

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In The Matter of Community Water)	DOCKET NO. 16-098-01
Company, LLC.)	
)	DPU Exhibit No. 1.0 R
)	
)	

REBUTTAL TESTIMONY

OF

MARK A LONG

**DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
THE STATE OF UTAH**

November 2, 2016

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION**
3 **WITH THE DIVISION OF PUBLIC UTILITIES.**

4 A. My name is Mark A. Long. My business address is Heber M. Wells Building,
5 160 East 300 South, 4th Floor, Salt Lake City, Utah. I am employed by the
6 Department of Commerce, Division of Public Utilities (Division) for the State of
7 Utah as a Utility Analyst in the Telecommunications & Water Section.

8 **Q. FOR WHICH PARTY WILL YOU BE OFFERING TESTIMONY IN**
9 **THIS CASE?**

10 A. I will be offering testimony on behalf of the Division.

11 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THESE**
12 **PROCEEDINGS?**

13 A. Yes. I previously filed direct testimony on behalf of the Division on June 13,
14 2016.

15 **II. PURPOSE OF TESTIMONY**

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to respond to the Direct Testimony submitted by,
18 or on behalf, of Community Water Company, LLC, several Intervenors and other
19 concerned customers. I will also be recommending revised rates based on

20 additional information provided to the Division that was not available at the time
21 of the original recommendation.

22 **III. SUMMARY OF EXHIBITS**

23 **Q. WHAT EXHIBITS ARE YOU INCLUDING IN SUPPORT OF YOUR**
24 **REBUTTAL TESTIMONY?**

25 A. The exhibits referred to in my Rebuttal testimony are identified immediately
26 below and will be discussed in further detail in the body of my testimony.

- 27 • Amended Exhibit 1.1 R – Amended Rate Schedule. This replaces Exhibit 2.2
28 provided in my Direct Testimony.
- 29 • Amended Exhibit 1.2 R – Amended Allocation of Annual Expenses and Annual
30 Rates. This replaces Exhibit 2.3 provided in my Direct Testimony.
- 31 • Amended Exhibit 1.3 R - Amended Adjustments to Expenses. This replaces
32 Exhibit 2.4 provided in my Direct Testimony.

33 **IV. RESPONSE TO INTERVENORS REGARDING THE DIVISION'S**
34 **RECOMMENDED RATE STRUCTURE AND COMMUNITY WATER'S**
35 **BILLING PRACTICES**

36 **Q. CAN YOU BRIEFLY SUMMARIZE YOUR UNDERSTANDING OF THE**
37 **ISSUE(S) SURROUNDING THE INTERVENORS' CONCERNS**
38 **REGARDING THE DIVISION'S RECOMMENDED RATE STRUCTURE?**

39 A. Yes. It is my understanding that many of the Intervenor's' interpreted the rate
40 structure to be directly or indirectly tied to the number of physical meters in the
41 water system. Based on the Intervenor's interpretation that the rates were tied to
42 meters, some inequities would exist between individual homeowners, townhouse
43 dwellers and condominium residents. Each of the aforementioned customer
44 groups has their own unique connection to the water system (e.g., individual
45 meters, shared culinary meters, and shared landscaping meters), which would
46 result in inequalities when applying the base rates and tiered water usage if tied to
47 the number or type of meters.

48 **Q. CAN YOU EXPLAIN HOW THE DIVISION'S RECOMMENDED RATE**
49 **STRUCTURE WORKS?**

50 A. Yes. Because of the many different circumstances regarding customer
51 connections to the water system, the Division's recommendation was based on the
52 number of customers and not on the number or type of meter. The Division
53 intended for each connected customer to pay a base rate and for each connected
54 customer to receive their full 12,000-gallon water allotment at the applicable rate
55 for that tier of water, billed in units of 1,000 gallons of water.

56 **Q. DOES THE DIVISION BELIEVE THAT COMMUNITY WATER**
57 **UNDERSTANDS THE DIVISION'S RATE STRUCTURE AND WILL**

58 **CORRECTLY IMPLEMENT THE DIVISION'S RECOMMENDED RATE**
59 **STRUCTURE IF THE COMMISSION APPROVES IT?**

60 A. Yes. The direct testimony of Ms. Stacy Wilson correctly explains how the
61 Division formulated its proposed rates. Also, Ms. Wilson's application of the rate
62 structure and example billings to each customer type is consistent with the
63 Division's proposal.

64 **Q. DOES THE DIVISION BELIEVE THAT THE INTERVENORS' ISSUES**
65 **AND CONCERNS REGARDING THE APPLICATION OF THE**
66 **DIVISION'S RATE STRUCTURE ARE SATISFACTORILY RESOLVED?**

67 A. Yes. With the clarification that each connected customer pays a base rate and
68 each connected customer receives their full 12,000-gallon water allotment at the
69 applicable rate for that tier of water, billed in units of 1,000 gallons of water. The
70 Division feels that this issue is resolved.

71 **Q. DOES THE DIVISION RECOMMEND AN ADDITION TO ITS**
72 **PROPOSED TARIFF, EXHIBIT 3, TO CLARIFY THE BILLING FOR**
73 **EACH CUSTOMER CLASSIFICATION?**

74 A. No. The Division is satisfied that Community Water will correctly execute the
75 Division's recommended rate structure without adding clarification to the tariff.
76 Also, the Division was recently told that one or more of the intervenors are

77 successfully working with the Company to ensure that its billing software is
78 consistent with the Division's recommended tariff.

79 **V. DIVISION'S RESPONSE TO MIKE FOLKMAN'S DIRECT TESTIMONY,**
80 **EXHIBIT A AND THE COMPANY'S 4TH DATA REQUEST**

81 **Q. DOES THE DIVISION WANT TO COMMENT ON MIKE FOLKMAN'S**
82 **DIRECT TESTIMONY, ACCOMPANYING EXHIBIT A AND THE**
83 **RELATED COMPANY'S 4TH DATA REQUEST'S RESPONSE FILED ON**
84 **OCTOBER 6, 2016 REGARDING THE INCLUSION OF EXPENSES FOR**
85 **ADDITIONAL INFRASTRUCTURE REPAIRS, REPLACEMENTS AND**
86 **NEW INSTALLATIONS?**

87 **A.** Yes. The Division agrees with Mr. Folkman and the Company that there is a need
88 for additional infrastructure repair, replacement or installations needed. However,
89 for the Division to include these in rates, they must be supported by known and
90 measurable needs and expenditures.

91 **Q. DOES THE DIVISION WISH TO COMMENT ON THE COMPANY'S**
92 **REPEATED ASSERTION THAT THE COMPANY DID NOT HAVE**
93 **ADEQUATE TIME TO OBTAIN BIDS AND IDENTIFY THE NEEDED**
94 **COMPANY IMPROVEMENTS FOR THIS RATE CASE?**

95 A. Yes. The Division reminds the Company that Mr. Ronald Slusher’s testimony
96 filed in Docket No. 15-098-01 on December 18, 2015, addressed this very subject.
97 Mr. Slusher stated in his testimony,

98 *“While the Division agrees with the Company that there are*
99 *several infrastructure items that are likely in need of replacement,*
100 *the Division does not believe that these costs meet the criteria*
101 *needed to be included in rates as known and measurable changes.*
102 *The Company currently has only engineering estimates for these*
103 *expenditures. The Division cannot include amounts for assets in its*
104 *recommended rates until the assets in question are considered a*
105 *known and measurable expense or capital addition.”*

106 Additionally, the Company filed a request for a rate increase in November 2014,
107 which was ruled by the Commission in Docket No. 14-098-01 as “incomplete.”
108 The Company has had three rate cases and over two years to gather the required
109 documentation. The Division believes that the Company had more than adequate
110 time to prepare a proper proposal based on known and measurable needs and
111 expenditures.

112 **Q. WAS THE COMPANY GIVEN ANY ADDITIONAL SPECIFIC**
113 **ADVICE DEALING WITH THE INCLUSION OF ADDITIONAL**

114 **INFRASTRUCTURE REPAIRS, REPLACEMENTS AND NEW**
115 **INSTALLATIONS IN DOCKET NO. 15-098-01?**

116 A. Yes, in Mr. William Duncan’s direct testimony, in that case, he wrote the
117 following regarding this very topic:

118 *“... The estimates determined in the Bowen and Collins*
119 *report are engineering estimates, rather than actual bids*
120 *from vendors and suppliers. Also, there is no established*
121 *timetable or plan laid out by Community Water for*
122 *undertaking this project. These potential expenditures do*
123 *not meet the criteria for inclusion in rates as a known and*
124 *measurable adjustment because they remain too*
125 *uncertain.”*

126 **Q. DOES THE DIVISION BELIEVE THAT THE INFORMATION**
127 **PROVIDED BY THE COMPANY IS ADEQUATE TO INCLUDE**
128 **CERTAIN ADDITIONAL EXPENDITURES FOR INFRASTRUCTURE**
129 **REPAIRS, REPLACEMENTS AND NEW INSTALLATIONS?**

130 A. The Division believes that the same deficiencies noted in Docket No. 15-098-01
131 still exist in this case. For example, in its 4th Data Request, the Company
132 indicates that it is unsure if the Company or the customer bears the responsibility
133 for the \$228,600 repair or installation of 134 service valves that Mr. Folkman

134 requests in Exhibit A of his direct testimony. The Division could list several
135 other examples, but refers to the Company's response to the Company's 4th Data
136 Request to the Division's question 4.5 regarding the requested additional
137 infrastructure repairs, replacements and new installations in Mr. Folkman's
138 Exhibit A. The Division 4.5 request is as follows,

139 *4.5. "Please provide an annual total of repairs, replacements and*
140 *associated costs for each of the next five years."*

141 The Company replied, in part,

142 *"... Raising these additional funds will need to occur through a*
143 *separate rate case or special assessment based on substantive*
144 *documentation of the actual costs for planned Company*
145 *improvements."* [emphasis added]

146 **Q. WHAT IS THE DIVISION'S RECOMMENDATION REGARDING THE**
147 **INCLUSION OF ADDITIONAL INFRASTRUCTURE REPAIRS,**
148 **REPLACEMENTS AND NEW INSTALLATIONS, IN THIS RATE CASE?**

149 A. The Division concurs with the Company that substantive documentation of the
150 actual costs is still needed, and therefore, does not believe that the Company has
151 met its burden of proof for the Division to recommend that the additional costs in
152 question be included in this rate case.

153 **VI. RESPONSE TO INTERVENORS GRENNEY/AMENDOLA DIRECT**
154 **TESTIMONY**

155 **Q. DO YOU WISH TO ADDRESS SOME OF THE ISSUES IN THIS RATE**
156 **CASE RELATED TO MR. GRENNEY'S TESTIMONY THAT ARE**
157 **RELEVANT TO THIS PROCEEDING?**

158 **A.** Yes, but first the Division would like to acknowledge the thorough and careful
159 analysis of the water system by intervenor William Grenney in his direct testimony,
160 data request response and in several telephone conversations with the Division.

161 **Q. ARE THE NUMBERS PROVIDED BY MR. GRENNEY DIFFERENT**
162 **THAN THE NUMBERS PROVIDED TO THE DIVISION BY THE**
163 **COMPANY?**

164 **A.** The overall numbers he provided and used in his analysis appear to be consistent
165 with the overall numbers provided to the Division by Community Water. Some
166 of the costs obtained and used by Mr. Grenney are more detailed and descriptive
167 than some of the costs used by the Division.

168 **Q. WHAT IS THE FIRST ISSUE YOU WISH TO DISCUSS REGARDING**
169 **MR. GRENNEY'S TESTIMONY?**

170 **A.** The first issue concerns the chemicals and testing amounts.
171 In its Direct Testimony, the Division included chemical costs of \$1,347.00 and
172 adjusted it to by adding \$360.50 to accommodate large fluctuations in the past, for
173 a total of \$1,707.50. It also included Testing and Lab Fees of \$3,301.00. Before
174 the adjustment, the total chemicals and testing/lab fees is **\$4,648.00** (1,347.00 plus

175 3,301.00). Mr. Grenney's analysis provided additional details, not available to the
176 Division at the time it did its analysis. His analysis shows:

177

Description	Amount	Total Amounts
Chemicals for CWC	\$1,463.00	
CWC Chemicals	\$993.00	
Sodium Hypochlorite	\$845.00	
Total Chemicals (Variable) Expenses		\$3,301.00
Testing and Lab Fees	\$1,347.00	
Total Testing (Fixed) Expenses		\$1,347.00
Total Chemical and Testing Expenses		\$4,648.00

178

179 As the above chart shows, the total chemical and testing amounts, **\$4,648.00** used
180 by the Division and those used by Mr. Grenney are the same. Using the
181 allocation provided by Mr. Grenney, the Division can better allocate the expenses
182 between fixed and variable.

183 **Q. WHAT CHANGES DID THE RESTRUCTURING OF CHEMICALS AND**
184 **TESTING HAVE ON YOUR EXHIBITS PRESENTED IN YOUR DIRECT**
185 **TESTIMONY?**

186 A. The restructuring of chemicals and testing resulted in direct adjustments to the
187 Division's Amended Exhibits 1.2 R and 1.3 R, as follows.

188 First, please refer to Amended Exhibit 1.3 R. Please note that the line numbers
189 have changed from the original Exhibit 2.4. The references made throughout the

190 remainder of the testimony, unless otherwise noted, will refer to the line numbers
191 on the Amended Exhibits.

192 On Amended Exhibit 1.3 R, lines 6 and 16 were red-lined and replaced with lines
193 7, 8, 9, and 10, highlighted in yellow, for the reasons explained above.

194 Next, please refer to Amended Exhibit 1.2 R. Again, lines 6 and 16 amounts were
195 deleted and replaced with lines 7, 8, 9 and 10, consistent with the changes made to
196 Amended Exhibit 1.3 R. Lines 7, 8 and 10 were allocated to variable expenses
197 and line 9 was allocated to fixed expenses.

198 **Q. WHAT IS THE SECOND ISSUE YOU WISH TO DISCUSS REGARDING**
199 **MR. GRENNEY'S TESTIMONY?**

200 A. The Division's second issue concerns the 3,029,700 gallons of water purchased
201 by Community Water between 10/19/2015 and 04/19/2016 from Summit Water
202 for \$16,057.00. This transaction was billed on 04/19/2016. The Division was not
203 aware of this transaction until Mr. Grenney brought it to our attention. The
204 Division requested, and received, a copy of the invoice from Community Water to
205 verify its propriety.

206 **Q. SINCE THE INVOICE PROVIDES ONLY THE TOTAL QUANTITY OF**
207 **WATER PURCHASED BETWEEN 10/19/2015 AND 04/19/2016, HOW**
208 **DOES THE DIVISION PROPOSE TO ALLOCATE THE AMOUNT OF**
209 **WATER PURCHASED IN 2015?**

210 A. The Division agrees with Mr. Grenney's methodology of allocating 2015's
211 percentage of water used by dividing the number of days that purchased water
212 was used in 2015 (74 days) by the total number days (184 days) that water was
213 purchased to obtain a percentage of usage in 2015. In this instance, water
214 purchased in 2015 is 40.22% (74 days ÷ 184 days) of the total amount of
215 additional water used. The estimated amount of water used in 2015 is \$6,458.13
216 (\$16,057.00 times 40.22%).

217 **Q. ARE YOU AWARE IF ANY OF THE OTHER INTERVENORS**
218 **PROVIDED TESTIMONY REGARDING THE INCLUSION OF THIS**
219 **ADDITIONAL PURCHASED WATER?**

220 A. Yes. Intervenor Francis Amendola, in his direct testimony in paragraph one, on
221 the fourth page, stated that he managed Community Water for over ten years and
222 purchased water was not a "frequent occurrence." Mr. Amendola argues that
223 based on his past experience of running the company, this should not be included
224 in rates since he believes purchasing additional water is not a "frequent
225 occurrence."

226 **Q. HOW DOES THE DIVISION PROPOSE TO ACCOUNT FOR THE**
227 **PURCHASED WATER FROM SUMMIT WATER?**

228 A. The Division understands and appreciates both intervenor's views, but,
229 nonetheless, since additional water or another unanticipated expense does not

230 appear to be an isolated event, the rates should reflect this by including the
231 \$6,458.13 in the 2015 test year as a variable expense.

232 Additionally, although isolated repairs may be made to the system from time to
233 time, temporarily reducing the need for purchased water; this is an old water
234 system that has neglected necessary repairs and replacements for many years, if
235 not decades. That level of neglect carries with it a huge potential for additional
236 water leaks requiring either the purchase of water or repairs. Even without new
237 leaks, the Division has repeatedly been informed by the Company, and even some
238 Intervenors, that there are currently many other leaks in the water system. These
239 existing water leaks also contribute to the continuing need to purchase water
240 and/or make related repairs. By including this cost in rates, the company will
241 have the necessary funds to either purchase additional water or make the related
242 necessary repairs to temporarily reduce the purchasing of water. Either way, the
243 funding is needed. The Division is charged with using its best judgment in
244 recommending adequate rates that include impending expenses likely to occur.
245 “Nickel-and-diming” rates by not including imminent expenses likely to occur is
246 not responsible rate making and will not allow Community Water to properly
247 maintain the water system, which is what has contributed to the current state of
248 disrepair.

249 **Q. WHAT CHANGES DOES THE ADDITIONAL PURCHASED WATER**
250 **FROM SUMMIT WATER HAVE ON YOUR EXHIBITS PRESENTED IN**
251 **YOUR DIRECT TESTIMONY?**

252 A. The additional purchased water resulted in direct adjustments to the Division's
253 Amended Exhibits 1.2 R and 1.3 R, as follows.

254 First, please first refer to Amended Exhibit 1.3 R where line 3 was relabeled from
255 "Purchased Water" to a more descriptive title of "Purchased Water from Weber
256 Basin." Line 4 was added as "Purchased Water from Summit" for \$6,458.13,
257 which is consistent with the explanation above. Both of these changes are
258 highlighted in yellow.

259 Next, please also refer to Amended Exhibit 1.2 R. Again, line 3 was relabeled,
260 and line 4 was added, consistent with the changes made to Amended Exhibit
261 1.3 R. Also, line 4 was allocated to variable expenses as described above.

262 **Q. WHAT IS THE THIRD ISSUE YOU WISH TO DISCUSS REGARDING**
263 **MR. GRENNEY'S TESTIMONY?**

264 A. In addition to the chemical and testing items, Mr. Grenney's direct testimony also
265 shows numerous detailed and descriptive costs that he feels should be included in
266 variable expenses and omitted from the fixed expenses. In Mr. Grenney's data
267 request response, Mr. Grenney lists even more expenses that he feels should be
268 added to variable expenses and deleted from fixed expenses. Again, the overall

269 numbers he provided and used in his analysis appear to be consistent with the
270 numbers provided to the Division by Community Water. Some of the costs
271 obtained and used by Mr. Grenney are more detailed and descriptive than the
272 costs used by the Division. Since Mr. Grenney's overall expense amounts appear
273 consistent with the Division's overall expense amounts the Division does not
274 recommend making adjustments on a line-by-line basis. The complexity and
275 amount of time required to reconcile all of Mr. Grenney's numbers to the
276 Division's numbers is not cost effective and justified. However, the Division
277 agrees with Mr. Grenney that some of the fixed repair expenses should be
278 reallocated, so the Division recommends applying a percentage of the \$18,319.25
279 Water System Repairs to variable expenses and reducing the fixed expenses by an
280 equal amount.

281 **Q. PLEASE EXPLAIN THE DIVISION'S METHODOLOGY FOR**
282 **ADJUSTING FIXED EXPENSES.**

283 A. Since there are already numerous outstanding repairs needed, the Division
284 recommends keeping 60% of budgeted Water System Repairs designated as fixed
285 expenses to pay for repairs currently pending and applying 40% of the Water
286 System Repairs to variable expenses. This retains \$10,991.55 in fixed expenses
287 and reallocates \$7,327.70 from fixed expenses to variable expenses.

288 **Q. WHY IS THE DIVISION RECOMMENDING THAT A PORTION OF**
289 **REPAIR EXPENSES BE APPLIED TO VARIABLE EXPENSES?**

290 A. Applying a portion of the repairs to variable expenses, it places some of the
291 financial burden on the high-volume water users who are using the water system
292 more than the low-volume water users. Applying a portion of the repair and
293 maintenance costs to variable expenses is also consistent with the past two water
294 rate cases approved by the Commission in Dockets 13-2506-01 and 15-2025-01.

295 **Q. PLEASE COMPARE AND CONTRAST THE AMOUNT OF REPAIRS**
296 **THE DIVISION IS RECOMMENDING TO BE ADDED TO VARIABLE**
297 **EXPENSES TO MR. GRENNEY'S PROPOSED AMOUNTS.**

298 A. Mr. Grenney's direct testimony advocates using total variable expenses of
299 **\$19,269**, and in his data request response, he advocates using variable expenses of
300 **\$41,879** to calculate the tier rates. The Division recommends using total variable
301 expenses of **\$24,760.72** to calculate its tier rates, which includes the Division's
302 originally recommended variable expenses of \$9,381.00, plus the reallocated
303 chemical costs, the \$6,491,00 purchased water and reallocating \$7,327.70 Water
304 system repairs to variable expenses. The Division believes that a total of
305 \$24,760.72 accurately represents the variable expenses in this case.

306 **Q. DID THIS REALLOCATION HAVE A DIRECT IMPACT ON AMENDED**
307 **EXHIBIT 1.3 R LIKE THE OTHER TWO ADJUSTMENTS?**

308 A. No. The partial reallocation from direct expenses to variable expenses did not
309 have an effect on Amended Exhibit 1.3 R because this was not an additional
310 expense, but rather only a reallocation from fixed to variable expenses.

311 **Q. DID THE PARTIAL REALLOCATION HAVE A DIRECT IMPACT ON**
312 **AMENDED EXHIBIT 1.2 R?**

313 A. Yes. Please refer to Exhibit 1.2 R's line 19, outlined in red. The original exhibit
314 allocated 30% to System Expenses and 70% to System Usage Expenses; both
315 fixed expenses. Nothing was originally allocated to Water Consumption
316 Expenses, a variable expense.

317 Amended Exhibit 1.2 R now allocates 20% to System Expenses, 40% to System
318 Usage Expenses and 40% to Water Consumption Expenses.

319 **Q. WHAT IS THE FOURTH ISSUE YOU WISH TO DISCUSS REGARDING**
320 **MR. GRENNEY'S TESTIMONY?**

321 A. Mr. Grenney's testimony is as follows:

322 *"DPU Exhibit 2 line 196 states: "To overcome this potential*
323 *'over-earning' scenario, the company is required to deposit any*
324 *excess earnings from usage in excess of 12,000 gallons per*
325 *month into its restricted capital reserve account."*
326 *This statement should be amended to omit "excess of 12,000*
327 *gallons per month", and read instead "To overcome this*

328 *potential ‘over-earning’ scenario, the company is required to*
329 *deposit any excess earnings from usage into its restricted capital*
330 *reserve account.””*

331 The statement Mr. Grenney is referring to was made by the Division in the
332 context of discussing the potential of over-earning using increasing tier-
333 rate pricing. The Division understands Mr. Grenney’s concern, but in the
334 context, it was made, the Division believes it was accurate and correct.

335 **Q. DOES THE DIVISION WISH TO MAKE ANY ADDITIONAL**
336 **COMMENTS REGARDING MR. GRENNEY’S TESTIMONY?**

337 A. Mr. Grenney provided a lot additional material in his testimony that the
338 Division did not specifically address in its recommendation. The Division
339 appreciates his efforts, but does not typically recommend that small water
340 utilities be subject to the complexity and inherent difficulties that such a
341 recommendation would place on it. The added complexity, time and
342 expense is often not in the public interest.

343 **Q. DOES THIS CONCLUDE YOUR TESTIMONY REGARDING THE**
344 **ISSUES IN MR. GRENNEY’S TESTIMONY?**

345 A. Yes.

346 **VII. ADJUSTMENT TO NUMBER OF CONNECTED CUSTOMERS**
347 **AND STAND-BY CUSTOMERS.**

348 **Q. HAS THE DIVISION BEEN INFORMED THAT THE TOTAL**
349 **NUMBER OF CUSTOMERS AND STAND-BY CUSTOMERS**
350 **HAVE BEEN UPDATED BY COMMUNITY WATER SINCE THE**
351 **INCEPTION OF THIS RATE CASE?**

352 A. Yes.

353 **Q. PLEASE EXPLAIN**

354 A. Community Water recently notified the Division over the phone that
355 during its transition to new billing software, it has determined that it has
356 504 connected customers and 2 standby customers. Before this,
357 Community Water stated that it had 498 connected customers and 3
358 standby customers. Subsequently, the Division issued a 5th Data Request
359 to the Company to verify, in writing, the new number of connected
360 customers and standby customers.

361 **Q. DO THESE NUMBERS REQUIRE ANY AMENDMENTS TO THE**
362 **DIVISION'S WORKSHEET EXHIBITS?**

363 A. Yes. Please refer to Amended Exhibit 1.2 R. The total number of
364 customers was changed from 501 to 506. The total number of connected
365 customers was changed from 498 to 504. The original numbers are red-
366 lined, and the new numbers are highlighted in yellow.

367 **Q. ARE YOU AWARE OF ANY ADDITIONAL ISSUES FROM THE**
368 **INTERVENORS OR THE COMPANY THAT HAVE NOT BEEN**
369 **ADDRESSED?**

370 A. No.

371 **VIII. DIVISION'S AMENDED RECOMMENDED RATES.**

372 **Q. YOU TESTIFIED ABOUT SEVERAL CHANGES TO AMENDED**
373 **EXHIBITS 1.2 R AND 1.3 R. DID ANY OF THE OTHER**
374 **EXHIBITS CHANGE AS WELL?**

375 A. Yes, because the spreadsheet is interactive. Changing amounts and
376 restructuring the fixed and variable expenses in Amended Exhibits 1.2 R
377 and 1.3 R resulted in automatically updating several amounts in several of
378 the exhibits, which ultimately carried forward for updated base rates and
379 tier amounts in Amended Exhibit 1.1 R – Amended Rate Schedule.

380 **Q. DOES THE DIVISION HAVE A RECOMMENDATION FOR**
381 **COMMUNITY WATER'S RATES AND RATE STRUCTURE?**

382 A. The rates and fees set forth proposed by the Division, and outlined in Amended
383 Exhibit 1.1 R, should be approved as being just and reasonable and in the public
384 interest. These rates are listed below.

385

Rate Schedule

Monthly Rates		Monthly Water Usage Amounts	
Standby Rate	\$16.05		
Base Rate for Connected Customers	\$30.65	0 gals	0 gals
Tier 1 (Per 1,000 Gallons)	\$ 0.70	0 gals	12,000 gals
Tier 2 (Per 1,000 Gallons)	\$1.40	12,001 gals	24,000 gals
Tier 3 (Per 1,000 Gallons)	\$2.80	24,001 gals	36,000 gals
Tier 4 (Per 1,000 Gallons)	\$4.20	36,001 gals	48,000 gals
Tier 5 (Per 1,000 Gallons)	\$6.30	48,001 gals	<i>Over</i>

386

387 **Q. PLEASE SHOW A COMPARISON OF THE NEWLY AMENDED**
388 **RATES AS CALCULATED IN AMENDED EXHIBIT 1.1 R –**
389 **AMENDED RATE SCHEDULE THE RATES ORIGINALLY**
390 **RECOMMENDED BY THES DIVISION IN ITS DIRECT**
391 **TESTIMONY.**

	Amended Recommendation		Original Recommendation	
	Amount	Usage Amounts	Amount	Usage Amounts
Standby	\$ 16.05	<i>(Gallons of Water)</i>	\$ 17.25	<i>(Gallons of Water)</i>
Base	\$ 30.65	With Base 0	\$ 33.20	With Base 0
Tier 1	0.70	Initial 12,000	0.30	Initial 12,000
Tier 2	1.40	Next 12,000	0.60	Next 12,000
Tier 3	2.80	Next 12,000	1.20	Next 12,000
Tier 4	4.20	Next 12,000	2.40	Next 12,000
Tier 5	6.30	Over 48,000+	4.80	Over 48,000+

392

393

394

395 **IX. TARIFF RECOMMENDATION**

396 **Q. IS THE DIVISION STILL RECOMMENDING AND PROVIDING A**
397 **REVISED TARIFF THAT INCLUDES THE NEW WATER RATES?**

398 A. Yes. The Division is still recommending the tariff provided as Exhibit 3 of the
399 Division's direct testimony be approved by the Commission.

400 **Q. OTHER THAN THE UPDATING OF THE STANDBY FEE, BASE RATE**
401 **AND TIER RATES, DOES THE DIVISION RECOMMEND ANY**
402 **ADDITIONAL CHANGES TO THE TARIFF RECOMMENDED IN ITS**
403 **DIRECT TESTIMONY?**

404 A. No. The Division still recommends that Tariff No. 2 in its direct testimony be
405 approved by the Commission.

406 **Q. ALTHOUGH ALREADY ASKED AND ANSWERED EARLIER, DOES**
407 **THE DIVISION RECOMMEND AN ADDITION TO ITS PROPOSED**
408 **TARIFF, EXHIBIT 3, TO CLARIFY THE BILLING FOR EACH**
409 **CUSTOMER CLASSIFICATION?**

410 A. No. The Division is satisfied that Community Water will correctly
411 execute the Division's recommended rate structure without adding
412 additional clarification to the tariff.

413

414 X. **INTERIM RATES**

415 Q. **ARE THE INTERIM RATES SET BY THE COMMISSION IN ITS**
416 **ORDER APPROVING INTERIM RATE INCREASE, DATED**
417 **SEPTEMBER 15, 2016 THE SAME AS THE RATES IN THE**
418 **PREVIOUS CHART, LABELED “ORIGINAL**
419 **RECOMMENDATION?”**

420 A. Yes, they are.

421 Q. **SINCE THE ORIGINAL/INTERIM RATES ARE DIFFERENT**
422 **THAN THE AMENDED RATES NOW RECOMMENDED BY THE**
423 **DIVISION, DOES THE DIVISION HAVE A RECOMMENDATION**
424 **ON HOW TO RECONCILE THOSE DIFFERENCES FOR THE**
425 **MONTHS THE INTERIM RATES WERE IN EFFECT?**

426 A. The Division recommends that the months, (probably October and
427 November 2016) the interim rates were in effect, the Company determines
428 the billing amount for each customer based on the final rates approved by
429 the Commission. These amounts should then be compared to the amounts
430 billed during the interim rate period. Any overcharges should be credited
431 to the customer’s account within 60 days, and any under charges should be
432 included on the customer’s bill within the next 60 days.

433

434 **XI. CONCLUSION**

435 The Division believes that its amended recommended rates are just and
436 reasonable in the public interest; therefore, the Division recommends the
437 Commission approve these new rates and fees.

Rate Schedule

Monthly Rates		Monthly Water Usage Amounts	
Standby Rate	\$16.05		
Base Rate for Connected Customers	\$30.65	0 gals	0 gals
Tier 1 (Per 1,000 Gallons)	\$ 0.70	0 gals	12,000 gals
Tier 2 (Per 1,000 Gallons)	\$1.40	12,001 gals	24,000 gals
Tier 3 (Per 1,000 Gallons)	\$2.80	24,001 gals	36,000 gals
Tier 4 (Per 1,000 Gallons)	\$4.20	36,001 gals	48,000 gals
Tier 5 (Per 1,000 Gallons)	\$6.30	48,001 gals	<i>Over</i>

438

439 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

440 A. Yes, it does. Thank you.