

Before the Public Service Commission of Utah

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| IN THE MATTER OF THE APPLICATION OF MOUNTAIN SEWER COMPANY FOR APPROVAL OF A GENERAL RATE INCREASE | DOCKET NO. 22-097-01 Mountain Sewer EXHIBIT NO. 1.0 D |
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DIRECT TESTIMONY OF RAY BOWDEN

For Mountain Sewer

January 30, 2023

CONFIDENTIAL SUBJECT TO UTAH PUBLIC SERVICE COMMISSION RULES R746-1-602 AND 603

1 **Identification of Witness**

2 Q. Please state your name and position with Lakeview Water and Mountain Sewer.

3 A. My name is Ray Bowden. I am the President and owner of Lakeview Water (LW) and Mountain
4 Sewer (MS).

5 Q. Please describe how you became involved with Mountain Sewer.

6 A. I acquired MS in 2011, when the original developer of the associated subdivision defaulted on a
7 loan that I held. At that time, I acquired the subdivision, Lakeview Water and Mountain Sewer
8 company.

9 **Purpose of Testimony**

10 Q. What is the purpose of your testimony?

11 A. I will describe the financial and operational condition of the company at the time of acquisition
12 and the steps I have taken to keep the company viable, the increasing operational costs, and the
13 necessity of increasing rates.

14 **Original financial and operational position**

15 Q. Please describe the operational position of the company when you acquired it in 2011.

16 A. Soon after I acquired the company, I became aware that MS was under investigation from the
17 Department of Environmental Quality (DEQ).

18 Q. What was the cause of this investigation? What was the outcome of the investigation?

19 A. DEQ was responding to allegations that MS was leaking raw sewage from the lift station into
20 Pineview Reservoir. The allegation was false, the sewage was leaking into a storm sewer. Still, it
21 created a situation that needed immediate attention.

22 Q. What action did you take to remedy this operational deficiency?

23 A. To correct the situation, I contracted with a company that owned sewage pump trucks to haul
24 sewage from the lift station to the sewage ponds. I also immediately began arranging for repairs
25 to the lift station.

26 Q. Did you use personal funds to correct these problems? Were there funds available in the
27 accounts of MS?

28 A. Yes, at first, I used personal funds as there were insufficient funds available in MS and it was
29 operating at a deficit.

30 Q. Was the financial situation corrected?

31 A. Yes. During the DEQ investigation, The Utah Division of Public Utilities (DPU) became involved as
32 MS is a regulated utility. DPU involvement led to Docket 11-097-03. In this docket, rates were
33 increased sufficiently for MS to remain financially viable.

34 Q. Are there other instances where you had to step in and use personal funds to keep the company
35 operational in providing sewer service to the community.

36 A. Yes.

37 Q. Do you know the total amount of money you have personally loaned the company?

38 A. Yes. The company balance sheet shows long-term notes payable of \$ [REDACTED]. I personally hold
39 all these notes.

40 Q. Have revenues generated by the current rates ever covered all the operational costs of running
41 the company?

42 A. Yes. Rates ordered in Docket 11-097-01 were sufficient, but recent cost increases have
43 necessitated this application.

44 **Cost increases**

45 Q. Have there been recent cost increases? Please describe.

46 A. Yes. Recently our water/sewer operator was forced to retire due to health reasons. We were
47 paying his company an average of \$ [REDACTED]/yr. To employ a qualified operator, we needed to
48 match the market rate and a competing offer which resulted in a salary of \$ [REDACTED]. This cost is
49 split between LW and Mountain Sewer.

50 Q. Are there other cost increases?

51 A. Yes, I have decided to provide a long-overdue wage increase to our office staff. MS will also see
52 increased costs due to the addition of Legacy Mountain Estates. MS has also decided to invest in
53 upgraded SCADA equipment to monitor the system and prevent maintenance problems.

54 **Legacy Mountain Estates**

55 Q. Please describe Legacy Mountain Estates (LME)?

56 A. LME is a 48-lot subdivision adjacent to LW. LW agreed to provide sewer service LME prior to its
57 construction.

58 Q. Will LME build the infrastructure necessary to serve its housing units?

59 A. Yes. LME has built all of the necessary infrastructure to provide sewer service to its lots. After
60 final inspection these assets will be deeded over to MS. MS will then be responsible for
61 operations and maintenance.

62 Q. Please describe the additional costs associated with LME?

63 A. MS will primarily see increased depreciation costs in addition to the operational workload for
64 the Waste Water operator. These costs are detailed in the testimony of William Duncan.

65 **Proposed Rates**

66 Q. Have you reviewed the proposed rate structure in this docket? Will these rates allow sufficient
67 revenues for MS to provide safe, healthy, and reliable sewer service to the customers of MS?

68 A. Yes, these rates will generate the necessary revenue for MS to meet operational requirements
69 and establish a capital reserve fund.

70 Q. Do you believe that the interim rates proposed are necessary?

71 A. Yes. MS continues to operate at a deficit that has averaged \$ [REDACTED] over the last three years.
72 With known and measurable changes, the deficit may reach more than \$ [REDACTED]/year. The
73 proposed interim rates (see Exhibit 2.5) will generate about \$ [REDACTED] annually and will provide
74 some relief until the Public Service Commission of Utah can issue a final order.

75 Q. Do you believe the proposed rates are just, reasonable and in the public interest?

76 A. Yes.

77 Q. Does this conclude your testimony?

78 A. Yes.