

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Docket No. 15-2025-01

In the matter of the Application of Dammeron Valley Water Works, LLC for approval of a rate increase and expansion of its service area.

TESTIMONY of Brooks Pace. 27th day of March, 2015:

I am the founder of Dammeron Valley Water Works, LLC (“DVWW”) and own 100% of the stock in The Dammeron Corporation (“DC”) which owns DVWW. My address is 285 Pinion Hills Drive, Dammeron Valley, Utah 84783.

We applied for and received a Certificate of Convenience and Necessity for DVWW in 1977 and I, along with my wife June Pace, have been the CEO since inception. We have a bookkeeper and two of my sons are operating the system, one of whom is a certified water system operator.

BRIEF HISTORY: DVWW was created to serve the rural Dammeron Valley community located 14 miles north of St. George on U-18. In the beginning we had negligible revenue and a poorly built well/pumping system and a four mile steel transmission line that leaked continually. A bladder tank served the small community. In 1994 with a loan from Water Resources and about 100 customers we did our first major upgrade: a new well closer to the community, two miles of 10 inch PVC transmission line, and two 250,000 gallon concrete water tanks located on opposing sides of the valley. In 2004 we drilled a second larger well and added a 500,000 gallon concrete tank. Hydrants, isolation valves, loop connections and a scada system have been added and upgraded over the years making DVWW a very high tech functional system. Our wells and transmission line are on BLM land for which we pay an annual fee, currently \$1500. Our wells are in the Iron Springs aquifer which collects the first runoff from Pine Valley Mountain. This has proved to be a very reliable source of pure mountain water.

RATE HISTORY: Rate increases have been granted three times by the Public Service Commission (“PSC”) since our inception. Our most recent rate increase was in 2004. In 2008 we applied for and the PSC approved a “Conservation Tariff” which offered considerable financial savings for those willing to convert to the rate and make efforts to conserve water. We have had a progressive rate schedule from inception in order to discourage water waste or over use.

NUMBER OF CUSTOMERS: We currently have 380 connected customers and 55 standby customers. The original 1100 acre Dammeron Valley community will be 500 homes at build out. We have entered in to a Development Lease with State Institutional Trust Lands Administration (“SITLA”) under which we plan to develop 250 lots on their 560 acres. Our holding company, Stoddard Land Company, LLC (“SLC”) owns 720 acres one and one half miles southwest of Dammeron Valley on which we intend to create 360 equivalent dwelling units (some may be in the form of Inn units). This means a total build out of 1110 total residential

connections plus a few commercial connections and a few agricultural customers. Some of our customers own irrigation shares which give them water at reduced rates. At build out over a third of our water will be dedicated to irrigation which will give us considerable protection in a sustained drought.

RATE INCREASE: Dammeron Corporation, the developer of the Dammeron Valley community, has been subsidizing DVWW since inception. The 2004 rate increase helped, but the 2007 recession slowed expected growth yet our costs kept increasing. Our proposed increase (see earlier submission which includes existing and proposed rate schedules), should bring us to at least break even, and with expected growth of 10 to 15 customers per year, keep us in the black. DC will continue to subsidize the system if necessary.

SERVICE AREA EXPANSION: The areas we're requesting to be added to our service area are the 560 SITLA acres and the 720 SLC acres referred to above and described in our earlier submittal.

FUTURE: Although we have adequate pumping and storage capacity to meet our requirements at build out, we intend to eventually add another tank and well for redundancy. These will not be need for several years. We have used bank financing, cash on hand and loans from Water Resources for past capital projects and expect to do the same for future capital improvements. The distribution systems within the subdivisions are built by DC and Contributed to DVWW.