 2, standard service connection on page 7.

8 MS. SCHMID: And, also, standard service
9 connection is defined in two. And, then, it seems that
10 everything else would be in on standard. Is that right?

11 MR. LONG: Correct.

12 THE HEARING OFFICER: Okay.

13 MS. SCHMID: And, actually, the second sentence
14 does say that of Paragraph 2.

15 MR. CRANE: I think the purpose of this is to--for
16 the standard service condition or standard service connection is
17 basically for the people within Hi-Country that own the system
18 and what has to be done. For the individuals living outside of
19 the HOA, they have to provide additional information because
20 we don't know what's going on. There's additional
21 requirements. So, we have to define what is standard and what
22 is nonstandard. And anybody within the HOA is a standard for a
23 normal connection. And anybody outside the HOA is
24 nonstandard or non-normal, like, you know, I use my words,
25 connection, because as with the requirements with the PSC and

1 why we're here is we do serve outside the association, but we
2 have to have a way of identifying who those people are and
3 what their requirements are. It isn't a blanket standard
4 connection for everybody.

5 THE HEARING OFFICER: Mr. Crane, I'm going to
6 ask you to hold your testimony for just one moment, because I
7 need a little bit of clarification. And I'm not sure if this is
8 appropriate for you to answer or if it would be more appropriate
9 for your counsel to answer. So, I'm going to phrase the
10 question generally and then one of you please let me know. So,
11 Hi-Country is a water company, which has a service area which
12 we've talked about. And that service area is defined early on by
13 the Commission in a very early order in the 1980s. And,
14 occasionally, I'm hearing reference to the HOA or to the
15 boundaries of the HOA. I'm wondering if there's confusion
16 between the HOA and the water company in the service area.
17 Help me understand that, please.

18 MR. LONG: I will attempt to address that. So, in
19 the beginning of Paragraph 2, it defines "standard service
20 connection," "A standard service connection is one where a
21 standby customer seeks a single connection to a
22 Company-owned, active water line within a road or right-of-way
23 adjacent to the parcel where the service connection is sought."
24 So, the goal with that is to address this, the normal situation of
25 an undeveloped lot within the Company service area that sits on

1 a road with Company water infrastructure in the road that is
2 simply a matter of, at most, installing a service lateral from the
3 main to the property for this lot that's been paying standby fees.
4 And these are obviously only within the Company service area.

5 And, then, the tariff proposed language goes on to
6 define a "nonstandard service connection" as any other
7 connection sought through the Company system, including
8 multiple connections and connections outside the Company's
9 service area. So, that would include, you know, for property
10 within the Company's service area that's not subdivided into lots
11 paying normal standby fees that would be potentially developed
12 or with multiple water connections on it, anything out of the
13 ordinary.

14 THE HEARING OFFICER: Okay. I'm not sure I got
15 an answer to my question. So--and this doesn't necessarily
16 relate to this provision, per se, but it relates, in general, to
17 terminology that's been used at the hearing today that I may
18 recall in other circumstances, as well. So, I just want to make
19 sure I'm understanding, for example, Mr. Crane has mentioned
20 on a number of occasions that the HOA, the HOA boundaries, I
21 want to understand completely what he means by that. Because,
22 as you know, we're--we have oversight of the water company,
23 not the HOA. And the water company is governed by their
24 service territory. So, it confuses me when there's a reference to
25 the HOA. So, if it is possible that Mr. Crane is just meaning the

1 service territory of the water company, then that would help me
2 to understand what he's saying. I just want to make sure there's
3 something I'm not missing.

4 MR. CRANE: I have misspoke. I do mean the
5 boundaries of the water company.

6 THE HEARING OFFICER: Thank you, Mr. Crane.
7 That is perfect. I appreciate that. Okay. So, Mr. Long, please
8 go ahead. And my apologies. I didn't mean to imply that I was
9 confused about that issue with respect to that provision of the
10 tariff. Just a general confusion.

11 MR. LONG: Certainly. And the goal of the
12 Company's proposed language here is nothing more than to add
13 transparency to the process and treat anyone desiring any sort
14 of connection in exactly the same manner. The goal here is to
15 set forth a step-by-step process, a standard or nonstandard
16 service connection we need to go through before they can
17 receive water from the Company.

18 THE HEARING OFFICER: Thank you. Does the
19 Division have any response?

20 MS. SCHMID: Yes, we do. Ms. Benvegnu-Springer
21 has comments on the standard and nonstandard service
22 connections and then two other places where attorneys' fees are
23 mentioned. And attorneys' fees constitute the gravamen of our
24 concern with the standard and nonstandard service conditions.

25 MS. BENVEGNU-SPRINGER: Just by way of more

1 clarification, initially, when the Company--
2 the original Company's tariff only had standard service
3 connection in it. And our question was, what's the difference
4 between a standard service connection versus nonstandard
5 service connection? And that is why the Company put in both
6 provisions, so as to clarify between the two, standard versus
7 nonstandard. So, we did want them to provide some
8 explanation about what are the two provisions. What is a
9 standard connection versus what is a nonstandard connection?

10 What we do have concern with is in Paragraph
11 2--I'm sorry--on sheet 8, within item No. 2, that goes to sheet 8,
12 there is a sentence that starts, "All legal fees incurred by the
13 Company will be the responsibility of the water user requesting
14 connection to the Company's water system." We believe those
15 legal fees are embedded into the connection fee itself and
16 should not be on top of, in addition to the fee that's already
17 been established. And, so, we would recommend that that be
18 stricken or removed.

19 Likewise, and to go with that same argument, in
20 Paragraph 3 on sheet 8, it says, These costs shall include legal
21 and engineering fees expended in such review and application,
22 meaning that that already is embedded into the fee that has
23 been established.

24 MS. SCHMID: Can we have one moment off the
25 record?

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(Discussion off the record.)

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MS. BENVEGNUM-SPRINGER: Going to sheet 9, going from sheet 8, the last sentence in the paragraph states, "All legal fees incurred by the Company will be the responsibility of the water user asking for the connection." Again, this is already embedded into the fee. And, so, we want to make sure that that is not in addition to. And so, again, we would like to have that removed.

On sheet 11, it--No. 8, reconnection, it states in that paragraph, also, All fees incurred by the Company will be the responsibility of the water user requesting the connection to the water system and a reconnection fee also takes that into consideration. So, again, we would request that this also be removed.

And, then, going onto sheet 14, item D, at the very top, this is in regards to the billing, Billing in disputes generally does not come before the Commission when they're disputing a bill where they're legally required to pay. This is asking that all legal fees again be the responsibility of the customer, which we believe is not an accurate statement that should be here.

MR. SMITH: Are we on or off the record right now?

THE HEARING OFFICER: We are on the record. I'm giving Ms. Springer an opportunity. I think she's still testifying.

MS. BENVEGNUM-SPRINGER: The reason we have

1 concern over this is because it's open-ended. And, traditionally,
2 fees are required to be paid by a customer and specific in a
3 tariff. They are not open-ended statements that say you will pay
4 this. And it's general. Fees are limited to whatever the specific
5 fee is. And, so, putting open statements such as these into the
6 tariff language violates that concept of having a tariff.

7 THE HEARING OFFICER: Thank you, Ms.
8 Springer. Anything else?

9 MS. SCHMID: The Division would request a short
10 break. We have something we need to discuss.

11 THE HEARING OFFICER: Okay.

12 MS. SCHMID: Thank you.

13 THE HEARING OFFICER: How much time do you
14 need, Ms. Schmid?

15 MS. SCHMID: Let's say ten minutes. And, then, if
16 that is not sufficient, I can come in and perhaps ask for more.

17 THE HEARING OFFICER: Okay. We'll be off the
18 record.

19 (Recess taken.)

20 MS. SCHMID: We're ready to continue. And I think
21 Ms. Benvegna-Springer--or, Mr. Long, would you like to walk
22 through the changes?

23 MR. LONG: I'm happy to let Shauna do it.

24 THE HEARING OFFICER: Before we do so, let's go
25 on the record. We're on the record.

1 MS. SCHMID: Actually, Mr. Long, if you could, that
2 might be easier.

3 We have discussed the Division's concerns
4 regarding legal fees. And we have reached an agreement on
5 proposed language to submit to the Commission as part of the
6 tariff.

7 THE HEARING OFFICER: Okay.

8 MR. LONG: So, on page 8 of Discussion Exhibit
9 No. 1, in the first paragraph, approximately two-thirds of the way
10 down, there's a sentence that says, "All legal fees incurred by
11 the Company will be the responsibility of the water user
12 requesting connection to the Company water system." The
13 Company has agreed to simply remove that sentence.

14 On page 8 of Discussion Exhibit No. 1, Paragraph
15 3, the last three sentences of the paragraph beginning with,
16 "The applicant is responsible for all costs associated with the
17 Company's review of the application," and continuing, the
18 Company's removing those sentences so everything from the
19 applicant is responsible for onward and replacing it with this
20 language. So, it will now read, The nonstandard service
21 connection review fee shall be used to cover all of the costs
22 incurred by the Company in reviewing the application. If these
23 costs do not exceed the outside or the nonstandard service
24 connection review deposit, the excess of the deposit shall be
25 returned to the applicant, or something roughly to that extent.

1 MS. SCHMID: Yes.

2 THE HEARING OFFICER: Mr. Long, before you
3 continue, when you refer to the nonstandard fee, are you, by
4 chance, referring to the fee that's on pages 4 and 5 of your
5 discussion exhibit, which refers to the outside service
6 connection review deposit?

7 MR. LONG: That's correct.

8 THE HEARING OFFICER: Okay. You went so
9 quickly, I didn't have a chance to write it down. So, will your
10 language cross-reference the language of the outside service
11 connection review deposit so as to not create any confusion and
12 to have it be entirely consistent throughout the document?

13 MR. SMITH: Yeah. That's a great point. We will
14 make sure we'll do that.

15 THE HEARING OFFICER: So, we'll anticipate
16 seeing something like that.

17 MR. SMITH: We'll use the same language so you
18 can cross reference throughout the document.

19 THE HEARING OFFICER: Okay. Please proceed.

20 MR. LONG: On page 9 of Discussion Exhibit No. 1,
21 the end of that paragraph at the top of that page discusses legal
22 fees. The Company has agreed to simply remove that sentence.

23 THE HEARING OFFICER: Okay.

24 MR. LONG: On page 11 of Discussion Exhibit No.
25 1 in Paragraph 8, reconnection, the sentence discussing legal

1 fees that starts with, "All legal fees incurred by the Company,"
2 the Company has agreed to simply remove that sentence.

3 And, finally, on page 14, very top paragraph,
4 Paragraph D, the second sentence reads, "All legal fees will be
5 the responsibility of the customer." The Company has agreed to
6 change that to all collection costs will be the responsibility of
7 the customer.

8 MR. SMITH: That's it.

9 MS. SCHMID: Yeah.

10 MR. LONG: I believe that covers it.

11 MS. SCHMID: That does.

12 THE HEARING OFFICER: Okay.

13 MS. SCHMID: Those are acceptable to the
14 Division.

15 THE HEARING OFFICER: Okay. Thank you.

16 MS. SCHMID: Does that take us to Commission
17 order page 9 where we talk about conditions of service 11
18 reading of meters?

19 MR. SMITH: Is that where we are?

20 MR. LONG: I believe so.

21 THE HEARING OFFICER: Yes.

22 MS. SCHMID: Okay.

23 MR. LONG: So, this is referring to the top of page
24 12 of Discussion Exhibit No. 1. This paragraph deals with
25 winter months where there may be significant snow on the

1 ground preventing reading of meters. The Commission
2 expressed a concern that this was too broad, that it may allow
3 the Company bill indefinitely at the minimum rate.

4 The Company's proposed language at the end of
5 that paragraph, as shown in the discussion exhibit reading, "But
6 in no case may a customer be billed for more than five months
7 of accrued usage on one bill." With the theory being that at
8 very most a customer--meters may be unreadable due to snow
9 for five months out of the year.

10 MR. SMITH: We should be so lucky to have that
11 kind of a year.

12 MS. SCHMID: And that proposed change shall be
13 acceptable to the Division.

14 THE HEARING OFFICER: Okay. Give me one
15 moment.

16 MS. SCHMID: The legal fees come up again on
17 page 15 in termination. Unless--but--

18 THE HEARING OFFICER: Thank you for that
19 clarification, Mr. Long. And to address Ms. Schmid's concern,
20 yes, in fact, that's identified in the footnote of the Commission's
21 order on page 8, footnote 18. And I think we do make clear in
22 the order that while we've identified some places, we didn't
23 necessarily give an exhausted list. So, if you want to go back
24 and address that, do. That would be acceptable.

25 MR. LONG: The legal fees on page 15?

1 MS. SCHMID: Yeah.

2 THE HEARING OFFICER: Is that something you
3 needed a chance to talk about off the record again?

4 MR. LONG: The Company suggests simply
5 removing that second half of the sentence dealing with legal
6 fees. So, on sheet 15 of Discussion Exhibit No. 1, Paragraph B,
7 Roman numeral IV, would read, "Failure to pay an amount in
8 bona fide dispute before the Company, which has been referred
9 to the Company's legal counsel."

10 MS. SCHMID: Then we would make a conforming
11 change to sheet 17, Paragraph D.

12 THE HEARING OFFICER: Ms. Schmid, just one
13 moment, please, before we go on to that. Let's talk about the
14 change on 15.

15 MS. SCHMID: That would be acceptable to the--

16 THE HEARING OFFICER: Oh, I see what you're
17 saying. Okay.

18 MS. SCHMID: That would be acceptable to the
19 Division.

20 THE HEARING OFFICER: Okay. Thank you.

21 MS. SCHMID: Then, on 4(d), would the company
22 be amenable to just removing the last sentence there?

23 MR. LONG: Yes. That's fine.

24 MS. SCHMID: Okay.

25 THE HEARING OFFICER: Ms. Schmid, could you

1 please redirect me to where you were referring to?

2 MS. SCHMID: Yes. I went to original sheet 17 of
3 the discussion exhibit, Paragraph D on that page entitled
4 "Expiration of Notice." The Company has agreed to remove any
5 legal fees incurred by the Company, which may be--which may
6 result from termination, are the sole responsibility of the
7 customer. The Company has agreed to remove that sentence.

8 THE HEARING OFFICER: Okay. Thank you.

9 MR. LONG: I believe that brings us to the
10 Commission's question about delinquent accounts. So, this is
11 page 9 of the Commission's order, a little more than halfway
12 down. So, it's starting with on page 14, billing delinquent
13 accounts. Here the Company's proposed a provision stating,
14 "The Company may file a lien on the parcel of property serviced
15 in the amount of the delinquency plus interest and collection
16 costs."

17 The Division has recommended approving this
18 language. The Commission noted a concern that the proposed
19 provision does not mention a judgment may first be obtained
20 before a lien can be recorded at a given customer's property.
21 Thus, the Commission would like the Company to either explain
22 whether it proceeds it would first obtain a judgment--place a lien
23 on property or whether the Company has a different process in
24 mind.

25 And the Commission also expresses about tenants.

1 And I would like to address that next, if I may. In Discussion
2 Exhibit No. 1 on sheet 14, the second paragraph on page--
3 Paragraph (e), the Company has proposed a change to that
4 language so it now reads, you know, in relevant part, the
5 Company may file a lien, as allowed in the customer's signed
6 Water Service Agreement or by law, on the parcel of property
7 serviced, and so on.

8 THE HEARING OFFICER: Mr. Long, I'm sorry.
9 Which page are you looking at?

10 MR. LONG: Page 14 of Discussion Exhibit 1.

11 THE HEARING OFFICER: Okay.

12 MR. LONG: Paragraph (e) at the top.

13 THE HEARING OFFICER: Yes. Okay. And you're
14 reading the language that's proposed there. Is that correct?

15 MR. LONG: Correct.

16 THE HEARING OFFICER: Okay. And, I'm sorry, I
17 thought you were addressing the issue of the tenant.

18 MR. LONG: I asked that we could address that
19 next separate issue.

20 THE HEARING OFFICER: Okay.

21 MR. SMITH: Yeah. So, the language we're
22 proposing will allow us to have a lien either if we have signed
23 agreement that allows for a lien, which is common practice in
24 most water companies, or we get a judgment and have one by
25 law. And those would be the two circumstances we would be

1 entitled to a lien, either consensual lien or a--

2 MS. SCHMID: And the proposed language is
3 acceptable to the Division.

4 THE HEARING OFFICER: Okay.

5 MR. LONG: The next concern expressed by the
6 Commission, as ordered, is regarding properties leased to a
7 tenant, so rental property situations. And this was discussed, at
8 some length, with the Division yesterday. And the Company
9 proposes language that would essentially allow--
10 that would essentially keep the homeowner responsible for all
11 bills and all delinquent amounts, but that would also allow the
12 tenant to be billed.

13 THE HEARING OFFICER: And do you have
14 language to that effect in the tariff?

15 MR. LONG: No, not yet.

16 THE HEARING OFFICER: Is that something you
17 anticipate drafting when you submit your revised tariff?

18 MR. LONG: Yes. And we expect to discuss that
19 with the Division beforehand.

20 THE HEARING OFFICER: Okay. That's helpful
21 clarification. Thank you. Mr. Long, back to that same issue, I
22 would assume you would have agreements with both parties that
23 acknowledge their respective responsibilities.

24 MR. LONG: Correct.

25 MR. SMITH: Again, that's common practice in the

1 water community. Because the problem you have, and I've
2 been--not to get off on a tangent, but it's very common in some
3 communities, if there are a number of rentals, that the renter
4 doesn't pay. And if you don't have the owners responsible, then
5 the new renter comes in and there's a balance and, you know,
6 you don't have anybody. So, you make both responsible so that
7 both the renter who was there and tenant and landlord are
8 responsible so the changeover of tenants doesn't cause you to
9 lose the ability to collect that money.

10 THE HEARING OFFICER: Okay. And I'm just
11 asking this out of curiosity. I'm not trying to micromanage. I'm
12 just curious. Would you--as part of that agreement, would there
13 be a deposit required from both parties as an assurance?

14 MR. SMITH: Yeah. That's typically the case.

15 THE HEARING OFFICER: Okay. Again, it's not our
16 bag, but I was just curious, because I just like to know those
17 things from a curiosity standpoint. Please proceed.

18 MR. LONG: That brings us to the last point raised
19 by the Commission, page 10 on the paragraph that starts on
20 15(f) termination. And I believe we've already addressed that
21 language previously regarding legal fees in dispute with the
22 Company. And the Company has agreed to simply remove that
23 language about legal fees.

24 THE HEARING OFFICER: Okay. Very good.

25 MR. LONG: As far as the Company is concerned,

1 that is the end of our list of issues.

2 THE HEARING OFFICER: Anything further, Mr.
3 Smith?

4 MR. SMITH: What we would propose is we would
5 prepare a revised tariff. We would submit both a clean and a
6 redline with the changes we talked about today to the Division,
7 also to the Commission, just for ease of spotting those things.
8 And, then, would hopefully get that tariff with those revisions
9 approved, hopefully by August 1 is what we would shoot for.

10 THE HEARING OFFICER: Okay. With your redline,
11 are you going to include a clean copy?

12 MR. SMITH: Yes.

13 THE HEARING OFFICER: Okay. And will you
14 make it also clear that you're withdrawing the prior filing?

15 MR. SMITH: We will make that clear, as well. We
16 are withdrawing the prior filing so that it will be the clean copy,
17 the new one that will be on file.

18 THE HEARING OFFICER: Excellent. Okay.

19 MR. SMITH: And we expect to do that by the end
20 of this week.

21 THE HEARING OFFICER: Okay. Ms. Schmid.

22 MS. SCHMID: Ms. Benvegna-Springer, do you have
23 anything to add or you would like to discuss?

24 MS. BENVEGNU-SPRINGER: I would like to add
25 that the Company does have the security deposit clause in their

1 tariff on page 6, item No. 14. And it goes over to sheet 7. And
2 that does apply to, then, the individual who uses the water.

3 THE HEARING OFFICER: Are you suggesting that
4 might need to be broadened, given what they discussed with the
5 tenant/landlord situation?

6 MS. BENVEGNU-SPRINGER: It might, depending
7 upon how they define the customer.

8 THE HEARING OFFICER: Mr. Long.

9 MR. LONG: I agree with Ms. Springer. I believe
10 that's something the Company and the Division can work out
11 and agree upon language to that extent.

12 THE HEARING OFFICER: Okay. Very good.
13 Anything further?

14 MS. BENVEGNU-SPRINGER: No.

15 THE HEARING OFFICER: Okay.

16 MS. SCHMID: Nothing further from the Division.

17 THE HEARING OFFICER: Okay. Mr. Smith,
18 anything else, final comments?

19 MR. SMITH: I think my final comments is I just
20 want to thank the Commission for giving us a chance to work
21 through these today and also giving us breaks when we needed
22 breaks to do that. That's very appreciated. I also want to thank
23 the Division and thank them for their working through these final
24 language issues with us. Very appreciative of their cooperation
25 and willingness to do that.

1 THE HEARING OFFICER: Well, I'm sure they
2 appreciate that and so does the Commission. Thank you very
3 much. We'll look for your filings. And if there should be
4 anything further and necessary, we'll notify you of that. And,
5 so, we'll wait for your filing.

6 MR. SMITH: Thank you.

7 MS. SCHMID: Thank you.

8 THE HEARING OFFICER: Thank you all for being
9 here and for your testimony. Appreciate it very much. We're
10 adjourned.

11 (Hearing concluded at 11:05 a.m.)

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CERTIFICATE

This is to certify that the foregoing deposition was taken before me, NANCY A. FULLMER, a Registered Merit Reporter and Notary Public in and for the State of Utah;

That said witness was duly sworn to testify the truth, the whole truth, and nothing but the truth;

That the deposition 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;

That no review of this deposition was requested by either party or the witness and, therefore, pursuant to Rule 30(e) of the Utah Rules of Civil Procedure the review was waived.

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

Nancy A. Fullmer, RMR