

**- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -**

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|-----------------------------------|---|-------------------------------|
| <b>IN THE MATTER OF COMMUNITY</b> | ) | <b>DOCKET NO. 16-098-01</b>   |
| <b>WATER COMPANY, LLC.</b>        | ) |                               |
|                                   | ) | <b>DPU Exhibit No. 1.0 SR</b> |
|                                   | ) |                               |
|                                   | ) |                               |

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**SURREBUTTAL TESTIMONY**

**OF**

**MARK A. LONG**

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

**November 14, 2016**

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1    **I.    Introduction**

2    **Q.    Please state your name, business address and position with the Division of**  
3    **Public Utilities.**

4    A.    My name is Mark A. Long. My business address is Heber M. Wells Building,  
5           160 East 300 South, 4<sup>th</sup> 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 this case?**

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

10   **Q.    Have you previously filed testimony in these proceedings?**

11   A.    Yes. I previously filed Direct Testimony and Rebuttal Testimony on behalf of  
12           the Division on June 13, 2016, and November 1, 2016, respectively.

13   **II.   Purpose of testimony**

14   **Q.    What is the purpose of your Surrebuttal Testimony?**

15   A.    The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony  
16           submitted by Intervenors Lange and Rawson and to clarify the Division's  
17           recommendation concerning the billing for the Red Pine Clubhouse.

18 **III. Response to Rebuttal Testimony of Intervenors Terry Lange, President of**  
19 **Red Pine Homeowners Association and Guy Rawson, Vice President of**  
20 **Hidden Creek Homeowners Association**

21 **Q. Mr. Lange and Mr. Rawson filed joint Rebuttal Testimony. Please state each**  
22 **issue and any comments or clarifications the Division wishes to make. What**  
23 **is the first issue?**

24 A. The first issue Mr. Lange and Mr. Rawson mention on lines 8 and 9 of their  
25 Rebuttal Testimony is:

26 *Reiteration of previous Direct Testimony on the allocation of water*  
27 *for each connected customer.*

28 Also, on lines 82 through 84, they state:

29 *We are still somewhat uncertain as to whether the Interim Rate*  
30 *approved by the PSC on September 15, 2016 includes the*  
31 *allocation of 12,000 gallons of water per month for each*  
32 *connected customer that pays the base rate of \$33.20.*

33 **Q. What is the Division's position on the allocation of water for each customer?**

34 A. As stated in its Rebuttal Testimony, the Division is recommending that each  
35 connected customer pays a base rate and each connected customer receives their  
36 full 12,000-gallon water allotment at the applicable rate for that tier of water,  
37 billed in units of 1,000 gallons of water.

38 **Q. Mr. Lang and Mr. Rawson Rebuttal Testimony lines 96 through 98, assert:**

39 *The approach brought forth by CWC at the Hearing, with some*  
40 *minor changes like those provided in Amended Exhibit B which*  
41 *was not accepted into the record due to DPU opposition, should*  
42 *be integrated into the Final Rate.*

43 **Q. Does the Division wish to comment on this?**

44 A. Yes. The Division notes that according to Community Water Company, LLC's  
45 (Company or Community Water) witness Ms. Stacey Wilson's Direct Testimony  
46 concerning billing procedures submitted on September 21, 2016, seven days after  
47 the Company's September 14, 2016 submission of Amended Exhibit B, the  
48 Company is no longer seeking to use the billing procedures discussed in Amended  
49 Exhibit B.

50 Amended Exhibit B still shows base rates applied to irrigation meters as well as  
51 base rates on individual customer connections. This method is not consistent with  
52 the Division's recommendation or Ms. Wilson's description of the billing  
53 methods or examples provided in her Direct Testimony. The Division's  
54 recommendation was based on the number of customers and not on the number or  
55 type of meter. The Division intended for each connected customer to pay a base  
56 rate and for each connected customer to receive their full 12,000-gallon water  
57 allotment at the applicable rate for that tier of water, billed in units of 1,000  
58 gallons of water.

59 **Q. What is Intervenor's Lange and Rawson's second issue?**

60 A. The second issue Mr. Lange and Mr. Rawson mention on lines 10 through 12 of  
61 their Rebuttal Testimony is:

62 *Reiteration of previous Direct Testimony on meter charges for*  
63 *each connected customer and additional meter charges for*  
64 *separate irrigation meters for those same customers.*

65 Additionally, starting on line 103 of their Rebuttal Testimony, they write:

66 *Based upon comments made by CWC at the Hearing on September*  
67 *13, 2016, it was unclear if CWC intended to bill connected HOA*  
68 *customers both for the base rate/customer and for separate*  
69 *irrigation meters. The Interim Rate approved by the Commission*  
70 *on September 15, 2016 was not clear on this issue.*

71 **Q. What comments does the Division have concerning paying the base rate on**  
72 **irrigation meters?**

73 A. The Division repeats its earlier statement that charging a base rate on irrigation  
74 meters is not consistent with the Division's recommendation or Ms. Wilson's  
75 description of the billing methods or examples provided in her Direct Testimony.  
76 The Division's recommendation was based on the number of customers and not  
77 on the number or type of meter.

78 **Q. What is Intervenor's Lange and Rawson's third issue?**

79 A. These Intervenors take issue with Company witness Mike Folkman's Direct  
80 Testimony, accompanying Exhibit A and the Company's 4<sup>th</sup> data request  
81 response, filed on October 6, 2016, regarding the inclusion of expenses for  
82 additional infrastructure repairs, replacements and new installations.

83 The Intervenors acknowledge that many of the requested repairs may be  
84 legitimate, but question whether the Company or the customer bears the  
85 responsibility for several of the repairs requested by Mr. Folkman.

86 **Q. Does the Division wish to comment on including infrastructure repairs,**  
87 **replacements and new installations in this rate case?**

88 A. Yes. The Division also has some of the same concerns as the Intervenors. At this  
89 time, the Company has not met its burden of proof for the Division to recommend  
90 approval of the items outlined in Mr. Folkman's Direct Testimony and 4<sup>th</sup> data  
91 request. The Division requires substantive documentation of the actual costs for  
92 specific Company improvements before it can make a determination or  
93 recommendation to include the expenditures requested by Mr. Folkman in  
94 potential future proceedings.

95 Additionally, on November 1, 2016, Intervenors Lange and Rawson filed a  
96 "Clarification of Rebuttal Testimony" with the Commission stating that they,  
97 along with Intervenor Amendola, participated in a conference call with  
98 Community Water and TCFC on October 28, 2016. The aforementioned  
99 testimony stated in lines 2 through 5:

100                   ... *The purpose of [the call] was to clarify the intent of our*  
101                   *Rebuttal Testimony, to keep the lines of communication open for a*  
102                   *better understanding of each other's position on the pending rate*  
103                   *case, and to have input as to the final disposition of CWC.*

104           Specific to this third issue, in lines 13 through 16, the Intervenors declare:  
105                   *Following the discussion with CWC, we now understand that funds*  
106                   *for major capital improvements, including the future of the water*  
107                   *treatment plant, will be addressed in future rate case(s), and that*  
108                   *at this time the Company has no immediate plan to decommission*  
109                   *the water treatment plant.*

110   **Q.    Are there any other concerns regarding infrastructure repairs, replacements**  
111           **and new installations?**

112   A.    Yes. The Intervenors question the propriety of including certain infrastructure  
113           repairs, replacements or new installations for the purpose of satisfying the  
114           eventual transfer of Community Water to Summit Water Distribution Company.

115   **Q.    What is the Division's position regarding the inclusion of infrastructure**  
116           **repairs, replacements or new installations to satisfy the potential transfer of**  
117           **Community Water to Summit Water Distribution Company?**



118 A. First, the Division does not recommend including any of the requested  
119 infrastructure repairs, replacements or new installations in this rate case regardless  
120 if the Company is transferred or not.

121 Second, the potential transfer of Community Water to Summit Water Distribution  
122 Company or other entity is not included in the scope of this rate case. If  
123 Community Water eventually declares its intent to transfer to another entity, the  
124 Commission has the authority to review any sale or transfer of a regulated public  
125 utility.

126 **Q. What is Lange and Rawson's fourth and final issue?**

127 A. These Intervenors are concerned that Mr. Grenney is seeking a more substantial  
128 rate increase than is currently recommended. The Intervenors list several reasons  
129 given by Mr. Grenney why a more substantial increase is needed.

130 **Q. Did the Division rely on the information presented in Mr. Grenney's Direct**  
131 **Testimony to recommend a rate that is different than its original**  
132 **recommendation?**

133 A. Yes. Based on Mr. Grenney's Direct Testimony the Division reclassified several  
134 of the expenses from fixed to variable. This reclassification lowered the base rate  
135 and increased the tier rates. Substantive and detailed information is found in the  
136 Division's Rebuttal Testimony filed on November 1, 2016.

137 **Q. Did the Division rely on any additional information provided by Mr.**  
138 **Grenney that it used in its rate calculations?**

139 A. Yes. The Division included \$6,458.13 which represents the water purchased from  
140 Summit Water Distribution System to cover a shortfall of water from mid-  
141 October through the end of the year. The Division was previously unaware of this  
142 transaction until it was brought to our attention by Mr. Grenney in his Direct  
143 Testimony. The Division requested, and received, a copy of the invoice from  
144 Community Water to verify its propriety.

145 **Q. What do the Intervenors say in their Rebuttal Testimony concerning the**  
146 **addition of purchased water?**

147 A. The Intervenors state in lines 285 through 287:

148 *While we don't dispute the occasionally [sic], short term need to*  
149 *purchase water, the extended period of purchasing water in 2015,*  
150 *which by the way extended into the spring of 2016, is not typical.*

151 **Q. Why did the Division recommend that this purchased water be included in**  
152 **rates?**

153 A. As previously stated in the Division's Rebuttal Testimony, the  
154 Division understands and appreciates the Intervenors' views, but,  
155 nonetheless, since purchasing additional water caused by the next leak or  
156 another unanticipated expense does not appear to be an isolated event, the

157 rates should reflect this by including the \$6,458.13 in the 2015 test year as  
158 a variable expense. Even the Intervenors acknowledge in their Rebuttal  
159 Testimony, lines 285 and 286, that they, “*don’t dispute the occasionally*  
160 *[sic], short term need to purchase water...*”

161 Additionally, although isolated repairs may be made to the system from time to  
162 time, temporarily reducing the need for purchased water; this is an old water  
163 system that has neglected necessary repairs and replacements for many years.  
164 That level of neglect carries with it a huge potential for additional water leaks  
165 requiring either the purchase of water or repairs. Even without new leaks, the  
166 Division has repeatedly been informed that there are currently many other leaks in  
167 the water system. These existing water leaks also contribute to the continuing  
168 need to purchase water and make related repairs. By including this cost in rates,  
169 the Company will have the necessary funds to either purchase additional water or  
170 make the related necessary repairs to temporarily reduce the purchasing of water.  
171 Either way, the funding is needed. “Nickel-and-diming” rates by not including  
172 imminent expenses likely to occur is not responsible rate making and will not  
173 allow Community Water to properly maintain the water system.

174 **Q. Did the Division use any additional information from Mr. Grenney’s Direct**  
175 **Testimony to adjust its recommended rates?**

176 A. No. Although the Intervenors discuss in depth other aspects of Mr. Grenney’s  
177 Direct Testimony, the Division considered this information but did not use any

178 additional information from Mr. Grenney's Direct Testimony in its amended  
179 recommended rates.

180 **IV. Billing for Red Pine Clubhouse**

181 **Q. Some of the Intervenors have voiced concerns regarding the billing of the**  
182 **Red Pine Clubhouse (Clubhouse). Will you explain the Division's position**  
183 **regarding the Clubhouse?**

184 **A.** The Division's position concerning the Clubhouse is that it should pay its monthly  
185 base rate and be included as an additional billing unit of the combined pool of the  
186 200 Red Pine condominium units that are affiliated with it, making a total of 201  
187 billing units for the Red Pine condominiums. For example, the Tier 1 threshold  
188 for the Red Pine condominium units and the Red Pine Clubhouse would be  
189 2,412,000 gallons (12,000 gallons *times* 201).

190 **V. Conclusion**

191 **Q. Are there any additional issues the Division is aware of that it wishes to**  
192 **address?**

193 **A.** No.

194 **Q. Are the rates recommended by the Division Surrebuttal Testimony the same**  
195 **as those recommended in the Division's Rebuttal Testimony?**

196 **A.** Yes. The Division's amended rates as set forth here and in its Rebuttal Testimony  
197 are just and reasonable and in the public interest; therefore, the Division

198 recommends the Commission approve the rates and fees as recommended in its  
199 Rebuttal Testimony as listed below.

**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> |

200

201 **Q. Does this complete your Surrebuttal Testimony?**

202 A. Yes, it does. Thank you.