

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

**WANSHIP WATER COMPANY, LLC'S REQUEST
FOR A RATE INCREASE**

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**DOCKET No. 23-067-01
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

September 27, 2023

CONTENTS

| | |
|---|-----------|
| INTRODUCTION | 1 |
| IDENTIFICATION OF WITNESS..... | 1 |
| PURPOSE OF TESTIMONY | 2 |
| THE DIVISION'S WATER POLICY OBJECTIVES..... | 2 |
| FINANCIAL SUSTAINABILITY..... | 4 |
| CAPITAL RESERVE ACCOUNT | 4 |
| WATER CONSERVATION..... | 6 |
| THE RATE MODEL USED BY THE DIVISION IN MAKING ITS RECOMMENDATION | 6 |
| COMPANY BACKGROUND | 7 |
| WANSHIP'S CURRENT RATES AND FEES | 7 |
| WANSHIP'S REQUESTED RATES AND FEES | 8 |
| RECOMMENDED RATES AND FEES..... | 9 |
| RATE COMPARISON | 11 |
| THE DIVISION'S SUPPORTING EXHIBITS..... | 13 |
| RATE RECOMMENDATION | 14 |
| TARIFF RECOMMENDATION | 15 |
| FINAL COMMENTS | 16 |

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
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 Technical
7 Consultant for the State of Utah.

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
11 was employed as a tax auditor and criminal investigator for 22 years with the Utah
12 Tax Commission. I have been employed by the Division since December 2008. I am
13 a member of the Association of Government Accountants and the Association of
14 Certified Fraud Examiners.

15 **IDENTIFICATION OF WITNESS**

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

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

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

20 A. Yes. I have testified before the Commission as an expert witness, most recently in
21 Docket Nos. 22-540-01, 21-001-01, and 19-2438-01.

22 **Q. PLEASE DESCRIBE YOUR PARTICIPATION IN THE DIVISION'S REVIEW OF**
23 **WANSHIP WATER COMPANY LLC'S (WANSHIP OR COMPANY) REQUEST FOR**
24 **A GENERAL RATE INCREASE IN THIS DOCKET.**

25 A. I am the lead investigative auditor assigned to this case. I have participated in the
26 review, investigation, and analysis of Wanship's operations, revenues, and
27 expenses. I reviewed and analyzed all the documentation and data submitted with

28 the rate case application. In addition, I have communicated with the Company
29 through data requests, email correspondence, virtual meetings, and multiple phone
30 discussions. Also, I have directed Division analysts in gathering, reviewing, and
31 analyzing information in this case.

32 **PURPOSE OF TESTIMONY**

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

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

36 Second, my testimony and exhibits will provide background on Wanship and present
37 my analysis regarding the Company's financial aspects. I will also recommend new
38 rates and fees and related tariff changes.

39 **THE DIVISION'S WATER POLICY OBJECTIVES**

40 **Q. FOR THE COMPANY'S BENEFIT AND ITS CUSTOMERS, WILL YOU PLEASE**
41 **BRIEFLY DESCRIBE THE RATE CASE PROCESS FOR REGULATED WATER**
42 **COMPANIES?**

43 A. Yes. First, let me remind interested parties that customers are not only paying for
44 water but also the infrastructure and range of services required to receive a clean
45 and reliable water supply. Fresh, pure water is expensive to pump, store, treat, and
46 transport to the tap.

47 Since public utility ratemaking is generally prospective, rates are calculated before
48 the consumer uses the services. The rates are designed to allow the public utility the
49 opportunity to fully recover all costs it prudently incurs in providing service now and
50 in the future. Thus, an estimate is made of the future cost of service based on a
51 historical or forecast "test year," which includes operations and maintenance
52 expenses, reserves or savings, return on investment, and taxes. Test year costs can
53 be adjusted to include known and measurable changes the company will incur. Test
54 year costs are also normalized to estimate future expenses accurately. The
55 company's customers have an obligation to reimburse the company at rates that will

56 cover its costs, fund a capital reserve account, and provide an opportunity to earn a
57 return on its investment in infrastructure.

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

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

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

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

88 A. Yes. The DPU's primary objective or goal for water companies in the rate setting
89 process is promoting the financial sustainability of the water company, which will
90 help ensure that it can provide reliable service at just and reasonable rates.

91 **FINANCIAL SUSTAINABILITY**

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

94 A. The Division's rate model promotes this goal through three principles:

95 1. Customer rates should generally be set to allow the water company the
96 opportunity to recover all reasonable and prudent costs that it incurs in
97 providing the service. Full-cost pricing refers to ensuring that the rates
98 provide a revenue stream that provides the company with the opportunity to
99 adequately cover the company's ongoing operations and maintenance
100 expenses, reserves or savings, return on investment, and taxes. The most
101 apparent benefit of full-cost pricing is the ability of the company to
102 consistently meet all ongoing operational, maintenance, and capital costs to
103 provide a high level of service. It is also vital that utilities do not operate at a
104 loss, depend on subsidies, or continually deplete cash reserves. Operating
105 with less than full-cost pricing often results in a degraded system,
106 compromising service quality.

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

111 2. All prudently incurred costs should be recoverable through prospectively set
112 rates. Historically, the prices have been calculated to have standby
113 customers pay between 20% to 30% of the amount paid by connected
114 customers. Wanship requested that its standby customers pay 25% of the
115 amount paid by connected customers.

116 3. The establishment and continued funding of a capital reserve account.

117 **CAPITAL RESERVE ACCOUNT**

118 **Q. PLEASE EXPLAIN WHAT THE CAPITAL RESERVE ACCOUNT IS AND HOW IT**
119 **IS FUNDED.**

120 A. The capital reserve account is a fund primarily used to repair and replace
121 infrastructure. The capital reserve account is funded through customer rates at an
122 amount equal to the depreciation expense. It is included in rates and, therefore, is
123 funded by both standby and connected customers. These funds should be deposited
124 into a reserve account after each billing period.

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

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

135 The targeted minimum amount to be set aside annually for capital reserves is equal
136 to the company's annual depreciation expense before making any adjustments for
137 contributions in aid of construction. Ideally, the capital reserve account funding would
138 be based on the projected replacement value of the infrastructure, which would
139 better reflect the actual costs of replacing the infrastructure. However, due to cost
140 considerations resulting in higher rates, the Division recommends setting the reserve
141 funding at original costs rather than replacement costs. The company should closely
142 monitor its reserve balance to ensure it has adequate funds to meet its needs. The
143 Commission has the authority to require any public utility to establish such an
144 account 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.”).

145 In this case, most of the Company's assets are fully depreciated, thus causing the
146 depreciation expense to be minimal. Because the depreciation expense amount is
147 used to set the capital reserve amount, the capital reserve amount is minimal,
148 especially with the Company's aging infrastructure. Wanship requested to fund the
149 capital reserve account at \$5,000 per year. Since the Company's annual
150 depreciation expense was only \$3,738, the Division felt that it was more than
151 appropriate to increase the capital reserve account funding by \$1,262 and
152 recommends funding the annual capital reserve account at \$5,000 per year.

153 **WATER CONSERVATION**

154 **Q. DOES THE DPU PROMOTE WATER CONSERVATION?**

155 A. The DPU typically promotes water conservation by recommending that the company
156 use an increasing tiered rate for usage over a fixed number of gallons per month. In
157 Wanship's case, the water system does not have meters for its individual connected
158 customers, making the imposition of an increasing tiered rate impossible. Despite
159 lacking individual meters, the Company indicated in its application that it plans to
160 help consumers conserve water by reminding them of water-wise methods in each
161 billing. The Company should closely monitor total usage to evaluate the
162 effectiveness of its efforts. If water usage is not stable or declining, it should consider
163 requiring steps to ensure conservation. These might include installing meters, leak
164 detection and repair, or other methods.

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

166 **Q. CAN YOU GIVE A MORE DETAILED DESCRIPTION OF THE DIVISION'S RATE**
167 **MODEL USED FOR WANSHIP?**

168 A. Yes. The Division has developed this model over several years and rate case
169 studies to produce a just and reasonable pricing structure that works within the
170 guidelines set forth by Commission Rules and is in the public interest. It is adapted
171 to individual cases considering each company's unique business.

172 In this case, the Division used the Company's latest financial information, including
173 2022 expenses, 2023 projected expenses, and information submitted in the
174 Company's request for a rate increase. This information was used to obtain a
175 baseline of its reported revenues, expenses, number of customers, standby
176 customers, total gallons delivered, and other data. The Division also gathered
177 information from the Company through meetings, emails, and phone calls. The
178 Division researched and analyzed the information and recommended appropriate
179 adjustments.

180 **COMPANY BACKGROUND**

181 **Q. PLEASE PROVIDE A BRIEF HISTORICAL BACKGROUND OF WANSHIP.**

182 A. The Wanship water system serves primary residences and second homes within the
183 Wanship Cottages Subdivision located directly below Echo Reservoir Dam near
184 Wanship, Utah. Wanship Cottages Water Company was issued a Certificate of
185 Public Convenience and Necessity (CPCN), No. 1925, in 1977 in Docket No. 77-
186 067-01. In August 2022, Ms. DeAnn Geary, Wanship Cottages Water Company's
187 president, sold the Company to Mr. Grady Kohler. The Commission Order amending
188 the CPCN in Docket No. 22-067-01, reflects the new business name of Wanship
189 Water Company, LLC.²

190 **Q. PLEASE STATE THE DATE OF WANSHIP'S LAST RATE INCREASE.**

191 A. Wanship has not requested a rate increase for 35 years. The Company was last
192 granted a rate increase in 1988, Docket No. 88-067-01, increasing its monthly rates
193 from \$9.00 per month to \$19.00 per month.³

194 **WANSHIP'S CURRENT RATES AND FEES**

195 **Q. WHAT ARE WANSHIP'S CURRENT RATE STRUCTURE AND FEES?**

196 A. Please refer to Table 1.

² *Notice of Sale of Wanship Cottages Water Company, Inc, Amended Certificate of Public Convenience and Necessity*, Docket No. 22-067-01, Order issued Oct. 5, 2022.

³ *Application of Wanship Cottage Water Company, Inc. for Approval or its Proposed Rate Schedule*, Docket No. 88-067-01, Report and Order issued June 27, 1988.

Table 1
 Current Rates, Fees & Other Charges

| Description | Current Rates, Fees & Charges Amounts |
|--|---------------------------------------|
| Monthly Water Rates and Fees | |
| Unmetered water for connected customers | \$ 19.00 |
| Monthly Fees and Charges | |
| Interest rate on bills more than 30 days past due. Monthly percentage. | 1.50% |
| One-Time Fees | |
| First time service connection fee | \$ 400.00 |
| Reconnection for existing connection fee | \$ 100.00 |
| Reconnection for unauthorized use fee | \$ 150.00 |
| Seasonal turn-on and turn-offs fee | \$ 25.00 |
| Return check fee | \$ 5.00 |
| Other Charges | |
| Account transfer charge | \$ 10.00 |

- 197
- 198 **Q. WHAT DOES THE DIVISION CONCLUDE ABOUT THE CURRENT RATES AND**
- 199 **RATE STRUCTURE?**
- 200 A. The Division's analysis shows that Wanship's current rates no longer cover its costs.
- 201 The rates are no longer just and reasonable nor in the public interest. The Company
- 202 has been operating at a loss for many years and borrowing money to stay afloat.
- 203 Without the loans from Mr. Kohler, the Company would not be able to purchase the
- 204 necessary equipment and services to maintain a safe and reliable water source, nor
- 205 would it be able to meet the Division of Drinking Water requirements.

206 **WANSHIP'S REQUESTED RATES AND FEES**

- 207 **Q. WHAT ARE WANSHIP'S REQUESTED RATES? PLEASE INCLUDE ITS**
- 208 **CURRENT RATES FOR COMPARISON.**
- 209 A. Please refer to Table 2 below.

Table 2
Current & Requested Rates, Fees & Other Charges

| Description | Current Rates, Fees & Charges Amounts | Rates, Fees & Charges Requested by Wanship Amounts |
|---|---------------------------------------|--|
| Monthly Water Rates and Fees | | |
| Unmetered water for connected customers | \$ 19.00 | \$ 90.75 |
| Standby fee | - | \$ 18.75 |
| Monthly Fees and Charges | | |
| 2nd lot fee (double lot with one cabin or house) | - | \$ 6.25 |
| Charge for construction water rental (fire hydrant use), per use per month | - | \$ 500.00 |
| Interest rate on bills more than 30 days past due. Monthly percentage. | 1.50% | 1.50% |
| One-Time Fees | | |
| First time service connection fee | \$ 400.00 | \$ 3,000.00 |
| Turn on/off service with existing connection fee | - | \$ 125.00 |
| Reconnection for existing connection fee | \$ 100.00 | \$ 125.00 |
| Reconnection for unauthorized use fee | \$ 150.00 | \$ 150.00 |
| Shut off notice fee | - | \$ 150.00 |
| Disconnection fee | - | \$ 125.00 |
| Delinquent lien fee | - | \$ 150.00 |
| Ownership change fee | - | \$ 100.00 |
| Seasonal turn-on and turn-offs fee | \$ 25.00 | - |
| Return check fee | \$ 5.00 | \$ 50.00 |
| Late fee on bills 30 days past due | - | \$ 50.00 |
| Other Charges | | |
| Charge for unwarranted service call or service call on customer's side of the connection. | - | Actual cost of repair |
| Account transfer charge | \$ 10.00 | - |
| Theft of service charge | - | \$ 1,000.00 |

210

211 **RECOMMENDED RATES AND FEES**

212 **Q. WHAT RATES ARE THE DIVISION RECOMMENDING IN THIS DOCKET?**

213 A. The monthly water rates and fees, as calculated in Exhibit 2.2, and the other fees
214 and charges are located in Table 3 below.

Table 3
Recommended Rates, Fees & Other Charges

| Description | Rates, Fees & Charges Recommended by the Division Amounts |
|---|---|
| Monthly Water Rates and Fees | |
| Unmetered water for connected customers | \$ 153.50 |
| Standby fee | \$ 38.50 |
| Monthly Fees and Charges | |
| 2nd lot fee (double lot with one cabin or house) | \$ 6.25 |
| Charge for construction water rental (fire hydrant use), per use per month | \$ 500.00 |
| Interest rate on bills more than 30 days past due. Monthly percentage. | 1.50% |
| One-Time Fees | |
| First time service connection fee | \$ 3,000.00 |
| Turn on/off service with existing connection fee | \$ 125.00 |
| Reconnection for existing connection fee | \$ 125.00 |
| Reconnection for unauthorized use fee | \$ 150.00 |
| Shut off notice fee | \$ 150.00 |
| Disconnection fee | \$ 125.00 |
| Delinquent lien fee | \$ 150.00 |
| Ownership change fee | \$ 100.00 |
| Return check fee | \$ 50.00 |
| Late fee on bills 30 days past due | \$ 50.00 |
| Other Charges | |
| Charge for unwarranted service call or service call on customer's side of the connection. | Actual cost of repair |
| Theft of service charge | \$ 1,000.00 |

215

216 **Q. BESIDES THE INCREASE IN WATER RATES, IS THE DIVISION**
217 **RECOMMENDING CHANGES TO ANY FEES OR CHARGES IN THE TARIFF?**

218 **A.** Yes. The Division is recommending several changes, as shown in Tables 2, 3, and
219 4, to reflect actual costs. Additionally, several new fees have been added to
220 accommodate current business practices.

221 **RATE COMPARISON**

222 **Q. PLEASE SHOW A SIDE-BY-SIDE COMPARISON OF THE MONTHLY RATES**
223 **AND FEES, INCLUDING THE CURRENT RATES, WANSHIP'S REQUESTED**
224 **RATES, AND THE DIVISION'S RECOMMENDED RATES.**

225 A. Please refer to Table 4, below.

Table 4
Current, Requested, & Recommended Rates, Fees & Other Charges

| Description | Current Rates, Fees & Charges Amounts | Rates, Fees & Charges Requested by Wanship Amounts | Rates, Fees & Charges Recommended by the Division Amounts |
|---|---------------------------------------|--|---|
| Monthly Water Rates and Fees | | | |
| Unmetered water for connected customers | \$ 19.00 | \$ 90.75 | \$ 153.50 |
| Standby fee | - | \$ 18.75 | \$ 38.50 |
| Monthly Fees and Charges | | | |
| 2nd lot fee (double lot with one cabin or house) | - | \$ 6.25 | \$ 6.25 |
| Charge for construction water rental (fire hydrant use), per use per month | - | \$ 500.00 | \$ 500.00 |
| Interest rate on bills more than 30 days past due. Monthly percentage. | 1.50% | 1.50% | 1.50% |
| One-Time Fees | | | |
| First time service connection fee | \$ 400.00 | \$ 3,000.00 | \$ 3,000.00 |
| Turn on/off service with existing connection fee | - | \$ 125.00 | \$ 125.00 |
| Reconnection for existing connection fee | \$ 100.00 | \$ 125.00 | \$ 125.00 |
| Reconnection for unauthorized use fee | \$ 150.00 | \$ 150.00 | \$ 150.00 |
| Shut off notice fee | - | \$ 150.00 | \$ 150.00 |
| Disconnection fee | - | \$ 125.00 | \$ 125.00 |
| Delinquent lien fee | - | \$ 150.00 | \$ 150.00 |
| Ownership change fee | - | \$ 100.00 | \$ 100.00 |
| Seasonal turn-on and turn-offs fee | \$ 25.00 | - | - |
| Return check fee | \$ 5.00 | \$ 50.00 | \$ 50.00 |
| Late fee on bills 30 days past due | - | \$ 50.00 | \$ 50.00 |
| Other Charges | | | |
| Charge for unwarranted service call or service call on customer's side of the connection. | - | Actual cost of repair | Actual cost of repair |
| Account transfer charge | \$ 10.00 | - | - |
| Theft of service charge | - | \$ 1,000.00 | \$ 1,000.00 |

226

227 **Q. PLEASE PROVIDE A SAMPLE MONTHLY BILLING COMPARING CURRENT**
228 **RATES TO THE DIVISION'S RECOMMENDED RATES.**

229 A. Please refer to Table 5, below.

Table 5
Sample Billing Amounts Comparing Current to Recommended Rates

| Description | Current Monthly Rates | Division Recommended Monthly Rates | Percent Increase |
|---|-----------------------|------------------------------------|------------------|
| Unmetered Water for Connected Customers | \$ 19.00 | \$ 153.50 | 708% |
| Standby Fee | \$ - | \$ 38.50 | N/A |

230

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

233 A. The Division is sensitive to steep rate increases, as in this rate case. Here, the large
234 increase is largely due to:

235 1. Wanship has not had a rate increase since 1988, 35 years ago. The Division
236 encourages regulated water utilities to review their expenses and revenues
237 regularly and request a rate increase as needed.

238 2. As explained earlier, the Company has been operating at a loss for many
239 years and borrowing money to stay afloat. Without the loans from Mr. Kohler
240 to purchase the necessary equipment and services, the Company would not
241 be able to maintain a safe and reliable water source, nor would it meet the
242 Division of Drinking Water requirements. The Company's repayment of these
243 loans is included in the Division's recommended rates.

244 3. Private water companies are funded solely by their customers. A recent
245 article in *The Salt Lake Tribune* stated that most Utahns pay low water rates
246 because property taxes heavily subsidize most Utah water districts.⁴ Absent
247 subsidization from some source, private water companies' only source of
248 funding is the rates and fees paid by their customers.

⁴ Zak Podmore, *Utah residents use the most water of any Western state. They also pay some of the lowest rates*, SALT LAKE TRIB. (Sept. 9, 2021), <https://www.sltrib.com/news/2021/09/20/utah-residents-use-most/>.

249 **Q. WHAT DOES THE DIVISION'S ANALYSIS CONCLUDE ABOUT THE**
250 **RECOMMENDED RATES AND FEES?**

251 A. The Division's analysis shows that the recommended rates and fees provide the
252 Company with the opportunity to cover all costs and fund the reserve account. The
253 Division concludes that its recommended rates are just, reasonable, and in the
254 public interest.

255 The Division is mindful of the magnitude of the recommended increase and its likely
256 effects on customers. Such increases are frustrating, or worse, even when the
257 customer can easily bear the added expense. However, to provide safe, adequate,
258 and reliable service, a reasonable rate is needed. The recommended rates are
259 reasonable given operating conditions and expenses.

260 **THE DIVISION'S SUPPORTING EXHIBITS**

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

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

264 **Q. DOES YOUR DIRECT TESTIMONY REFERENCE AND DISCUSS EACH OF**
265 **THESE EXHIBITS?**

266 A. No. My direct testimony only refers to exhibits that require additional explanation or
267 to indicate significant adjustments or issues. Each exhibit contains notes, comments,
268 and supporting references and can be reviewed independently.

269 **Q. WHY DID THE DIVISION MAKE AN ADJUSTMENT ON EXHIBIT 2.3 TO THE**
270 **LEGAL FEES REQUESTED BY WANSHIP?**

271 A. To keep the rates as low as possible while maintaining the financial integrity, Mr.
272 Kohler volunteered to reduce the projected annual legal fees from \$5,000 to \$3,000.
273 Mr. Kohler believes he can stretch the \$3,000 to accommodate the Company's future
274 legal service needs.

275 **Q. WHY IS THE DIVISION RECOMMENDING THAT THE REPAYMENT OF THE**
276 **LOAN TO MR. GRADY KOHLER BE INCLUDED IN RATES?**

277 A. Mr. Grady loaned \$49,112.65 to Wanship on January 1, 2023. This loan is repayable
278 in 60 monthly payments of \$926.81 and carries a 5% per annum interest rate. In
279 Wanship's application, Mr. Grady has provided a "Loan Agreement"⁵ memorializing
280 this transaction. This money was used to offset annual losses suffered by the
281 Company and to meet the Division of Drinking Water requirements in order to
282 provide safe, clean, and reliable water to its customers.

283 **RATE RECOMMENDATION**

284 **Q. DOES THE DIVISION HAVE A RECOMMENDATION FOR WANSHIP'S WATER**
285 **RATES?**

286 A. The Division requests that the Commission approve the rates recommended by the
287 Division, outlined in Exhibit 2.2 and presented in Table 3, as just and reasonable and
288 in the public interest. A rate effective date of December 15, 2023, is recommend by
289 the Division.

290 **Q. IN ADDITION TO THE RECOMMENDED WATER RATES, DOES THE DIVISION**
291 **HAVE A RECOMMENDATION FOR WANSHIP'S NEW AND UPDATED FEES**
292 **AND CHARGES?**

293 A. The Company has requested updated and new fees that better reflect the actual
294 business practices and more accurately represent the costs associated with the new
295 and updated fees and charges. The Division requests that the Commission approve
296 the fees and charges presented in Table 3 and Tariff No. 3 as just and reasonable
297 and in the public interest.

⁵ *Application of Wanship Water Company LLC for a General Rate Increase*, Docket No. 23-067-01, Attach. 16 – Loan Agreement.

298 **TARIFF RECOMMENDATION**

299 **Q. OTHER THAN UPDATING THE NEW RATES, FEES, AND CHARGES, ARE ANY**
300 **OTHER CHANGES TO THE REVISED RECOMMENDED TARIFF NO. 3?**

301 A. Yes, the Division wishes to bring to the Commission's attention the quarterly billing
302 recommendation in paragraph 14 of the Rules and Regulations of Wanship's Tariff
303 No. 3. The Division recommends that the Company be exempt from the requirement
304 to use a billing cycle with an interval between periodic billing statements of not more
305 than two months as prescribed in R746-200-4(A).⁶ The Division believes requiring
306 monthly or every other month billing would impose an undue burden on Wanship as
307 a small water company due to the unnecessary labor and postage costs. Since the
308 Customer's water use is not metered, the billing amounts will always be the same,
309 and Customers receive no or limited benefits by imposing monthly or every other
310 month billing.⁷ So long as there are no cash flow problems resulting from this, the
311 burden of monthly billing likely outweighs the benefit. The Division recommends that
312 as long as the Company does not meter its Customer's water use it should be
313 exempt from R746-200-4(A) and should bill quarterly due to the undue hardship and
314 limited Customer benefits of shorter billing cycles. The Division also recommends
315 that if the Company starts to meter each Customer's water usage, the Company and
316 Commission should reconsider Wanship's billing cycle rule exemption.

317 This Division also wishes to bring to the Commission's attention the Service Area
318 Map on page 11 of Tariff No. 3. According to Division records, The Company's
319 original 1977 Tariff, in Docket 77-067-01, did not include a copy of its Service Area
320 Map. Also, subsequent dockets 88-067-01 and 22-067-01 did not include or
321 reference the Service Area Map per Division records. Additionally, the Company is
322 also unable to provide the original tariff with the Service Area Map included. The

⁶ Utah Rules R746-200-4(A). ("Billing Cycle -- Each gas, electric, sewer and water utility shall use a billing cycle that has an interval between regular periodic billing statements of not greater than two months. This section applies to permanent continuous service customers, not to seasonal customers.")

⁷ Utah Rules R746-200-4(F)(2). ("Upon a showing that specified portions of these rules impose an undue hardship and provide limited benefit to its customers, a utility may petition the Commission for an exemption from specified portions of these rules.")

323 Company owner, Mr. Kohler, provided the Division with the current Service Area
324 Map with its boundaries transposed over a Google Earth map. Mr. Kohler indicated
325 that the Service Area Map includes the original plat area where the Company has
326 water lines, which includes many connections that have been part of the Company
327 since its inception in the 1970s. Mr. Kohler also indicated that, according to his
328 research, no other water companies or water service areas are adjacent or close to
329 Wanship's service area. The Division recommends that the Commission adopt this
330 map as the official Service Area Map for Wanship.

331 In addition to the two items discussed above, several wording changes have been
332 made dealing specifically with Wanship's Rules and Regulations 1 through 19.

333 **Q. HAVE YOU PROVIDED A REDLINED VERSION AND A CLEAN VERSION OF**
334 **WANSHIP'S REQUESTED TARIFF?**

335 A. Yes, the redlined version of Tariff No. 3 is provided in Exhibit 3, and the final clean
336 version of Tariff No. 3 is provided in Exhibit 4.

337 **Q. DOES THE DIVISION HAVE A RECOMMENDATION CONCERNING WANSHIP'S**
338 **FINAL REQUESTED TARIFF NO. 3 (EXHIBIT 4)?**

339 A. The Division recommends that the Commission find Wanship's updated rates, fees,
340 charges, and terms and conditions, as reflected in its revised Tariff No. 3, as just,
341 reasonable, and in the public interest. This version includes the Division's
342 recommended rates. The Division also recommends that the Commission allow the
343 Company to bill quarterly, adopt the Service Area Map as the official Service Area
344 Map, and establish an effective date of December 15, 2023.

345 **FINAL COMMENTS**

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

347 A. Yes.