

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF THE REQUEST OF MOUNTAIN
SEWER CORPORATION FOR A RATE CASE
INCREASE

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DOCKET No. 22-097-01
Exhibit No. DPU 1.0 DIR
Joanna Matyjasik

Redacted

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

Direct Testimony of

Joanna Matyjasik

June 29, 2023

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

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

10 A. I received a Bachelor of Science degree in Accounting and a Master of Taxation
11 degree from Weber State University. During that time, I was employed by Weber
12 State University as a law research assistant and an academic tutor for student-
13 athletes in accounting, statistics, and economics. I completed an auditing internship
14 with Haynie & Company, CPA. I was employed as a fund analyst for two years with
15 Strata Fund Solutions. I have been employed by the Division since February 2020.

16 **IDENTIFICATION OF WITNESS**

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

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

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

21 A. Yes. I have testified before the Commission as an expert witness in this docket's
22 interim rate hearing on Tuesday, March 7, 2023.

23 **Q. PLEASE DESCRIBE YOUR PARTICIPATION IN THE DIVISION'S REVIEW OF**
24 **MOUNTAIN SEWER CORPORATION (MOUNTAIN SEWER OR COMPANY) IN**
25 **THIS DOCKET.**

26 A. I am one of the auditors assigned to this case. I have participated in the review,
27 investigation, and analysis of Mountain Sewer's operations, revenues, and
28 expenses. I reviewed and analyzed all the documentation and data submitted with
29 the rate case. In addition, I have communicated with the Company through data
30 requests, email correspondence, virtual meetings, and multiple phone discussions.

31 **PURPOSE OF TESTIMONY**

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

33 A. My testimony will first describe general ratemaking principles and the rate case
34 process related to sewer utilities regulated by the Commission.

35 Additionally, my testimony will provide background on Mountain Sewer and present
36 my analysis regarding the Company's financial aspects, including several exhibits. I
37 will also recommend new rates and fees and related tariff changes.

38 **THE DIVISION'S POLICY OBJECTIVES FOR WATER AND SEWER UTILITIES**

39 **Q. FOR THE COMPANY'S BENEFIT AND ITS CUSTOMERS, WILL YOU PLEASE**
40 **BRIEFLY DESCRIBE THIS RATE CASE PROCESS?**

41 A. Yes. Since public utility ratemaking is generally prospective, rates are calculated
42 before the customer uses the services. The rates are designed to allow the public
43 utility the opportunity to fully recover all costs prudently incurred by the Company in
44 providing service now and in the future. Thus, an estimate is made of the future cost
45 of service based on a historical or forecast "test year," which includes operations and
46 maintenance expenses, reserves or savings, return on investment, and taxes. Test
47 year costs can be adjusted to include known and measurable changes the Company
48 will incur. Test year costs are also normalized to estimate future expenses
49 accurately. The Company's customers have an obligation to reimburse the Company
50 at rates that will cover its costs, fund a capital reserve account, and provide an
51 opportunity to earn a return on its investment in infrastructure.

52 **Q. WHAT ARE THE DIVISION'S MAIN POLICY OBJECTIVES?**

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

- 55 (1) Promote the safe, healthy, economic, efficient, and reliable
56 operation of all public utilities and their services, instrumentalities,
57 equipment, and facilities;
- 58 (2) provide for just, reasonable, and adequate rates, charges,
59 classifications, rules, regulations, practices, and services of public
60 utilities;
- 61 (3) Make the regulatory process as simple and understandable as
62 possible so that it is acceptable to the public; feasible, expeditious,
63 and efficient to apply; and designed to minimize controversies over
64 interpretation and application;
- 65 (4) For purposes of guiding the activities of the Division of Public
66 Utilities, the phrase "just, reasonable, and adequate" encompasses,
67 but is not limited to the following criteria:
- 68 (a) Maintain the financial integrity of public utilities by assuring
69 a sufficient and fair rate of return;
- 70 (b) Promote efficient management and operation of public
71 utilities;
- 72 (c) Protect the long-range interest of consumers in obtaining
73 continued quality and adequate levels of service at the
74 lowest cost consistent with the other provisions of
75 Subsection (4).
- 76 (d) Provide for fair apportionment of the total cost of service
77 among customer categories and individual customers and
78 prevent undue discrimination in rate relationships;
- 79 (e) Promote stability in rate levels for customers and revenue
80 requirements for utilities from year to year; and
- 81 (f) Protect against wasteful use of public utility services.

82 **FINANCIAL SUSTAINABILITY**

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

85 A. The DPU rate model promotes this goal through the following three principles.

- 86 1. Customer rates should generally be set to allow the Company an opportunity
87 to recover all reasonable and prudent costs that it incurs in providing the
88 service. Full-cost pricing refers to ensuring that the rates provide a revenue
89 stream that provides the company the opportunity to adequately cover the
90 Company's ongoing operations and maintenance expenses, reserves or
91 savings, return on investment, and taxes. The most apparent benefit of full-
92 cost pricing is the ability of the Company to consistently meet all ongoing
93 operational, maintenance, and capital costs to provide a high level of service.
94 It is also vital that utilities do not operate at a loss, depend on subsidies, or
95 continually deplete cash reserves. Operating with less than full-cost pricing
96 often results in a degraded system, compromising service quality.
97 The Division generally discourages the practice of relying on developer
98 subsidies to recover costs. One possible deviation from this would be for a
99 new company that may need a developer subsidy in the initial years of
100 providing service until enough residents support the Company.
- 101 2. All prudently incurred costs should be recoverable through prospectively set
102 rates. Historically, the costs have been split at approximately 70% for
103 connected customers and approximately 30% for standby customers.
- 104 3. The establishment and continued funding of a capital reserve account.

105 **CAPITAL RESERVE ACCOUNT**

106 **Q. PLEASE EXPLAIN WHAT THE CAPITAL RESERVE ACCOUNT IS AND HOW IT**
107 **IS FUNDED.**

108 A. The capital reserve account is a fund primarily used for the repair and replacement
109 of infrastructure.

110 The capital reserve account is funded through customer rates at an amount equal to
111 the depreciation expense. It is included in rates and, therefore, is funded by both

112 standby and connected customers. These funds should be deposited in a reserve
113 account after each billing period.

114 **Q. HOW DOES THE CAPITAL RESERVE ACCOUNT CONTRIBUTE TO THE**
115 **COMPANY'S FINANCIAL SUSTAINABILITY?**

116 A. Establishing and funding a capital reserve account helps allow the sewer company
117 to respond quickly to emergencies and reduces the need for special assessments or
118 expedited rate cases in the event of infrastructure failure. The account also reduces
119 the need for excessive borrowing of money to repair and replace infrastructure.
120 Setting aside reserves is critical to developing and maintaining financial stability. In
121 the case of even a relatively minor emergency, it can mean the difference between a
122 self-sustaining company and a company that may become financially unstable or
123 have its system fall into disrepair.

124 The targeted minimum amount to be set aside annually for capital reserves is equal
125 to the Company's annual depreciation expense before making any adjustments for
126 Contributions in Aid of Construction (CIAC). Ideally, the capital reserve account
127 funding would be based on the projected replacement value of the infrastructure,
128 which would better reflect the actual costs of replacing the infrastructure. However,
129 due to cost considerations resulting in higher rates, the Division recommends setting
130 the reserve funding at original costs rather than replacement costs. The Company
131 should closely monitor its reserve balance to ensure it has adequate funds to meet
132 its needs. The Commission has the authority to require any public utility to establish
133 such an account, for example, under Utah Code Section 54-4-24.¹

¹ Utah Code Ann. § 54-4-24 (“The commission shall have power to require any or all public utilities to carry a proper and adequate depreciation account in accordance with such rules, regulations and forms of account as the commission may prescribe.”).

134 **THE RATE MODEL USED BY THE DIVISION IN MAKING ITS RECOMMENDATION**

135 **Q. CAN YOU GIVE A MORE DETAILED DESCRIPTION OF THE DIVISION'S RATE**
136 **MODEL USED FOR MOUNTAIN SEWER?**

137 A. Yes. In this case, the Division used the Company's latest financial information,
138 including the 2020 and 2021 Wastewater Annual Reports and information submitted
139 in the Company's request for a rate increase. This information was used to obtain a
140 baseline of its reported revenues and expenses and the number of connected and
141 standby customers. The Division also gathered information from the Company in
142 virtual meetings, emails, and phone calls. The Division researched and analyzed the
143 information and recommended a just and reasonable pricing structure that works
144 within the guidelines set forth by the Public Service Commission Rules and is in the
145 public interest.

146 **COMPANY BACKGROUND**

147 **Q. PLEASE PROVIDE A BRIEF HISTORICAL BACKGROUND OF MOUNTAIN**
148 **SEWER.**

149 A. The Mountain Sewer system is located just south of Pineview Reservoir along State
150 Road 39 and Snow Basin Road in the Huntsville, Utah, area. The Mountain Sewer
151 system was constructed in 1983 and has been upgraded several times since then.
152 On June 11, 1985, Mountain Sewer was issued CPCN No. 2163. On March 3, 2022,
153 the Commission granted Mountain Sewer's petition to expand its service area and
154 increase its number of connections by 60 in Docket No. 21-097-01.²

155 **Q. PLEASE STATE THE DATE OF MOUNTAIN SEWER'S LAST RATE INCREASE.**

156 A. Mountain Sewer's last rate increase became effective on October 30, 2012, per
157 Docket Nos. 11-097-01, 11-097-02, and 11-097-03. In the Company's last rate case,
158 the Commission's Order included the recovery of litigation expenses related to the

² *Mountain Sewer Corporation's Application for Approval to Expand its Service Area*, Docket No. 21-097-01, Order issued Mar. 3, 2022.

159 rate case over a five-year term as part of Mountain Sewer's rates. On October 30,
160 2017, the rate was reduced to no longer include the recovery of these legal fees.³

161 **MOUNTAIN SEWER'S CURRENT RATES AND FEES**

162 **Q. WHAT ARE MOUNTAIN SEWER'S CURRENT RATES AND FEES?**

163 A. Please refer to Table 1 below.

Table 1

	Current Rates
Connected Customers	\$68.00 monthly
Standby Customers	\$24.00 monthly
Single Connection Fee	\$5,000.00
Hookup Fee	\$300.00
Turn On/Off Fee	\$100.00
Late Fee	18% per annum

164

165 **Q. WHAT DOES THE DIVISION CONCLUDE ABOUT THE CURRENT RATES?**

166 A. The Division's analysis shows that Mountain Sewer's current rates no longer cover
167 its costs. The rates are no longer just and reasonable nor in the public interest.

168 **MOUNTAIN SEWER'S REQUESTED RATES AND FEES**

169 **Q. WHAT IS MOUNTAIN SEWER'S REQUESTED FINAL RATE? PLEASE INCLUDE**
170 **THE INTERIM RATES APPROVED BY THE COMMISSION IN ITS ORDER DATED**
171 **MARCH 16, 2023,⁴ AND MOUNTAIN SEWER'S REQUESTED FINAL RATES.**

172 A. Please refer to Table 2 below.

³ Mountain Sewer Corporation's Filing to Comply with the Commission's Order Issued on October 30, 2012, in Docket No. 11-097-03, Application of Mountain Sewer Corporation for a General Rate Increase, Docket No. 17-097-T01, Tariff Approval Letter issued June 5, 2017.

⁴ Application of Mountain Sewer Corporation for Interim Rate Increase and General Rate Increase, Docket No. 22-097-01, Order issued Mar. 14, 2023.

Table 2

	Current Rates	Commission Approved Interim Rates	Final Rates Requested by Mountain Sewer
Connected Customers	\$68.00 monthly	\$86.00 monthly	\$98.36 monthly
Standby Customers	\$24.00 monthly	\$46.00 monthly	\$55.01 monthly
Single Connection Fee	\$5,000.00	\$1,642.00	\$1,642.00
Hookup Fee	\$300.00	\$300.00	\$300.00
Turn On/Off Fee	\$100.00	\$100.00	\$100.00
Late Fee	18% per annum	18% per annum	18% per annum

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174 **RECOMMENDED RATES AND FEES**

175 **Q. WHAT ARE THE DIVISION-RECOMMENDED RATES AND FEES IN THIS**
176 **DOCKET?**

177 A. Please see the rates detailed in Exhibit 2.2 and explained in Exhibit 2.2.a in Table 3
178 below.

Table 3

	Division Recommended Rates
Connected Customers	\$106.00 monthly
Standby Customers	\$32.00 monthly
Single Connection Fee	\$1,642.00
Hookup Fee	\$300.00
Turn On/Off Fee	\$100.00
Late Fee	18% per annum

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180 **Q. PLEASE EXPLAIN HOW THIS RATE INCREASE AND FEE ADJUSTMENT ARE**
181 **JUST, REASONABLE, AND IN THE PUBLIC INTEREST.**

182 A. The Division is sensitive to steep rate increases, as in this rate case. Here, the large
183 increase is due to several reasons:

- 184 1. Mountain Sewer has not had a rate increase since 2011. The Division
- 185 encourages regulated sewer utilities to review their expenses and revenues
- 186 regularly and request a rate increase as needed.

187 2. Mountain Sewer was very heavily subsidized by Mr. Ray Bowden. The
188 Division strongly discourages developer subsidies, apart from a new utility in
189 the initial years of providing service.

190 3. Private sewer companies are funded solely by their customers.

191 **Q. PLEASE PROVIDE A COMMENTARY ON THE EXTENT OF MR. BOWDEN'S**
192 **SUBSIDIZATION OF MOUNTAIN SEWER AND ANY CORRESPONDING DEBT**
193 **INCURRED BY MOUNTAIN SEWER.**

194 A. In Mr. Bowden's confidential direct testimony, he stated,

195 *The company balance sheet shows long-term notes payable of*
196 *██████████ I personally hold all these notes.⁵*

197 The 2021 Wastewater Annual Report on page 18, line 83, also shows "Notes
198 payable (Long-term) ██████████" Mr. Bill Duncan's confidential direct testimony does
199 not mention company debt, and his confidential exhibits do not include debt
200 requested to be recovered in rates. Although this loan amount was not included in
201 the rates, it showed as a liability to the Company. Through responses to the
202 Division's first data request, Mr. Bowden acknowledges that the ██████████ is best
203 characterized as a subsidy, and Mountain Sewer is not responsible for this loan or
204 any repayment.⁶

205 Although the Division does not recommend that developer subsidies fund public
206 utilities, the Division wishes to commend Mr. Bowden's financial support of Mountain
207 Sewer, which kept the company solvent until a rate increase could be filed. Without
208 the financial backing, rates would have likely increased more than recommended by
209 the Division and at an earlier date to avoid potential financial ruin.

⁵ Ray Bowden, Confidential Direct Testimony, dated January 30, 2023, lines 38 and 39.

⁶ Mountain Sewer's responses to DPU Data Request 1.3 through 1.9, dated May 4, 2023.

210 **Q. BESIDES THE INCREASE IN SEWER RATES, IS THE DIVISION**
211 **RECOMMENDING CHANGES TO ANY OF THE FEES AND OTHER CHARGES,**
212 **AS SHOWN IN THE LOWER SECTION OF TABLES 1, 2, 3, AND 4?**

213 A. Yes. The Division agrees with the Company's recommendation to reduce the
214 connection fee from \$5,000.00 to \$1,642.00 to reflect actual costs. Mr. Duncan's
215 confidential direct testimony provides a comprehensive analysis calculating the
216 actual connection costs.⁷ Mr. Duncan's confidential written direct testimony states:

217 *The connection rates were apparently priced above cost, and revenues*
218 *generated were inflated by the fact that MS experienced a substantially*
219 *higher number of new connections in these years than normal. There*
220 *were several multi-unit housing projects completed and connected*
221 *between 2019 and 2021. MS believes this is not sustainable as the*
222 *number of new connections in any year is not predictable.*⁸

223 The Division concurs with Mr. Duncan's assessment that inflated connection costs
224 are not a reliable funding source because the number of new connections in any
225 year is unpredictable. The Division's rates are designed to cover all costs with a
226 monthly base rate. Any inflated tariff fees would likely result in Mountain Sewer's
227 over-earning.

228 **RATE COMPARISON**

229 **Q. PLEASE SHOW A SIDE-BY-SIDE MONTHLY COMPARISON OF THE CURRENT**
230 **RATES, INTERIM RATES APPROVED BY THE COMMISSION, MOUNTAIN**
231 **SEWER'S REQUESTED FINAL RATES, AND THE RATES RECOMMENDED BY**
232 **THE DIVISION.**

233 A. Please refer to Table 4 below.

⁷ Bill Duncan, Confidential Exhibits 2.1 to 2.10 – Direct Testimony, dated January 31, 2023, Tab 2.9.

⁸ Bill Duncan, Confidential Direct Testimony, dated January 31, 2023, Lines 34 – 36.

Table 4

	Current Rates	Commission Approved Interim Rates	Final Rates Requested by Mountain Sewer	Division Recommended Rates
Connected Customers	\$68.00 monthly	\$86.00 monthly	\$98.36 monthly	\$106.00 monthly
Standby Customers	\$24.00 monthly	\$46.00 monthly	\$55.01 monthly	\$32.00 monthly
Single Connection Fee	\$5,000.00	\$1,642.00	\$1,642.00	\$1,642.00
Hookup Fee	\$300.00	\$300.00	\$300.00	\$300.00
Turn On/Off Fee	\$100.00	\$100.00	\$100.00	\$100.00
Late Fee	18% per annum	18% per annum	18% per annum	18% per annum

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Q. DOES THE DIVISION WISH TO COMMENT ON THIS SIDE-BY-SIDE COMPARISON?

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A. The Division wishes to point out that the standby base rate recommended by the Division is lower than the standby base rate requested by Mountain Sewer and approved on an interim basis by the Commission. The Division recommends that Mountain Sewer refund its standby customers the difference between the interim⁹ and the final standby rates. Additionally, the Division points out that the Division’s recommended base rates are higher than the base rates approved on an interim basis by the Commission. To that end, the Division recommends that the customers pay a surcharge representing the difference between the interim base rate¹⁰ and the final base rate recommended by the Division.

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Additionally, the Company recently notified the Division that it had inadvertently started billing the interim rates approved by the Commission on its March 1, 2023,¹¹ billing. The Commission-set effective date for the interim rates was March 17, 2023. This resulted in an overbilling for the first 16 days of March. Lines 1 and 10 of Table 5, on the next page, show the recommended refund due to the overbilling.

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⁹ Application of Mountain Sewer Corporation for Interim Rate Increase and General Rate Increase, Docket No. 22-097-01, Order issued Mar. 14, 2023.

¹⁰ Id.

¹¹ Id.

Table 5
 Analysis of Surcharge, (Refund), and Billing Error

	Original Tariff Amount	Commission Approved Interim Rates	Division Recommended Rates	Surcharge / (Refund)
1 Connected Customers	<i>\$68.00 monthly</i>	<i>\$86.00 monthly</i>	<i>\$106.00 monthly</i>	<i>Monthly Totals</i>
2 March 1 to March 16 *	\$35.10	\$44.39		(\$9.29)
3 March 17 to March 31 *		\$41.61	\$51.29	\$9.68
4 April		\$86.00	\$106.00	\$20.00
5 May		\$86.00	\$106.00	\$20.00
6 June		\$86.00	\$106.00	\$20.00
7 July		\$86.00	\$106.00	\$20.00
8 August		\$86.00	\$106.00	\$20.00
9 September		\$86.00	\$106.00	\$20.00
10 Total	\$35.10	\$602.00	687.2903226	\$120.39
11 Standby Customers	<i>\$24.00 monthly</i>	<i>\$46.00 monthly</i>	<i>\$32.00 monthly</i>	<i>Monthly Totals</i>
12 March 1 to March 16 *	\$11.64	\$23.74		(\$12.11)
13 March 17 to March 31 *		\$22.26	\$15.48	(\$6.77)
14 April		\$46.00	\$32.00	(\$14.00)
15 May		\$46.00	\$32.00	(\$14.00)
16 June		\$46.00	\$32.00	(\$14.00)
17 July		\$46.00	\$32.00	(\$14.00)
18 August		\$46.00	\$32.00	(\$14.00)
19 September		\$46.00	\$32.00	(\$14.00)
20 Total	\$11.64	\$322.00	207.483871	(\$102.88)

* Mountain Sewer inadvertently started billing for the interim rate on 03/01/23 instead of on the effective date of 03/17/23. This amount represents the overbilling, calculated at 16/31 for this period.

** Mountain Sewer's interim rate took effect on 03/17/23; therefore, the partial monthly billing was calculated at 15/31 for this period.

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The Division recommends that Mountain Sewer refund its standby customers \$102.88 as a credit starting in the first billing cycle following the effective date of the Commission's order and carry forward the credit until it is expended. The Division recommends that Mountain Sewer bill its connected customers \$120.39, payable over three months, if requested by the customer, through the standard billing mechanism. This payment or refund includes the refund or surcharge and the billing error amounts. Please note that this assumes that the Commission's order will have an effective date of October 1, 2023. If the effective date is different, then the Company should adjust its total surcharge or total refund accordingly. Please refer to Table 5, above, for the surcharge, refund, and overbilling analysis.

262 **Q. WHAT DOES THE DIVISION'S ANALYSIS CONCLUDE ABOUT THE**
263 **RECOMMENDED RATES?**

264 A. The Division's analysis shows that the recommended rates provide the Company the
265 opportunity to cover all costs and fund the reserve account. The Division concludes
266 that its recommended rates are just, reasonable, and in the public interest.

267 **THE DIVISION'S SUPPORTING EXHIBITS**

268 **Q. WHAT EXHIBITS DID THE DIVISION PREPARE IN SUPPORT OF THE**
269 **DIVISION'S RECOMMENDED RATES AND FEES IN THIS CASE?**

270 A. The exhibits referred to in this testimony are listed in index Exhibit 2.1.

271 **Q. DOES YOUR DIRECT TESTIMONY REFERENCE AND DISCUSS EACH OF**
272 **THESE EXHIBITS?**

273 A. No. My direct testimony only refers to exhibits to provide additional explanation or
274 indicate significant adjustments or issues. Each exhibit contains notes, comments,
275 and supporting references, which can be reviewed independently.

276 **Q. DOES THE DIVISION WISH TO COMMENT ON MOUNTAIN SEWER'S INCREASE**
277 **IN SALARIES IN THE DIVISION'S EXHIBIT 2.4?**

278 A. Yes. The Division issued a data request asking for salaries and duties of Mountain
279 Sewer personnel. Mountain Sewer's response listed the salaries and a summary of
280 the duties of its personnel. The Division's analysis shows that the salaries and duties
281 are reasonable, especially since they are divided equally between Mountain Sewer
282 and Lakeview Water, an affiliated company.¹²

283 **Q. WHY DID THE DIVISION MAKE AN ADJUSTMENT TO THE LEGAL FEES**
284 **REQUESTED BY MOUNTAIN SEWER IN EXHIBIT 2.3?**

¹² Mountain Sewer's response to DPU Data Request 1.1, dated May 4, 2023.

285 A. In Mr. Duncan's confidential direct testimony,¹³ the test year included legal fees
286 incurred by Mountain Sewer. The first data request response indicates, in part:

287 *Legal costs have averaged [REDACTED] over the last three years*
288 *(2019 – 2021). The legal team has performed several services*
289 *over the last three years for Mountain Sewer. Many of these*
290 *services revolved around the expansion of Mountain Sewer's*
291 *service area which included filing and defending an application*
292 *for approval to expand the service area with the Public Service*
293 *Commission in 2021.*¹⁴

294 The expansion referred to the addition of Legacy Mountain Estates (LME)
295 approved by the Commission in Docket No. 21-097-01. The Commission
296 Order in that docket states, in part:

297 *... we find and conclude that the public interest will be served*
298 *since the expansion will be funded by LME ... the expansion will*
299 *not be detrimental to existing Mountain Sewer customers'*
300 *treatment service and will not increase rates for existing*
301 *customers ...*¹⁵

302 Expansions should be paid for by the developer of LME or LME's customers, not
303 Mountain Sewer's current customers. The Division issued a second data request
304 asking for clarification of its requested legal fees and if Lakeview wished to adjust
305 the amount of requested legal fees that do not include the one-time legal fees for
306 expansion in its test period. In its response to Amended Confidential Data Request
307 2.1, Lakeview has adjusted its requested annual legal fees from [REDACTED],¹⁶
308 a reduction of [REDACTED], which the Division considers reasonable.

¹³ Bill Duncan, Confidential Exhibits 2.1 to 2.10 – Direct Testimony, dated January 31, 2023, Tab 2.1.

¹⁴ Mountain Sewer's response to DPU Data Request 1.10, dated May 4, 2023.

¹⁵ *Mountain Sewer Corporation's Application for Approval to Expand its Service Area*, Docket No. 21-097-01, Order issued Mar. 3, 2022, at 6.

¹⁶ Mountain Sewer's Amended Responses to DPU Data Request 2.1, starting at the end of page 2, dated April 21, 2023. Lakeview's response states, "A five-year average could possibly give a closer estimation

309 **RATE RECOMMENDATION**

310 **Q. DOES THE DIVISION HAVE A RECOMMENDATION FOR MOUNTAIN SEWER'S**
311 **RATES AND FEES?**

312 A. The Division requests that the Commission approve the rates recommended by the
313 Division, outlined in Exhibit 2.2 and presented in Table 3, as just and reasonable and
314 in the public interest. The Division requests that Mountain Sewer refund its standby
315 customers \$102.88, which includes the billing error and the difference between the
316 approved interim standby rates and recommended final standby rates. Additionally,
317 the Division requests that customers pay the difference between the higher
318 recommended base rate and the interim base rate for connected customers,
319 including the billing error of \$120.39, with the option to pay in three monthly
320 payments through the normal billing process. Rates should become effective on
321 October 1, 2023.

322 **TARIFF RECOMMENDATION**

323 **Q. OTHER THAN UPDATING THE NEW RATES AND FEES, HAS MOUNTAIN**
324 **SEWER REQUESTED ANY ADDITIONAL FEES OR CHARGES IN TARIFF NO. 3?**

325 A. No. The requested tariff shows the same rates and fees as the tariff it is replacing
326 with updated amounts.

327 **Q. DID MOUNTAIN SEWER PROVIDE A COPY OF ITS CURRENT TARIFF NO. 2, A**
328 **RED-LINED VERSION, AND A FINAL VERSION OF ITS REQUESTED TARIFF**
329 **NO. 3?**

330 A. Yes, in its application, Mountain Sewer provided Exhibit B, Exhibit C1, and Exhibit
331 C2, respectively.

of what to expect going forward however, the numbers are not as solid as those for the three-year average. With that said, the average annual legal expenses for the years 2017 to 2021 is [REDACTED].”

332 **Q. DOES THE DIVISION HAVE A RECOMMENDATION FOR MOUNTAIN SEWER'S**
333 **FINAL REQUESTED TARIFF NO. 3 (EXHIBIT D2)?**

334 A. Yes, The Division requests that the Commission approve Mountain Sewer's Tariff
335 No. 3 with the updated rates approved by the Commission in this docket, as just,
336 reasonable, and in the public interest, with an effective date of October 1, 2023.

337 **FINAL COMMENTS**

338 **Q. DOES THE DIVISION WISH TO COMMENT ON ITS WORKING RELATIONSHIP**
339 **WITH MOUNTAIN SEWER PERSONNEL AND ITS REPRESENTATIVES?**

340 A. The Division appreciates the work and effort put into this rate case request before
341 filing. The Company was forthright in its expenses, and the Division made minimal
342 adjustments. The Division's interaction with Mr. Duncan and Mountain Sewer's
343 attorney, Ms. Jennifer Bowen-Crockett, made this process go as smoothly as
344 possible. The Division's interaction with Mr. Duncan and Ms. Bowen-Crockett
345 included Zoom meetings, phone calls, and emails, and they were readily available
346 and knowledgeable.

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

348 A. The Division's analysis demonstrates that its recommended rates, revised tariff,
349 refund of standby fees, and billing error correction are just, reasonable, and in the
350 public interest. Therefore, the Division recommends that the Commission approve
351 these new rates, refunds, surcharges, and the billing error correction and updated
352 Tariff No. 3.

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

354 A. Yes.