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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of  
Community Water Company for Approval of  
General Rate Increase and Special Charge for  
Major Plant Upgrade/Repair.

**APPLICATION TO APPROVE  
PROPOSED WATER SERVICE  
SCHEDULES AND RATES**

Docket No. 17-098-01

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Pursuant to Utah Code Annotated 54-7-12 and Utah Rule of Administrative Procedure R746-700, applicant, Community Water Company LLC (the “Company”) submits this application to the Utah Public Service Commission (the “Commission”) for an order approving: (1) a general rate increase as proposed in the revised rate schedule set forth in this application; and (2) a special charge for a major plant upgrade/repair as proposed in the schedule set forth in the Application. In addition to the foregoing, Utah Code Annotated 54-7-12(4), the Company hereby requests the Commission grant the foregoing on an interim and expedited emergency basis. Finally, the Company hereby requests an exception to the notice requirements of R746-799 based on good cause showing as set forth herein.

In support of the Application, the Company states as follows:

## **BACKGROUND**

1. The Company is a public utility supplying culinary water (for domestic and exterior use) service to retail customers in Summit County, Utah.
2. The Company currently has 189 meters serving 503 water users within its service area and is subject to the Commission's jurisdiction with respect to prices and terms of water service to retail customers in the service area.
3. The Company's principal place of business is 1840 Sun Peak Drive, Suite A201, Park City, Utah 84098.
4. The Company's Tariff was issued on January 18, 1989 as Case No. 84-098-01.
5. The Company's Tariff was amended on August 16, 1991 as Case No. 84-098-01.
6. The Company's Amended Tariff was approved on November 28, 2016, with a filing date of February 2, 2017 as Case No. 16-098-01.
7. Communications regarding this filing should be addressed to:

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## **REQUEST FOR AUTHORITY TO INCREASE RATES**

### **I. GENERAL RATE**

8. Effective November 28, 2016, the Commission approved a general rate increase for the Company's basic operating needs under Docket No. 16-098-01 (the "2016 Rate Case").

9. During the 2016 Rate Case it was frequently discussed with customers and the Commission that the Company would need to apply for an additional general rate increase to assist in bringing the Company's system wide infrastructure up to modern operating standards.

10. Since the 2016 Rate Case, the Company has conducted studies and engaged professionals regarding its system and the Company is now prepared to submit this Application consistent with the recommendations of such studies and professionals.

11. Since the 2016 Rate Case, the Company has continued productive dialog with its customers and the Company's customers have been instrumental in aiding the Company's progress and understanding of its needs and options.

12. On June 15, 2017, the Company filed a public, courteous letter with the Commission under Docket No. 16-098-01 (the "June 2017 Update Letter") detailing the Company's recent efforts and communications with its customers and discussing in detail the basis for this current Application. The June 2017 Update Letter was also sent to all customers of the Company. The June 2017 Update letter is incorporated herein by reference and included as part of this Application.

13. As described more fully in the June 2017 Update Letter, the Company's water system is in dire need of repairs. The Company has been underfunded for decades resulting in a dilapidated and deteriorating water system. Recognizing the difficulty in funding these needed improvements over a long period of time through customer assessments, the Company explored multiple financing options.

14. To finance these needed improvements, the Company applied for a Division of Drinking Water State Revolving Fund Loan ("DDW SRF Water System Loan"). The loan application requested funds to replace deteriorating transmission and distribution lines, looping other transmission lines, installation, replacement, and repair of over 140 service meters, installation of a pressure reducing valves, completing and interconnect with SWDC, and retrofitting the water treatment plant to increase capacity.

15. The DDW SRF Water System Loan was approved by the Board of Drinking Water on May 12, 2017. The final approved terms are a loan for up to \$3,662,000 with a repayment period of 20 years at an annual interest rate of 3.39%.

16. The general rate increase requested in this Application in large part tracks the DDW SRF Water System Loan repayment obligations. In addition to covering the debt service of the loan and repayment of the principal, the general rate increase will provide for required and necessary reserves, a correction to actual operating costs, and permitted revenues and profits for the Company.

17. The general rate increase request is based on an equivalent residential unit (ERU) computation and includes a base rate per ERU and block rates based on actual water usage. The

methodology and rational for the ERU calculation is provided in detail with portions of this Application and will be explained in detail in direct testimony. The general rate increase also includes an annual increase factor based on the debt repayment requirements and an annual inflation rate of three percent (3%). A complete analysis of the proposed rates is included with the Application and a summary of the requested rates follows:

<b>Customer Categories</b>						
	<b>Units</b>	<b>ERUs</b>	<b>Block 1 (gallons)</b>	<b>Block 2 (gallons)</b>	<b>Block 3 (gallons)</b>	<b>Block 4 (gallons)</b>
<i>Customer</i>						
Residential		1	0 - 3000	3000 - 10000	10000 - 30000	> 30000
Red Pine HOA (and town homes)	260	218	0 - 654000	654000 - 2180000	2180000 - 6540000	> 6540000
Plat B & D (Park West Village)	30	30	0 - 90000	90000 - 300000	300000 - 900000	> 900000
Canyon View HOA	20	17	0 - 51000	51000 - 170000	170000 - 510000	> 510000
Hidden Creek HOA	130	103	0 - 309000	309000 - 1030000	1030000 - 3090000	> 3090000
Canyons Properties (Shop, Ticket Office, and Entrance)		8	0 - 24000	24000 - 80000	80000 - 240000	> 240000
Colby School		1	0 - 3000	3000 - 10000	10000 - 30000	> 30000
7-11		2	0 - 6000	6000 - 20000	20000 - 60000	> 60000
Shepard of the Mountain		4	0 - 12000	12000 - 40000	40000 - 120000	> 120000
Snow Canyon Lodge		17	0 - 51000	51000 - 170000	170000 - 510000	> 510000
<b>Monthly Base Rates (\$/month)</b>						
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Customer</i>						
Residential	\$46.61	\$46.61	\$76.51	\$78.77	\$81.13	\$83.56
Red Pine HOA (and town homes)	\$10,161.05	\$10,161.05	\$16,679.13	\$17,171.34	\$17,686.48	\$18,217.07
Plat B & D (Park West Village)	\$1,398.31	\$1,398.31	\$2,295.29	\$2,363.03	\$2,433.92	\$2,506.94
Canyon View HOA	\$792.38	\$792.38	\$1,300.67	\$1,339.05	\$1,379.22	\$1,420.60
Hidden Creek HOA	\$4,800.86	\$4,800.86	\$7,880.51	\$8,113.06	\$8,356.45	\$8,607.15
Canyons Properties (Shop, Ticket Office, and Entrance)	\$372.88	\$372.88	\$612.08	\$630.14	\$649.04	\$668.52
Colby School	\$46.61	\$46.61	\$76.51	\$78.77	\$81.13	\$83.56
7-11	\$93.22	\$93.22	\$153.02	\$157.54	\$162.26	\$167.13
Shepard of the Mountain	\$186.44	\$186.44	\$306.04	\$315.07	\$324.52	\$334.26
Snow Canyon Lodge	\$792.38	\$792.38	\$1,300.67	\$1,339.05	\$1,379.22	\$1,420.60
<b>Block Volume Rates (\$/kgal)</b>						
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<i>Block 1 Rate</i>						
All Customers	\$1.07	\$1.07	\$2.25	\$2.32	\$2.39	\$2.46

<i>Block 2 Rate</i>						
All Customers	\$1.69	\$1.69	\$4.61	\$4.75	\$4.89	\$5.04
<i>Block 3 Rate</i>						
All Customers	\$2.84	\$2.84	\$8.99	\$9.26	\$9.54	\$9.82
<i>Block 4 Rate</i>						
All Customers	\$4.61	\$4.61	\$15.73	\$16.19	\$16.68	\$17.18

## II. MAJOR PLANT REPAIR CHARGE

18. In addition to the general rate increase requested hereby, the Company is requesting an urgent and emergency plant upgrade/repair charge to its customers. As detailed more fully in the June 2017 Update Letter, on April 17, 2017, the larger of the Company’s two steel water tanks experienced a catastrophic failure resulting in complete shutdown of the tank, emptying of both tanks onto the Willow Draw ski trail, and supplemental water being required from Summit Water Distribution Company (“SWDC”). The failed tank is approximately 423,000 gallons and has been determined to be a complete loss, beyond repair. As a result of the tank failure, the Company has imposed a complete restriction on outdoor watering. The Company has attempted to secure private funding to immediately replace the tank, but without assessments to cover the debt service and repayment the Company has been unable to demonstrate to potential lenders a clear path of repayment.

19. The current estimate to demolish, remove, engineer and install a new tank is approximately \$500,000. Included with this Application are the bids associated with replacement of the failed tank and more information supporting this estimate will be provided in direct testimony. The Company is seeking approval to charge its customers a special charge on the basis demonstrated herein to cover the costs of the tank.

20. Due to the urgency and emergency nature of this request all of the funds to complete the tank project must be received immediately and the special charge can only be satisfied with a single charge due as soon as possible as the charge is approved by the Commission. As mentioned above, the Company explored multiple financing options for the tank, but none that would be available and satisfied to sufficiently meet the needed timeframe for construction.

21. As demonstrated in the June 2017 Update Letter, the Company has openly communicated the tank failure and explored alternatives with Customers. The Company and the Division of Public Utilities have received multiple informal inquiries and/or complaints about the restrictions on outdoor watering and many customers have continued to openly violate, notwithstanding continuing fines, the restriction in order to preserve landscaping. In order to restore complete service to the Company's customers the tank must be replaced as soon as possible and the request included herewith is necessary. The immediacy of this request cannot be overstated.

22. The special tank replacement charge is based on an ERU basis with the same user ERU computation as the general rate increase request (i.e. \$500,000/453 ERUs). The Company hereby requests as follows:

**Tank Replacement One Time Charge payable in a single payment: \$1,103.75 payable within 15 days of approval of this Application (or if on an interim basis within 15 days after approval of the interim rate).**

### **III. GENERAL MATTERS**

23. Waiver of the notice requirements of R746-799 are appropriate in this case because of the following: (1) the Company's infrastructure is in need of immediate upgrade

(especially replacement of the failed tank) and further delay will harm its customers; (2) as demonstrated above and the 2016 Rate Case Docket, the customers of the Company have anticipated a subsequent general rate case increase since the 2016 Rate Case; (3) the customers of the Company have played a vital role in aiding in the preparation of DDW SRF Water System Loan this Application; and (4) the June 2017 update letter publically informed all interested parties the Company was anticipating an upcoming rate case application to cover the costs of the DDW SRF Water System Loan and the Company tank failure.

24. This Application complies with the minimum filing standard and requirements established by the Commission.

25. This Application is a follow on of the 2016 Rate Case, which included only those elements of the revenue increase necessary to maintain and provide safe and reliable service to the Company's customers. Other than the 2016 Rate Case, since receiving its Tariff in 1991 the Company has not increased its service rates. The purpose of this Application is to provide for capital improvement projects and sound fiscal planning. As further set forth in the exhibits and supporting materials, the requested general rate increase set forth herein, will allow the Company to operate effectively, be self-sustaining, and build capital reserves for future repairs and replacement of system infrastructure. The requested rate increase, detailed herein, is necessary, just and reasonable.

26. The current water service rates for the Company are found in the Company's Tariff No. 3 included as part of the 2016 Rate Case and this Application and incorporated herein.

27. A full presentation of the proposed rate schedule (including the general rate and one-time charge) is included with this Application.

**CONCLUSION**

WHEREFORE, by this Application, Community Water Company respectfully requests that the Commission authorize an increase in the Company's water service rates as set forth above and approve the additional fees included above on both an interim and permanent basis.

DATED this 13<sup>th</sup> day of September 2017.

**COMMUNITY WATER COMPANY, LLC**

By: /s/ Justin J. Atwater

Justin J. Atwater

*Attorney for Community Water Company, LLC*