

**In the Matter Of:**

In Re: Community Water Company - Rate Case

**HEARING, DOCKET NO. 17-098-01**

*April 10, 2018*

*Job Number: 423991A*

1 BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

2

In the Matter of the Application of Docket No. 17-098-01  
3 Community Water Company for Approval  
of General Rate Increase and Special  
4 Charge for Major Plant Upgrade/  
Repair

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HEARING PROCEEDINGS

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TAKEN AT: Utah Public Service Commission  
9 4th Floor  
160 East 300 South  
10 Salt Lake City, Utah

11

12 DATE: Tuesday, April 10th, 2018

13 TIME: 9:00 a.m.

14 REPORTER: Mary R. Honigman, R.P.R.

15 Job No. 423991A

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1 PROCEEDINGS

2 OFFICER HAMMER: Good morning,  
3 everyone. This is the time and place noticed for  
4 the hearing in the Application of Community Water  
5 Company for Approval of General Rate Increase and  
6 Special Charge for Major Plant Upgrade/Repair.  
7 That's Commission Docket No. 17-098-01. My name is  
8 Michael Hammer and I'm the Commission's designated  
9 presiding officer for this hearing. Let's take  
10 appearances, please.

11 MR. ATWATER: Good morning,  
12 Your Honor. Justin Atwater appearing on behalf of  
13 the applicant, Community Water Company.

14 MS. SCHMID: Patricia E. Schmid with  
15 the Utah Attorney General's Office, representing the  
16 Utah Division of Public Utilities. With me as the  
17 Division's witnesses today are Mr. William Duncan,  
18 Mr. Casey Coleman, and Mr. Gary Smith.

19 OFFICER HAMMER: Thank you,  
20 Ms. Schmid.

21 MR. SAVAGE: Scott Savage. I'm an  
22 intervenor, and I'm appearing on behalf of Park West  
23 Village Plat B and D.

24 OFFICER HAMMER: Mr. Savage, do you  
25 know if any of the other intervenors plan to attend

1 today?

2 MR. SAVAGE: No. I did receive a  
3 telephone call from Terry Lange, and he was going to  
4 try to appear by telephone, but they said that's not  
5 possible this morning. So I think he is going to  
6 call in and listen in but not be able to  
7 participate.

8 OFFICER HAMMER: Thank you.  
9 Mr. Atwater, we'll begin with you.

10 MR. ATWATER: Thank you, and good  
11 morning. I want to first start out by thanking the  
12 Division of Public Utilities for their efforts and  
13 work over the course of the last few months since  
14 the interim hearing. They've been extremely  
15 accommodating and helpful in understanding the  
16 process for this hearing, as well as understanding  
17 the methods and methodologies used for their  
18 recommendation in preparing the rate case.

19 We know that in the interim hearing,  
20 we took, kind of, our approach, which is very much a  
21 businesslike, economic approach to viewing things  
22 and may have complicated the process unduly. That  
23 said, we still don't completely understand the  
24 methods that the DPU uses. But at the end of the  
25 day, we think their recommendation is consistent

1 with what we were hoping for for the final rates for  
2 the Company with this rate case hearing.

3           There are a few things in the  
4 recommendation that we would like to discuss but in  
5 large part, we, as the applicant, as the Company, we  
6 would like to accept and adopt the Division of  
7 Public Utilities' recommendation as the rate for the  
8 Company going forward and the desired result for  
9 this hearing.

10           The two items that we did want to  
11 just really have clarification from them -- and I  
12 think we'll get probably get them when they provide  
13 their testimony -- is the concept of two tiers,  
14 first tier being based off -- when I say "tiers," I  
15 don't mean water rate tiers, I mean tiers of  
16 ratcheting up -- the first is based upon the  
17 building of the tank and some equipment. And then  
18 the second is based upon full build-out of the  
19 system. And the first clarification we'd be seeking  
20 is, what triggers the ability of the Company to be  
21 in that second category? Mainly, the first category  
22 just deals with two specific improvements, and we  
23 understand once those are complete it would be easy  
24 to determine, but as the improvements are built in  
25 the full system, that may be a period of time that

1 may actually last a 12-month period to get the  
2 entire build-out out. And so our question would be  
3 what do we do at month six after we've built half of  
4 the system, hypothetically, to understand a little  
5 bit about how the base rate would ratchet up based  
6 on the improvements being built. So that's  
7 clarification number one.

8           And then the second clarification  
9 would be, we've -- one of the main concerns of our  
10 customers has always been to have the ability to  
11 irrigate in this upcoming season. And given that we  
12 did not have the interim rates, we were not able to  
13 build a tank. But in the interim, we've been  
14 working on two separate options for us. One, we've  
15 been working with Summit Water to have an agreement  
16 to allow for emergency supply or a supply of water  
17 if we did not have sufficient in our system to  
18 provide irrigation. And second, we've been working  
19 with Mountain Regional's special service district on  
20 an interconnect agreement that would provide for the  
21 necessary fire flow backup that would allow us to  
22 use our own water for irrigation. And both of those  
23 are viable options, and both of those are options we  
24 plan to pursue. And they provide the opportunity in  
25 the short term, as well as in the interim or



1 midterm, if we do have to build the tank.

2           The clarifying question we have in  
3 the recommendation is, the rate that's suggested has  
4 basically a -- after 6,000 gallons, there's a large  
5 charge for the next thousand gallons. And our  
6 question there is, was the suggested amount based  
7 upon the actual rate that we would be charged by  
8 either of those providers, or was it a fixed amount  
9 based upon some other calculation? Our preference  
10 would be that it would be a pass-on charge for  
11 whatever amount we're charged by either of those  
12 providers for those gallons, that the customer would  
13 simply pay that exact amount, which we think is the  
14 most equitable approach. While it may be difficult  
15 right now to know that exact dollar amount, we think  
16 that's what we would prefer. If not, we're fine  
17 with the recommendation, so long as it would be  
18 consistent with some formula that would allow us to  
19 be consistent with what they're charging.

20           OFFICER HAMMER: Thank you. Before  
21 we go to Ms. Schmid, Mr. Savage, let me just ask  
22 you, are you in agreement with the Division of  
23 Public Utilities' proposal or do you contest it?

24           MR. SAVAGE: I'm in agreement with  
25 them except for the second point that Mr. Atwater

1 just pointed out, and I have the same concern. If  
2 it is a pass-through to my clients, the customers,  
3 then I have no problem. If we are getting billed  
4 more than what Community Water is paying to either  
5 Summit or Mountain Regional, then what happens to  
6 that extra money? Will that be refunded to the  
7 customers in the event the Mountain Regional  
8 annexation goes through? It should not be a  
9 windfall to Community Water at the expense of the  
10 customers, so I would want accounting for any  
11 overages on what's being paid and that money  
12 refunded if the Mountain Regional goes through.  
13 Obviously, if the Mountain Regional does not go  
14 through, I can see the Company retaining that money  
15 as a reserve for future contingencies. But if the  
16 Mountain Regional annexation goes through, it's  
17 just a pot of money that's sitting there that should  
18 be refunded to the customer.

19 OFFICER HAMMER: And, Mr. Atwater,  
20 you did not want to call any witnesses, then?

21 MR. ATWATER: We did not.

22 OFFICER HAMMER: Ms. Schmid.

23 MS. SCHMID: I have questions for  
24 Mr. Atwater's witnesses, and I believe I should be  
25 afforded the opportunity to ask them. Also, as he's

1 not calling witnesses, the testimony of Mr. White  
2 would not be admissible as a cross-examined witness  
3 testimony, so it would receive a different weight.  
4 So I'd just like some clarification.

5 And, finally, Mr. Atwater has  
6 proffered that the Company would accept the  
7 Division's rate schedule with a couple of clarifying  
8 questions needed, but I would prefer if I could have  
9 that on the record from a witness if he has one  
10 available.

11 OFFICER HAMMER: Mr. Atwater?

12 MR. ATWATER: Yeah, we're more than  
13 willing to call Mr. Larry White to the stand, if  
14 that's helpful.

15 MS. SCHMID: That would be very  
16 helpful. Thank you.

17 OFFICER HAMMER: Well, we'll start  
18 with Mr. White, then.

19 LAWRENCE J. WHITE,  
20 having been first duly sworn to tell the truth, was  
21 examined and testified as follows:

22 THE WITNESS: Good morning.

23 MS. SCHMID: Good morning. And I  
24 don't --

25 OFFICER HAMMER: Let me just ask

1 Mr. Atwater if he has any preliminary questions for  
2 his witness?

3 MR. ATWATER: No.

4 MS. SCHMID: And I don't know if you  
5 recall, in order for your voice to be appropriately  
6 picked up, we need to have your microphone light on,  
7 which is the little green light.

8 THE WITNESS: It's on.

9 BY MS. SCHMID:

10 Q Mr. White, please state your name and  
11 employer.

12 A Lawrence J. White, ASC Utah, which is a  
13 TCFC finance company.

14 Q Have you participated in the discussions  
15 with Mountain States [sic]?

16 A Mountain Regional? I have.

17 Q Okay. Mountain Regional?

18 A I have.

19 Q Could you tell us the status of those  
20 discussions insofar as you can share that  
21 information publicly?

22 A Sure. So we've had discussions with  
23 Mountain Regional and with the county council and  
24 the county attorney, that annexation agreement is  
25 done, the annexation process has begun with the

1 county council, and we've -- up to this point, we've  
2 actually had discussions and a design initiated by  
3 Mountain Regional for an interconnect so that  
4 Mountain Regional can connect to the Community Water  
5 system. We're prepared to fund that in advance of  
6 the connection and in advance of the annexation  
7 actually being approved -- which won't happen until  
8 sometime in June -- in order to facilitate backup  
9 fire protection for the Community Water system,  
10 which doesn't exist today and was the reason we  
11 could not allow irrigation last summer. That will  
12 allow us, then, to use our current reserve tank --  
13 225,000 gallons -- to be used both for water as well  
14 as for -- potentially for irrigation.

15 **Q So in the process, has there been the**  
16 **required public hearing --**

17 **A** There has been.

18 **Q -- for the annexation? And if I**  
19 **understand it correctly, is there a period of time**  
20 **in which comments can be submitted?**

21 **A** Yes. We're in that period now.

22 **Q Do you have any idea when that comment**  
23 **period ends?**

24 **A** I believe sometime in the beginning of  
25 June.

1           **Q     You said that Community Water was going to**  
2     **fund certain improvements ahead of the annexation.**  
3     **Where is Community Water getting those funds?**

4           A     TCFC will fund -- Community Water  
5     obviously doesn't have the money to fund those, but  
6     TCFC will fund those costs.

7           **Q     Is there also a pending loan application**  
8     **for funds from the Division of Drinking Water?**

9           A     For TCFC -- or for Community Water?

10          **Q     Yes.**

11          A     There is, yes.

12          **Q     Where in the process is that?**

13          A     I'll let Justin answer that since he's  
14     been more involved in it.

15                         MR. ATWATER:  So there are actually  
16     two applications, one from Community Water and one  
17     from Mountain Regional.  They are proceeding  
18     simultaneously.  The one for Community Water is  
19     currently in hold status pending the annexation  
20     process.  If the annexation is not completed, that  
21     loan is prepared to close.  It's been fully approved  
22     and ready for bids and design.  The Mountain  
23     Regional loan, the sister loan, is also at the same  
24     place.  It's -- assuming annexation is approved,  
25     will proceed to bid and close.

1 MS. SCHMID: Thank you.

2 BY MS. SCHMID:

3 Q What happens to Community Water and what  
4 are Community Water's plans if the anticipated  
5 annexation does not go through?

6 A So the expectation is that we'll do the  
7 interconnect regardless, because that will provide  
8 the fire protection that we think that Community  
9 Water needs. There's a cost to that so we have a  
10 standby fee, so we're going to actually have to pay  
11 Mountain Regional for the privilege of the standby  
12 that they'll provide for us for fire protection.

13 If the annexation does not go through, we  
14 would proceed with the design plans, the closing of  
15 the loan -- which we have applied for with the State  
16 through a federal grant and that entire process --  
17 and proceed with the loan closing, which would take  
18 place sometime, you know, this summer, early fall,  
19 which would then facilitate the improvements that  
20 are necessary to Community Water's system next  
21 summer. I don't think it could close in time to  
22 actually produce the results this summer because the  
23 plans have to be completed, they have to be bid  
24 first -- I think there have to be three bids -- so  
25 the federal loan process that we've applied for is a

1 more complicated process than the state loan that  
2 Mountain Regional has applied for, so -- but our  
3 intent would be that we would go through that, close  
4 that loan, and complete the water system as  
5 originally intended prior to this option of  
6 annexation.

7 **Q And if the annexation doesn't go through,**  
8 **am I correct in thinking that the tank wouldn't go**  
9 **in this year because of timing issues?**

10 A That's likely. Again, because it would  
11 have to be designed, triple bid, and the loan closed  
12 prior to actually being able to build the tank.

13 **Q But as a stopgap measure, Community Water**  
14 **would have a contract with Mountain Regional to**  
15 **provide the necessary services?**

16 A So the contract with Mountain Regional  
17 would be to provide standby fire protection, enough  
18 water for fire protection, so that we could use our  
19 existing -- the remaining tank to serve the  
20 Community Water customers without the fear of the  
21 tank going below the limit that the fire department  
22 requires for reserve.

23 **Q Would the standby contract with Mountain**  
24 **Regional allow irrigation?**

25 A We believe that it would allow the system



1 as it currently stands to provide irrigation water  
2 for Community Water customers because we would then  
3 have the standby from Mountain Regional for fire  
4 protection.

5 Q In your testimony, you talked about an  
6 irrigation program with, I assumed, various days for  
7 irrigation and things like that, or some plans to  
8 make sure that the water didn't drop below what is  
9 needed. Would that be something Community Water  
10 would consider?

11 A Well, I think that the State has mandated  
12 certain water conservation measures which I know  
13 that other water companies have implemented. We  
14 would certainly want to abide by the state  
15 guidelines in implementing a water conservation  
16 system, so we would also want to make sure that we  
17 were preserving the Community Water system as it  
18 currently is, in the state that it is and not  
19 overtax it, but we believe that there would be  
20 sufficient capacity -- at least within the reserve  
21 tank or the existing storage tank -- to be able to  
22 provide adequate irrigation services beginning  
23 around July 1st.

24 Q Did you hear Mr. Atwater say that -- and  
25 I'll paraphrase -- that Community Water accepts the

1 rates proposed by the Division but seeks a couple of  
2 clarifications?

3 A Yes.

4 Q Is that a fair characterization?

5 A It is.

6 Q And I believe that those clarifications  
7 involved triggering moving to a second tier or a  
8 second step rate, and then charges for the upcoming  
9 season for irrigation or, I guess, for standby  
10 water; is that correct?

11 A Correct.

12 MS. SCHMID: Those are all my  
13 questions. Thank you.

14 OFFICER HAMMER: Mr. Atwater?

15 MR. ATWATER: No questions.

16 OFFICER HAMMER: Mr. Savage?

17 BY MR. SAVAGE:

18 Q Mr. White, do I understand correctly that  
19 the interconnect is only designed to provide water  
20 availability in case of fire?

21 A Well, that's not the sole purpose of the  
22 interconnect, but --

23 Q I mean in the short term, for the short  
24 term --

25 A In the short term, the intention is to put

1 the interconnect in so that we have back-up fire  
2 service of emergency water service, because even the  
3 Summit Water's system is inadequate to provide full  
4 service. So, for example, if we had a catastrophic  
5 failure of the last tank, Community Water storage  
6 tank --

7 **Q Yeah. 225,000.**

8 A -- this is not what the intention is under  
9 the agreement, the emergency standby agreement, but  
10 we could potentially provide emergency water  
11 service, you know, through, at that point in time,  
12 through both Mountain Regional and Summit in order  
13 to continue to supply the customer. But the  
14 interconnect -- the purpose of the interconnect  
15 first and foremost is for fire protection.

16 Secondly, it would be, you know, in the  
17 event that the annexation goes through, it will be  
18 part of the service then connection of Mountain  
19 Regional to the Community Water system and allow  
20 Mountain Regional to take over the Community Water  
21 system.

22 And then thirdly, if we did have some kind  
23 of catastrophic failure in the meantime, it would  
24 help supply emergency water services.

25 **Q Okay. But if I understand correctly, if**

1 there's no fire and if there's no catastrophic  
2 event, you only contemplate paying the standby fee  
3 to Mountain Regional?

4 A That's correct.

5 Q And what is that fee?

6 A It's \$15,000 a year.

7 Q And do you understand in the rate proposal  
8 by the Division, that there is a large user charge  
9 for a short-term period that is designed to provide  
10 money for you to buy water from Summit?

11 A Which we may have to do.

12 Q Well, but if you don't have to do it,  
13 what's going to happen to that money that you're  
14 collecting if these rates from the interim go  
15 through with something like, I don't know, \$5.30 per  
16 thousand, if that's what it is? Are you with me on  
17 that?

18 A Yeah, I am. I think that Community Water  
19 has operated at a deficit for many, many years and  
20 we can talk about, you know, what the outcome of  
21 that is, but the intention is to cover Community  
22 Water's cost, in which the current rates do not.

23 Q So it's your intention to use the money  
24 that the Division has set aside to provide  
25 irrigation water -- either through building of the

1 tank or buying from Summit -- it's your intention to  
2 take that money and pocket it?

3 A I wouldn't characterize it that way.

4 Q So you're going to apply it to the past  
5 deficits of Community Water instead of the owners  
6 cover those deficits?

7 A As opposed to the owners covering those  
8 deficits?

9 Q Yeah. That's the way it is now. Who has  
10 been paying these deficits?

11 A That's correct. So Community Water has  
12 been running a deficit --

13 Q Owners have been covering them?

14 A That's correct.

15 Q Okay. And now you want to give a windfall  
16 back to the owners --

17 A I wouldn't call it a windfall; I would  
18 call it a replacement or a return of past monies  
19 spent.

20 Q Okay. A return on capital?

21 A It isn't actually a return on capital,  
22 it's just a replacement on money spent. The Company  
23 has been running at a loss for years, and no company  
24 is sustainable under those circumstances.

25 Q Okay. The owners have been funding the

1 loss of the utility, correct?

2 A Yes.

3 Q And now you would want to take that money  
4 that the Division has designed as money to make  
5 irrigation water available because it is anticipated  
6 by the Division that it would be at a higher rate,  
7 and just apply that money to pay it back to the  
8 owner?

9 A To repay for the losses, yes.

10 Q I understand. Whatever you want to  
11 characterize it as, it's your plan to have that  
12 money go back to the owner?

13 A There's a big difference, Mr. Savage,  
14 between repaying a company for money spent and  
15 having a windfall. Those are distinctly different  
16 notions.

17 OFFICER HAMMER: Gentlemen, excuse  
18 me. You're just arguing. The question has been  
19 answered.

20 BY MR. SAVAGE:

21 Q The point is made. That's what I wanted  
22 to clarify. You do understand that if there's no  
23 fire, if there is no catastrophic event, Community  
24 Water will be paying \$15,000 a year standby fee for  
25 this water availability, correct?

1 A Correct.

2 Q And the rate, which is extremely high over  
3 6,000 gallons, is designed to provide money to cover  
4 additional costs of building a tank or paying Summit  
5 Water. Is that your understanding of the  
6 Division's --

7 A It's the Division's recommendation.

8 Q Okay. But the recommendation is that  
9 \$5.30; is that correct? Is that the amount? \$5.30  
10 per thousand gallon over 6,000 gallons for a short  
11 period of time that is designed to provide money to  
12 pay for the water you would have to purchase from  
13 Summit Water, or the money you'd have to pay to  
14 build a tank in the short term?

15 A Correct.

16 Q Has anyone to your knowledge protested the  
17 annexation?

18 A Not to my knowledge.

19 Q What is the anticipated date, if all goes  
20 well, when the interconnect will be complete and  
21 irrigation water will be available this year?

22 A Ideally, it will be by early July. That  
23 all depends upon the start date, permits from the  
24 county, et cetera. The design has been done,  
25 it's -- the work will actually be performed by

1 contractors under Mountain Regional, but ideally,  
2 the time frame in terms of ability to start and  
3 complete will be by early July. That's our goal.

4 **Q Is it anticipated that the annexation will**  
5 **be completed by the same date?**

6 A It's possible without objection that the  
7 annexation could be completed in June.

8 **Q Okay. I believe Mr. Atwater said**  
9 **something about passing through the exact charge to**  
10 **the customers. I take it you disagree with what was**  
11 **said in the opening comments?**

12 A I'd have to go back to the opening  
13 comments.

14 **Q All right. But it's your intent as you**  
15 **sit here today that any excess money that is**  
16 **generated by the Division's usage schedule would go**  
17 **back to the owners of Community Water?**

18 A Would repay the past losses. That's  
19 correct.

20 **Q Thank you. Nothing further.**

21 A Just one other clarification, that just  
22 having the annexation approved doesn't automatically  
23 mean that the Company gets transferred to Mountain  
24 Regional. There's actually a lot of work that has  
25 to be done after the annexation is approved in order



1 for -- because Mountain Regional will not take the  
2 Company until they perfect the loan with the State  
3 and they know that they have the money to repair the  
4 system, so that could actually take several months  
5 longer and it's very possible that the Company  
6 wouldn't actually affect a transfer post-annexation  
7 until sometime this fall. So we still have an  
8 operating period that we need to go through. Our  
9 intent and desire and communications with Mountain  
10 Regional is to affect that transfer as quickly as  
11 possible, but there's still a process that follows  
12 even the approval of the annexation in order to  
13 affect a transfer to Mountain Regional.

14 **Q And if I understand it, during that period**  
15 **of time from approval of the annexation to the**  
16 **transfer actually occurring, would Community Water**  
17 **still be billing the users and collecting the**  
18 **monies?**

19 A Yes, that's correct.

20 **Q And right now, do you know, with respect**  
21 **to my clients, Plat B and D, that they would**  
22 **individually be charged 130th of the irrigation**  
23 **charge each month?**

24 A Whatever the approved billing system is  
25 currently.

1           Q     **You're not familiar with exactly how that**  
2     **works?**

3           A     No.

4                   MR. SAVAGE: Nothing further.

5                   OFFICER HAMMER: Thank you,  
6     Mr. White. I'm assuming you didn't have any  
7     redirect, Mr. Atwater?

8                   MR. ATWATER: No, sir.

9                   OFFICER HAMMER: Ms. Schmid.

10                  MS. SCHMID: The Division would  
11     request a ten-minute recess, if we may. We've  
12     received some new information and we'd like to  
13     discuss it amongst ourselves.

14                  OFFICER HAMMER: Any objection?

15                  MR. ATWATER: No objection.

16                  OFFICER HAMMER: We will be in recess  
17     until the quarter of the hour. Thank you.

18                             (A brief recess was taken.)

19                  OFFICER HAMMER: Ms. Schmid.

20                  MS. SCHMID: Thank you. The Division  
21     would like call its first witness,  
22     Mr. William Duncan. May he please be sworn?

23                             WILLIAM DUNCAN,

24     having been first duly sworn to tell the truth, was  
25                             examined and testified as follows:

1 BY MS. SCHMID:

2 Q Good morning.

3 A Good morning.

4 Q Please state your name, employer, and  
5 business address for the record.

6 A My name is William Duncan. I'm a manager  
7 of the telecom water section of the Utah Division of  
8 Public Utilities, 160 East 300 South, Salt Lake  
9 City.

10 Q In connection with your employment at the  
11 Division, have you participated on behalf of the  
12 Division in this docket?

13 A Yes.

14 Q Were you here earlier when you heard  
15 Mr. White say that the Company was not going to have  
16 a contract with Summit Water for what I'll call the  
17 extra service, but intended to have a contract with  
18 Mountain Regional for a standby service that would  
19 provide necessary fire and emergency services?

20 A Yes.

21 Q Is today the first time that you have  
22 heard of that change?

23 A Yes.

24 Q Were the rates in your testimony based  
25 upon the represented contract with Summit Water?

1           A     Yes.

2           **Q     Could you explain how the contract from**  
3           **Summit Water was reflected in the rates that are**  
4           **present in your testimony?**

5           A     Yes. Our testimony was based on  
6           information we received primarily in Community  
7           Water's supplemental direct testimony. And on the  
8           back page of that, it describes a contract or a  
9           means by which they were going to procure water from  
10          Summit Water, and it talks about a contract with  
11          them and we took that into account. In their direct  
12          testimony, their supplemental direct testimony, they  
13          included \$18,000 of fixed costs for that. That was  
14          an estimation about the amount of water they thought  
15          they would use and we thought it should be moved to  
16          a usage-based rate, and so we removed some of that  
17          because they have a \$4,000 fixed cost and \$14,000  
18          was their estimation of the amount of water they  
19          would use. So we moved up to a usage-based rate  
20          which would just reimburse Summit Water at the exact  
21          amount they would have to buy it, which was \$5.30  
22          per thousand gallons.

23          **Q     Would reimburse Community Water for the**  
24          **amount they had to buy the water from Summit?**

25          A     It would reimburse Summit for the amount

1 of water that Community Water bought, so we built  
2 that into our rate recommendation as a charge to the  
3 customer at the exact cost that they would have to  
4 pay Summit Water, that Community Water would have to  
5 pay Summit Water.

6 Q Given today's testimony about the change  
7 from Summit Water to the Mountain Regional standby  
8 contract, what does the Division recommend?

9 A The Division is reluctant to change its  
10 recommendation at this point. We feel like the  
11 evidence that we have received just this morning  
12 would require some time to analyze, and we're not  
13 prepared to do that at the hearing.

14 Q And is it your belief that that is the  
15 position of the Division, from a policy perspective?

16 A Yes.

17 Q Is it also -- let's stop there for a  
18 moment. There were a couple of other items that  
19 Community Water mentioned it wanted clarification on  
20 when it said that it accepted in large part the  
21 Division's rates. The first question is -- I have  
22 it here -- can be boiled down to, how do the rates  
23 change from the rates in the first column on page 15  
24 of your direct testimony submitted February 13th,  
25 that first column is, "During construction of the

1 replacement tank," second column is, "At completion  
2 of the replacement tank (Phase 1)," and the third  
3 column is, "At completion of remaining  
4 infrastructure construction (Phase 2)." Could you  
5 explain the process through which rates would  
6 change? And let's assume for purposes of my  
7 hypothetical, that the Commission orders the rates  
8 that are in your first column entitled, "During  
9 construction of the replacement tank."

10 A Yes. That first column represents the  
11 Division's recommendation on what the rates should  
12 be to recover all of the costs Community Water has  
13 in their current situation, all the operation and  
14 maintenance costs as they exist right now, and that  
15 those rates should be approved, you know, fairly  
16 soon, and Community Water could implement those.

17 And then I don't know how long the  
18 construction of the tank is going to take. You  
19 know, we've heard for, like, six months it may be  
20 ready in the fall. At the completion of that tank,  
21 when the tank is placed into public service,  
22 Community Water would notify the Commission and say  
23 that the tank is now complete, it's in public  
24 service, it's useful, and at that point, the  
25 rates -- they would have the ability to raise those

1 rates to the \$67.29.

2 Q I have just a couple of clarification  
3 questions on that. So do you envision that  
4 Community Water would file an affidavit with the  
5 Commission indicating that the tank had been  
6 completed, that it had been placed in public utility  
7 service, and that it was used and useful?

8 A Yes.

9 Q And then do you envision that after the  
10 Commission received that affidavit and reviewed it,  
11 the Commission would issue an order moving to the  
12 Phase 1 rates?

13 A Yes. That would be a good process.

14 Q Okay. And then do you anticipate that the  
15 same sort of process would be used to move from the  
16 Phase 1 rates to the Phase 2 rates?

17 A Yes.

18 Q The rates that the Division proposes  
19 include the money that would flow through to  
20 Summit Water of \$5.30 for over 6,000 gallons; is  
21 that right?

22 A That's correct.

23 Q Is it your understanding that the  
24 Commission, based upon the evidence that it receives  
25 today, can choose to order other rates?

1 A Yes.

2 Q Leaving aside the change from Summit Water  
3 to the Mountain Regional Water contract, do you have  
4 a summary of your testimony that you'd like to give  
5 today?

6 A Yes.

7 Q Could you please provide that summary?

8 A On February 13, 2018, the Division of  
9 Public Utilities filed direct testimony describing  
10 the Division's position in this docket. Since that  
11 time, no other party has filed rebuttal or  
12 surrebuttal testimony in this matter. The  
13 Division's position has not changed from the  
14 position stated in its district testimony. In its  
15 direct testimony, the Division advocated a rate  
16 structure that would facilitate two primary policy  
17 objectives: Number one, creating a financially  
18 sustainable water company that is capable of  
19 providing safe, reliable, and adequate water service  
20 for the customers of Community Water.

21 And two, creating a rate structure that  
22 would incentivize water conservation. The Division  
23 believes its rate recommendations accomplish these  
24 two objectives. In reviewing the proposed rates  
25 submitted by Community Water, the Division observed



1 that Community Water Company had employed a  
2 methodology sometimes referred to as a "cash needs  
3 basis." These methods are often used by small water  
4 companies that are unfamiliar with the rate of  
5 return ratemaking principles. This method has not  
6 generally been adopted by the Division or the  
7 Commission.

8 While the ratemaking method used by  
9 Community Water Company and the Division differ, the  
10 resulting rates and revenue were similar. During  
11 its analysis, the Division utilized traditional rate  
12 of return principles to establish rates, including:  
13 Number one, establishing a fair rate of return, and  
14 that would be in the testimony of Casey Coleman;  
15 establishing a reasonable estimation of their  
16 current rate base, and that was established actually  
17 in last year's docket in 16-098-01; treating the  
18 needed additions to rate base as no measurable  
19 changes and that's -- we got those from the Division  
20 of Drinking Water Loan Application; and then the use  
21 of Commission-approved water company depreciation  
22 rates to calculate depreciation expense; number  
23 five, a thorough review of current operations  
24 expense, and Gary Smith will testify to those; and  
25 then establishing a revenue requirement.

1           For these reasons, the Division recommends  
2   that the Commission approve the rates and rate  
3   structure recommended in the Division's direct  
4   testimony. The Division testifies that the rates  
5   and rate structure it recommends are just and  
6   reasonable, and in the public interest.

7           **Q    Is it true that ratemaking is both an art  
8   and a science?**

9           A    Yes.

10          **Q    Is it true that there are many moving  
11   components that are meshed together to produce a  
12   rate?**

13          A    Yes.

14          **Q    And finally, were you here when Mr. Savage  
15   asked Mr. White questions about the contract with  
16   Mountain Regional? And I'll paraphrase his  
17   questions as trying to get to the issue of, why  
18   would you pay for something if you're not going to  
19   use it?**

20          A    Yes.

21          **Q    Sometimes, do people in companies pay for  
22   things that they know they may not use?**

23          A    Yes.

24          **Q    Is car insurance, director and officer  
25   liability insurance, things like that, would they**

1 fit into that category?

2 A Yes.

3 Q And the Division has seen that things like  
4 that are reasonable and prudent expenses in the  
5 past; is that correct?

6 A That is correct.

7 Q Mr. Duncan, is -- with the notation that  
8 the Summit Water contract is no longer in place, the  
9 Division would like to move for the admission of  
10 Mr. Duncan's direct testimony filed on February 3rd,  
11 2018.

12 OFFICER HAMMER: It's admitted.

13 MS. SCHMID: Thank you. With that,  
14 Mr. Duncan is available for cross-examination  
15 questions and questions from the hearing officer.

16 OFFICER HAMMER: Mr. Atwater, I'll go  
17 to you first.

18 MR. ATWATER: Thank you. I just have  
19 a few.

20 BY MR. ATWATER:

21 Q How are you, Mr. Duncan?

22 A Good, thanks.

23 Q First, let me just say on behalf of the  
24 Company, thank you very much for your efforts in  
25 preparing your testimony. And having reviewed it

1 myself many times, I can appreciate the difficulty  
2 that goes into coming up with what you did and it's  
3 really remarkable, so thank you for your time.

4 I just have a few follow-up questions on  
5 the irrigation charge, is what I'll call it, which  
6 is the \$5.30 per 1,000 gallons of 6,000. So when  
7 you came up with the \$5.30 per thousand gallons,  
8 that was based on the exact amount that was going to  
9 be charged by Summit Water for a thousand gallons;  
10 is that correct?

11 A Yes.

12 Q Did that contemplate at all the \$4,000  
13 fixed fee that the Company had suggested?

14 A In the Company's supplemental direct,  
15 there was an \$18,000 cost embedded in the fixed  
16 costs. \$4,000 of that was for the interconnect  
17 charge, and \$14,000 was an estimation of the amount  
18 of water you might have to purchase over the summer.  
19 We left the \$4,000 in as a fixed cost to be  
20 recovered in the fixed charges. The \$14,000, we  
21 took that out and thought it should be recovered as  
22 a usage charge.

23 Q Thank you. I wanted to make sure I was  
24 certain on that. That's how I read it as well.

25 A Okay.

1           Q     So your intention with the \$5.30 was just  
2 essentially to pass on the direct cost to the  
3 Company for purchasing that water to supply it to  
4 its customer; is that correct?

5           A     That is correct.

6           Q     Okay. Have you ever seen -- and I know  
7 this is tricky -- have you ever seen an order that  
8 issues an order suggesting that the rate charged is  
9 the actual cost to the Company, or does it have to  
10 be a fixed number in your experience?

11          A     Well, we try and fix -- it usually matches  
12 whatever is the charge, yes, the rate. If they're  
13 buying water, we match what the cost is.

14          Q     Okay.

15          A     Either the cost to produce the water if  
16 it's the Company's own water, or the cost to buy  
17 water.

18          Q     Okay. So the \$5.30 is based on the  
19 contract you provided that was the exact charge, and  
20 that was your assumption?

21          A     Yes.

22          Q     Okay. And let me help clarify the record  
23 a little bit on this issue, I think Mr. White's  
24 testimony was that the Summit contract is still  
25 available, it's still possible to be used. But the

1 Mountain Regional interconnection is a cheaper  
2 alternative because we don't have to pay until we  
3 dip below our fire flow requirement, and so that's  
4 why the Company went that direction. But it is  
5 still available and still potentially necessary to  
6 use. We don't have a rate for Mountain Regional,  
7 what they would charge us if we were to pay above  
8 the fire flow amount, but it is a direct  
9 pass-through, it's essentially we'll pay them the  
10 rate that they would charge for that amount. And so  
11 that's why I asked those questions is, we may, just  
12 based on your recommendation, default to the Summit  
13 Water contract once we need to start pulling actual  
14 water at a cost above our fixed amount at the \$5.30.  
15 It may be cheaper for Mountain Regional in that  
16 instance, so that's why it's important for us to  
17 understand. We will be saddled, however, with the  
18 \$15,000 fixed charge on the Mountain Regional  
19 agreement regardless, and we think that's an  
20 important step for many of the reasons suggested  
21 today.

22 Now, if I understand correctly, your rate  
23 structure couldn't have contemplated that because  
24 you weren't aware of it, but it does contemplate a  
25 \$4,000 fixed charge?

1 A Correct.

2 Q All right. Thank you. I want to just go  
3 quickly now to the second point, which is the --  
4 when the trigger point for the additional stage rate  
5 would be. Your testimony is that that trigger point  
6 would be upon completion of the improvement plus a  
7 submittal of an affidavit and an actual order from  
8 the Commission permitting the leap into the second  
9 and third stage; is that correct?

10 A Yes.

11 Q Are you aware of any sort of expedited  
12 process that would allow the Company to file that  
13 affidavit and get an expedited order from the  
14 Commission, or is it fixed based on statute? And  
15 you may not know that.

16 A I'm going to say, I don't believe it's  
17 fixed on statute, I think it could be expedited. If  
18 it was in this order that came out of this hearing,  
19 I believe it could be expedited when that's  
20 completed.

21 Q Okay.

22 A But there might be better sources in this  
23 room that could answer that.

24 Q Okay. That would certainly be helpful.  
25 We don't object to the suggestion. We think it's

1 prudent, and we would just hope that there would be  
2 an expedited method.

3 The last question for you, then, is  
4 especially with respect to the third tier at full  
5 build-out, would there been an interim possibility  
6 in your recommendation to submit an affidavit? So  
7 if the Company got halfway through the build and it  
8 determined that the next half was not going to be  
9 done for six months later, could it submit an  
10 affidavit at the halfway point and say, we've done  
11 this amount, or is that not contemplated?

12 A We didn't contemplate that in this  
13 recommendation.

14 Q So it's full build-out?

15 A We could have, we just didn't. We didn't  
16 see it as being a real long-term build out. We  
17 thought it was maybe a year beyond the tank, but it  
18 may be more than that. I don't know.

19 Q No, I think you're probably right. I  
20 wanted to clarify that so that the Company knew that  
21 it had to complete it and then submit the affidavit.  
22 And I think you're right, it is shorter term.

23 MR. ATWATER: I have no further  
24 questions.

25 MR. SAVAGE: May I, Your Honor?



1 OFFICER HAMMER: Of course.

2 BY MR. SAVAGE:

3 Q Good morning, Mr. Duncan.

4 A Good morning.

5 Q First of all, I don't know what I said to  
6 Mr. White that lets there be any doubt, but I have  
7 no opposition to there being a standby fee. That  
8 isn't my problem, whether it's a standby fee of  
9 \$4,000 or \$15,000, I understand that. My problem is  
10 that if we are collecting \$5.30 a gallon, and --

11 MS. SCHMID: Objection. Is Counsel  
12 testifying?

13 OFFICER HAMMER: I think he's giving  
14 context to his question.

15 MR. SAVAGE: This is heading towards  
16 a question.

17 BY MR. SAVAGE:

18 Q Okay. I'll start with a question if that  
19 helps Counsel better. If we look on page 15 of your  
20 testimony, the table.

21 A Yes.

22 Q That first column says, "During  
23 construction of the replacement tank."

24 A Yes.

25 Q And I believe you testified just a minute

1 ago that it's contemplated that that's an indefinite  
2 period until Community Water tells you the tank is  
3 complete?

4 A Yes.

5 Q Yet, you've heard today that that tank may  
6 never be built?

7 A I've heard that, as I understand it, if  
8 the Company is annexed by Mountain Regional.

9 Q Correct.

10 A So my clarification would be that that  
11 would be during whatever time that they have to buy  
12 supplemental water from Summit Water.

13 Q Okay. Or Mountain Regional through the  
14 interconnect, or you just didn't consider that?

15 A I didn't consider Mountain Regional  
16 because I don't know what the rates would be for  
17 Mountain Regional. So I can't build that into my  
18 rate recommendation at this point.

19 Q And that's getting to the concern I was  
20 trying to develop with Mr. White. And that is, so  
21 if, hypothetically, the water from -- the  
22 interconnect was complete --

23 A The interconnect with Mountain Regional?

24 Q Yes, Mountain Regional. Hypothetically,  
25 that's completed and there's never a fire or a

1 catastrophic event, there's no use of water from  
2 Mountain Regional during this interim period. Are  
3 you with me on that hypothetical?

4 A Yes.

5 Q What was the intent of the Division if  
6 there was an overage of payment by the users who are  
7 paying the \$5.30 a thousand gallons for that water  
8 for irrigation?

9 A The intent of the Division was that the  
10 \$5.30 would simply reimburse Summit Water for the  
11 exact amount of water they bought.

12 Q Did the Division ever intend that if there  
13 was an overage it would go to the owners of  
14 Community Water?

15 A No.

16 Q I'm curious on the Phase 1 and Phase 2  
17 numbers, when we get to about 48,000 gallons, you go  
18 to \$11.20 per thousand gallon. Why such a big  
19 increase there?

20 A The Division has, for several years,  
21 advocated rates that promote water conservation and  
22 we do that by -- on our usage charges normally  
23 doubling on the tiers. And that's just simply to  
24 incent people to conserve water.

25 Q Okay. And that's the basic reason why

1 that jump is so high there?

2 A Yes.

3 Q \$5.60 a gallon? Per thousand gallon?

4 A Yes.

5 Q Did you look at any of the usage, as to  
6 how much lawn Plat B and D has to irrigate and what  
7 it would cost it to change that to xeriscaping?

8 A I did not.

9 Q Did you even look at what that would cost  
10 Plat B and D monthly if we were to pay \$11.20?

11 A No, because I don't have good usage  
12 numbers.

13 Q Okay. It was just using what the Division  
14 had done before to try and conserve water, double  
15 the amount?

16 A Correct.

17 MR. SAVAGE: That's all I have.

18 Thank you, sir.

19 OFFICER HAMMER: Ms. Schmid, any  
20 redirect?

21 MS. SCHMID: One moment, please.

22 BY MS. SCHMID:

23 Q Just a couple of questions. Mr. Duncan,  
24 is it your understanding that if Community Water  
25 Company is annexed into Mountain Regional, that

1 **Mountain Regional will establish the rates once that**  
2 **transaction has been recognized by the Commission**  
3 **through revocation of Community Water CPCN?**

4 A Yes.

5 MS. SCHMID: Those are all my  
6 questions. Thank you.

7 OFFICER HAMMER: Thank you,  
8 Mr. Duncan. Ms. Schmid, do you have another  
9 witness?

10 MS. SCHMID: I do. I have two more.  
11 The Division would like to call Mr. Casey Coleman as  
12 its second witness.

13 CASEY J. COLEMAN,  
14 having been first duly sworn to tell the truth, was  
15 examined and testified as follows:

16 BY MS. SCHMID:

17 Q **Good morning.**

18 A Good morning.

19 Q **Please state your name, employer, and**  
20 **business address for the record.**

21 A My name is Casey J. Coleman. I work for  
22 the Division of Public Utilities as a utility  
23 technical consultant, and the address is the same as  
24 what Mr. Duncan gave earlier.

25 Q **In connection with your employment by the**

1 Division, have you participated on behalf of the  
2 Division in this docket?

3 A Yes.

4 Q Did you prepare and cause to be filed what  
5 I will call the cost of capital testimony, also  
6 known as DPU Exhibit No. 3.0 Direct, your prefiled  
7 direct testimony with Exhibits 3.1 through 3.5 and  
8 3.6?

9 A Yes.

10 Q Do you have any changes or corrections to  
11 that testimony?

12 A No.

13 MS. SCHMID: The Division would like  
14 to move for the admission of the testimony of  
15 Mr. Coleman.

16 OFFICER HAMMER: It's admitted.

17 BY MS. SCHMID:

18 Q Mr. Coleman, do you have a brief summary  
19 you'd like to give today?

20 A Sure. As indicated in my testimony there,  
21 I went through and looked at what would be some  
22 reasonable cost of capital, and then also looking at  
23 a hypothetical capital structure for a water utility  
24 company. Our recommendation was that the Commission  
25 should basically allow Community Water in this

1 situation to have an overall rate of return of  
2 7.15 percent, and that includes a 10.22 percent cost  
3 of common equity using the hypothetical capital  
4 structure which I discussed in more detail in my  
5 testimony. And we believe at this time, using that  
6 as the foundation and with what Mr. Duncan had  
7 talked about before, that that provides just and  
8 reasonable rates for this proceeding.

9 **Q Thank you.**

10 MS. SCHMID: Thank you. Mr. Coleman  
11 is now available for questions and questions from  
12 the hearing officer.

13 OFFICER HAMMER: Mr. Atwater?

14 MR. ATWATER: The applicant has no  
15 questions, just to say that it has reviewed the  
16 testimony and believes that it fairly and adequately  
17 states what would be reasonable in this context.

18 OFFICER HAMMER: Mr. Savage?

19 MR. SAVAGE: I have no questions.

20 OFFICER HAMMER: And neither do I.  
21 Thank you, Mr. Coleman.

22 MS. SCHMID: The Division would like  
23 to call its third and final witness, Mr. Gary Smith.

24 GARY SMITH,

25 having been first duly sworn to tell the truth, was

1 examined and testified as follows:

2 BY MS. SCHMID:

3 Q Good morning.

4 A Good morning.

5 Q The first question is easy to anticipate.

6 Could you please state your name, position,  
7 employer, and business address for the record?

8 A I will. I'm Gary Smith. I'm employed as  
9 a utility analyst for the State of Utah Division of  
10 Public Utilities. My business address is 160 East  
11 300 South in Salt Lake City.

12 Q In connection with your employment by the  
13 Division, have you participated in this docket?

14 A I have.

15 Q Did you prepare and cause to be filed what  
16 is marked as DPU Exhibit Number 2.0 and filed  
17 February 13, 2018? This exhibit contains a number  
18 of exhibits ranging from 2.1 through 2.12; is that  
19 correct?

20 A Yes. That is correct.

21 Q In these -- do you have any changes or  
22 corrections to your testimony?

23 A No, I do not.

24 MS. SCHMID: With that, the Division  
25 would like to move for the admission of DPU Exhibit



1 No. 2.0 and its accompanying exhibits.

2 MR. SAVAGE: No objection.

3 OFFICER HAMMER: It's admitted.

4 BY MS. SCHMID:

5 Q Mr. Smith, do you have a brief summary to  
6 give today?

7 A I do.

8 Q Please proceed.

9 A The Division, in an effort to evaluate the  
10 Company's request for a rate increase, conducted a  
11 focused on-site review of the Company's records on  
12 September 25, 2017, and filed three data requests on  
13 October 4, 2017, November 20, 2017, and December 12,  
14 2017.

15 I have reviewed, analyzed, and evaluated  
16 the operations and maintenance expenses received  
17 from the Company through this process of discovery.  
18 My review also utilized information provided by the  
19 Company in their September 14, 2017, application and  
20 the November 13, 2017, supplemental direct  
21 testimony. I also reviewed annual reports in past  
22 rate cases. Since the October 19, 2017, interim  
23 hearing, the Company has provided evidence and  
24 documentation of significant changes and increases  
25 in their operations and maintenance expenses,

1 including the termination of the 2004 water service  
2 agreement with Summit Water Distribution Company.

3 These increases and changes in the  
4 Company's cost of service were considered in  
5 establishing the Company's revenue requirement, and  
6 would provide just and reasonable rates as detailed  
7 in my direct testimony, dated February 13, 2018.

8 Q Do the numbers in Exhibit 2.0 reflect the  
9 Summit Water contract that the Company talked about  
10 or introduced in its November testimony?

11 A In November, their supplemental direct  
12 testimony advised of the termination of that  
13 contract with a month-to-month replacement of that,  
14 which increased their costs significantly over that.

15 MS. SCHMID: Those are all my  
16 questions. Mr. Smith is now available for  
17 questioning.

18 OFFICER HAMMER: Mr. Atwater?

19 BY MR. ATWATER:

20 Q Thank you. How are you?

21 A Good, thank you.

22 Q Good. I don't have any questions for you  
23 today, unlike the interim hearing. I do want to,  
24 for the record, however, thank you for the  
25 thoroughness of your investigation, your working

1 with our staff, especially Stacy Wilson. We  
2 appreciate, really, the time and energy you put into  
3 this and know that what you have come up with here  
4 is accurate, with respect to our accounting, so  
5 thank you.

6 OFFICER HAMMER: Thank you,  
7 Mr. Atwater.

8 MR. SAVAGE: I have no questions.

9 OFFICER HAMMER: Mr. Smith, you're  
10 excused. Thank you.

11 MS. SCHMID: The Division has nothing  
12 further.

13 OFFICER HAMMER: All right. Before  
14 we adjourn, would any counsel like to make any kind  
15 of closing statement or recommendation with respect  
16 to any forthcoming order? I'll start with  
17 Mr. Atwater.

18 MR. ATWATER: Thank you. Just very  
19 briefly, at the outset I had mentioned we had two  
20 questions about the Division of Public Utilities'  
21 proposed rates. They've answered both of those  
22 satisfactory to our question, number one, with how  
23 we would go from step to step in the rate structure  
24 based upon the submittal of an affidavit and an  
25 order from the Commission. I would request and hope

1 that there would be some sort of an expedited  
2 ability or process in that regard.

3           With respect to the second question,  
4 the charge -- what I'll call the irrigation  
5 surcharge -- I understand the difficulty in  
6 suggesting that it should just be an immediate  
7 pass-through, given you don't know the amount of  
8 that pass through. I did some math during the  
9 break, and I think that even at the \$5.30 per  
10 thousand gallons above 6,000 and whatever contract  
11 we use -- whether that's the Mountain Regional  
12 contract or the Summit Water contract -- I think  
13 that it's probably going to be pretty close to an  
14 immediate pass through. And so we would support the  
15 testimony and the request or suggestion by  
16 Mr. Duncan in his testimony.

17           Lastly, I just want to address  
18 briefly the annexation, as it has been talked about  
19 pretty readily today. I think that the customers  
20 and the Company are very excited about that  
21 prospect. I think that it is a very positive move  
22 for everyone to provide long-term sustainability.  
23 We are in that period of time where the likelihood  
24 of that happening is highly likely, and we will  
25 submit the request once the annexation agreement is

1 signed.

2 But that said, I do think this  
3 hearing is important, and I do think that the  
4 Commission's order is important because that is all  
5 a future event, and the Company needs to continue to  
6 operate in the interim and potentially for the long  
7 term. So we do appreciate everyone's time, it's not  
8 for naught. This is an important part of the  
9 Company's evolution, and so I thank everyone for  
10 their time and efforts.

11 OFFICER HAMMER: Thank you,  
12 Mr. Atwater. Ms. Schmid.

13 MS. SCHMID: Small water companies  
14 present a unique regulatory challenge. Often, there  
15 is a small customer base, limited resources, and a  
16 desire of customers to pay the lowest possible rate  
17 while maintaining service. These things are all  
18 understandable, they're all commonly understood.

19 One challenge that particularly faces  
20 small water companies is a challenge connected with  
21 infrastructure maintenance and replacement. As we  
22 have seen with Community Water, replacement of  
23 infrastructure can be expensive and at times,  
24 unexpected. The Division's rates are designed to  
25 help mitigate any such future challenges by

1 presenting and implementing a capital reserve  
2 account. This account would be used for such things  
3 as infrastructure replacement or other major  
4 projects.

5 As you have seen today, there are  
6 many, many moving pieces -- even some moving pieces  
7 that we didn't know about -- that affect Community  
8 Water. With regard to what we have learned today,  
9 I'd just like to remind the Commission that  
10 ratemaking is an art and a science, and that the  
11 Division intends the rates to be just, reasonable,  
12 and in the public interest. The Division also would  
13 like to note that rates established by the  
14 Commission would be in effect only until an  
15 annexation happens and the Company surrenders its  
16 CPCN through a filing with the Commission.

17 The Division appreciates the  
18 challenges of running a small company, appreciates  
19 the challenges of devoted customers, and especially  
20 appreciates the efforts of the Division's staff.  
21 Thank you.

22 OFFICER HAMMER: Thank you.  
23 Mr. Savage.

24 MR. SAVAGE: Just briefly, calling  
25 attention to page 15 of Mr. Duncan's submitted

1 testimony, the tables on the rates, the first  
2 table -- which is designed to provide funds to pay  
3 Summit Water for irrigation water -- is for during  
4 construction of the replacement tank. I also think  
5 the Mountain Regional is a very good option and I  
6 think it's probably going to go through, and if so,  
7 there will never be construction of a replacement  
8 tank. I therefore suggest that the Commission order  
9 the rate for during construction of the replacement  
10 tank, which I have no problem with.

11 I think the Division has done a very  
12 good job of trying to set the rate. I think it's  
13 going to be close, whether it's Summit Water --  
14 whether the water source is Summit Water or Mountain  
15 Regional through the interconnect, so my suggestion  
16 is the Commission have the "during the construction  
17 of the replacement tank" rate be in effect until  
18 either the replacement tank is up and operating, or  
19 Community Water is annexed by Mountain Regional. So  
20 I think that rate should stay in effect until  
21 Mountain Regional annexes the system, if that  
22 happens. Obviously, if the tank is built, then the  
23 table is fine.

24 I would also ask the Commission to  
25 impose a requirement on Community Water that if

1 during the period of time that that rate is in  
2 effect there is an over collection, that that over  
3 collection be refunded to the users in the event of  
4 the annexation.

5 In the event that the annexation  
6 doesn't go through, I have no problem with Community  
7 Water retaining that money as a reserve. But if  
8 they over collect during this period of trying to  
9 get the annexation through, then I think that money  
10 should be refunded at the time of the annexation.  
11 And that's all I have. Thank you.

12 OFFICER HAMMER: Thank you,  
13 Mr. Savage. Before we adjourn, I'll note we have a  
14 public witness hearing noticed for 4:00 p.m. this  
15 afternoon, so we will convene at that time. You're  
16 welcome to be here and participate in that if you  
17 wish. Thank you, everyone. We're adjourned.

18 (The hearing concluded at 10:35 a.m.)  
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REPORTER'S CERTIFICATE

STATE OF UTAH )  
COUNTY OF SUMMIT )

I, Mary R. Honigman, a Registered Professional Reporter, hereby certify:

THAT the foregoing proceedings were taken before me at the time and place set forth in the caption hereof; that the witnesses were placed under oath to tell the truth, the whole truth, and nothing but the truth; that the proceedings were taken down by me in shorthand and thereafter my notes were transcribed through computer-aided transcription; and the foregoing transcript constitutes a full, true, and accurate record of such testimony adduced and oral proceedings had, and of the whole thereof.

I have subscribed my name on this 16th day of April, 2018.



Mary R. Honigman  
Registered Professional Reporter #972887

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