

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

IN THE MATTER OF APPLICATION OF)	DOCKET NO. 17-098-01
COMMUNITY WATER COMPANY FOR)	
APPROVAL OF GENERAL RATE)	DPU Exhibit No. 2.0
INCREASE AND SPECIAL CHARGE)	
FOR MAJOR PLANT)	
UPGRADE/REPAIR.)	
)	
)	

DIRECT TESTIMONY

OF

GARY SMITH

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

October 13, 2017

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS**
2 **FOR THE RECORD.**

3 **A.** My name is Gary Smith; I am employed as a Utility Analyst for the State of Utah,
4 in the Division of Public Utilities (DPU or Division). My business address is
5 Heber M. Wells Building, 160 East 300 South, 4th Floor, Salt Lake City, Utah
6 84111.

7
8 **Q. FOR WHICH PARTY WILL YOU BE OFFERING TESTIMONY IN THIS**
9 **CASE?**

10 **A.** I will be offering testimony on behalf of the Division.
11

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

13 **A.** The purpose of my testimony is to present the Division's recommendation
14 regarding Community Water Company's (Company) request for an interim rate.
15 In this context, I will also address the Company's proposed rate structure. It is
16 important to note that my testimony here is limited to the Company's interim rate
17 request. The evidence presented in my testimony does not encompass all issues
18 that may be ultimately considered under Docket No. 17-098-01, but is intended to
19 evaluate if the Company has established an adequate prima facie showing that its
20 requested interim rate increase is just, reasonable, and in the public interest
21 according to Utah Code Section 54-7-12.
22

23 **Q. WHAT WAS THE DATE OF THE COMPANY’S LAST RATE**
24 **INCREASE?**

25 A. Pursuant to the Public Service Commission of Utah’s (Commission) order, on
26 June 13, 2016 the Division filed requesting a rate increase for the Company in
27 Docket No. 16-098-01. The Commission ordered a rate increase on November
28 28, 2017.

29
30 **Q. WHAT IS THE COMPANY’S CURRENT RATE STRUCTURE?**

31 A. The Company included as Exhibit A.7 “Copy of Current Tariff” its current rates
32 and rate structure with its September 14, 2017 application.

33 The current rates are listed below for convenience:

Current 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>

34
35 **Q. ON SEPTEMBER 14, 2017, THE COMPANY SUBMITTED AN**
36 **APPLICATION FOR A RATE INCREASE AND REQUESTED**
37 **APPROVAL FOR AN INTERIM RATE INCREASE. WHAT HAS THE**

38 **COMPANY PROPOSED FOR INTERIM RATES AND RATE**

39 **STRUCTURE?**

40 A. The Company submitted a schedule of proposed rate increases on page 5 of its
41 “Application to Approve Proposed Water Service Schedules and Rates” filed on
42 September 14, 2017. This schedule appears to match the “Recommended Rates”
43 as shown in Table 13 of Exhibit D.5 “Pro Forma and Rate Model 9-14-2017.”
44 However in Exhibit 2, Table 13, of the Written Direct Testimony of Keith J.
45 Larson of Bowen Collins & Associates, Inc. (Bowen Collins) filed on October 6,
46 2017 the “Recommended Rates” listed are substantially higher. It is unclear what
47 level of rate increase the Company is proposing. In addition, as detailed in the
48 Direct Testimony of William Duncan filed with Docket No. 17-098-01 as Exhibit
49 No. 1.0, the Company and Bowen Collins, have proposed the use of Equivalent
50 Residential Units (ERU) in their proposed rate structure. The Division believes
51 that the use of ERUs raises potential discrimination issues. Accordingly, the
52 Division proposes to use the number of system users, not ERUs, when designing
53 an interim rate structure and calculating rates. This method is currently used and
54 has been accepted by the Commission (examples include Docket Nos. 15-2025-01
55 Dammeron Valley Water Works, LLC, 10-2529-01 Grand Staircase Water
56 Company, LLC, 16-2443-01 WaterPro, Inc., 13-2506-01 Willow Creek Water
57 Company, 09-2179-01 Pine Valley Irrigation Company, 14-2195-01 Hi-Country
58 Estates Homeowners Association, and 16-098-01 Community Water Company).

59 An interim rate request is not the appropriate vehicle for fundamentally altering
60 how rates are to be imposed.

61

62 **Q. FOR THIS CASE, ON WHICH YEARS IS THE DIVISION BASING ITS**
63 **RECOMMENDATION?**

64 A. The Division reviewed information provided by the Company for the entire
65 calendar year of 2016 as the test year, which is the last complete year accounting
66 records are available. The Division also reviewed the findings of Company's
67 recent rate case under Docket No. 16-098-01, information provided by the
68 Company for the actual year to date 2017, and projected budgets.

69

70 **Q. WHAT DID THE DIVISION CONCLUDE ABOUT THE CURRENT**
71 **RATES AND RATE STRUCTURE?**

72 A. The Division, in an effort to understand and evaluate the Company's request for
73 an interim rate increase, conducted an on-site review of the Company's records on
74 September 25, 2017 and filed its first Data Request on October 4, 2017. Upon
75 review of the information provided by the Company, the Division does not have
76 adequate information to determine if the Company's application for an interim
77 rate increase is reasonable. In Confidential Exhibit 2.1, I have identified a number
78 of contradictions and deficiencies that, if remedied, may provide enough
79 information on which to formulate a recommendation for an interim rate.

80

81 **Q. WHAT IS THE DIVISION'S RECOMMENDATION REGARDING THE**
82 **COMPANY'S INTERIM RATE REQUEST WITH ITS ASSOCIATED**
83 **RATE STRUCTURE?**

84 A. Based on the maintenance and operation information provided by the Company
85 thus far, the Division is not able to determine whether the Company's interim rate
86 increase as proposed is just, reasonable, and in the public interest. Therefore, the
87 Division recommends the Commission not approve an interim rate as presently
88 proposed.

89

90 **Q. IF THE COMMISSION BELIEVES THERE IS ENOUGH EVIDENCE TO**
91 **SUPPORT AN INTERIM RATE, AND IF THE COMPANY CLARIFIES**
92 **THAT THE RATE REQUESTED IS \$46.61/ERU, WHAT WOULD BE THE**
93 **DIVISION'S RECOMMENDATION?**

94 A. Under those circumstances, the Division recommends an interim base rate of
95 \$42.62/water user. This would generate revenue equivalent to the proposed
96 \$46.61/ERU.

97

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

99 A. Yes, it does. Thank you.