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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

**In the Matter of Community Water  
 Company, LLC**

**Docket No. 17-098-01**

**Alternative Proposal Regarding  
 Request for Interim Rates and Interim  
 One-Time Charge from Intervenor, E.  
 Scott Savage**

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I, E. Scott Savage, hereby swear to and testify as follows:

1. I have petitioned to be an intervenor in the above-entitled matter.
2. I am the President of the Park West Village Plat B&D Homeowners Association (“Plat B&D”).
3. Plat B&D is an association of thirty homeowners who own townhomes in Park West Village. Plat B&D has many acres of landscaping and is one of the largest, if not the largest, user of landscaping water in the Community Water Company (“CWC”) water system.

**I. Alternative Proposal to CWC’s Interim One-Time Charge to Replace Failed Tank**

4. In lieu of a one-time charge of \$1103.75 per user to provide funds to replace the failed tank, I propose an interim temporary rate increase for each of the 502 users of CWC water of \$50 per month for 12 months. This proposal is based upon statements made by CWC both to

its customers and to the PSC that immediate funding from its parent company was available if its parent could be assured of repayment. A temporary rate increase by the PSC for this purpose provides a bankable stream of income to repay a loan and reasonable interest from CWC's parent or a lending institution. This proposal avoids the severe financial impact upon CWC's customers that CWC's proposed one-time charge would have on its customers. Moreover, the schedule proposed by CWC without funding from its parent or a lending institution unnecessarily delays replacement of the tank and extends the time that the users are at risk of failure of the remaining smaller tank. As demonstrated by the following facts, CWC and its parent should be required to immediately replace the failed tank with a temporary monthly rate increase and it would not be fair to require its customers to make a one-time payment to pay for this tank replacement.

#### **Factual Background**

5. I first became aware that an entity identified to me as TCFC, LLC acquired CWC two or three years ago in a meeting held in TCFC's offices. At that meeting, TCFC indicated that it did not want to continue to own CWC and that its primary goal regarding the CWC water system was to divest itself from the ownership of that utility. I recall three options being discussed at that meeting. One, was the acquisition of the company by its customers to operate it as a mutual water company; two, was acquisition of the company by Mountain Regional Special Service Water District ("MRSSWD"); and three, was the acquisition of the company by Summit Water Distribution Company ("SWDC"). At that meeting, it was also discussed that the infrastructure of the system was in grave need of repair. I recall an individual who either worked for CWC or SWDC stating that he was concerned that the system may not be

able to permit outdoor watering that year (2014 or 2015). As I recall his main concern was a pump and the condition of the storage tanks.

6. Despite the condition of these two very old storage tanks, and the actual failure of the approximately 423,000 gallon tank on April 17, 2017, to my knowledge CWC did not apply to the Commission for a rate increase to replace either of those tanks until the current application which was filed on or about September 13, 2017.

7. On or about May 10, 2017, I was informed in a communication that the 423,000 gallon tank experienced a catastrophic failure on April 17, 2017. This communication was addressed to the CWC customers and signed by Mr. Larry White as Chief Executive Officer of TCFC Finance Company, LLC and as Manager of ASC Utah, LLC. I do not know for certain the relationships between these entities and CWC but I believe that TCFC owns CWC. To my knowledge, Mr. Larry White is either the Chief Executive Officer or the Manager of the entity that owns CWC.

8. In this communication of May 10, 2017, Mr. White stated that:

“CWC continues to believe transferring ownership to Summit Water Distribution Company (“SWDC”) is the best solution. SWDC provides the best transition for the CWC system at predictable cost for CWC customers. As such, CWC is actively working toward transferring the CWC assets and system to SWDC simultaneous with the closing of the Loan **and removing CWC from PSC regulation.**” See *Exhibit A* attached hereto at unnumbered second page. (Emphasis added.)

In that same communication, Mr. White also indicated that other options to transfer ownership of the CWC system to MRSSWD were not viable. *Id.* From the communication and meetings I attended on June 1, June 20, and July 17, 2017, I concluded that the present owner of CWC still desires to divest itself of CWC and that transferring ownership to SWDC is the means it has chosen to accomplish this goal. I have also learned through these meetings

that SWDC will not go through with a deal for it to obtain ownership of CWC unless CWC's Certificate of Convenience and Necessity is terminated and CWC is no longer subject to the jurisdiction of the PSC. It appears to me that the owner of CWC has directed CWC to put the interests of its customers behind the interest of its owner and CWC did not proceed earlier to obtain PSC needed rate increases in an effort to make termination of its Certificate less "complicated."

9. A meeting was held on June 1, 2017 at the TCFC offices. At that time, I learned that CWC had two storage tanks, one which holds 250,000 gallons and one which held 400,000 gallons before it failed on April 17, 2017. We were also told that 120,000 gallons had to remain available in the remaining 250,000 gallon tank for fire suppression in the event any buildings within the boundaries of the water system caught fire. We were also told at that meeting that the 250,000 gallon tank became completely recharged during the daytime but that it was depleted by nighttime watering. There are only three major users that water their landscaping during nighttime hours and we were told that the most any of them used in any one evening is less than 100,000 gallons. These three water users offered to coordinate with each other their nighttime watering so no two of them watered in the same evening and limit their watering to less than 80,000 gallons so that the 250,000 gallon tank would always contain well more than 120,000 gallons. This proposal was again presented at a June 20, 2017 meeting. This proposal was refused by CWC and its parent (through Mr. Larry White) and instead all of the customers of CWC were ordered to cease all landscape watering.

10. Contrary to CWC's representation to the Commission, limited landscape watering was feasible and I believe CWC simply did not want the inconvenience of monitoring nighttime

watering and thus CWC put its own interests ahead of the interests of its customers with attendant damage to its customer's landscaping.

11. Plat B&D has extensive shrubbery and 30 year old trees, including 30-foot spruce trees, that would cost hundreds of thousands of dollars to replace. I believe CWC has breached its statutory duties and has been aided and abetted, or even directed to do so, by its parent and that the replacement of the 400,000 gallon tank should have occurred by now but for their conduct as more fully set forth herein. Instead of working with its customers to minimize damage to landscaping, CWC has imposed unauthorized fines when it discovered customers who are trying to save their trees with minimal watering. By the first of September, 2017, with no watering since May, Plat B&D's trees were beginning to become stressed and infested with tip weevils. Plat B&D watered just two days in an attempt to mitigate the damage to its trees. This damage was being caused by CWC's over thirty years of neglect of its infrastructure and placing of its own interests and its parents' interests ahead of its customers in delaying the application to the Public Service Commission for an emergency and interim rate increase to provide funds to replace the 400,000 gallon tank.

12. The two days that Plat B&D watered were accomplished through two water meters. CWC has asserted that it will fine every single owner (30 meters) in Plat B&D \$50 each for this watering even though it did not deplete the 250,000 gallon tank to a level that would cause a potential public safety concern.

For the two days that Plat B&D watered, it has been assessed a "fine" of \$600. CWC has taken the position that every meter of every homeowner in Plat B&D should be assessed \$50 in fines even though the water did not go through those meters. Even if CWC has the authority

to fine its customers from trying to mitigate the damage caused by CWC's dereliction of its statutory duties, this is an absurd way to do it. The "fine" has no relationship to the water used. Until now, it has been a per day fine on a customer for outdoor watering through the meter for water supplied to that customer. If a single resident had watered his or her landscaping for two days with the same amount of water that Plat B&D used, that fine would have been \$50 total. On the other hand, if an association larger than Plat B&D had done the same thing and been "fined" the same way, the "fine" could have been thousands of dollars more than what the Plat B&D homeowners have been fined. Since the "fine" is not related to the amount of water used, the per diem "fine" should be imposed upon the Plat B&D HOA for the two meters it controls and not upon every member of the HOA who did not run the water through their meters. The "fine," if legal, should be \$100 (\$25/day for 2 days for each of the two meters through which the outdoor watering occurred).

13. During the aforementioned June 1, 2017 meeting, CWC also advised the attendees that the Division of Drinking Water had approved up to a \$3.6 million loan to upgrade the system's infrastructure. It was represented that the Company did not know how much of the approved amount would actually be borrowed but that whatever amount was borrowed would be repaid over twenty years at a 3.39% interest rate.

14. Also at the June 1, 2017 meeting, CWC told the attendees that it preferred transferring ownership of the company to SWDC **but SWDC would not agree to the transaction unless it could terminate CWC's Certificate of Convenience and Necessity and remove the company from the supervision of the Public Service Commission.** We were told that CWC desired the support of its customers in its effort to extricate itself from the supervision of the

Public Service Commission. I responded that it was unlikely that I, for one, would support any such effort by CWC. I was then told by one of CWC's lawyers, Emily Lewis, that I would likely change my mind once I saw the structure of the deal being proposed by SWDC.

15. CWC in its current application states that "the company has attempted to secure private funding to immediately replace the tank but without assessments to cover debt service and repayment the Company has been unable to demonstrate to potential lenders a clear path of repayment." See Application at ¶ 18, attached hereto as *Exhibit E*. I believe this statement is incomplete and disingenuous.

16. On June 12, 2017, Mr. Larry White sent a customer update which stated, in part:

"The Company has determined the best course of action is to immediately replace the damaged storage tank. The Company **has secured** financing for tank replacement from its parent company, and will repay the loan through customer assessments or other arrangement to be determined pending the resulting structure of the Company." See *Exhibit B* at p. 2 attached hereto. (Emphasis added.)

Mr. White expressed that this was preferable to including funds for the tank replacement in the DDW SRF Water System Loan. He stated in addition "to allowing the Company to move forward immediately using private financing it will save customers a 20-25% increase in costs incurred with the DDW SRF Water System Loan bidding requirements." *Id.*

17. On or about June 15, 2017, CWC provided a Courtesy Update to the Public Service Commission wherein it stated:

Unfortunately, funding the tank through the DDW SRF Loan and/or the PSC assessment process would delay construction of the tank till Summer 2018. Accordingly, to move forward with quickly installing the needed storage tank, the Company **has secured** financing for tank replacement from its parent company. These funds will be repaid through customer assessments or other arrangements between SDEC and TCFC— to be determined pending the resulting transfer and future structure Community Water Company, discussed below."

Update at p. 3. This update is attached hereto as *Exhibit C*.

18. In a written Agenda for a June 20, 2017 “Customer Meeting” at TCFC’s offices, CWC and TCFC represented that the Utah Board of Drinking Water had approved CWC Loan Application for a total amount of \$3,662,000. This was represented to include funds for the failed tank replacement. More importantly, CWC represented that **“CWC’s first P&I [principal and interest] payment on the loan is due on January 1, 2019.”** Agenda at p. 3. This Agenda is attached hereto as *Exhibit D*. Thus, there is no need for an interim rate increase to begin repaying this loan. Also, a \$50 a month for 12 months rate increase to repay a loan to replace the failed tank will repay the tank replacement loan before a general increase to repay the \$3.6 million loan needs to be implemented. CBC recognized this in the June 30, 2017 Agenda.

Funding under the DDW SRF Loan [of the tank replacement] would delay replacing the new tank until Spring of 2018, requiring CWC to operate with significantly reduced storage capacity throughout the winters. . . .

It is anticipated the new CWC entity base rates will be \$95-\$103 dollars plus water usage rates, depending on the final [DDW SRF] Loan amounts. **The intention is to structure assessments to first pay for the TCFC Tank Loan and then transition into paying for the DDW SRF Loan when payments become due in January 2019.** *Exhibit D* at p. 4. (Emphasis added and emphasis in the original deleted).

19. In the Agenda for the June 20, 2017, Customer Meeting, CWC/TCFC tied the funding of the tank loan by TCFC to the customer agreement to repay the loan and support CWC’s application to terminate its Certificate of Convenience and Necessity. See *Exhibit D* at p. 6, ¶(5)a. To my knowledge, the customers support a reasonable period of time to repay a loan from TCFC to replace the tank but oppose CWC’s effort to remove itself from PSC supervision.\

20. Contrary to what CWC now implies, it had secured funding for the new water tank



from its parent or parents by the middle of June, 2017.

21. The June 20, 2017, meeting also was held at the offices of TCFC. At that meeting, CWC proposed a short term \$50 a month rate increase to provide funds to repay a loan from its parent for the new water tank. CWC also told those in attendance that loan repayment for the proposed over \$3.6 million general loan would not begin until sometime in January 2019. Therefore, the \$500,000 loan from the parent could be completely repaid before any need to begin repayment of the up to \$3.6 million loan if the customers each paid an additional \$50 a month for the next 10 months. The vast majority of all of the water users were represented at this meeting and there was unanimous support among these representatives for a \$50 a month short-term rate increase that would remain in effect until the 502 customers repaid the loan from CWC's parent for the replacement of the failed water tank. A proposed rate increase to repay the \$3,600,000 loan would not become effective until after the loan to replace the failed tank was repaid. At that point in the meeting, however, CWC added another requirement. Mr. White indicated that the parent company would not put forth these funds unless the customers would agree to repay it without going through Public Service Commission approval and that the customers would approve the transfer of the company to Summit Water and **agree that the new company under Summit Water would have its Certificate terminated and allow the Company to withdraw from Public Service Commission supervision.** To my recollection, none of the representatives of the customers would agree to this additional requirement.

22. At that meeting or a meeting on July 17, 2017, the structure of the new water company was provided to the attendees. SWDC would own 100% of the Class 1 stock and only the Class 1 stock would be able to vote for a majority of the members of the Board of Directors.

The customers would be issued Class 2 stock and the only thing the customers could do would be to vote for a minority of the Board members. The total number of the Board members hadn't been determined. The new company completely controlled by SWDC would then enter into a contract with itself to manage and operate the company. The company could thus determine how much it wanted to pay its officers and employees and determine water rates, assessments, and prioritizations of capital expenditures without any review by the PSC and without any ability of the customers to even vote for a majority of the members of its board. To my knowledge, none of the representatives of the customers were willing to agree to such a structure without the company remaining a utility subject to PSC supervision. During this meeting Mr. White threatened that the parent company would not continue funding the replacement of the failed water tank without the users agreeing to the SWDC deal. Mr. White claimed this was necessary since the parent needed some degree of certainty that it would be repaid. On prior occasions, I had suggested to counsel for CWC that it seek an emergency temporary rate increase of \$50 a month and was told that the company did not want to do this. At the June 20, and July 17, 2017 meetings, I again suggested that the company should seek an emergency temporary rate and an interim rate to replace the failed tank. We were told by Ms. Lewis that the company should not have to incur the attorney fees of seeking PSC approval for a temporary emergency rate increase while it was trying to transfer the company to SWDC..

23. There have been suggestions that CWC did not want to seek PSC approval of a temporary rate increase to replace the failed tank because it would jeopardize its deal with SWDC. SWDC would not go through with its deal to acquire CWC unless the company could obtain the termination of its Certificate and to have pending proceedings before the PSC would

complicate SWDC's and CWC's desire to extricate CWC from the supervision of the PSC.

Indeed, in the customer update to the Commission of June 12, 2017, CWC stated:

“Customers requested the company to investigate installing a temporary bladder into the damaged storage tank to provide 2017 summer irrigation . . . . It was recommended the bladder be paid through a Special Assessment **before the PSC.**” . . .

The Company then explained that the additional costs of the bladder were not deemed prudent. However, the Company didn't stop there. Instead it addressed the suggestion by customers that it seek a Special Assessment before the PSC. It stated, “the Company believes these additional costs are not prudent financial decisions and **risk jeopardizing terminating the Company's Certificate of Necessity . . .**” See *Exhibit B* at p. 3.

24. As noted previously, I had suggested to the Company that it should apply for a \$50 a month emergency rate increase and in the customer update of June 12, 2017, CWC stated:

“There is no expedited special assessment process before the PSC and a special assessment will take at a minimum 120 days and more reasonably 240 days. If the Company remains regulated, the Company will initiate a special assessment proceeding before the PSC to **adjust** the Company's water rates to include repayment of the TCFC tank funding and the debt service for the larger DDW SRF Water System Loan. . . . **Time is of the essence** as the construction window in Park City is extremely short. . . . We anticipate, barring no unforeseen circumstances, that the tank can be replaced and operable **by October 2017.**” See *Exhibit B* at pp. 2-3. (Emphasis added.)

Of course, not only could CWC seek an interim adjustment to the water rates to repay its parents' funding of the tank, that process could be done in 45 days, especially since the company knew there was no opposition from the representatives of its customers to a short-term \$50 per month increase in the water rates to repay the loan from its parent. Not only was it possible when this incorrect statement was written on June 12, 2017, that is exactly what the company has now done with the only difference being that the company vindictively wants to punish its

customers for not supporting its effort to withdraw from PSC supervision.. CWC now seeks a draconian \$1100 “assessment” to be paid within 15 days and an **immediate** interim rate increase to pay off a \$3.6 million dollar loan that has not been funded and for which CWC does not have to begin making payments until January of **2019**.

25. The remaining 250,000 gallon tank is also a very old tank and if it fails before a new tank is installed the entire system will fail. Not only will there be no water for landscaping there will be no water for the fire department and no water inside the homes of CWC’s customers. Mr. White has acknowledged his concern that the 250,000 tank could fail before the new 400,000 gallon tank comes on line.

26. I support the Commission imposing an interim rate increase of \$50 per month for 12 months dedicated to repaying any debt incurred by CWC to replace the failed water tank.

27. I am opposed to an \$1100 assessment to accomplish this. That assessment would entirely fund the replacement tank within 15 days. That would impose a substantial burden on many of the customers and is contrary to what the company and its parent agreed to do and what it reported to this Commission that it was doing. *See Exhibits A and B.* Moreover, the Company states in its application that it needs “**assessments**” to cover the debt service [of the new tank]. The word used is plural, not a single assessment and these “assessments” are “to cover debt service” and “a clear path of repayment.” *See Application at ¶ 18.* This language was obviously prepared before someone decided to insert the language of an immediate \$1100 assessment in paragraph 22 in a different font. A copy of the Application is attached hereto as *Exhibit E.*

28. This tank failed on April 17, 2017. The company had reason to believe that this tank

was old and in bad repair for years before the date that it failed. TCFC acquired CWC and stepped into its shoes and assumed its liability, responsibility and public utility duties. Prior ownership doesn't matter. It is CWC not the users who have neglected the utility's duty to provide an infrastructure that is safe and reliable for its customers. CWC has not done that. Moreover, it has taken five months since this tank failed before the company did what it should have done immediately which is seek a temporary monthly rate increase to provide funds to replace the failed tank. Instead of doing what it should have done, CWC tried to persuade or even coerce its customers into agreeing that it could terminate its Certificate and withdraw from PSC supervision so that its parent company could get out of the ownership of a public utility. CWC has placed the interest of its parent company ahead of the interest of its customers and has breached the duties that it owes as a public utility. I believe TCFC has not only aided and abetted, it has directed CWC to breach its duties and place the interest of its owner in getting out of PSC supervision ahead of its customers immediate need to replace the failed tank. CWC should have sought the subject emergency and interim rate increase for this failed tank in April or May instead of spending that time trying to complete a deal with SWDC to withdraw from PSC supervision.

29. For whatever reason, by April of 2017 CWC and its parents had decided that SWDC was the only game in town. That game required the termination of the Certificate of Convenience and Necessity and a transfer of full control and ownership of CWC to SWDC thereby leaving all of CWC's rate making decisions in the exclusive control of SWDC with no ability of the customers to affect those decisions and no supervision by the PSC.

30. It appears to me that CWC and its parent tried to use the failed tank and the funding of

its replacement as leverage to obtain the support of the CWC customers to the termination of the Certificate of Convenience and Necessity. I see no other reason for the delay from the date of the tank failure in April to the filing by CWC in September of the present application. I believe CWC and its parent wanted not to complicate CWC's effort to extricate itself from PSC supervision by filing for any form of rate increase while attempting to finalize its deal with SWDC.

## **II. Alternative Proposal to CWC's Application for an Interim Rate Increase for General Capital Improvements**

31. I propose that an interim rate increase for general capital improvements not be granted at this time. The DDW SRF Loan has not been funded and its repayment does not begin until January of **2019**. There is no need to impose an interim rate increase upon CWC's customers at this time. Moreover, CWC has stated to its customers that it does not think it will need to borrow the entire \$3.6 million dollars but does not know how much of that line of credit it will need to borrow. Many complicated issues need to be addressed for the PSC to determine what general capital improvements are immediately needed and what improvements can and should be deferred. Issues also must be addressed for the PSC to determine which, if any, of the proposed capital improvements are requested primarily to interconnect and integrate CWC's system into SWDC's system to make the transfer of ownership of the system more desirable to SWDC. Also, the proposal to use ERU's instead of customers for the base rates needs much more analysis than can be thoughtfully provided within the time frame of the Interim Rate procedure.

32. As noted above, CWC proposed to its customers that the loan for the failed tank's replacement could be paid off with a temporary rate increase before a general capital

rate increase needed to be implemented. This makes sense and greatly reduces the financial impact on CWC's customers. The rate increase for capital improvements will more than double the water bills of the CWC customers. This should not be imposed at the same time of a 12 month \$50 month rate increase for the tank replacement, let alone CWC's proposal of an \$1100 one-time charge.

33. If the PSC were to impose an interim rate increase for general capital improvements, I have noted two inequities with CWC's methodology.

A. CWC proposes that it bill the HOA's for the water use of all of their homeowners. This would be unfair and inequitable and would improperly transfer the utilities accounting and collection duties to the HOA's. As I understand the proposal, Plat B&D would receive one bill for the water use of all thirty of its homeowners. Plat B&D's HOA would then have to separately bill its thirty homeowners and collect those bills before it could pay the CWC bill. This improperly shifts accounting, collection, postage and clerical expenses from the utility to the HOA. The HOA can't build these expenses into the rate base. Moreover, it would delay and complicate payment to CWC. What would happen if one of the thirty Plat B&D homeowners was delinquent and the HOA could not pay the entire amount of the CWC water bill? Would CWC then shut off the water for all 30 of Plat B&D's homeowners? In addition, it would be inequitable and unfair for the Plat B&D HOA to merely divide the monthly bill by the number of homeowners and bill each of them for one-thirtieth of the total water bill. One homeowner may have been out of town that month and not used any water. His neighbor may have been at home with a large family or several guests and used thousands of gallons of water that month. The absent homeowner should not

have to pay one-thirtieth of his neighbor's water bill and the neighbor using all the water should not be benefitted by only paying for one-thirtieth of the thousands of gallons he or she used. This is why each townhome in Plat BD has its own meter. CWC should still read each of those meters and bill each of the thirty homeowners separately then add one-thirtieth of the landscaping water used that month through the two HOA meters used for that purpose. This was the methodology approved by the PSC in the recent rate increase for operational expenses and the same methodology should be used for any rate increase for general capital expenditures. (There is no need to add anything for landscaping water to the homeowners' bills for a temporary rate increase to pay for the failed tank since that charge is not related to gallons used.) Also, the usage tier increases should be adjusted in the manner that the rate increase for operational expenses was adjusted for Plat B&D irrigation water. The usage through the two meters used for the irrigation water should not be separately billed. Rather, that amount of water should be divided each month by thirty (the number of homeowners) and that one-thirtieth of the irrigation usage should be added to each of the homeowners' bill for determining the water usage tiers and usage changes each month. Similarly, the HOA should not have any base rate for the two meters used for landscaping water. All of that water presently is not billed (either base rate or usage) until it is apportioned and billed to each of the Plat B&D homeowners. This should also be the methodology for any rate increase for general capital improvements.

B. The use of ERU's instead of total customers is also unfair to the Plat B&D homeowners. Capital improvements benefit all customers. The use of ERU's allows some customers to pay less simply because their abodes have fewer square feet than other



customers. The focus should be on water usage not the size of one's home. It is satisfactory that the usage of water has tiers that increase the charge per gallon as more water is used by a metered customer. It is unfair to also provide a lesser rate to some homeowners and shift the cost of the capital improvements from them to other customers. ERU's are complicated and will require much more time and analysis before they can be fairly utilized. I, for one, need more time to study how they would work. I suggest they not be used for an interim rate if the PSC decides to set one for CWC's general capital improvement application.

DATED this 13th day of October, 2017.

I, E. Scott Savage, hereby swear that the foregoing Alternative Proposal Regarding Request for Interim Rates and Interim One-Time Charge from Intervenor, E. Scott Savage is true to the best of my present knowledge and belief.

/s/ E. Scott Savage  
E. Scott Savage, President of  
Park West Village  
Plat B&D HOA and  
Intervenor

DOCKET NO. 17-098-01

CERTIFICATE OF SERVICE

I CERTIFY that on the 13th day of October, 2017, a true and correct copy of the foregoing was served by email upon the following:

Justice Atwater (jatwater@tc-fc.com)  
Stacy Wilson swilson@tc-fc.com  
Community Water Company, LLC  
*Counsel for Community Water Company*

Public Service Commission  
psc@utah.gov

Spencer White (swhite@replayresorts.com)

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Patricia Schmid pschmid@utah.gov  
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/s/ E. Scott Savage

# Exhibit A

Community Water Company

P.O. Box 680033

Park City, UT 84068

May 10, 2017

**IMPORTANT INFORMATION**

**PLEASE READ -- DO NOT DISCARD**

Dear Community Water Company Customers:

In our continuing effort to keep Customers apprised of Community Water Company ("CWC") activities, we have several very important matters to make you aware of:

**Tank Failure and Emergency Irrigation Restrictions**

As you are well aware, CWC's water system is rapidly aging and CWC management is working to secure funding for needed improvements.

Unfortunately, on April 17, 2017, the larger of CWC'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 previously been repaired. The connection of the two tanks was bypassed, second tank refilled (approximately 225,000 gallons), and is currently operating as the sole water storage source for CWC.

We have conducted independent usability and cost studies and determined the only course of action is full replacement of the tank. In an effort to mitigate the impact on Customers, we have contracted with Summit Water Distribution Company to provide supplemental water to the system as needed. However, this solution is costly, temporary and limited.

Currently, CWC's newly established capital reserve fund is insufficient to fund immediate tank repairs. As discussed below, the Company has applied for a Loan to fund repairs to the water system. We amended our request to now include tank replacement costs. Loan funds are anticipated to be available mid-Summer.

CWC has determined that due to the tank failure, the amount of water available has diminished to such a volume that, unless restricted, the public health, safety and general welfare of its customers is likely to be endangered. Accordingly, until funding is available to replace the failed storage tank, the CWC system is unable to supply the same quantity of water historically available to Customers.

In accordance with the Rules and Regulations established by Community Water Company Tariff No. 3, Effective Date November 28, 2016 (Docket No. 16-098-01) (the "Tariff"), CWC is prescribing rules and regulations to conserve the water supply during this emergency. Such rules and regulations may include, but shall not be limited to, the restriction to certain hours (or total prohibition) of the use of water for outdoor watering.

**WE ARE ASKING ALL CWC CUSTOMERS TO REFRAIN FROM IRRIGATION AND OTHER OUTDOOR WATER USE UNTIL FURTHER NOTICE.**

**Infrastructure Funding Update**

CWC has been actively working to find a funding source to update its water system infrastructure to avoid system failures such as the recent tank failure.

We are pleased to report, on May 8, 2017, the Utah Department of Environmental Quality, Division of Drinking Water (the "Division") recommended the Utah Drinking Water Board approve our State Drinking Water State Revolving Fund loan application ("the Loan"). The Loan includes funds for replacing and looping leaking transmission and distribution lines, water treatment plant improvements, needed meters and pressure reducing valves, and now tank demolition and replacement costs. We expect the Loan to fund most of the needed CWC infrastructure improvements that when completed, will secure reliable and safe water service.

The requested Loan amount is \$3,661,662. The Division has recommended a 20 year repayment schedule at a 3.39% interest rate. CWC requested, but did not qualify for, grant funding. As discussed at the last CWC customer meeting, the costs of the Loan will be directly reflected in new monthly water rates which we will analyze and estimate when final Loan terms are available. Additionally, while we are hopeful we can avoid lump-sum infrastructure assessments, if the full amount of the Loan is not approved, or is untimely, a special assessment may also be necessary to secure water service

We will continue to provide you updated information as it becomes available.

**Company Transfer Status**

As you are aware, CWC is intending to transfer ownership to a new entity. Over the past two years CWC has explored numerous ownership alternatives to ensure sustainable water service for its customers. Many of you have painstakingly participated in this process and your input has been invaluable.

Most recently, at the prompting of our customers, CWC explored, in depth, the possible transfer of the system to Mountain Regional Special Service Water District ("MRSSWD"). In that process, CWC and MRSSWD jointly determined that MRSSWD was not able to timely, and with certainty, accept transfer of the CWC system at a cost equally or more beneficial to the CWC customers.

CWC continues to believe transferring ownership to Summit Water Distribution Company ("SWDC") is the best solution. SWDC provides the best transition for the CWC system at a predictable cost for CWC customers. As such, CWC is actively working toward transferring the CWC assets and system to SWDC simultaneous with the closing of the Loan and removing CWC from PSC regulation.

**Continued Support**

We appreciate your patience and collaboration as we address the multiplicity of issues facing Community Water Company. Until further notice, we need everyone's cooperation in limiting outdoor water use. We are hopeful these efforts will eliminate the need to implement further water use restrictions and help reduce costs due to the need for supplemental water from SWDC

while we diligently work to close the Loan and replace the failed tank. Similarly, we ask for your support and understanding as we complete transferring the system to SWDC.

The Company intends to hold another customer meeting on May 23<sup>rd</sup> at 2:00 at the TCFC Office's to further discuss Company matters. If you have questions or concerns please plan on attending that meeting.

Sincerely,

Community Water Company

A handwritten signature in cursive script that reads "Larry White". The signature is written in black ink and is positioned above a horizontal line.

Larry White  
Chief Executive Officer TCFC Finance Co LLC  
Manager of ASC Utah, LLC  
[lwhite@tc-fc.com](mailto:lwhite@tc-fc.com)

# Exhibit B

## **Community Water Company Customer Update: June 12, 2017**

This Community Water Company (“Company”) Customer Update is to inform customers about: I) the status of Company outdoor watering restrictions; II) the Company’s planned actions regarding replacement of the damaged Company storage tank; and III) an update regarding the Company’s State Revolving Fund Water System Loan (“DDW SRF Water System Loan”) and Company Transfer. Much of this information is responsive to issues discussed with Company customers on June 1, 2017. The Company has another Company meeting scheduled for June 20<sup>th</sup> to discuss in detail the SRF Water System Loan and Company Transfer.

### **I) OUTDOOR WATERING RESTRICTIONS:**

#### **TO PROTECT PUBLIC SAFETY** **OUTDOOR WATERING RESTRICTIONS WILL CONTINUE UNTIL FURTHER NOTICE**

As you are most likely aware, in April the larger of the Company’s two water storage tanks experienced a catastrophic failure resulting in the inability to store sufficient water for all of the Company’s traditional uses. Since that time the Company has been working diligently to find a solution, however, installing a new storage tank will take time. To meet immediate indoor water needs and public safety requirements for fire protection, the Company has placed a restriction on all outdoor water use.

The Company’s Tariff provides that “whenever the Company shall determine that the amount of water available to its distribution system has diminished to such a volume that unless restricted, the public health, safety and general welfare is likely to be endangered” the Company may proscribe emergency rules and regulations, including a total prohibition of outdoor watering.

The Summit County Fire Department and the Utah Division of Drinking (“DDW”) water require the Company system retain 120,000 gallons of water for fire suppression. Upon the recommendation of the Fire Department, we have determined the current state of the Company’s system is not capable of providing both the required fire flow and outdoor water use.<sup>1</sup> If by over use, even by accident, the storage capacity were to fall below the 120,000 gallon requirement it would pose an immediate risk to life and public safety creating undue liability for both the Company and customers.

Thus, outdoor watering at this time threatens having adequate fire flow and poses a threat to public safety. To alleviate this threat, outdoor water restrictions will continue throughout the summer and end when the new storage tank is installed (discussed below). Please note: pursuant to the Company Rule and Regulation 11, the Company is not liable for damages caused by scarcity of water.

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<sup>1</sup> The Company has explored a rotating watering schedule to provide outdoor watering for summer of 2017. Unfortunately, even watering under a rotating schedule there is not enough volume in the functioning storage tank to keep storage above the 120,000 gallon requirement. Additionally, the Summit Water Distribution Company Interconnect is intended for emergency situations. Supplemental irrigation from SWDC water is not available to Community Water Company customers.



Those found in violation of the outdoor watering restriction will receive a written courtesy notice. If outdoor watering occurs after a written courtesy notice is issued, the Company is authorized to institute an emergency termination of water service. Utah Code Ann. R746-200-7(F); Company Regulation F7. The Company will notify the customer as soon as possible about the termination. Water service can be reinstated upon the request of the customer but will be assessed the reconnection fee of \$25.00. Company Regulation 10. The Company reserves to the right to take further action for repeat offenders.

We apologize for the inconvenience the outdoor watering restriction may create. We appreciate your patience and cooperation while work to remedy the situation as fast as possible.

## **II) TANK REPLACEMENT: Chosen Course of Action and Alternatives**

At our meeting and phone conference on June 1, 2017, representatives of the Company, Summit Water Distribution Company ("SWDC"), and Company customers discussed several options for replacing or repairing the damaged storage tank. The Company has further investigated the several options discussed and determined a course of action.

### **Chosen Course of Action: Immediate Tank Replacement and TCFC Funding**

The Company has determined the best course of action is to immediately replace the damaged storage tank. The Company has secured financing for tank replacement from its parent company, and will repay the loan through customer assessments or other arrangement to be determined pending the resulting structure of the Company. This is the preferred Option because it is a permanent solution to the Company's water storage problems, is the most cost effective measure, and the most timely solution as the tank can most likely be operable by Fall of 2017.

#### **Tank Parameters, Cost, and Funding:**

The replacement tank is a 450,000 gallon bolted steel tank similar to, but upgraded, the damaged tank. The damaged tank will not be reused or repurposed. It must be disassembled and disposed of.

The cost of the new tank is approximately \$300,000, demolition of the existing tank and minor repairs to the Willow Draw ski-run are approximately \$50,000, and base excavation and prep work is estimated to be \$100,000, but may vary depending on final design and contractor bids. Accordingly, the estimated cost for the tank replacement is about \$450,000.

The tank financing is distinct and separate from the Company's DDW SRF Water System Loan needed to fund other capital improvements to the Company's water system. Though tank improvements were included in the Company's DDW SRF Water System Loan request, funds will not be available for many months delaying construction of the tank until Summer 2018. The DDW SRF Water System Loan will be adjusted to remove tank costs. In addition to allowing the Company to move forward immediately, using private financing will save customers the 20-25% increase in costs incurred in complying with the DDW SRF Water System Loan bidding requirements.

In the unlikely event the Company is not transferred to SWDC, the Company will remain a regulated utility under Utah Public Service Commission ("PSC") jurisdiction. There is no expedited

Special Assessment process before the PSC and a special assessment will take at a minimum 120 days and more reasonably 240 days. If the Company remains regulated, the Company will initiate a special assessment proceeding before the PSC to adjust the Company's water rates to include repayment of the TCFC tank funding and the debt service for the larger DDW SRF Water System Loan.

Please note: customer repayment of tank financing and DDW SRF Water System Loan debt service will be based on the ACTUAL cost of the material, labor, design, engineering, consultants, legal, permit and project management fees.

Timeline:

Time is of the essence as the construction window in Park City is extremely short. The Company seeks to ensure regular water service as soon as possible. We anticipate, barring no unforeseen circumstances, the tank can be replaced and operable by October 2017.

The Company has already secured a contractor to demolish the existing tank and anticipate demolition being complete by early July 2017. We have commenced tank design work and anticipate expedited approval from the DDW to also be complete by early July 2017. Bidding for contractors is intended to be complete by mid-July 2017 and initial pad work complete by early August 2017. Tank manufacturing will be complete by early September and installation complete by early October. We are aiming to have a DDW operating permit and the new tank functioning sometime in October 2017.

**Tank Replacement Alternatives Not Chosen: Temporary Bladder or Waiting for SRF Loan Funds**

At the June 1, 2017, Company meeting alternatives for the tank replacement were discussed. Unfortunately, while the Company understands the frustration and inconvenience caused by outdoor watering restrictions, after further investigation these alternatives are not ultimately prudent decisions for the short or long term financial viability of the Company and its water system.

Installing a Temporary Bladder in Damaged Tank:

Customers requested the Company investigate installing a temporary bladder into the damaged storage tank to provide 2017 summer irrigation and installing the new storage tank when SRF Loan funds became available next summer. It was recommended the bladder be paid for through a Special Assessment before the PSC. The recommendation also extended to potentially leaving the bladder as a permeant additional storage component of the Company system and finding additional land to install the new storage tank.

The Company has reviewed the request and determined it is not a financially, technically, nor temporarily preferable option. The cost of the bladder and installation was estimated to be \$100,000. Additionally, waiting to fund the replacement tank through SRF Loan funds would increase the tank costs by an estimated \$90,000 – \$112,500. The total tank and bladder project would cost \$640,000 to \$662,000 compared to an estimated \$450,000 under the Chosen Alternative. The Company believes these additional costs are not prudent financial decisions and risk jeopardizing terminating the Company's Certificate of Necessity or being rejected by PSC as unnecessary costs not recoverable in a special assessment.

Additionally, the approval, ordering, construction, and installation of the bladder would most likely not be complete till Mid-August. Outdoor watering restrictions would not be lifted until that time. With the new tank anticipated to be installed by October of 2017, Company customers would only gain 6 weeks of outdoor irrigation at a significant cost. The Company also has concerns about the structural integrity of the existing pad and tank to house a bladder and the continued liability of having the broken tank being a part of the Company system. The Company reviewed whether additional land is available to house the new tank if the broken tank and bladder were to remain. It does not appear a good location is readily available and the Company is concerned about access issues.

Waiting for SFR Loan Funds to Complete Tank Project:

For various reasons discussed herein, specifically the timely nature of the project and imposition of additional costs, the Company has chosen not to wait for funds to become available under the DDW SRF Water System Loan to fund tank improvements. All tank costs are to be removed from the Company's DDW SRF Water System Loan request.

**III) UPDATE: DDW SRF Water System Loan and Company Transfer**

The Company has a meeting scheduled for June 20, 2017, to discuss the status of the DDW SRF Water System Loan and the transfer of the Company to SWDC. At our meeting on June 1, 2017, the Company said we would provide additional information about those matters as it came available.

SRF Loan for Non-Tank System Improvements:

This March the Company applied for a DDW State Revolving Fund Loan to fund up to \$3,600,000 of needed system repairs ("DDW SRF Water System Loan") (this number will soon be adjusted to remove \$450,000 tank and associated design and engineering costs). The DDW SRF Water System Loan was approved on May 12, 2017. The Company has met twice with DDW to discuss closing requirements for the loan. Barring any unforeseen circumstances, we anticipate the Loan will close by November of 2017 and construction on non-tank system improvements will commence in the spring of 2018.

On June 20, 2017, we will discuss the specific requests of the loan, repayment schedule, closing procedures, and other pertinent information. We will distribute additional information in advance of that meeting.

Transfer of the Company to SWDC:

As has been discussed for years, the Company believes the best long term position for the Company is to leave PSC regulation and transfer ownership of the Company to an established water provider.

The Company and SWDC have reached a DRAFT agreement regarding the transfer of the Company to SWDC and how CWC customers will be incorporated into SWDC. We are presently solidifying these details as well as ancillary issues like transferring billing and structuring repayment of the TCFC tank funds and debt service on the DDW SRF Water System Loan. These issues will be more thoroughly discussed at the June 20, 2017 meeting. The Company will provide additional information in

advance of that meeting. The Company firmly believes the intended arrangement will best protect customer interests and provide a stable and safe water delivery system.

To respond to customer questions, at prior Company meetings in March and again on June 1, 2017, several customers inquired about a potential transfer of the Company to Mountain Regional Special Service District ("MRSSD"). The Company met with MRSSD earlier this year to discuss transfer. After a brief review of our DDW SRF Water System Loan Application, requested improvements, and estimated SWDC water rate, including debt service, MRSSD stated the package appeared to be competitive to what they could offer. However, MRSSD is not a position to conduct the proper due diligence and critically assess their ability to take over the Company until 2018. Time is of essence and continued efforts to explore transfer to MRSSD are not a preferred option and will not continue.

## CONCLUSION

The Company appreciates your continued participation, cooperation and patience with the ongoing, and numerous, Company activities. These efforts are being conducted in the best interest of achieving a sustainable water source and delivery system at the most effective cost to customers. We feel we have made many positive and constructive steps in the last year and look forward to completing the needed system improvements and transfer. Please abide by the outdoor watering restrictions until further notice and please plan to attend the June 20, 2017 meeting at 2:00 at the TCFC Offices, or send a representative if you cannot attend personally.

Please call with questions or concerns in the interim.

Sincerely,

Community Water Company



Larry White  
Chief Executive Officer TCFC Finance Co LLC  
Manager of ASC Utah, LLC  
[lwhite@tc-fc.com](mailto:lwhite@tc-fc.com)

# Exhibit C

**Courtesy Update:**  
**Community Water Company Activities and Intentions**

Dear Commission,

Community Water Company ("Company") is submitting this courtesy update to inform the Public Service Commission ("PSC") about various Company activities related to PSC Docket No. 16-098-01. The Company believes there is not yet a need for formal PSC filings, but feel the breadth and scope of Company activities merits a courtesy notice. Over the last few months the Company has informally consulted with Mark Long of the Utah Division of Public Utilities and Patricia Schmid of the Utah Attorney General's Office. These discussions have been helpful in directing our activities in a manner hopefully acceptable to the PSC.

As discussed during the Company's recent rate case, the Company's owner inherited the Company as part of a global acquisition of the Canyons Ski Resort and does not desire to own a water utility. The Company is seeking to transfer ownership to an established water provider that can better serve customer needs. The goal of the activities discussed herein is to culminate in an Application to Terminate the Company's Certificate of Public Convenience and Necessity, transfer the Company to Summit Water Distribution Company ("SWDC"), and to finance and begin construction on urgently needed water system repairs. The Company has taken a number of steps in furtherance of these goals.

In addition to various transfer activities, the Company's primary water storage tank recently failed affecting the Company's ability to meet fire flow storage requirements. To protect public health and safety, the Company has implemented outdoor watering restrictions under Tariff No.3 Rule and Regulation No.8. Under the restriction, customers are prohibited from all outdoor watering. The Company is diligently working to resolve this problem and aims to return full water service as soon as possible.

The last few months have been busy. Many Company activities are occurring simultaneously and are often interrelated. During this time we have made good faith efforts to keep our customers informed and invite their input to inform decision making. We believe these efforts have led to a greater understanding of and customer support for the Company transfer and associated activities. We appreciate the PSC's patience as work through these many matters. Please do not hesitate to contact the Company with questions or requests for additional information.

This courtesy update covers the following activities:

- I) Storage Tank Failure, Outdoor Watering Restrictions, and Private Tank Financing.
- II) Utah Division of Drinking Water State Revolving Fund Loan for Water System Improvements.
- III) Transfer of Company to SWDC and Application to Terminate Company Certificate of Public Convenience and Necessity.

## COMPANY UPDATE

### **D) STORAGE TANK FAILURE, OUTDOOR WATERING RESTRICTIONS, AND PRIVATE TANK FINANCING**

As discussed during the rate case for Docket No. 16-098-01, the Company's system has been underfunded for decades and is in need of significant repairs. Unfortunately, this neglect has contributed to recent serious system failures that threaten sustained and safe water delivery.<sup>1</sup>

#### **i) Water Storage Tank Failure.**

On April 17, 2017, the larger of the Company's two bolted-steel water storage tanks experienced a catastrophic failure resulting in complete shutdown of the tank. (Attachment A). The tank is now considered unusable and cannot store water for Company needs. Since the tank failure the Company has taken a number of steps to assess the gravity of the situation, inform and solicit customer input, and find a timely and cost effective solution.

After the failure, the Company met with the Summit County Fire Department and SWDC as the operator of the system. It was determined under the present conditions the Company cannot meet its 120,000 gallon fire flow requirements and provide outdoor watering to its customers. To alleviate customer concerns, the Company explored several alternatives to provide outdoor water. However, the Company's storage is so diminished, even a rotating watering schedule threatens fire flow requirements and supplemental irrigation water from SWDC is not available. Accordingly, to protect public safety, under Company Tariff No. 3 Rule and Regulation 8, the Company has instituted a restriction on all outdoor watering until further notice – most likely when the new tank is installed. (Attachment B).

Customers have been informed that if found watering contrary to the restriction they will first receive a written courtesy notice to cease outdoor watering. If outdoor watering continues after the courtesy notice is issued, under Tariff No. 3 Regulation F7 and Utah Admin Code. R746-200-7(F) the Company has the ability to terminate service for emergency purposes without notice. Service will be reconnected upon request of the Customer and payment of the \$25 reconnection fee. Customers have also been informed that under Company Tariff No.3 Rule and Regulation 11, the Company is making all reasonable and diligent efforts to provide full water service as soon as possible and is not liable for damages caused by disruptions to service based on scarcity and accidents to its water works.

#### **ii) Water Storage Tank Replacement**

The Company has diligently worked to find a timely and cost effective solution to replace the storage tank. On June 1, 2017, the Company held a customer meeting, including representatives from SWDC and the Summit County Fire Department, to discuss the diminished state of the Company's water system and the public safety reasons for instituting the outdoor watering restriction. At this meeting several options for tank replacement were discussed, including purchasing and installing a temporary bladder to insert into the damaged tank and the funding timeline under the PSC special assessment

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<sup>1</sup> In addition to the storage tank failure, the Company's largest water source, the Gulch Well, also failed in April 2017. Fortunately the Company was able to repair the Gulch Well without serious disruption to water service.

process and the Utah Division of Drinking Water State Revolving Fund Loan (“DDW SRF Loan”), discussed more below.

After the June 1<sup>st</sup> meeting, the Company further investigated the multiple options discussed. (Attachment C). The Company has determined the best course of action is to immediately replace the damaged storage tank. The replacement tank is a 450,000 gallon bolted steel tank similar to, but upgraded from, the damaged tank. The damaged tank will not be reused or repurposed. It must be disassembled and disposed of. The cost of the new tank is approximately \$300,000, demolition of the existing tank and minor repairs to the Willow Draw ski-run are approximately \$50,000, and base excavation and prep work is estimated to be \$100,000, but may vary depending on final design and contractor bids. Accordingly, the estimated cost for the tank replacement is about \$450,000.

Time is of the essence as the construction window in Park City is extremely short and there is a pressing need to return to full water service. The Company has secured a contractor to demolish the existing tank and anticipate demolition being complete by early July 2017. We have commenced tank design work and anticipate expedited approval from the DDW to also be complete by early July 2017. Bidding for contractors is intended to be complete by mid-July 2017 and initial pad work complete by early August 2017. Tank manufacturing will be complete by early September and installation complete by early October. We are aiming to have a DDW operating permit and the new tank functioning sometime in October 2017.

### **iii) Financing Tank Replacement**

The Company completed a rate case in December 2016 to establish a Maintenance and Operations rate (“O&M Rate”) sufficient to cover the routine maintenance and operations costs of the Company. The final rate was a base rate of \$30.65 and \$.70 per 1000 gallons for the first 12,000 gallons followed by tiered 12,000 gallon blocks of per 1000 gallon chargers where each 12,000 gallon tier doubled the usage amount charged. As discussed throughout the rate case, this rate was not intended to cover the needed capital improvements to the Company system. While the O&M Rate includes an annual capital reserve account of \$52,010, little money has accrued under the new rate instituted in January 2017 and the amount is woefully insufficient to fund a tank replacement.

Unfortunately, funding the tank through the DDW SRF Loan and/or the PSC assessment process would delay construction of the tank till Summer 2018. Accordingly, to move forward with quickly installing the needed storage tank, the Company has secured financing for tank replacement from its parent company. These funds will be repaid through customer assessments or other arrangement between SWDC and TCFC - to be determined pending the resulting transfer and future structure Community Water Company, discussed below.

In the unlikely event the Company is not transferred to SWDC and remains a regulated utility under PSC jurisdiction, the Company will initiate a special assessment proceeding before the PSC to adjust the Company’s water rates to include repayment of the tank funding and the debt service for the larger DDW SRF Water System Loan, discussed below.



**iv) Compliance with PSC Project Notification Rules**

Utah Administrative Code R746-401-3(4) requires regulated entities file a report with the PSC for expenditures in excess of five (5) percent of gross investment in the utility plant at least thirty (30) days before the purchase or acquisition of the asset of project. However, the rule is not applicable to “replacement of existing utility assets.” Utah Administrative Rule R746-401(1). The Company has presently expended funds for tank design work but the Company has not yet expended the bulk of the estimated \$450,000 to demolish, construct, and install the tank.

The Company does not believe it needs to submit a report under Utah Administrative Rule R746-401-3(4) as the tank is a replacement of an existing utility asset. Additionally, the Company intends to soon file an Application to Terminate its Certificate of Public Convenience and Necessity and complete the transfer of the Company to SWDC by late summer/early fall 2017. If granted, Company finances, such as ongoing expenditures and repayment of tank costs, will be privately managed by the new Community Water Company entity and SWDC. Details regarding the Company transfer and the financial management will be more discreetly addressed in the Company’s forthcoming Application to Terminate.

In an abundance of caution, the Company is alerting the PSC to the tank project and associated costs. While the Company does not believe a formal report is needed, the Company is willing to provide any further information the PSC requests.

**II) UTAH DIVISION OF DRINKING WATER STATE REVOLVING FUND LOAN FOR WATER SYSTEM IMPROVEMENTS**

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. The water tank failure exemplifies the state of the Company’s system and the insecurity surrounding the Company’s ability to provide safe and reliable water service. Unfortunately, the recently implemented O&M Rate is designed to only cover operation and maintenance costs and not raise funds for needed capital improvements. Additionally, the Company will need to make a number of needed improvements to the Community water system as a condition to transferring the Company to SWDC.

**i) DDW SRF Water System Loan.**

To finance these needed improvements, the Company applied for a Division of Drinking Water State Revolving Fund Loan (“DDW SRF Water System Loan”). SWDC, as the current and future operator of the Company system, assisted in identifying the needed improvements to include in the loan request. 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. Like the Company’s communications with the PSC, the Company’s loan application and discussions with DDW have accounted for the intended transfer of the Company to SWDC.

The loan application 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%. The loan amount will be reduced by \$450,000 to account for the private financing of the

tank project discussed above. Additionally, the Company's repayment obligations will only be for the actual costs expended based on more thorough design and competitive bidding process.

The Company and SWDC are presently working with DDW to establish the loan closing requirements. Among the unofficial closing requirements is filing an Application to Terminate the Company's Certificate. We anticipate closing the loan by November of 2017. Draws on the loan will begin in early 2018 to fund construction and the first loan payment will be due in January 2019.

The debt service on the DDW SRF Water System Loan is intended to be repaid by Company customers to DDW through water rates, special assessments, or other arrangement once the Company is transferred to SWDC. Currently we estimate that water rates, accounting for SWDC operations and maintenance fees, tank repayment, and debt service on the DDW SRF Water System Loan, will be between \$85-\$95 dollars a month per customer. The Company has retained Bowen Collins & Associates to conduct an official rate study. The exact structure of the transfer and customer water rates after the transfer will be more thoroughly discussed in our Application to Terminate the Company's Certificate.

In the unlikely event the transfer to SWDC does not occur and the Company remains under PSC jurisdiction, the Company will commence a capital improvement rate case under PSC rules. This rate should account for the tank private funding and debt service on the DDW SRF Water System Loan. The Company has been careful to request items it feels would be appropriate to be included a PSC rate. Additional, through the DDW SRF Loan process the Company will have specific engineering, design, and bid information to support a speedy and thorough capital improvement rate case.

ii) **Customer Participation and Support.**

The Company has established a good working relationship with its customers. We appreciate their participation in Company matters and feel the O&M Rate case was better for their involvement.

The Company has held several customer meetings to discuss the loan application process, approval, and impact. The Company held a meeting on March 7, 2017, with interested Company customers to discuss the DDW SRF Water System Loan application. Additionally, at the June 1, 2017 meeting, which was primarily scheduled to discuss the tank replacement project, we also discussed the approved loan, loan closing requirements, and the transfer of the Company. The conversation was very productive.

The Company has a follow up customer meeting scheduled for June 20, 2017, to more specifically discuss the loan approval, intended water system improvements, structure of the transfer of the Company to SWDC, and structure of anticipated SWDC water rates or special assessments to repay tank funding and the DDW SRF Water System Loan debt service.

It is very important to the Company its customers understand the Company's motivations and actions. The Company has worked diligently on behalf its customers to find financing to remedy the numerous system deficiencies, facilitate a transfer to a more established water provider, and work with customers to find and emergency replacement for the Company's damaged storage tank. We anticipate these efforts will lead to customer support for the Company's Application to Terminate its Certificate of Public Convenience and Necessity and Company transfer to SWDC.

### III) COMPANY TRANSFER TO SWDC AND FORTHCOMING APPLICATION TO TERMINATE PUBLIC CERTIFICATE OF CONVENIENCE AND NECESSITY.

The Company is presently working with SWDC to finalize the terms of a transfer of the Company to SWDC.<sup>2</sup> We have reached a tentative agreement on the basic terms and are now solidifying the details of the transfer. We are circulating DRAFTS of various written agreements and other documents needed to facilitate the transfer. We aim to have the transfer arrangements and documents finalized and ready to sign by late summer.

A crucial component of this transfer is the Company leaving PSC jurisdiction. We understand it is uncommon for a regulated entity to leave PSC jurisdiction. The Company has discussed the matter with Patricia Schmid suggested filing an Application to Terminate the Company's Certificate of Public Convenience and Necessity. This application would demonstrate the Company meets similar requirements to those seeking an exemption from PSC regulation and explain how Company customer interests would be protected once outside of PSC jurisdiction. It is unclear how much notice the PSC needs for this filing, how long termination will take, or if the PSC will desire a hearing on the matter. The Company would appreciate any guidance from the PSC on this matter as we plan a closing timeframe with SWDC and the DDW.

Presently, as soon we have finalized our transfer structure and associated issues, the Company intends to file the Application to Terminate. This application will clearly explain the structure of the new Community Water Company entity, how Company customers are to be incorporated into the new entity/SWDC, the components and structure of customer water rates, and the extent of customer support for the transfer. Our hope is that PSC will find the new arrangement adequate for terminating the Certificate and allow the Company to move forward with the transfer.

#### CONCLUSION

The Company has been very busy in its efforts to provide a long term solution for its customers. These last few months have been very productive and the Company has a positive outlook for the future. Considering the breadth of recent activities the Company saw it prudent to provide the PSC this update. Please do not hesitate to contact us with questions or requests for more information.

Regards,



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Emily E. Lewis  
Attorney for Community Water  
Company

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<sup>2</sup> This information is also necessary to complete the closing requirements of the DDW SRF Water System Loan.

# Exhibit D

## COMMUNITY WATER COMPANY

Customer Meeting

June 20, 2017

TCFC Offices

2:00 – 3:00

### AGENDA

- 1) TANK UPDATE AND FOLLOW UP
- 2) UTAH DIVISION OF DRINKING WATER STATE REVOLVING FUND LOAN
- 3) TCFC REPLACEMENT TANK LOAN
- 4) ANTICIPATED WATER RATES/ASSESSMENTS FOR CWC CUSTOMERS
- 5) VOTE FOR CWC CAPITAL IMPROVEMENTS
- 6) OPEN FORUM

### DISCUSSION

#### 1) TANK UPDATE AND FOLLOW UP:

##### A. Preferred Option:

- Immediate Replacement of Tank of new 450,000 gallon bolted steel water tank
- TCFC Financing (to be discussed below)

##### B. Timeline

- Demolition will begin this week
- Design Work to be completed this week
- Installation and Operation anticipated to be complete by October 2017

##### C. Outdoor Watering Restriction:

- In effect till further notice

#### 2) UTAH DIVISION OF DRINKING WATER STATE REVOLVING FUND LOAN:

##### A. DDW State Revolving Fund Loan Basics:

The Community Water Company (“CWC”) water system has been underfunded for decades and is in need of significant repairs. Unfortunately, this neglect has contributed to recent serious system failures that threaten sustained and safe water delivery. While CWC has recently passed a new water rate through the Utah Public Service Commission (“PSC:”), that water rate is only intended to fund the regular maintenance and operations of the system. The current water rate is insufficient to fund the many capital repairs and replacements needed bring the system into safe working order.

To remedy the situation, on March 17, 2017, CWC applied for a Utah Division of Drinking Water State Revolving Fund Loan (“DDW SRF Loan”) to fund a number of CWC water system components that are missing or in need of repair. DDW SRF Loans are a Federal-State partnership where federal Clean Water Act funds are administered by States to provide low-interest loans for investments in water infrastructure.

## **B. Requested Capital Improvement Projects and Loan Requests**

Below are the various improvements CWC has requested funding for. All funding requests are estimates and subject to change based on final design plans and competitive bidding. CWC has adjusted the application to remove all requests related to funding a replacement of the broken CWC storage tank.

The estimated final total for the Loan Request is currently **\$2,984,013**. This loan request may increase by a small amount to account for the increased design, legal, and administrative costs necessary to address the complexity of this loan application process.

- Transmission Line Improvements: \$182,630
  - o Issue: Current 8-inch transmission line from CWC storage tanks to CWC system is undersized for fire flow
  - o Request:
    - Upsize 1400 feet of line to 12-inch diameter
    - Add a Pressure Reducing Valve interconnect with SWDC
- Distribution Line Improvements: \$291,760
  - o Issue: Distribution lines under 8-inches are undersized for industry standards; Dead-end distribution lines create stagnant water and water quality concerns
  - o Request:
    - Upsize 400 ft to an 8-inch line along Red Pine Road North of Chalet Drive
    - Install 500 feet of 8-inch line to connect deadends off Canyon Resort Road and Cedar Lane Residential Area
    - Install 190 feet of 8-inch line to loop dead-end line near 7-11 convenience store
    - Complete 40 foot loop on dead-end line on Village Round Drive
    - Replace 1175 feet of 2-inch line with a 10-inch main along Red Pine Road
    - Install interconnect with low flow bypass on Red Pine Road
- Water Treatment Plant Refurbishment: \$523,600
  - o Issue: The existing water treatment plant is beyond its useful life significantly reducing its production capabilities
  - o Request: Repair existing water treatment plant building but replace water treatment system components
- Meters: \$260,000
  - o Issue: The system is lacking a large number of meters and a large number of installed meters are needing to be replaced
  - o Request: Approximately 140 new meters plus time for installing.
- Service Valves: \$534,000
  - o Issue: The CWC system is in need of installing or replacing a large number of service valves
  - o Request: Replace needed service valves
- Pressure Reducing Valve: \$115,000

- Issue: Current pressures near Park West Village are higher than recommended
- Request: Install a new pressure reducing valve
- Engineering, Design, and Planning: \$436,711
  - Engineering, Design, and Construction Management Services costs are estimated at 20% of construction subtotal items listed above (\$381,498)
  - 2014 Community Water Master Plan and subsequent addendum were included as planning (\$55,213)  
\*most likely to increase to account for increased costs due to complexity of loan application
- Legal and Administrative Costs: \$38,020\*
  - Legal Fees, including DDW Bond Attorney (\$22,620)\*  
\*most likely to increase to account for increased costs due to complexity of loan application
  - Environmental Assessment (\$10,000)
  - CWC and SWDC Administrative Assistance (\$5,400)
- Contingency Fee: \$572,247
  - 30% of construction subtotal listed above (\$381,498)
  - CWC requested a high contingency amount to account for the dilapidated condition of system and possibility of needing to make unanticipated repairs when conducting construction work
- Loan Initiation Fee: \$29,545
  - 1% of final loan request

### **C. Loan Approval Terms And Timeline**

The Utah Board of Drinking Water (“Board”) approved CWC’s Loan Application on May 12, 2017. The Board approved a total loan amount of \$3,662,000. This amount is larger than the loan request listed above because it included funds for the storage tank replacement

The approved Loan Terms are a **20 year Loan at 3.39%.**

Loan recipients are only required to repay the actual amount of money expended on construction projects.

Loan closing requires CWC comply with numerous Federal Requirements that will take several months to complete. CWC anticipates closing on the Loan in November of 2017. Construction on the Loan projects is set to begin in April of 2018 and be completed and operating by August 2018. CWC’s first P&I payment on the loan is due on January 1, 2019.

### **3) TCFC REPLACEMENT TANK LOAN**

As CWC customers are most likely aware, the larger of CWC's storage tank recently failed and is in immediate need of replacement. While the tank is inoperable CWC has instituted outdoor watering restrictions to protect fire flow requirements and public safety.

Replacement costs for the storage tank are estimated to be \$450,000: \$300,000 for a new replacement tank; \$50,000 for demolition of the existing tank and minor repairs to the Willow Draw; AND \$100,000 for base excavation and prep work. Actual expenditures may vary depending on bids.

Funding under the DDW SFR Loan would delay replacing the new tank until Spring of 2018, requiring CWC to operate with significantly reduced storage capacity throughout the winter. Additionally, complying with DDW SFR loan requirements, such as federal bidding requirements, would increase the costs of the tank by 20-25%. The delay and increased cost were deemed to not be in the best long term financial interests of CWC.

To fund tank replacement, TCFC will provide CWC a **\$450,000 18 month loan at 3.39%**.

### **4) ANTICIPATED WATER RATES/ASSESSMENTS FOR CWC CUSTOMERS**

#### **A. Transfer of Ownership:**

CWC intends to transfer ownership of the Company to Summit Water Distribution Company ("SWDC"). CWC and SWDC have reached DRAFT agreements on how that transfer will take place. Most likely CWC will remain a distinct entity and SWDC will remain the manager and operator of the CWC system. The parties are finalizing details about the transfer and more information will be forthcoming. It is hoped to transfer Company ownership by September 2017.

It is intended repayment of the DDW SRF Loan and TCFC Tank Loan ("Loans") will be repaid through assessments under SWDC once the ownership transfer is complete. In the unlikely event a transfer does not occur, CWC may seek a special assessment under the Public Service Commission for repayment of the Loans.

#### **B. Structure of CWC Customer Rates/Assessments:**

It is anticipated the new CWC entity **base rates will be \$95-\$103 dollars plus water usage** rates, depending on final Loan amounts. The intention is to structure assessments to first pay for the TCFC Tank Loan and then transition into paying for the DDW SRF Loan when payments become due in January 2019.

Rate assessment amounts are based on having 502 paying connections. The new rate will have a base rate consisting of an SWDC Administrative and Management Fee; an Operations and Maintenance Fee; Debt Service Repayment; and a water usage fee based on costs per block of water used. The DDW SRF Loan also require CWC retain a Debt Service Reserve Account equal to 10% of the annual Loan Payment (10% = approx. \$20,700) and to annually deposit 5% of the Operations and Maintenance Budget (5% = approx. \$15,000 including depreciation) into a Replacement Reserve Account until the loan is repaid. The new assessment will account for the



need to build these accounts. Additionally, the new assessment will build a more robust emergency fund to account for the age of the remaining infrastructure and unanticipated system failures.

SWCD and TCFC have engaged the engineering firm of Bowen Collins & Associates to conduct a comprehensive rate study that more accurately takes into account CWC system condition and expenses. The DRAFT structure below is subject to Change.

DRAFT structure of SWDC rate:

- Water Usage Rates:\*
  - o Block 1: 0-3000 gallons: included in Base Rate
  - o Block 2: 3,000 to 10,000 gallons: \$5.18 per 1000 gallons
  - o Block 3: 10,000 to 30,000 gallons: \$9.86 per 1000 gallons
  - o Block 4: greater than 30,000 gallons: \$17.06 per 1000 gallons
  
- Base Rate September 2017 – January 2019 Base Rate:
  - o \$17.00: SWDC Administration and Management Fee
  - o \$30.50: Operations and Maintenance Fee
    - This is the base rate from the recent PSC rate case and includes \$52,000 for an annual capital reserve account for unexpected system needs
    - No longer needed CWC salary expenses (about \$40,000) will be contributed to the capital reserve account
  - o \$51.15: TCFC Tank Loan Repayment
  - o **\$98.65: TOTAL BASE RATE**
  
- Base Rate Post January 2019
  - o \$17.00: SWDC Administration and Management Fee
  - o \$30.50: Operations and Maintenance Fee
  - o \$34.30: Debt service on DDW SRF Loan
  - o \$17.00: Debt Service Account, Replacement Reserve Account and/or Emergency Account\*
  - o **\$98.80: TOTAL BASE RATE**

It is anticipated HOAs will continue to be billed as currently billed under the PSC rate (i.e. charged for the number of connections in the HOA).

\*Usage blocks may also be adjusted to account for different water demand in shared living buildings like condos or townhomes.

\* Once reserve accounts are sufficiently funded rate may be decreased accordingly.

## 5) CUSTOMER VOTE FOR CWC CAPITAL IMPROVEMENTS

### A. Voting Background

The DDW SRF Loan requires the Company's managing Board to vote on accepting a loan. Currently, CWC is a single member held LLC and is in favor of funding the needed capital improvements through the DDW SRF Loan and the TCFC Tank Loan.

However – as customers will be repaying the costs on the Loans, CWC wishes for its customers to approve accepting the Loans and assuming Loan costs as SWDC assessments. A vote in favor of funding capital improvements through the Loans will also be deemed a vote in support of CWC's ownership transfer. Additionally, the PSC is more likely to grant CWC's Application to Terminate CWC's Certificate of Convenience and Necessity and the DDW is more likely to close on the DDW SRF Loan with customer support.

The Company has gone to great lengths to find an economical and workable solution to CWC's many infrastructure and management needs. CWC believes strongly a transfer to SWDC and funding capital improvements through the Loans is in the customers' best interest and the best solution available.

### B. Voting Guidelines:

Each CWC customer will be allowed to vote. HOA's will receive as many votes as they have connections and must determine how to cast their votes according to HOA Articles and Bylaws.

All votes are due **30 days** from this meeting on **FRIDAY JULY 21, 2017**. A 30 day period should allow ample time for HOAs to discuss the matter with their members and make appropriate arrangements to vote. Between June 20, 2017 and July 21, 2017, CWC representatives will make themselves available for further questions and to provide additional information, if available. CWC will soon be distributing an electronic 3<sup>rd</sup> party voting form to CWC customers.

If the customers do not vote to accept the Loans and approve the transfer to SWDC, the future of CWC is unclear. If CWC remains a regulated entity additional legal fees and costs, to be borne by the customers, are needed to pass a special assessment or a capital rate case to cover the Loans and make the necessary system improvements. Another option is that CWC is not financially solvent and could declare bankruptcy. Additional fees and costs will be incurred by customers to bring the Company through receivership and restructuring. If this occurs many of the needed infrastructure concerns will remain unaddressed.

While each customer is entitled to vote as they see best, CWC sincerely believes transferring CWC to SWDC and paying for the needed infrastructure improvements with the Loans is a good outcome for all parties involved

## 6) OPEN FORUM

# Exhibit E

Justin Atwater  
jatwater@tc-fc.com  
Community Water Company LLC  
c/o TCFC Finance Co. LLC  
1840 Sun Peak Drive  
P.O. Box 68003  
Park City, Utah 84068  
Telephone: (435) 200-8400  
Facsimile: (435) 200-8454

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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

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:

Justin Atwater  
Community Water Company LLC  
c/o TCFC Finance Co. LLC  
1840 Sun Peak Drive  
P.O. Box 680033  
Park City, Utah 84068  
Telephone: (435) 200-8400  
E-mail: [jatwater@tc-fc.com](mailto:jatwater@tc-fc.com)

Stacy Wilson  
Community Water Company LLC  
c/o TCFC Finance Co. LLC  
1840 Sun Peak Drive  
P.O. Box 680033  
Park City, Utah 84068  
Telephone: (435) 200-8400

E-mail: [swilson@tc-fc.com](mailto:swilson@tc-fc.com)

**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 rationale 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*