

**-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-**

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

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**DOCKET NO. 21-001-01  
Exhibit No. DPU 1.0 DIR  
Mark Long**

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

Direct Testimony of

Mark Long

December 8, 2021

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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, 4<sup>th</sup> 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 Technical Consultant.

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. 19-2438-01, 10-2529-01, 11-097-01, 11-097-02, 11-097-03, 12-2443-01, and  
24 13-2506-01.

25 **Q. PLEASE DESCRIBE YOUR PARTICIPATION IN THE DIVISION’S REVIEW**  
26 **OF BRIDGERLAND WATER COMPANY (BRIDGERLAND OR COMPANY) IN**  
27 **THIS DOCKET.**

28 A. I am the lead investigative auditor assigned to this case. I have been involved with and  
29 participated in the review, investigation, and analysis of Bridgerland’s operations,  
30 revenues, and expenses. I reviewed and analyzed all the documentation and data  
31 submitted with the rate case, submitted and reviewed several emails, and +conducted  
32 multiple phone discussions and virtual meetings. Also, I have directed Division analysts  
33 in gathering, reviewing, and analyzing information in this case.

34 **PURPOSE OF TESTIMONY**

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

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

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

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

44 **THE DIVISION’S WATER POLICY OBJECTIVES**

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

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

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

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

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

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

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

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

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

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

99   **FINANCIAL SUSTAINABILITY**

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

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

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

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

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

118 2. Fixed costs are generally recovered through fixed rates. Generally, water  
119 companies should limit recovering fixed costs through volumetric rates. Fixed  
120 costs are divided between fixed system expenses and fixed system usage  
121 expenses. These fixed cost categories are explained below:

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

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

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

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

138 **CAPITAL RESERVE ACCOUNT**

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

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

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

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

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

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

159 The targeted minimum amount to be set aside annually for capital reserves is equal to the  
160 company's annual depreciation expense before making any adjustments for Contributions  
161 in Aid of Construction (CIAC). Ideally, the capital reserve account funding would be  
162 based on the projected replacement value of the infrastructure, which would better reflect  
163 the actual costs of replacing the infrastructure. However, due to cost considerations



164 resulting in higher rates, the Division recommends setting the reserve funding at original  
165 costs rather than replacement costs. The Company should closely monitor its reserve  
166 balance to ensure it has adequate funds to meet its needs. The Commission has the  
167 authority to require any public utility to establish such an account, for example, under  
168 Utah Code Section 54-4-24.

## 169 **WATER CONSERVATION**

### 170 **Q. HOW DOES THE DPU PROMOTE ITS SECOND MAJOR POLICY OBJECTIVE** 171 **OF ENCOURAGING WATER CONSERVATION?**

172 A. Let me preface this by noting that, 2020 was the driest year on record for Utah, according  
173 to the National Center for Environmental Information report. The center's records for Utah  
174 date back to 1895, before it was even a state. According to the U.S. Drought Monitor it's a  
175 large reason why over two-thirds of Utah is currently listed as being in an exceptional  
176 drought, and about 90% of the state is in at least an extreme drought.<sup>1</sup>

177 The DPU rate model promotes water conservation using an increasing tiered rate for  
178 usage over a fixed number of gallons per month. In this Bridgerland case, 6,000 gallons  
179 per month are included in the base rate and in the escalation of the increasing block units  
180 (tiers). These tiers are typically priced at 1.5 to 2 times higher than the previous level;  
181 they are known as conservation rates or conservation tiers. Utah Code Section  
182 73-10-32.5(1)<sup>2</sup> states that a retail water provider shall establish a culinary water rate  
183 structure that incorporates increasing block units of water used and provides for an  
184 increase in the rate charged for additional block units of water used as usage increases  
185 from one block unit to the next.

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<sup>1</sup> US climate report: Utah shatters dry record, parts of state break climate heat records in 2020 per KSL.com, posted on January 9, 2021. [US climate report: Utah shatters dry record, parts of state break climate heat records in 2020 | KSL.com](https://www.ksl.com/news/national/us-climate-report-utah-shatters-dry-record-parts-of-state-break-climate-heat-records-in-2020/)

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

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

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

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

197 A. If the excess revenue were going to benefit the owners or shareholders of a company, it  
198 might be considered overearning. However, the DPU recommends that this revenue  
199 remain in the company's capital reserve account to benefit all customers in maintaining a  
200 financially sound a viable utility by providing adequate funds to meet future  
201 contingencies.

202 **THE RATE MODEL USED BY THE DIVISION IN MAKING ITS**  
203 **RECOMMENDATION**

204 **Q. CAN YOU GIVE A MORE DETAILED DESCRIPTION OF THE DIVISION'S**  
205 **RATE MODEL USED FOR BRIDGERLAND?**

206 A. Yes. The Division has developed this model over several years and rate case studies to  
207 produce a just and reasonable pricing structure that works within the guidelines set forth  
208 by the Public Service Commission Rules, and that is in the public interest. It is adapted to  
209 individual cases taking into account each company's unique business.

210 In this case, the Division used the latest financial information, which consists of the 2019  
211 and 2020 Water Annual Reports and information submitted in the Company's request for  
212 a rate increase. This information was used to obtain a baseline of its reported revenues

213 and expenses and the number of water users, standby customers, total gallons delivered,  
214 etc. The Division also received and incorporated information from virtual meetings, and  
215 phone calls. The Division researched and analyzed the information and recommended  
216 making appropriate adjustments to reduce or increase the amounts submitted by the  
217 Company.

218 The resulting adjusted expenses are then classified as either a fixed or variable expense.  
219 Rates are calculated to cover all fixed costs through base rates charged to all customers.  
220 This model ensures that if even a drop of water is not delivered, the Company will have  
221 the opportunity to recover all fixed expenses. Bridgerland currently includes 6,000  
222 gallons per month in its base rate. The Division's rate case model also uses 6,000 gallons  
223 to be included in the base rate and the escalation of the increasing block units in this rate  
224 case. The rate of the first 6,000 gallons used each month is based on the actual costs to  
225 provide the water, which is minimal. To encourage conservation, the Division increased  
226 the rate of the next 6,000 gallons used that month and continues to do so until the final  
227 tier quantity of water is reached, at which time, the rate remains constant. Using this  
228 model, when customers consume more than 12,000 gallons in a month, putting them in  
229 tier 3 of the rate structure, the water company is potentially earning more than the amount  
230 allowed by the Commission. *(The first 12,000 gallons is priced to cover only the variable*  
231 *costs and would not constitute "over-earning.")* To overcome this potential "over-  
232 earning" scenario, the Company is required to deposit any excess net earnings from usage  
233 above 12,000 gallons per month into its capital reserve account, as discussed earlier.

## 234 **COMPANY BACKGROUND**

235 **Q. PLEASE PROVIDE A BRIEF HISTORICAL BACKGROUND OF**  
236 **BRIDGERLAND.**

237 A. Bridgerland was built and is managed and maintained by Ted and Dixie Wilson, the  
238 original owner/developer of Bridgerland Village in Garden City, Utah. Bridgerland  
239 currently has 180 connected customers and 254 standby customers. Its Certificate of

240 Public Convenience and Necessity (CPCN) Number 1847 was issued on July 23, 1988,  
241 with a service area approved for up to 434 connections.

242 **Q. PLEASE GIVE A BRIEF SUMMARY OF BRIDGERLAND'S WATER SUPPLY**  
243 **AS FOUND IN BRIDGERLAND'S DIRECT TESTIMONY.**

244 Bridgerland's direct testimony explains that its culinary water comes from one source, an  
245 aquifer called Payne Spring. Bridgerland also states that it has been a reliable and clean  
246 aquifer and gives adequate supply even during the heavy use season.

247 **Q. PLEASE STATE THE DATE OF BRIDGERLAND'S LAST RATE INCREASE.**

248 A. The last rate increase was approved on August 25, 2005, in Docket No. 05-001-T01.  
249 The following year, on April 24, 2006, the Commission approved the addition of a late  
250 fee of 1.5% per month to be charged on any account which is 30 days past due from the  
251 billing date. The remainder rates and fees remained the same.

## 252 **BRIDGERLAND'S CURRENT RATES AND FEES**

253 **Q. WHAT ARE THE CURRENT RATE STRUCTURE AND FEES ORDERED IN**  
254 **DOCKET NO. 05-001-T01, PRESENTLY IN PLACE AT BRIDGERLAND?**

255 A. The following chart shows the monthly rates and fees, as approved in  
256 Docket No. 05-001-T01:

257

Table 1  
Current rates and fees for Bridgerland

Description	Charges
<b>Water Rates</b>	
First 6,000 gallons (minimum rate)	\$ 24.00 per month
Usage per 1,000 gallons over 6,000 gallons	\$ 1.75
Temporarily Unmetered Lots	\$ 24.00 per month
<b>Fees and Other Charges</b>	
Standby Fees	\$ 10.00
Disconnect fees	\$ 50.00 per occurrence
Re-connect fees	\$ 50.00 per occurrence
First time service connection	
¾"-Line meter connection fee	\$ 2,250.00
1"-Line meter connection fee	\$ 3,000.00
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)

258

259 **Q. IS TABLE 1 AN IDENTICAL CHART TO THAT FOUND IN BRIDGERLAND'S**  
260 **TARIFF, DOCKET NO. 05-001-T01?**

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

263 **Q. WHAT DOES THE DIVISION CONCLUDE ABOUT THE CURRENT RATES**  
264 **AND RATE STRUCTURE?**

265 A. The Division's analysis shows that the current rates and rate structure no longer cover  
266 fixed costs and do not have an effective conservation rate with an increasing tiered rate  
267 structure (increasing block unit) as authorized in Utah Code 73-10-32.5(1)<sup>3</sup>. The rates  
268 and rate structure no longer result in just and reasonable rates and are no longer in the  
269 public interest.

<sup>3</sup> 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>

270 **RECOMMENDED RATES AND FEES**

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

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

Table 2  
Proposed rates and fees for Bridgerland

Description	Charges	
<b>Water Rates</b>		
First 6,000 gallons (included in Base Rates)	\$ 94.00	per month
<i>Usage per 1,000 gallons</i>		
Tier 1 (0 to 6,000 gals)	\$ 0.00	
Tier 2 (6,001 to 12,000 gals)	\$ 5.50	
Tier 3 (12,001 to 18,000 gals)	\$ 11.00	
Tier 4 (18,001 to 24,000 gals)	\$ 16.50	
Tier 5 (> 24,000 gals)	\$ 25.00	
Temporarily Unmetered Lots	\$ 94.00	per month
<b>Fees and Other Charges</b>		
Standby Fees *	\$ 29.00	per month
Disconnect fees	\$ 120.00	per occurrence
Re-connect fees	\$ 120.00	per occurrence
First time service connection		
¾"-Line meter connection fee	\$ 4,700.00	
1"-Line meter connection fee	\$ 5,000.00	
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)	
Filing Lien	\$ 150.00	each
Releasing Lien	\$ 150.00	each
Fee for unwarranted service call **	Actual cost	

274

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

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

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

285 A. The Division’s analysis shows that the proposed rates and rate structure cover all fixed  
286 costs, continue to fund the reserve account, and have an effective conservation rate  
287 structure with increasing tiered rates as authorized by Utah Code Section 73-10-32.5(1)<sup>4</sup>.  
288 The Division concludes that these rates and rate structure result in just and reasonable  
289 rates and are in the public interest.

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

293 A. Yes. The Division is recommending that the disconnect and re-connect fees be increased  
294 from \$50.00 per occurrence to \$120.00 per occurrence to better reflect the actual cost  
295 incurred by Bridgerland. The Division also recommends that the first time service  
296 connection, and the additional charges based on the meter size, are increased to cover the  
297 actual costs. Additionally, the Division recommends adding fees for filing and releasing  
298 liens to better reflect added time and labor costs required for Bridgerland personnel.

## 299 **RATE COMPARISON**

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

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<sup>4</sup> 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>

Table 3  
Current and proposed monthly rates and fees for Bridgerland

Description	Current	Proposed
<b>Water Rates</b>		
First 6,000 gallons (included in Base Rates)	\$ 24.00 per month	\$ 94.00 per month
<i>Usage per 1,000 gallons</i>		
Tier 1 (0 to 6,000 gals)	\$ 0.00	\$ 0.00
Tier 2 (6,001 to 12,000 gals)	\$ 1.75	\$ 5.50
Tier 3 (12,001 to 18,000 gals)		\$ 11.00
Tier 4 (18,001 to 24,000 gals)		\$ 16.50
Tier 5 (> 24,000 gals)		\$ 25.00
Temporarily Unmetered Lots	\$ 24.00 per month	\$ 94.00 per month
<b>Fees and Other Charges</b>		
Standby Fees *	\$ 10.00 per month	\$ 29.00 per month
Disconnect fees	\$ 50.00 per occurrence	\$ 120.00 per occurrence
Re-connect fees	\$ 50.00 per occurrence	\$ 120.00 per occurrence
First time service connection		
¾"-Line meter connection fee	\$ 2,250.00	\$ 4,700.00
1"-Line meter connection fee	\$ 3,000.00	\$ 5,000.00
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	\$ 150.00 each
Releasing Lien	n/a	\$ 150.00 each
Fee for unwarranted service call **	n/a	Actual Cost

304 **Q. PLEASE PROVIDE A CHART SHOWING SAMPLE WATER USAGE AT**  
305 **CURRENT RATES COMPARED TO THE PROPOSED CHARGES.**

306 A. Please see below:

307



Table 4

Sample Billing Amounts Comparing Current to Proposed Billings

Gallons	Current Billing	Proposed Billing	Increase
1,950	\$ 24.00	\$ 94.00	292%
6,000	\$ 24.00	\$ 94.00	292%
8,000	\$ 27.50	\$ 105.00	282%
10,000	\$ 31.00	\$ 116.00	274%
12,219	\$ 34.88	\$ 129.41	271%
14,000	\$ 38.00	\$ 149.00	292%
15,379	\$ 40.41	\$ 164.17	306%
18,000	\$ 45.00	\$ 193.00	329%
20,000	\$ 48.50	\$ 226.00	366%
25,805	\$ 58.66	\$ 337.13	475%

308

309 **Q. PLEASE FURTHER EXPLAIN TABLE 4 AND COMMENT ON THE**  
310 **PROPOSED INCREASE.**

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

- 314 1. This amount is the average monthly water usage of all the water company customers  
315 during 2020, excluding the largest water users.
- 316 2. The 12,219 gallons is the average monthly water usage applied by the Utah Division  
317 of Drinking Water and the Utah Division of Water Rights for domestic water use per  
318 family.<sup>5</sup>
- 319 3. This amount is the average monthly water usage of the top ten water users during  
320 2020.

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<sup>5</sup> 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>

321 4. This amount is the water usage of the largest water user during 2020. Bridgerland  
322 personnel report that this usage is not an anomaly, as this particular water customer  
323 consistently has high water consumption rates.

324 The amounts listed in Table 4 are the average water usage amounts for 2020. Summer  
325 month usage is much higher than the average month shown in this table.

326 **Q. PLEASE EXPLAIN HOW THIS RATE STRUCTURE AND RATE AND FEE**  
327 **INCREASE ARE JUST AND REASONABLE AND IN THE PUBLIC INTEREST.**

328 A. The Division is sensitive to steep rate increases, as in this rate case. This large increase is  
329 due to several reasons.

330 1. Bridgerland has not had a rate increase since 2005. The Division encourages  
331 regulated water utilities to review their expenses and revenues regularly and request a  
332 rate increase as needed.

333 2. Bridgerland was very heavily subsidized by Mr. and Mrs. Wilson. The Division  
334 strongly discourages developer subsidies, apart from a new utility in the initial years  
335 of providing service.

336 3. Private water companies are funded solely by their customers. A recent article in The  
337 Salt Lake Tribune states that most Utahns pay low water rates because property taxes  
338 heavily subsidize most Utah water districts.<sup>6</sup> Absent subsidization from some source,  
339 private water companies have no funding sources other than rates and fees paid by  
340 their customers.

341 **Q. CAN YOU PUT THE RATES RECOMMENDED BY THE DIVISION IN**  
342 **PERSPECTIVE?**

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<sup>6</sup> The Salt Lake Tribune, September 9, 2021, Article titled: Utah residents use the most water of any Western state. They also pay some of the lowest water rates. Utahns fund water infrastructure through property taxes, which critics say disincentives conservation. <https://www.sltrib.com/news/2021/09/20/utah-residents-use-most/>

343 A. Yes. The Commission recently approved slightly higher volumetric rates and slightly  
344 lower monthly base rates for a similar, but smaller private water company located in  
345 Northern Utah.<sup>7</sup>

346 **THE DIVISION'S SUPPORTING EXHIBITS**

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

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

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<sup>7</sup> Docket Number 19-2438-01, Commission order approving stipulation and associated tariff changes for Pineview West Water Company dated January 25, 2021.

<https://pscdocs.utah.gov/water/19docs/19243801/31706819243801oasaatc1-25-2021.pdf>

351

Table 5  
Index

<b>Exhibit No.</b>	<b>Tab Label</b>	<b>Page Title</b>	<b>Page Description</b>
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.

352 Q. DOES YOUR DIRECT TESTIMONY REFERENCE AND DISCUSS EACH OF  
353 THESE EXHIBITS?

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

357 **Q. DOES THE DIVISION WISH TO COMMENT ON BRIDGERLAND'S**  
358 **INCREASE IN SALARIES IN THE DIVISION'S EXHIBIT 2.4?**

359 A. Since the Company's inception, Mr. and Mrs. Wilson have taken little to no  
360 compensation for the running of the Company and have subsidized the Company with  
361 over \$130,000 of their own money. In addition to the regular cash infusions, Mr. Wilson  
362 did not charge the water company for his labor, including administrative and fieldwork.  
363 Due to their age and declining health, their daughter, Tana Heninger, representing  
364 Bridgerland in this rate case proceeding, and her two brothers, Mike Wilson and Rob  
365 Wilson, have recently stepped up and are running the water company now. Bridgerland  
366 must now hire a "Public Works" Supervisor to act as its water master, and parttime office  
367 and accounting positions. Additionally, Tana and her two brothers will share a combined  
368 annual salary of \$50,000 to oversee and handle the daily operations.

369 **Q. PLEASE EXPLAIN THE NECESSITY FOR BRIDGERLAND TO CONNECT TO**  
370 **GARDEN CITY'S WATER SYSTEM IN THE DIVISION'S EXHIBIT 2.4.**

371 The Utah Department of Environmental Quality, Division of Drinking Water (Drinking  
372 Water) is charged with monitoring and enforcing Utah's Safe Drinking Water Act.  
373 Drinking Water has issued a corrective action plan requiring Bridgerland to have a  
374 "redundant source" of water. Drinking Water has extended the corrective action plan  
375 deadline to October 1, 2022, for Bridgerland to comply to avoid enforcement action.<sup>8</sup>

376 Bridgerland is in the process of connecting to the Garden City water system. This  
377 connection will give Bridgerland a second and reliable water source if needed and

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<sup>8</sup> The Improvement Priority System (IPS) program is used by the Division of Drinking Water to evaluate public water system compliance with Title R309 of the Utah Administrative Code, and to prioritize noncompliance for enforcement action. Bridgerland's IPS Report is found here: <https://waterlink.utah.gov/deqWater/reports.html?systemId=178>

378 complies with the “redundant source” requirement set forth by Drinking Water. As part  
379 of this rate increase, Bridgerland has applied for and been approved for a 30-year loan at  
380 2% interest in the amount of \$1.138 million. The annual principal and interest payments  
381 are included in this rate case.

382 **RATE RECOMMENDATION**

383 **Q. DOES THE DIVISION HAVE A RECOMMENDATION FOR BRIDGERLAND**  
384 **WATER’S RATES AND FEES?**

385 A. The Division requests that the Commission approve the rates and fees proposed by the  
386 Division, and outlined in Exhibit 2.2, should be approved as just and reasonable and in  
387 the public interest, with an effective date of April 1, 2022. These rates are listed again for  
388 convenience:

Table 2  
Proposed rates and fees for Bridgerland

Description	Charges	
<b>Water Rates</b>		
First 6,000 gallons (included in Base Rates)	\$ 94.00	per month
<i>Usage per 1,000 gallons</i>		
Tier 1 (0 to 6,000 gals)	\$ 0.00	
Tier 2 (6,001 to 12,000 gals)	\$ 5.50	
Tier 3 (12,001 to 18,000 gals)	\$ 11.00	
Tier 4 (18,001 to 24,000 gals)	\$ 16.50	
Tier 5 (> 24,000 gals)	\$ 25.00	
Temporarily Unmetered Lots	\$ 94.00	per month
<b>Fees and Other Charges</b>		
Standby Fees *	\$ 29.00	per month
Disconnect fees	\$ 120.00	per occurrence
Re-connect fees	\$ 120.00	per occurrence
First time service connection		
¾"-Line meter connection fee	\$ 4,700.00	
1"-Line meter connection fee	\$ 5,000.00	
Interest rate on bills past due by 30 days or more	18% per annum (1.5% per month)	
Filing Lien	\$ 150.00	each
Releasing Lien	\$ 150.00	each
Fee for unwarranted service call **	Actual cost	

389

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

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

## 398 **TARIFF RECOMMENDATION**

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

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

409 In addition to the updated Rules and Regulations sections discussed above, several  
410 wording changes dealing specifically with Bridgerland's Rules and Regulations, 1  
411 through 20, have been made.

## 412 **FINAL COMMENTS**

413 **Q. IS THE DIVISION RECOMMENDING AND PROVIDING A REVISED TARIFF**  
414 **THAT INCLUDES THE NEW RULES AND REGULATIONS AND NEW WATER**  
415 **RATES AND FEES?**

416 A. Yes. The Division is providing a new tariff that, in addition to the changes to the Rules  
417 and Regulations, includes the latest rates and updated fees that it recommends being  
418 adopted by the Company. This tariff is the third revision of Bridgerland's tariff.

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

421 **Q. DOES THE DIVISION WISH TO COMMENT ON ITS WORKING**  
422 **RELATIONSHIP WITH BRIDGERLAND PERSONNEL?**

423 A. Over the years, I looked forward to Mr. Wilson giving me a call, discussing his water  
424 company, and going over his Annual Water Report before he filed it. He always made  
425 sure that everything balanced to the penny. Because Mr. Wilson's health limited his  
426 involvement in this rate case, the Division worked closely with Ms. Heninger. She is a  
427 pleasure to work with and participated in Zoom meetings, phone calls, emails and  
428 provided any information the Division informally requested to arrive at the new rates and  
429 rate structure. It is apparent that she shares her parent's passion for Bridgerland and has  
430 its customers' best interests in mind in helping to develop the new rates that adequately  
431 support the Company while keeping rates as low as possible.

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

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

436 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

437 A. Yes.