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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Community Water) Docket No. 17-098-01
Company, LLC)
) **Direct Testimony of Intervener Leanne**
) **Miller to the Application**
) **Submitted by Community Water Co.,**
) **LLC on September 13, 2017, for an**
) **Interim Rate Increase**

Being duly sworn, I, Leanne Miller, hereby state that I am an intervener in Docket 17-098-01. I am the President of the Hidden Creek Homeowners Association and represent their interests as customers of CWC. Hidden Creek HOA represents 130 of the 503 water users served by CWC. I have reviewed the Application, and submit the following Direct Testimony.

I would like to first endorse the Comments and Direct Testimony on the Application submitted by Mr. Francis Amendola on behalf of Hidden Creek and Red Pine HOA's as well as the testimony submitted by Mr. Scott Savage on behalf of Plat B & D with respect to the Special Assessment. Mr. Savage's comments assess correctly the urgency of replacing the tank, the duty of CWC to replace the tank in a diligent manner, and the appropriate manner in which CWC should be reimbursed for the costs of replacing the tank.

There are two issues for which I would like to provide Direct Testimony. These are:

- The Special Assessment for replacing the large storage tank, and
- General Rate Increase requested by CWC.

SPECIAL ASSESSMENT FOR REPLACING LARGE STORAGE TANK

1. In the June 12, 2017 Customer Update distributed to the customers by CWC, among other things, the customers were informed that CWC had selected a more time efficient approach to funding the tank replacement costs. CWC decided *“The Company has determined the best course of action is to immediately replace the damaged storage tank. The Company has secured financing for the 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”*.
2. We relied on their representations and believed that work would move forward. Irrigation was stopped, lawns died and trees became stressed while we waited, and continue to wait, for CWC to move forward with their commitments.
3. Hidden Creek HOA understood and agreed to payment of the tank. When CWC reported they had secured funding from the parent company (TCFC) to replace the failed tank, we understood monthly payments could be made, and we could support that plan, but not the change in Company structure as

presented.

4. Hidden Creek HOA requests the PSC issue an immediate approval for a rates required to replace the failed tank. The customers of CWC are living with a precarious situation created by the failure of CWC to continue to move forward with the replacement as stated in several documents provided by CWC, and the fact that the existing smaller tank of approximately 230,000 gallons is of similar vintage of the failed tank and therefore could fail at any given moment. This constitutes a life safety issue for fire response and potable water needs. We also need confirmation that work to replace the tank will continue in an expedited manner.
5. CWC has not provided any plan to provide emergency water in the event the remaining tank fails abruptly. CWC has a legal obligation to maintain their infrastructure in an operable manner under their charter issued by the PSC. Failure to correct this problem as quickly as possible represents negligence on their part.
6. The customers of CWC continue, as they have in the past, to express a willingness to repay the cost of replacing the failed tank. This should be done on a reasonable pay back schedule that is based upon connected customers, rather than ERUs. The number of connected customers is well documented and accepted by the Division and memorialized in CWCs annual filings with the Division and DDW. The basis of ERUs remains uncertain even in light of recently available Direct Testimony by the Applicant. The equitability of ERUs among customers has not been

confirmed and accepted, and therefore is not the correct basis of repayment of the tank loan. We assert that the discussion and acceptance of ERUs is better suited for the General Rate Increase which is not as time sensitive as the Special Assessment to replace the failed tank.

7. Respectfully, we request that the PSC direct CWC to execute the previously stated funding mechanism of a loan from the parent company to rectify this situation. There should not be any link between a transfer of CWC to SWDC and the legal obligation of CWC to move forward with the needed replacement to alleviate an emergency situation which arguably is the result of poor management in the first place. The customers should not be held hostage to CWCs desire to exit the water business in exchange for them to do the right thing and satisfy their legal obligations as a water provider.
8. Clearly, a one-time payment of \$1,100 per ERU, or even per connected customer for that matter, is extremely burdensome to the customers. Furthermore, to expect payment in 15 days following approval fails any test of reasonableness, and needs to be corrected.
9. Our request is that repayment of the costs to replace the failed tank be based upon documented connected customers, and provide a 12-month payback period for the loan to the parent company. Initiation of payment should be 30 days following approval which will provide some amount of time for HOAs to assess their ownership and obtain the money to make payments. The Red Pine and Hidden Creek customers understand that the 30 connected customers of Plats B & D are willing to support a similar position, resulting in 421 of the 503 customers being on board with this approach. This is over 83% of the customer base.

REQUEST TO DEFER GENERAL RATE INCREASE UNDER INTERIM PROCESS

10. In its September 13 Application, the Company is seeking a General Rate Increase in addition to the Special Assessment mainly to cover the costs of future infrastructure improvements. First and foremost, the customers of Red Pine and Hidden Creek HOAs do not dispute the need for major infrastructure improvements. In addition, they applaud CWCs effort to secure a loan for the DDW to cover the costs of the needed improvements. They also support fully a fair and equitable rate increase to cover in total the costs of repaying the loan. Based upon the Schedule Notice, the Hearing scheduled for October 19 is to address Interim Rates and Interim One-time Charge.
11. For several reasons noted below, we request that hearing of the Interim Rate to address the General Rates be deferred at this time.
12. Based upon information provided to the customers by CWC, repayment of the loan begins in January, 2019, approximately 18 months after the loan is approved. A large portion of the rate increase sought by CWC is associated with repayment of the loan. Therefore, any advanced payment by the customers constitutes an unnecessary financial burden to the customers.
13. While the timing of repayment is a valid reason to avoid fast-tracking the General Rate Increase, there remains many questions associated with the details of the sought increase. In particular, the rate increase is based upon ERUs, not connected customers as in the past. The merit of an ERU-based

rate has not been fully vetted. Over the past several months, different numbers of ERUs have been provided to the customers. In the previous Bowen & Collins report, the total ERUs were 404. More recently, the ERUs are reported to be 453. The moving target aspect of ERUs has made a meaningful analysis of the new basis for rates difficult, if not impossible to complete.

I appreciate your consideration of the comments submitted herein.

DATED this 13th day of October, 2017

Leanne Miller
President, Hidden Creek Homeowners Association
Intervener

CERTIFICATE OF SERVICE

I hereby certify that on October 13, 2017 a copy of the foregoing **Direct Testimony of Intervener Leanne Miller to the Application Submitted by Community Water Company, LLC on September 13, 2017 for a Rate Increase in Docket 17 098-01** was emailed on the 13th day of October 2017 to the following:

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