

# **The Case for Pineview West Water Company Rate Increase Before the Public Service Commission of Utah**

**Docket No. 19-2438-01**

**In the matter of the Application of Pineview West Water Company for approval of a rate increase.**

**Testimony of John Durig, Vice President of Pineview West Water Company,  
May 21, 2020:**

## **History**

The original water company built by Ed Radford, the developer of Radford Hills and subsequently run by Nate Brockbank the developer of Crimson Ridge, was turned over as an insolvent and nearly bankrupt business with an incomplete infrastructure to the home owners/shareholders in 2009. Nate Brockbank went bankrupt and turned the company over to the shareholders in 2009. The company has been run by a handful of volunteers led by Peter Turner who has filled the role of President since 2009. Running this business has involved not only the typical requirements of monitoring, invoicing and maintenance but also significant upgrades in automation, computer monitoring, negotiation with Ogden City Water for supply and attempting to educate and control shareholders concerning the availability, cost and impact of spikes in demand. The degree of engineering skills, business acumen required to keep the system running and above water cannot be overstated. The President and none of the volunteers have been compensated with the exception of actual purchased items for maintenance, expenses and occasionally a small hourly rate of \$20 to \$45 per hour. Small stipends have been paid to some board members over the last few years. The importance of this quick review is that in order to be a sustainable business there must be some compensation for the guidance and actual work performed by the Board members. The reason it is so critical is that if Peter Turner, and to a lesser degree the other board members, no longer choose to volunteer, PWWC would be required to hire an outside person to run the company at an expense we are currently not in a position to pay. Part of the funds from an increase will be to fund compensation for operational activities and time for four board Members (\$20,000 in total 2020).

## **Current Supply Situation**

Culinary water comes from two sources. The first, Ogden City Water provides untreated water to Pineview under a renegotiated contract (there were two wildly disparate and conflicting contracts at the time control was passed to the shareholders, none favorable to PWWC). The contract stipulates supply of up to 14.6 million gallons annually with a tiered rate structure increasing cost for each 2 million gallon draw. As soon as the next tier is reached, a charge for

the next 2 million gallons is required, even if it is just 1 gallon into the next tier. Additionally, there is a daily maximum of 40,000 gallons per day.

The second source is from 2 culinary wells. Combined they can produce 6 million gallons per year under ideal conditions. Trying to balance spikes in demand (especially when culinary water is used for irrigation by a small number of customers), limiting cost by minimizing demand for Ogden City Water and insuring adequate pressure for fire suppression (by keeping our tank full) frequently puts sufficient demand on the pumps that efficiency declines. The pumping rates for these two wells has ranged from 10-15 gpm in after the initial drawdown in the well casing.

Our total capacity for 119 lots at build out is 173,109 gal per year, 14,425 per month and 474 gallons per day.

The variation in monthly usage ranges are shown with attached graphs and Excel spreadsheet data. Looking at these figures at a monthly rate provides a better picture of the challenges of managing water supply in a fair and equitable manner. While daily rates are not available from meter readings for all homes, when water levels fell precipitously this last spring, a leak was suspected. It turned out that one home was using in excess of 3500 gallons and up to 6000 gallons per day. A small leak was repaired in a sprinkler system but water consumption actually went up as temperatures increased. Board members read the meter daily for a while and one day usage reached 9000 gallons. Repeated discussions with the owner yielded no change in water usage.

### **Challenges Facing PWWC to Provide Equitable Treatment of Shareholders**

In attempts to control water usage at a reasonable level, the Board has instituted a requirement, in the form of a letter to new homes requiring their signature agreeing to comply with the Crimson Ridge HOA requirements for landscaping. All homeowners should receive this from the HOA upon purchase of the land or beginning the building process. The Crimson Ridge HOA is responsible for approving landscape plans. Radford Hills does not have an HOA but there are only (insert number) buildable in Radford Hills. Crimson Ridge has 19 remaining buildable lots. Unfortunately, PWWC has no control over the decisions the HOA makes nor does it have any power of enforcement. In fact, plans were approved by the HOA for one home that used an average of 100,000 per month, primarily for irrigation. Even if an original homeowner agrees and follows the HOA guidelines, there is no way to prevent a subsequent owner from putting in 20,000 sq ft of Kentucky bluegrass.

Our second means of attempting to maintain reasonable water consumption is that a certificate of occupancy must include a sign off concerning water supply. At that time, discussions are held with the homeowner, compliance with HOA restrictions are requested and an attempt to educate them concerning conservation and the effects overuse creates for the water system infrastructure and availability. Again, this is an event over which we have no control. In fact, we have one situation where the Crimson Ridge HOA approved a landscape plan that is

egregiously outside the standards required. When the HOA was challenged, the response was, "I thought we had plenty of water from Ogden". No corrective action was taken by the HOA. This same home received a Certificate of Occupancy without the required signature from PWWC. Weber County was challenged, they had no explanation. Clearly the system has failed the shareholders of PWWC.

At this time we see no other means of providing equitable treatment of shareholders than to request a significant rate change to induce conservancy above normal and reasonable water consumption levels. Higher rates would at least increase income to offset the additional burden and wear and tear on our infrastructure if they did not successfully encourage conservation.

### **Rate History**

Our most recent rate increase was in 2009. Since then, purchased water from Ogden City rates have increased and based on growth in the area, the need for purchased water has dramatically increased. Therefore, the cost of delivering water overall has increased. Most of the increase occurs during summer months when culinary water is being used for outside irrigation by customers not on the secondary system. We need a conservation rate increase to help cover the extra expenses and to encourage water conservation.

### **Number of Customers**

We currently have 82 connected customers and 37 standby customers. Full build out is 119 connections. At the current water usage rate and full build out, we will not have an adequate supply of water unless water conservation is practiced in the summer.

### **Additional Required Investment**

In order to ensure that an escalating conservation rate captures the spikes caused by use for irrigation, we will need to begin a monthly billing rather than a quarterly billing. That will require that all existing homes without a remote reading capability will have to be installed with the same. The cost for this is approximately \$28,000.

### **Rate Increase**

We need a conservation rate increase to help cover the higher cost purchased water expenses and to encourage water conservation as well as to cover the additional expenses of radio-transmitted water meters. In addition, our infrastructure is aging and will need constant maintenance. Chart listing all rates, charges and fees is attached as Exhibit A.

### **Service Area**

We are not seeking to change the service area for Pineview West Water Company at this time.