

1                                   **WRITTEN TESTIMONY OF JOSHUA BEAN**

2                                   **2025 Water Rate Increase Application (Docket #25-2443-01)**

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4   **Q.     Please state your name and contact information.**

5   A.     My name is Joshua Bean. My business address is 154 E. 14075 S., Draper, Utah 84020.

6           My phone number is 801-495-2224. My email address is jbean@bowencollins.com.

7   **Q.     Briefly describe your educational and professional background relating to this rate**

8           **increase.**

9   A.     I am employed by Bowen, Collins and Associates, Inc. (BC&A), which provides

10           consulting engineering services to WaterPro Inc., (the Company), a wholly-owned

11           subsidiary of Draper Irrigation Company. I am a licensed professional engineer in Utah.

12           I have a bachelor's degree in civil and environmental engineering. I have been working

13           in the civil engineering field for approximately 13 years and have worked on multiple

14           public utility rate increase projects.

15   **Q.     Who else worked on the water rate model with you?**

16   A.     Keith Larson, a principal of BC&A and a licensed professional engineer in Utah also

17           worked on the rate model. Keith has been working in the civil engineering field for over

18           25 years, is a contributing author to the American Water Works Association M1 Manual

19           (Principles of Water Rates, Fees and Charges), and has assisted in implementing utility

20           rate increases with more than 30 different public utility entities.

21   **Q.     What services does Bowen Collins and Associates, Inc. perform on behalf of the**

22           **Company?**

23 A. BC&A has assisted the Company with various civil engineering services, including, but  
24 not limited to: the development of the Company's water right master plan, culinary water  
25 master plan, and pressure irrigation master plan, design of various waterline, well, and  
26 pump station projects, new development plan reviews, water rate studies, etc.

27 **Q. What is the purpose of your testimony?**

28 A. My testimony is intended to explain the water rate model (that was included in Appendix  
29 H of the rate increase application filed with the Utah Public Services Commission on  
30 June 30, 2025 (the Application)). That rate model was used as a basis for determination  
31 of the needed rate increase requested by the Company.

32 **Q. Are impact fees addressed in this rate case application?**

33 A. No. This rate case application is based upon BC&A's review of the Company's culinary  
34 water rates and proposed system improvements. That review was completed in order to  
35 determine when rate increases are necessary to maintain the existing level of service in  
36 the Company's culinary water system and ensure adequate funds are available to  
37 complete system improvements necessary to continue providing service to the  
38 Company's existing customers. That is distinct from the imposition of impact fees,  
39 which are intended to apportion the cost of constructing facilities required by new  
40 development. Impact fees are designed to reduce the subsidy existing customers pay for  
41 the construction of new facilities or infrastructure needed to serve new development.

42 **Q. Can you briefly summarize Appendix H of the Application?**

43 A. Appendix H of the Application contains the rate model used to determine the necessary  
44 rate increase. The first page is a summary of historic and projected expenses and income  
45 determined by the rate model. The bottom of that page shows the total cash flow

comparisons of a scenario where the Company maintains its existing rates and a scenario where the Company has its income increased by the requested 9.5% rate increase (anticipated to be approved in 2025 but take effect in 2026). As shown, the Company is projected to have an approximately \$220,000 surplus in 2025 and an approximately \$2,680,000 deficit in 2026 if no rate changes are implemented. The Company is projected to have an approximately \$1,950,000 deficit in 2026 if the rates structure changes are implemented as shown. This deficit is expected to be covered from Company reserves. The next four pages of the rate model show the historic and projected non-rate income sources, operational and maintenance expenses, debt service, and capital improvements. The sixth page shows a figure summarizing the preceding 3 years and projected 3 years of revenue and expenditures at both the existing and proposed rates.

**Q. Can you explain the source of the historic data included in the rate model?**

A. The PSC requires the Company to annually submit financial data to the PSC in a certain format using certain budget item categories. The rate model was set up in a similar format as those annual PSC financial submissions for continuity and ease of review. The Company provided BC&A the last three years of data (2022-2024) that was submitted to the PSC. The rate model includes that PSC historic financial data.

**Q. Can you explain the first page of the rate model (the model summary page)?**

A. The summary lists the historic number of accounts and their actual growth rates along with the estimated number of future accounts. It should be noted that the future number of accounts were based on the growth rates estimated in the Company's most recent culinary and PI water master plan. The expenditures and income categories shown are copied from subsequent pages of the rate model. To determine the projected 2025 value

of the ‘Sales – Existing Rates’ category, the 2022 through 2024 sales amounts were averaged and then grown at the projected system growth rate. The costs were averaged from the past three years since the revenues are partially dependent on Utah’s historically variable climate that results in wetter and drier years. Averaging the costs of the past three years will provide a more representative approach to predicting future revenue and allow WaterPro to be more flexible in regard to unpredictable climate conditions and accompanying potential reduced water sales. The projected 2025 value also includes the estimated 9.5% effective rate increase that was approved by the PSC as part of docket 24-2443-01. The revenue values of later years were increased by growing the previous year by the projected system growth rate of that year.

**Q. Can you explain the second page of the rate model (the non-rate revenue page)?**

A. The ‘Non-Utility Income’ category was grown by increasing the previous year’s revenue by the projected system growth rate. The ‘Fire Protection Customers’, ‘Miscellaneous Service Revenue’, and ‘Other Miscellaneous Water Revenues’ categories were grown by increasing the previous year’s revenue by the projected system growth rate and including an assumed annual inflation rate of 5.0 percent.

**Q. Can you explain the third page of the rate model (the operation and maintenance expenditure page)?**

A. Each operations and maintenance category was grown from the prior year’s cost at an assumed inflation rate plus half of the system growth rate. Relative to growth, it is clear that costs will increase as the size of a system increases. However, because of economy of scale, operation and maintenance costs do not generally directly increase at the same rate as system growth. Correspondingly, the system growth rate was halved for these

categories. An inflation rate of 5 percent from 2025 to 2027 was assumed based on reported economic trends and recent observed increases in Company O&M budget categories.

**Q. Can you explain the fourth and fifth pages of the rate model (the debt service and capital improvement projections page)?**

A. The Company has an existing loan it obtained in 2013 to pay for pressure irrigation and culinary projects. The total loan amount, as shown in Appendix L of the Application, was \$8,552,878. The Company has indicated that \$4,000,000 of that loan amount was to pay for projects relating to installation of a new culinary water well and a pipeline from that well to the Water Treatment Plant. Therefore, approximately 47% of the loan repayment schedule should be paid by the culinary system. That approximately 47% amount is reflected in the loan payments that are projected into the culinary rate model. That page also shows the system replacement and other improvement projects that are projected to be required between now and 2027. The replacement projects include mostly old and under capacity water pipelines that will need to be replaced, well maintenance and replacement, and water meter upgrades. The listed projects also include construction of the reuse water projects. These improvements are needed to continue providing cost-effective and efficient service to the Company's existing customers. Also included in Appendix L is documentation for a loan obtained from the Utah Division of Water Resources/Board of Water Resources for the 13800 South Culinary Waterline project. This loan is for up to 85% of the project cost up to a maximum loan amount of \$962,000. The rate model shows the anticipated loan payments for the 13800 South loan at 0% interest for 25 years. Also included in Appendix L is documentation for a loan

obtained from the Utah Division of Water Resources/Board of Water Resources for Phase 1 of the Reuse Water Project (wells, pipeline, and a pump station). This loan is for up to 72.8% of the project cost up to a maximum loan amount of \$10,090,000. The rate model shows the anticipated loan payments for Phase 1 of the Reuse Water Project loan at 1% interest for 25 years. Finally shown in Appendix L is documentation for a future loan through the Utah Division of Water Resources to help pay for Phases 2 & 3 of the Reuse Water Project. The loan has not been issued, just authorized based on WaterPro's prior application. The rate model shows the anticipated loan payments for the reuse loan at 1% interest for 25 years. As the reuse projects will benefit both the culinary and irrigation systems per the Company's 2018 Water Rights Water Master Plan, the reuse loan payments and capital projects have been allocated based on the same 80/20 split between the culinary and PI systems described in the Application.

**Q. The capital improvement projects are shown to occur in particular years. Are those expenses certain to occur in those years?**

A. All of the replacement and improvement projects shown are items the Company expects to be done within this three-year time period, but there is typically some flexibility. For instance, if the City or State has a separate project where the roads are already getting demolished/re-paved and there is a Company project located in that roadway, the Company will try to time its own projects so that they are done in concurrence with the third-party road work. That allows the Company to do the work at a lower cost and minimizes the disruption to traffic and the public. Also, if revenues are less than expected or operational costs are higher than expected, the Company may have to postpone some projects.

138 **Q. Can you summarize the test period used in the rate model?**

139 A. Except as previously described, all income and expense categories were grown based on  
140 the 2024 financial data provided to BC&A. The ‘Sales-Existing Rates’ was the only  
141 category with a test period that instead averaged the historical amounts from 2022  
142 through 2024 to use a basis for projecting future values (as previously described). Again,  
143 those modifications to the otherwise standard 2024 test period were to account for some  
144 fluctuation in historical amounts that otherwise may not be as accurate in projecting  
145 future values.

146 **Q. What do these projections show would be the result of the 9.5% increase in rates?**

147 A. As shown in the summary page of the rate model, without any changes to existing rates  
148 the Company would be expected to have a deficit of approximately \$2,680,000 in 2026  
149 and greater annual deficits after that. Assuming the proposed 9.5% rate increase is  
150 implemented in 2026, there would only be a deficit of approximately \$1,950,000 in 2026.  
151 Although the Company could ask for a larger rate increase to eliminate all deficit, it has  
152 been decided at this time that the Company dip into its reserve fund to offset the deficit in  
153 an attempt to lessen the burden of a larger rate increase on its customers.

154 **Q. Does this conclude your direct testimony?**

155 A. Yes.