

–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

**Request of Pineview West Water Company
for a Rate Review for Approval of a
Conservation Rate Increase**

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**DOCKET NO. 19-2438-01
Exhibit No. DPU 1.0 DIR
Mark Long**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

Mark Long

October 16, 2020

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION WITH**
3 **THE DIVISION OF PUBLIC UTILITIES.**

4 A. My name is Mark A. Long. My business address is Heber M. Wells Building, 160 East
5 300 South, 4th Floor, Salt Lake City, Utah. I am employed by the Department of
6 Commerce, Division of Public Utilities (Division or DPU) for the State of Utah as a
7 Utility Analyst.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **EXPERIENCE.**

10 A. I received a Bachelor of Science degree in Accounting from the University of Utah. I was
11 employed for 22 years with the Utah Tax Commission as a tax auditor and criminal
12 investigator. I have been employed by the Division since December of 2008. I am a
13 member of the Association of Government Accountants and the Association of Certified
14 Fraud Examiners.

15 **IDENTIFICATION OF WITNESS**

16 **Q. FOR WHICH PARTY WILL YOU BE OFFERING TESTIMONY IN THIS**
17 **CASE?**

18 A. I will be testifying on behalf of the Division.

19 **Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF**
20 **UTAH (COMMISSION) REGARDING WATER RATE CASES ON PRIOR**
21 **OCCASIONS?**

22 A. Yes. I have testified before the Commission as an expert witness, most recently in Docket
23 Nos. 10-2529-01, 11-097-01, 11-097-02, 11-097-03, 12-2443-01 and 13-2506-01.

24 **Q. PLEASE DESCRIBE YOUR PARTICIPATION IN THE DIVISION'S REVIEW**
25 **OF PINEVIEW WEST WATER COMPANY (PINEVIEW OR COMPANY) IN**
26 **THIS DOCKET.**

27 A. I am the lead investigative auditor assigned to this case. I have been involved with and
28 participated in the review, investigation, and analysis of Pineview's operations, revenues,
29 and expenses. I reviewed and analyzed all the documentation and data submitted with the
30 rate case, data requests, several emails, phone calls, and virtual meetings. I have also
31 directed other analysts in the Division to gather, review, and analyze information in this
32 case.

33 **PURPOSE OF TESTIMONY**

34 **Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.**

35 A. My testimony will first describe general ratemaking principles and the rate case process
36 related to water utilities regulated by the Commission.

37 Second, my testimony will describe the policies and guiding principles of the Division in
38 advocating a rate structure for regulated water companies. My testimony will also address
39 how the rate model utilized by the Division achieves the Division's policy objectives.

40 Thirdly, my testimony will provide some background on Pineview and present my
41 analysis regarding the financial aspects of the Company, which includes 11 exhibits. I
42 will also recommend new rates and fees and related tariff changes.

43 **DIVISION'S WATER POLICY OBJECTIVES**

44 **Q. FOR THE BENEFIT OF THE COMPANY AND ITS CUSTOMERS, WILL YOU**
45 **PLEASE BRIEFLY DESCRIBE THE RATE CASE PROCESS FOR**
46 **REGULATED WATER COMPANIES?**

47 A. Yes. Let me first remind interested parties that customers are not only paying for water;
48 they are also paying for the infrastructure and range of services required to receive a

49 clean and reliable water supply. Fresh, pure water is expensive to pump, store, treat, and
50 transport to the tap.

51 Since public utility ratemaking is prospective, rates are calculated in advance of the
52 consumer using the services. The rates are designed to allow the public utility the
53 opportunity to fully recover all costs prudently incurred by the company in providing
54 service now and in the future. Thus, an estimate is made of the future cost of service
55 based on a prior or forecast “test year,” which includes operations and maintenance
56 expenses, reserves or savings, return on investment, and taxes. Test year costs can be
57 adjusted to include known and measurable changes that the company will incur. Test year
58 costs are also normalized to provide an accurate estimate of future expenses. Consumers
59 have an obligation to reimburse the company at rates that will cover its costs, fund a
60 capital reserve account, and provide an opportunity to earn a return on its investment in
61 infrastructure.

62 **Q. WHAT ARE THE DIVISION’S MAIN POLICY OBJECTIVES?**

63 A. The DPU has several policy objectives defined in Utah Code Section 54-4a-6, including:

- 64 *(1) Promote the safe, healthy, economic, efficient, and reliable operation*
65 *of all public utilities and their services, instrumentalities, equipment, and*
66 *facilities;*
67 *(2) provide for just, reasonable, and adequate rates, charges,*
68 *classifications, rules, regulations, practices, and services of public*
69 *utilities;*
70 *(3) Make the regulatory process as simple and understandable as possible*
71 *so that it is acceptable to the public; feasible, expeditious, and efficient to*
72 *apply; and designed to minimize controversies over interpretation and*
73 *application;*
74 *(4) For purposes of guiding the activities of the Division of Public*
75 *Utilities, the phrase “just, reasonable, and adequate” encompasses, but is*
76 *not limited to the following criteria:*
77 *(a) Maintain the financial integrity of public utilities by assuring a*
78 *sufficient and fair rate of return;*
79 *(b) Promote efficient management and operation of public utilities;*
80 *(c) Protect the long-range interest of consumers in obtaining continued*
81 *quality and adequate levels of service at the lowest cost consistent with*
82 *the other provisions of Subsection (4).*

- 83 (d) Provide for fair apportionment of the total cost of service among
84 customer categories and individual customers and prevent undue
85 discrimination in rate relationships;
86 (e) Promote stability in rate levels for customers and revenue
87 requirements for utilities from year to year; and
88 (f) Protect against wasteful use of public utility services.

89 **Q. IN SATISFYING THE POLICY OBJECTIVES SET FORTH ABOVE, HAS THE**
90 **DPU SET CERTAIN POLICY GOALS RELATED TO WATER COMPANIES?**

91 A. Yes. The DPU has two primary objectives or goals to achieve through the rate-setting
92 process for water companies. The first objective is promoting financial sustainability for
93 the water company, which will help ensure reliable service at just and reasonable rates.
94 The second objective of the DPU is to encourage water conservation. The DPU achieves
95 these goals by adopting an increasing block rate structure (tiered rates) for water usage
96 and separating the recovery of fixed, system-related costs from volumetric charges
97 related to water.

98 **FINANCIAL SUSTAINABILITY**

99 **Q. PLEASE DESCRIBE HOW THE DIVISION'S RATE MODEL PROMOTES THE**
100 **GOAL OF FINANCIAL SUSTAINABILITY.**

101 A. The DPU rate model promotes this goal through the following four principles:

102 1. Customer rates generally should be set to recover all reasonable and prudent
103 costs that the water company incurs in providing the service. Full-cost pricing
104 refers to the practice of ensuring that the rates provide a revenue stream that
105 adequately covers the company's ongoing operations and maintenance
106 expenses, reserves or savings, return on investment, and taxes. The most
107 apparent benefit of full-cost pricing is the ability of the company to
108 consistently meet all ongoing operational, maintenance, and capital costs to
109 provide a high level of service. It is also vital that utilities do not operate at a
110 loss, depend on subsidies, or continually deplete cash reserves. Operating with

111 less than full-cost pricing often results in a degraded system, thereby
112 compromising the quality of service provided.

113 The Division generally discourages the practice of relying on developer
114 subsidies to recover costs. One possible deviation from this would be for a
115 start-up company in the initial years of providing service that may need a
116 developer subsidy until there are enough residents to support the company.

117 2. Fixed costs are generally recovered through fixed rates. Water companies
118 should not recover fixed costs through volumetric rates. Fixed costs are
119 divided between fixed system expenses and fixed system usage expenses.
120 These fixed cost categories are explained below:

121 a. Fixed system expenses are paid equally by all customers, including
122 both stand-by and connected customers. Fixed system expenses fees
123 pay for a portion (20% of fixed expenses plus 80% of the reserve
124 account, unless otherwise specified) of the water utility's fixed costs.
125 Customers with a stand-by status pay only these fees.

126 b. Fixed system usage expenses are the remainder of the unpaid fixed
127 expenses not paid through the fixed system expenses Fees are paid
128 equally by only those customers connected to the water system. Fixed
129 usage expenses are costs that are more directly related to the pumping,
130 treating, and storage of the water provided to each connected customer
131 every month. Fixed System Usage Fees plus Fixed System Fees
132 constitute the base rate paid by all connected customers.

133 3. Variable costs are recovered through consumption or volumetric rates. The
134 basic consumption rate is set at the incremental cost of producing and
135 delivering water.

136 4. The establishment and continued funding of a capital reserve account.

137 **CAPITAL RESERVE ACCOUNT**

138 **Q. PLEASE EXPLAIN WHAT THE CAPITAL RESERVE ACCOUNT IS AND HOW**
139 **IT IS FUNDED.**

140 A. The capital reserve account is a fund primarily used for the repair and replacement of
141 infrastructure. It is funded from two sources.

142 First, the capital reserve account is funded through base rates at an amount equal to the
143 depreciation expense. It is included in the rate base as a fixed cost and, therefore, is
144 funded from both the rates of stand-by and connected customers. These funds should be
145 deposited in a reserve account after each billing period.

146 The second funding source is from amounts billed in conservation tiers over and above
147 the incremental variable cost of providing service. Conservation rates will be discussed
148 later in this testimony.

149 **Q. HOW DOES THE CAPITAL RESERVE ACCOUNT CONTRIBUTE TO THE**
150 **WATER COMPANY'S FINANCIAL SUSTAINABILITY?**

151 A. The establishment and funding of a capital reserve account allows the water company to
152 respond quickly to emergencies and reduces the need for special assessments and
153 expedited rate cases in the event of infrastructure failure. Setting aside reserves is critical
154 to developing and maintaining financial stability. It can mean the difference between a
155 system that is self-sustaining and one that may fall victim to disrepair or become
156 financially unstable during even a relatively small emergency. The account also reduces
157 the need for excessive borrowing of money to repair and replace infrastructure.

158 The targeted minimum amount to be set aside annually for capital reserves is equal to the
159 company's annual depreciation expense before making any adjustments for Contributions
160 in Aid of Construction (CIAC). Due to cost considerations resulting in higher rates, the
161 Division has set the reserve funding at original costs rather than replacement costs.
162 Ideally, the capital reserve account funding would be based on the projected replacement

163 value of the infrastructure, which would better reflect the actual costs of replacing the
164 infrastructure. The Commission has the authority to require any public utility to establish
165 such an account, for example, under Utah Code Section 54-4-24.

166 Since a reserve account was established in Pineview's 2009 rate case, Pineview has
167 effectively used the reserve account on several occasions for unanticipated expenses that
168 were not budgeted for in its 2009 rate case to avoid rate increases and special assessments
169 for over 11 years. Pineview's aging infrastructure will require additional maintenance,
170 and replacements will likely be even more imminent in the future. In this case, the
171 amount recommended as an annual capital reserve funding is \$34,654. See Exhibit 2.6 for
172 further details.

173 **WATER CONSERVATION**

174 **Q. HOW DOES THE DPU PROMOTE ITS SECOND MAJOR POLICY OBJECTIVE** 175 **OF ENCOURAGING WATER CONSERVATION?**

176 A. Let me preface this by noting that, although in 2019, Utah had its 21st wettest year since
177 1895, Utah still ranked as the third driest state in the country.

178 *Climatologists predict that extreme precipitation events will become more*
179 *common in Utah as global temperatures rise, with snow making way for*
180 *more rain. This could mean water shortages for the already water-scarce*
181 *state, as it depends on snowpack for water storage.¹*

182 The DPU rate model promotes water conservation using an increasing tiered rate for
183 usage over a fixed number of gallons per month. In this Pineview case, 8,000 gallons per
184 month are used. These tiers are typically priced at 1.5 to 2 times higher than the previous
185 level; they are known as conservation rates or conservation tiers.

¹ To determine which states saw the most rainfall in 2019, Stacker consulted the National Oceanic and Atmospheric Administration (NOAA) National Centers for Environmental Information (NCEI) Climate at a Glance: Statewide Time Series, updated as of November 2019. In all, 49 states are ranked by their total precipitation in 2019 from January to October, with the wettest January to October on record also listed. Data was not available for Hawaii. Considering that Hawaii is one of the wettest states in the country, Utah was moved from the fourth driest to the third driest. <https://stacker.com/stories/3794/states-most-rainfall-2019>

186 Utah Code 73-10-32.5(1)² states that a retail water provider shall establish a culinary
187 water rate structure that incorporates increasing block units of water used and provides
188 for an increase in the rate charged for additional block units of water used as usage
189 increases from one block unit to the next.

190 **Q. EARLIER IN YOUR TESTIMONY, YOU MENTIONED USING THESE**
191 **CONSERVATION RATES AS PART OF THE FUNDING SOURCE FOR THE**
192 **CAPITAL RESERVE ACCOUNT. PLEASE ELABORATE.**

193 A. Since all variable costs of providing service are recovered in the consumption rate,
194 amounts billed over that rate would be above cost. The Division's analysis shows it is
195 appropriate to transfer these incremental funds to the capital reserve account, since
196 consumers using larger quantities of water are causing more wear and tear to the water
197 system, and should contribute more funding for the repair and replacement of that
198 infrastructure.

199 **Q. IF THE WATER COMPANY IS COLLECTING REVENUE ABOVE COST,**
200 **DOES THAT CONSTITUTE OVEREARNING?**

201 A. If the excess revenue were going to benefit the owners or shareholders of a company, it
202 would be considered overearning. However, the DPU recommends that this revenue
203 remain in the company's capital reserve account to benefit all customers in maintaining a
204 financially sound a viable utility.

205 **THE RATE MODEL USED BY THE DIVISION IN MAKING ITS**
206 **RECOMMENDATION**

207 **Q. CAN YOU GIVE A MORE DETAILED DESCRIPTION OF THE DIVISION'S**
208 **RATE MODEL USED FOR PINEVIEW?**

209 A. Yes. The Division has developed this model over several years and rate case studies to
210 produce a just and reasonable pricing structure that works within the guidelines set forth

² Utah Code 73-10-32.5. Culinary water pricing structure. Effective 5/10/2016.
<https://le.utah.gov/xcode/Title73/Chapter10/73-10-S32.5.html>

211 by the Public Service Commission Rules, and that is in the public interest. It is adapted to
212 individual cases to take account of each company's unique business.

213 In this case, the Division used the latest financial information, which consists of the 2018
214 and 2019 Water Annual Reports and information submitted in the Company's request for
215 a rate increase. This information was used to obtain a baseline of its reported revenues
216 and expenses and the number of water users, stand-by customers, total gallons delivered,
217 etc. The Division also received information from the issuance of one formal data request,
218 virtual meetings, and phone calls. The Division researched and analyzed the information
219 and recommended making appropriate adjustments to reduce or increase the amounts
220 submitted by the Company.

221 The resulting adjusted expenses are then classified as either a fixed or variable expense.
222 Rates are calculated to cover all fixed costs through base rates charged to all customers.
223 This model ensures that if even a drop of water is not delivered, the Company will have
224 the opportunity to recover all fixed expenses. Pineview currently includes 7,500 gallons
225 per month in its base rate. Pineview suggested that using increments of 8,000 gallons in
226 its tiered conservation rates would be easier for its customers to estimate their monthly
227 billing amount based on their monthly usage. The Division agrees and, therefore, is using
228 8,000 gallons to be included in the base rate as well as in the escalation of the increasing
229 block units in this rate case. The rate of the first 8,000 gallons used each month is based
230 on the actual costs to provide the water, which is minimal. To encourage conservation,
231 the Division increased the rate of the next 8,000 gallons used that month and continues to
232 do so until the final tier quantity of water is reached, at which time, the rate remains
233 constant. Using this model, when customers consume more than 16,000 gallons in a
234 month, putting them in tier 3 of the rate structure, the water company is potentially
235 earning more than the amount allowed by the Commission. *(The first 16,000 gallons is*
236 *priced to cover only the variable costs and would not constitute "over-earning.")* To
237 overcome this potential "over-earning" scenario, the Company is required to deposit any

238 excess net earnings from usage above 16,000 gallons per month into its capital reserve
239 account, as discussed earlier.

240 **COMPANY BACKGROUND:**

241 **Q. PLEASE PROVIDE A BRIEF HISTORICAL BACKGROUND OF PINEVIEW.**

242 A. Pineview's operations are in Weber County, Utah, near Pineview Reservoir in the Ogden
243 Valley. The water system has 91 metered customers and 28 stand-by customers. Its
244 Certificate of Public Convenience and Necessity (CPCN) Number 2438 was issued on
245 September 30, 2004, with a service area approved for up to 133 connections.

246 In 2006, Titan Development, owned by Nathan Brockbank, inherited Pineview West
247 Water Company in a related land acquisition. Titan Development soon discovered that
248 the expenses for repairs, replacement, and general day to day operations of the Water
249 Company far exceeded the revenues. As a result, to keep Pineview operational, Titan
250 Development also subsidized the Water Company. In early 2009, Mr. Brockbank was no
251 longer willing to support the water company and turned it over to the ratepayers. The
252 ratepayers received a water company that was insolvent, nearly bankrupt, and poorly
253 maintained for several years. A special shareholder meeting was held on March 23, 2009,
254 when the shareholder Board of Pineview, led by Peter Turner, was voted in.

255 **Q. PLEASE GIVE A BRIEF SUMMARY OF PINEVIEW'S WATER SUPPLY AS
256 FOUND IN PINEVIEW'S DIRECT TESTIMONY.**

257 Pineview's direct testimony explains that its culinary water comes from two sources. The
258 first, Ogden City Water, provides untreated water to Pineview which stipulates a
259 maximum supply of 14.6 million gallons annually, with a tiered rate structure increasing
260 in cost for each two-million-gallon draw. Additionally, there is a maximum of 40,000
261 gallons per day.

262 The second culinary source is from two wells owned and operated by Pineview. The
263 combined wells can produce six million gallons per year under ideal conditions.

264 **Q. PLEASE GIVE US A BRIEF EXPLANATION OF PINEVIEW'S SPECIAL**
265 **ASSESSMENT IN DOCKET NO. 08-2438-01.**

266 A. On November 20, 2008, Pineview submitted a request for a rate increase and a special
267 assessment. Since some of the information needed for the rate increase was missing, but
268 the information required for the special assessment was mostly complete, the case was
269 bifurcated into two parts so that the special assessment could proceed without delay. The
270 assigned docket to the special assessment was Docket No. 08-2438-01. The rate increase
271 portion was completed the following year, in Docket No. 09-2438-01.

272 The special assessment, in Docket No. 08-2438-01, was issued on February 4, 2009. The
273 total special assessment was \$37,631.99. Each of the 58 ratepayers was assessed \$648.52
274 (\$37,361.99 ÷ 58) with one-half due immediately and the remainder to be paid in six
275 equal monthly payments. The Commission noted in its Order:

276 *None of the ratepayers testifying opposed the special assessment, and in*
277 *fact, encouraged the Commission to approve it so as to prevent any future*
278 *termination or decrease of service.*

279 **Q. WHEN WAS THE ORDER APPROVING THE RATE INCREASE IN DOCKET**
280 **NO. 09-2438-01 ISSUED?**

281 A. The Commission issued its Report and Order on July 15, 2009, to increase rates on
282 July 1, 2009.

283 **Q. HAS PINEVIEW HAD A SPECIAL ASSESSMENT OR RATE INCREASE SINCE**
284 **THESE AFOREMENTIONED DOCKETS?**

285 A. No. It has been over 11 ½ years since the Special Assessment and over 11 years since the
286 last rate increase.

287 **Q. WERE YOU INVOLVED IN DOCKETS NO. 08-2438-01 AND NO. 09-2438-01?**

288 A. Yes.

289 **Q. DO YOU WISH TO SHARE ANY OBSERVATIONS REGARDING THESE TWO**
290 **DOCKETS?**

291 A. Yes. The Division was concerned that if the Pineview Board of volunteers continued to
292 run the Company as it was run in the past by various developers, it would fail, even with
293 the special assessment and a rate increase. The Division followed the Company closely
294 for several years and could not be more complimentary of its leadership and sound
295 business practices. It has used its capital reserve account to its advantage and despite now
296 needing a rate increase, appears to be financially sound.

297 **PINEVIEW’S CURRENT RATES AND FEES**

298 **Q. WHAT ARE THE CURRENT RATE STRUCTURE AND FEES ORDERED IN**
299 **DOCKET NO. 09-2438-01, PRESENTLY IN PLACE AT PINEVIEW?**

300 A. The following chart shows the monthly rates and fees, as approved in
301 Docket No. 09-2438-01:

Table 1
Current Monthly Rates and Fees for Pineview

Description	Charges
Water Rates	
First 7,500 gallons (minimum rate)	\$55 per month
Usage per 1,000 gallons over 7,500 gallons	\$5
Lots temporarily without meters	\$55 per month
Unmetered lots	\$55 per month
Non-shareholder contract rates	\$55 per month
Fees and Other Charges	
Standby Fees	\$240 per year
Disconnect fees	\$100 per occurrence
Re-connect fees	\$100 per occurrence
First time service connection	\$3,500
¾”-Line meter connection fee	\$200
1”-Line meter connection fee	\$300
1 ½”-Line meter connection fee	\$500
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)
Fee for unwarranted service call	Actual cost

302

303 **Q. IS TABLE 1 AN IDENTICAL CHART AS FOUND IN PINEVIEW'S TARIFF?**

304 A. No. Although all of the amounts and wording are the same, the Division changed the
305 order of some of the rates and fees for comparison purposes to be used later.

306 **Q. WHAT DOES THE DIVISION CONCLUDE ABOUT THE CURRENT RATES
307 AND RATE STRUCTURE?**

308 A. The Division's analysis shows that the current rates and rate structure no longer cover
309 fixed costs and do not have an effective conservation rate with an increasing tiered rate
310 structure (increasing block unit) as mandated in Utah Code 73-10-32.5(1)³. The rates and
311 rate structure no longer results in just and reasonable rates and are no longer in the public
312 interest.

313

³ Utah Code 73-10-32.5. Culinary water pricing structure. Effective 5/10/2016.
<https://le.utah.gov/xcode/Title73/Chapter10/73-10-S32.5.html>

314 **RECOMMENDED RATES AND FEES**

315 **Q. WHAT RATES ARE THE DIVISION PROPOSING IN THIS DOCKET?**

316 A. The rates, as detailed in Exhibit 2.2 and further explained in Exhibit 2.2.a, are listed
317 below, under Water Rates section:

Table 2
Proposed Monthly Rates and Fees for Pineview

Description	Charges
Water Rates	
First 8,000 gallons (included in Base Rates)	\$70 per month
Usage per 1,000 gallons per month	
Tier 1 (0 to 8,000 gals)	\$0.00
Tier 2 (8,001 to 16,000 gals)	\$6.50
Tier 3 (16,001 to 24,000 gals)	\$13.00
Tier 4 (24,001 to 32,000 gals)	\$19.50
Tier 5 (> 32,000 gals)	\$29.50
Fees and Other Charges	
Standby Fees *	\$336 per year or \$84 per quarter
Disconnect fees	\$120 per occurrence
Re-connect fees	\$120 per occurrence
First time service connection	\$4,200
¾"-Line meter connection fee (in addition to)	\$275
1"-Line meter connection fee (in addition to)	\$465
1 ½"-Line meter connection fee (in addition to)	\$655
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)
Filing Lien	\$150 each
Releasing Lien	\$150 each
Fee for unwarranted service call **	Actual cost

318 * Applies to lots where service mains are in place and where water service is available,
319 but no water service has been connected, and no water service is used; Or where the
320 Company has disconnected water service at the request of the customer; or
321 involuntarily by the Company after proper notice to the customer.

322 ** The Company is responsible for issues involving infrastructure up to and including the
323 meter. Problems, e.g., leaks or frozen pipes, beyond the meter on the customer's side,
324 are the customers' responsibility. The customer must pay the actual costs of the
325 service call, including parts and labor.

326 **Q. WHAT DOES THE DIVISION’S ANALYSIS CONCLUDE ABOUT THE**
327 **PROPOSED RATES AND RATE STRUCTURE?**

328 A. The Division’s analysis shows that the proposed rates and rate structure cover all fixed
329 costs, continue to fund the reserve account, and have an effective conservation rate
330 structure with increasing tiered rates as mandated by Utah Code 73-10-32.5(1)⁴. The
331 Division concludes that these rates and rate structure results in just and reasonable rates
332 and is in the public interest.

333 **Q. BESIDES THE INCREASE IN WATER RATES, IS THE DIVISION**
334 **RECOMMENDING CHANGES TO ANY OF THE OTHER FEES AND**
335 **CHARGES, AS SHOWN IN THE LOWER SECTION OF TABLE 2?**

336 A. Yes. The Division is recommending that the disconnect and re-connect fees are increased
337 by 20%, roughly equal to the rate of inflation. The Division is also recommending that
338 the first time service connection, and the additional charges based on the meter size, are
339 increased to cover the actual costs.

340 **Q. WHY DOES THE DIVISION RECOMMEND OMITTING SOME FEES AND**
341 **ADDING OTHER FEES?**

342 A. The fees omitted have never been used, nor does Pineview anticipate them being used.
343 The fees for filing and releasing liens have been added to reflect the added time and labor
344 costs required for Pineview personnel.

⁴ Utah Code 73-10-32.5. Culinary water pricing structure. Effective 5/10/2016.
<https://le.utah.gov/xcode/Title73/Chapter10/73-10-S32.5.html>

345 **RATE COMPARISON**

346 **Q. PLEASE SHOW A SIDE-BY-SIDE COMPARISON OF THE MONTHLY RATES**
347 **RECOMMENDED BY THE DIVISION AND THE MONTHLY RATES**
348 **CURRENTLY IN PLACE, AS WELL AS FEES.**

Table 3
Current and Proposed monthly rates and fees for Pineview

Description	Current	Proposed
Water Rates		
First 8,000 gallons (included in Base Rates)	\$55 per month (7,500 gallons)	\$70 per month
<i>Usage per 1,000 gallons</i>		
Tier 1 (0 to 8,000 gals)	\$0.00	\$0.00
Tier 2 (8,001 to 16,000 gals)	\$5.00	\$6.50
Tier 3 (16,001 to 24,000 gals)		\$13.00
Tier 4 (24,001 to 32,000 gals)		\$19.50
Tier 5 (> 32,000 gals)	▼	\$29.50
Lots temporarily without meters	\$55 per month	n/a
Unmetered Lots	\$55 per month	n/a
Non-shareholder contract rates	\$55 per month	\$70 per month
Fees and Other Charges		
Standby Fees *	\$240 per year	\$336 per year or \$84 per quarter
Disconnect fees	\$100 per occurrence	\$120 per occurrence
Re-connect fees	\$100 per occurrence	\$120 per occurrence
First time service connection	\$3,500	\$4,200
¾"-Line meter connection fee (in addition to)	\$200	\$275
1"-Line meter connection fee (in addition to)	\$300	\$465
1 ½"-Line meter connection fee (in addition to)	\$500	\$655
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)	18% per annum (1.5% per month)
Filing Lien	n/a	\$150 each
Releasing Lien	n/a	\$150 each
Fee for unwarranted service call **	Actual cost	Actual cost

349

350 **Q. PLEASE PROVIDE A CHART USING SAMPLE USAGE QUANTITIES THAT**
351 **COMPARE CURRENT BILLING TO THE PROPOSED BILLING AMOUNTS.**

352 A. Please see below:

Table 4
Sample Billing Amounts Comparing Current to Proposed Monthly Billings

Gallons	Current Billing	Proposed Billing	Increase	
8,000	\$ 57.50	\$ 70.00	22%	
9,106	\$ 63.03	\$ 77.19	22%	1
12,187	\$ 78.44	\$ 97.22	24%	2
15,000	\$ 92.50	\$ 115.50	25%	
22,500	\$ 130.00	\$ 206.49	59%	
30,000	\$ 167.50	\$ 342.98	105%	
40,000	\$ 217.50	\$ 617.96	184%	
47,566	\$ 255.33	\$ 841.16	229%	3
50,000	\$ 267.50	\$ 912.96	241%	
60,000	\$ 317.50	\$ 1,207.96	280%	
184,000	\$ 937.50	\$ 4,865.96	419%	4

353

354 **Q. PLEASE EXPLAIN TABLE 4 AND COMMENT ON THE PROPOSED**
355 **INCREASE.**

356 A. Table 4 shows several monthly water usage amounts and its equivalent dollar value for
357 the current billing and proposed billing and its percentage increase. The highlighted lines
358 have the following significance:

- 359 1. The 9,106 gallons is the average monthly water usage of all the water company
360 customers during the Summer of 2019, including the large water users.

- 361 2. The 12,187 gallons is the average monthly water usage applied by the Utah Division
362 of Drinking Water and the Utah Division of Water Rights for domestic water use per
363 family.⁵
- 364 3. The 47,566 gallons is the average monthly water usage of the top seven water users
365 during the Summer of 2019.
- 366 4. The 184,000 gallons is the water usage of the largest water user during August 2020.
367 Pineview personnel report that this usage is not an anomaly, as this particular water
368 customer consistently has high water consumption rates. To put this in perspective,
369 this one customer single-handedly used 21% of the water consumed by the entirety of
370 Pineview's customers in August 2020.

371 The amounts listed in Table 4 are for summer months, representing the highest water
372 usage amounts of the year. The average water usage for all the customers in the winter
373 months is just over 4,000 gallons.

374 **Q. PLEASE EXPLAIN HOW THIS RATE STRUCTURE AND RATE INCREASES**
375 **ARE JUST AND REASONABLE AND IN THE PUBLIC INTEREST.**

376 A. In looking at the first three lines of Table 4, the average billing amounts with water
377 consumption between 8,000 and 12,187 gallons has a 22 to 24% increase. According to
378 the inflation calculator provided by the U.S. Bureau of Labor Statistics, \$1 in July 2009
379 (date of last rate case) has the same purchase power as \$1.21 does in August 2020 (latest
380 available information).⁶ A Pineview customer who is conserving water has an increase at
381 basically the rate of inflation. Pineview and the Division worked hard to calculate rates
382 that encourage conservation by recommending a relatively modest rate increase for the
383 low-consumption water users.

⁵ According to the Utah Division of Water Rights, for domestic water use. Water diversion for a full-time (permanent residence) use is evaluated at 0.45 acre-foot (12,187 gallons) per family per year. This is equivalent to 12,187 gallons per month. <https://www.waterrights.utah.gov/wrinfo/policy/wateruse.asp>

⁶ Rate of inflation calculated using the Consumer Price Index. The CPI inflation calculator is provided by the U.S. Bureau of Labor Statistics. https://www.bls.gov/data/inflation_calculator.htm

384 **Q. USING TABLE 4, PLEASE EXPLAIN WHY BILLING AMOUNTS MORE THAN**
385 **DOUBLE FOR CUSTOMERS USING OVER 30,000 GALLONS PER MONTH.**

386 A. Pineview customers using over 30,000 gallons per month are not conserving water. The
387 seven largest water users in the Summer of 2019 used more than 47,000 gallons, which is
388 more than five times the amount of water used by the average Pineview customer. In an
389 email from Pineview to the Division on September 17, 2020, regarding usages for the
390 summer of 2020, Pineview stated:

391 *One of our customers consumed 184,000 gallons in August. ... That*
392 *represents 21% of the total culinary water used in August. The average*
393 *customer used 9,000 gallons not including them. Their water usage could*
394 *have served 20 of the 76 water users we have on our system.*

395 Additionally, even if the increasing tiered rates do not curtail the water usage amounts
396 and encourage conservation, the higher rates will increase revenues to help offset the
397 additional burden and wear and tear on Pineview's infrastructure, which will result in
398 more frequent repairs and replacement. The higher rates will also provide additional
399 funding of the capital reserve account, which could help fund a new well if needed to
400 keep up with the high-water users' demand.

401 **Q. WHAT DIRECT IMPACT DOES THE HIGH CONSUMPTION OF WATER BY**
402 **JUST A FEW INDIVIDUALS HAVE ON PINEVIEW?**

403 A. High water consumption requires Pineview to immediately purchase more water and
404 monitor the meters daily to ensure adequate water supply. Pineview's direct testimony
405 explains:

406 *Trying to balance spikes in demand (especially when culinary water is*
407 *used for irrigation by a small number of customers), limiting cost by*
408 *minimizing demand for Ogden City Water and insuring adequate pressure*
409 *for fire suppression (by keeping our tank full) frequently puts sufficient*
410 *demand on the pumps that efficiency declines. The pumping rates for these*
411 *two wells has ranged from 10-15 gpm in after the initial drawdown in the*
412 *well casing.*

413 **THE DIVISION’S SUPPORTING EXHIBITS**

414 **Q. WHAT EXHIBITS DID THE DIVISION PREPARE IN SUPPORT OF THE**
415 **RATES AND FEES RECOMMENDED IN THIS CASE?**

416 A. The exhibits referred to in this testimony are listed in index Exhibit 2.1. For convenience,
417 Exhibit 2.1 is provided below.

Table 5
Index

Exhibit No.	Tab Label	Page Title	Page Description
2.1	INDEX	Index	Index Key for Exhibits
2.2	Rates	Rate Schedule	Shows the rate calculations and corresponding rate schedules.
2.2.a	Notes	Rate Schedule (Notes)	Notes and comments regarding Exhibit 2.2
2.3	Expense Allocation	Allocation of Annual Expenses and Annual Rates	Categorizes expenses as either Fixed or Variable expenses.
2.3.a	Notes	Expense Allocation (Notes)	Notes and comments regarding Exhibit 2.3
2.4	Adj. Expense	Adjustments to Expenses	Shows the adjustments recommended by the Division to the expense amounts on the Company’s Annual Reports or that that were submitted by the Company
2.4.a	Notes	Adjustments to Expenses (Notes)	Notes and comments regarding Exhibit 2.4
2.5	Rev & Exp	Summary of Revenues and Expenses (Revenue Requirement)	Summarizes the adjusted expenses and shows the revenues required to fund these expenses.
2.6	Cap. Reserve	Capital Reserves	Sets the minimum Capital Reserves funding requirements.
2.7	Deprec	Depreciation Expense & Accumulated Depreciation Reconciliation	Lists the Company’s assets and calculates the Depreciation Expense and Accumulated Depreciation
2.8	CIAC	Contribution in Aid of Construction (CIAC) & Amortization of CIAC	Lists the Company’s assets contributed (donated) to the water company, usually by the developer.
2.9	Rate Base	Rate Base	Rate base is the value of property, or infrastructure, on which a public utility is permitted to earn a specified rate of return.
2.10	Ret on Inv	Return on Investment	Calculates the company’s return on its investment it has an opportunity to earn.
2.11	Taxes	Projected Federal & State Income Taxes	Estimates the Company’s Federal and State Income Tax liability.

418 **Q. DO ALL OF THE DIVISION'S EXHIBITS RESULT IN ADJUSTMENTS TO**
419 **THE RATE BASE OR RATES?**

420 A. No. The following exhibits are included for the sole purpose of documenting that these
421 areas were considered but did not apply in this case.

422 1. Exhibit 2.10 (Return on Investment). Since the Company qualifies as a non-profit
423 entity, it does not receive a return on its investment.

424 2. Exhibit 2.11 (Taxes). Since the Company qualifies as a non-profit entity, it is not
425 subject to taxes.

426 **Q. DOES YOUR DIRECT TESTIMONY REFERENCE AND DISCUSS EACH OF**
427 **THESE EXHIBITS?**

428 A. No. My direct testimony only refers to exhibits requiring additional explanations or to
429 point out significant adjustments or issues. Each exhibit has extensive notes and
430 comments, supporting references, and can be reviewed independently.

431 **Q. DOES THE DIVISION WISH TO COMMENT ON ITS REDUCTION OF**
432 **PINEVIEW'S REQUEST FOR HIGHER SALARIES AND WAGES FOR ITS**
433 **EMPLOYEES AND OFFICERS IN DIVISION'S EXHIBIT 2.4?**

434 A. Yes. Initially, Pineview requested to increase salaries and wages from \$2,950 to \$19,800.
435 See line 1 of Exhibit 2.4. Specifically, Pineview requested the \$19,800 to be used for
436 \$1,000 per month for the president, \$300 per month for each of the two directors, and \$64
437 per month for the secretary. The Division supported this salary adjustment because the
438 Division encourages water companies to be self-supporting entities. If Pineview's
439 officers were to leave and the salaries and wages were not increased, the Division
440 cautions that Pineview would be hard-pressed to replace their jobs and responsibilities for
441 the requested amount of \$19,980 allocated per year.

442 Pineview and the Division had many conversations in developing rates that covered
443 expenses but remained as affordable as possible. Since most of the other water company
444 costs are unavoidable and difficult to change, the officers at Pineview requested that the
445 Division reduce their annual salary from \$19,980 to \$12,000 to help control the large
446 increase in rates. In weighing the Division's desire for all water companies to be self-
447 sustaining and to keep rates as low as possible, the Division determined that since wages
448 are still increasing by a significant amount, the Division agreed to reduce the requested
449 amount by \$7,980, from \$19,890 to \$12,000. The Division wishes to acknowledge the
450 selfless behavior of Pineview's board members to continue working at wages well below
451 what they should be.

452 **Q. DOES THE DIVISION WISH TO COMMENT ON THE LARGE REDUCTION**
453 **IN PINEVIEW'S REQUEST TO PURCHASE RADIO TRANSMITTERS AND**
454 **WATER METERS FOR CULINARY USE?**

455 A. Yes. Pineview is seeking \$30,154.45 as a one-time expense to be recovered over five
456 years for a new radio transmitter and connected meters to allow for remote reading
457 (Exhibit 2.4, line 7). Pineview provided all invoices for the transmitter, meters, and
458 installation. Based on the cost and useful life, the Division has amortized the total cost of
459 \$30,154.45 over five years, yielding an annual amount of \$6,030.89. The Division's
460 adjustment of -\$24,123.56 reflects the annual amortization.

461 **Q. ARE THERE ANY OTHER LARGE ADJUSTMENTS THE DIVISION WISHES**
462 **TO DISCUSS?**

463 A. Yes. There are two more large adjustments the Division wishes to discuss. The first is an
464 adjustment of \$32,500 for a new radio transmitter and connected meters to allow for
465 remote reading in its secondary system (Exhibit 2.4, line 8). In its response to Data
466 Request 1.2, Pineview stated it only included this as part of its full disclosure of its
467 finances. Pineview does not intend for this amount to be included in the culinary rate
468 case. The total amount of \$32,500 is removed.

469 The second adjustment is for \$31,000 to dredge Pineview’s secondary pond (Exhibit 2.4,
470 line 20). Pineview indicated in its response to Data Request 1.13 that it only included this
471 as part of its full disclosure of its finances. Pineview does not intend for this amount to be
472 included in the culinary rate case. The total amount of \$31,000 is removed.

473 **RATE RECOMMENDATION**

474 **Q. DOES THE DIVISION HAVE A RECOMMENDATION FOR PINEVIEW**
475 **WATER’S RATES AND FEES?**

476 A. The rates and fees set forth, proposed by the Division, and outlined in Exhibit 2.2, should
477 be approved as just and reasonable and in the public interest, with an effective date of
478 February 1, 2021. These rates are listed again for convenience:

Table 2
Proposed Monthly Rates and Fees for Pineview

Description	Charges
Water Rates	
First 8,000 gallons (included in Base Rates)	\$70 per month
Usage per 1,000 gallons per month	
Tier 1 (0 to 8,000 gals)	\$0.00
Tier 2 (8,001 to 16,000 gals)	\$6.50
Tier 3 (16,001 to 24,000 gals)	\$13.00
Tier 4 (24,001 to 32,000 gals)	\$19.50
Tier 5 (> 32,000 gals)	\$29.50
Fees and Other Charges	
Standby Fees *	\$336 per year or \$84 per quarter
Disconnect fees	\$120 per occurrence
Re-connect fees	\$120 per occurrence
First time service connection	\$4,200
¾”-Line meter connection fee (in addition to)	\$275
1”-Line meter connection fee (in addition to)	\$465
1 ½”-Line meter connection fee (in addition to)	\$655
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)
Filing Lien	\$150 each
Releasing Lien	\$150 each
Fee for unwarranted service call **	Actual cost

479 * Applies to lots where service mains are in place and where water service is available,
480 but no water service has been connected, and no water service is used; Or where the
481 Company has disconnected water service at the request of the customer; or
482 involuntarily by the Company after proper notice to the customer.

483 ** The Company is responsible for issues involving infrastructure up to and including the
484 meter. Problems, e.g., leaks or frozen pipes, beyond the meter on the customer's side,
485 are the customers' responsibility. The customer must pay the actual costs of the
486 service call, including parts and labor.

487 **TARIFF RECOMMENDATION**

488 **Q. OTHER THAN UPDATING THE NEW RATES AND FEES, ARE THERE ANY**
489 **OTHER CHANGES TO THE REVISED RECOMMENDED TARIFF?**

490 A. Yes. The recommended tariff includes updated Rules and Regulations that apply to all
491 regulated water utilities. The updated Rules and Regulations are a readily available
492 source of information for both the Company and its customers. These regulations are
493 included as part of the tariff because they are the questions most frequently inquired
494 about by both water companies and water customers. They are not all-inclusive but
495 incorporated here to be used as a ready and convenient reference. Complete rules and
496 regulations applicable to all regulated water utilities can be found in Utah Code Title 54
497 and Utah Administrative Rules Section 746.

498 In addition to the updated Rules and Regulations sections discussed above, several
499 wording changes dealing specifically with Pineview's Rules and Regulations, 1 through
500 20, have been made.

501 **Q. IS THE DIVISION RECOMMENDING AND PROVIDING A REVISED TARIFF**
502 **THAT INCLUDES THE NEW WATER RATES AND FEES?**

503 A. Yes. The Division is providing a new tariff that, in addition to the changes to the Rules
504 and Regulations, includes the new rates and updated fees that it is recommending being
505 adopted by the Company. This tariff is the third revision of Pineview's tariff since it
506 became regulated by the Commission.

507 The revised recommended Tariff No. 3 is provided in Exhibit 3 of this Direct Testimony,
508 in both redline and clean form.

509 **FINAL COMMENTS**

510 **Q. DOES THE DIVISION WISH TO COMMENT ON ITS WORKING**
511 **RELATIONSHIP WITH PINEVIEW PERSONNEL?**

512 A. The Division worked closely with Peter Turner, President, and Susan Allen, Treasurer.
513 Mr. Turner, Ms. Allen, and the Division participated in Zoom meetings, phone calls,
514 emails, and provided the requested information in a formal data request to arrive at the
515 new rates and rate structure. They were always accommodating and had many good
516 suggestions in helping to develop the new rates that adequately supported the Company
517 while keeping rates as low as possible. As soon as they saw the initial rate increase early
518 in the rate case, they asked to lower their initial salary request to keep rates as low as
519 possible for Pineview's customers. It was apparent that they had their customers' best
520 interests in mind as we went through this entire process. Other board members also
521 worked hard behind the scenes to make this rate case proceed as smoothly as possible.

522 **Q. DOES THE DIVISION HAVE ANY FINAL COMMENTS?**

523 A. The Division's analysis demonstrates that its recommended rates and fees and revised
524 tariff are just and reasonable and in the public interest. Therefore, the Division
525 recommends the Commission approve these new rates, fees, and updated Tariff No. 3.

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

527 A. Yes. Thank you.