BEFORE THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF IDAHO

IN THE MATTER OF APPLICATION  
FOR PERMIT NO. 63-32573 IN  
THE NAME OF M3 EAGLE LLC  
ASSIGNED TO THE CITY OF EAGLE 

DEPOSITION OF DON READING, PH.D.
SEPTEMBER 23, 2011

REPORTED BY:
JEFF LaMAR, C.S.R. No. 640
Notary Public
1 THE DEPOSITION OF DON READING, PH.D., was taken on behalf of M3 Eagle LLC at the offices of Idaho Department of Water Resources, 322 East Front Street, Suite 600, Boise, Idaho, commencing at 1:00 p.m. on September 23, 2011, before Jeff LaMar, Certified Shorthand Reporter and Notary Public within and for the State of Idaho, in the above-entitled matter.

APPEARANCES:
For M3 Eagle LLC:
GIVENS PURSLEY LLP
BY MR. JEFFREY C. FEREDAY
MR. MICHAEL P. LAWRENCE
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Boise, Idaho 83701-2720

For City of Eagle:
MOORE, SMITH, BUXTON & TURCKE, CHARTERED
BY MR. BRUCE M. SMITH
950 West Bannock Street, Suite 520
Boise, Idaho 83702

For Protestants:
ALAN SMITH
3135 North Osprey Road
Eagle, Idaho 83616

APPEARANCES (Continued):
For Idaho Department of Water Resources:
OFFICE OF ATTORNEY GENERAL
BY MR. GARRICK L. BAXTER
322 East Front Street
P.O. Box 83720
Boise, Idaho 83720-0098

Also Present:
Steve Holt
John Church
Jason Smith

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EXHIBITS
21 - Motion for Subpoenas Duces Tecum to Mat Weaver and Don Reading
22 - Memo from D. Reading to S. Buxton and N. Baird Spencer, dated 10/28/2007
23 - It's official: M3's Eagle foothills development will be called Spring Valley article
24 - M3 Eagle Fact Sheet, updated 07/05/2008
25 - Table 5. The Most Populous Counties and Incorporated Place by Race and Hispanic or Latino Origin in Idaho: 2010 spreadsheet
26 - Map of wells related to Eagle
27 - Maps and various other charts and graphs related to Eagle
28 - Eagle Water Company System Engineering Data, year ended 12/31/2010
29 - EWC Active Service Area maps
30 - M3-Eagle: A Summary of Projected 30-Year Buildout Scenario of Residential Housing Units, Households, and Population spreadsheet
31 - Eagle City Percent Growth and Population Change graphs
32 - Idaho Community Profiles Eagle
33 - Housing estimates document
34 - 2011 Eagle Comprehensive Plan, Chapter 3, Population
35 - Population forecast
36 - Contract for Professional Services Idaho Department of Water Resources Contract # DWR CON00887
37 - Home Prices - Continued Decline in U.S. Home Prices Reported article
38 - Good year for Treasure Valley home sales, bad year for prices article
39 - Idaho's April home sales show biggest price drop in U.S. article
40 - Market Overview, May 2011
41 - Draft Reasonably Anticipated Future Needs Water Right Application
EXHIBITS PAGE

42 - Reasonably Anticipated Future Needs Water 12
Right Analysis
43 - Draft RAFN Evaluation for the City of Eagle 12
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63-32573

I N D E X (Continued)


discussions about the Appendix A. But my
responsibility was Appendix C.
Q. Who else assisted in producing what I'll
sometimes call the Department's report or Exhibit 1?
Who else participated in that effort?
A. Mat Weaver and I'm not sure -- Keen, Kelly
Keen.
Q. Would it be Shelley Keen?
A. Shelley Keen, yeah.
Q. Okay.
A. Those are the two individuals I worked with
most closely.
Q. Okay. Work with anybody else or discuss it
with anyone else?
A. Rich Rigby. There was a meeting that
Director Spackman dropped in. I'm trying to think.
Who's on loan from BOR?
Q. Would that be Mr. Rigby?
A. No, Rigby. The economist. Maybe BLM.
I'll think in a minute. But he was in an earlier
meeting also.
Q. What were the substance of the
conversations with Mr. Rigby concerning the
Department's report?
A. He was the one who first contacted me about
potentially working on this, and he indicated the
director wanted -- had been recommended, wanted an
economist to examine the population forecasts. And so
we had a general discussion, and he told me that he had
no preconceived notions and do my best.
Q. Did he describe any matters of policy or
direction that he expected you to follow or that the
Department was following in this matter?
A. I can't remember anything specifically he
said. It became obvious that the requirements we were
following was what was in the law on RAFN. So follow
that process. I can't remember explicitly. But
implicitly, that is what it was.
And in the earlier meetings with Shelley
and Mat, that's one of the first things we looked at
was what the RAFN law said, what it required. And
those were our marching orders.
Q. Were you familiar with the RAFN law,
sometimes known as the 1996 Municipal Water Rights Act?
A. Very little before I became involved.
Q. Okay. Do you feel like you're familiar
with it now?
A. Oh, yes.
Q. Do you feel like you're familiar with
matters of policy as expressed by the Department

DON READING, PH.D., first duly sworn to tell the truth relating to said cause, testified as follows:

EXAMINATION

BY MR. FEREDAY:

Q. Please state your name.
A. Don Reading, R-e-a-d-i-n-g.
Q. And your profession, sir?
A. Economist.
Q. Okay. And you're appearing today at the
request of the Department of Water Resources; isn't
that correct?
A. That is correct.
Q. Okay. You are the person who prepared the
document known in this deposition as Exhibit 1, the
RAFN Evaluation for the City of Eagle in Connection
with Application for Permit 63-32573; correct?
A. Only that I was responsible for Appendix C.
So I won't claim I prepared the whole document.
Q. Okay. Which portions did you work on other
than Appendix C?
A. Appendix C was the one I worked on.
Obviously, it is in conjunction with some of the other
parts, took data from Appendix B that Mat did in
1 pertaining to the RAFN law?
2 A. I will fully admit that in discussions and
3 also some of the -- Bruce Smith was -- I had
4 discussions with him also. A lot of the history that
5 the -- the Department's history with RAFN, I'm more
6 familiar with it now, but I will fully admit I'm
7 confused. I will look into it. And so I can't really
8 opine on what policy the Department really has. And as
9 I said, my focus was on the population forecasts.

Q. Okay. With regard to the meeting attended
11 by the Director, Mr. Spackman, was there any
12 conversation with Mr. Spackman at that time about this
13 matter, about the production of the Department's report
14 that you recall?

A. That the result of the collective effort
16 would be a response to the City of Eagle on the RAFN
17 that they filed. Beyond that, that was pretty well it.
18 Q. The RAFN that the City of Eagle filed, was
19 that filed in late April 2011? Isn't that correct?

A. Subject to check. Is that the way to speed
21 things along?

Q. Could you look at Exhibit 2, please.

A. Let me thumb through it.

(Reviews.)

Q. Do you recognize that document?

A. Sure.

Q. Could you look at Exhibit 3, please. I

believe that is the earlier draft. And I'd just like

you to confirm that so that we're clear that we're

operating on the same base of documents that we used

yesterday in Mr. Weaver's deposition.

A. Yes.

Q. Okay.

A. I'm sure that the two that I have in my

folder are these two.

Q. In doing this work in producing the

Department's report, did you look at any other

materials from the City of Eagle or obtain any other

input from the City of Eagle or its representatives?

A. The short answer is yes. I'm trying to

think how -- I can't remember how long ago. It was

like three years ago or four years ago the City of

Eagle hired me to review John Church's forecasts for

M3. And I did that and produced also -- it's in the

material I'm providing, produced a memo or some kind of

document where I opined about it.

And then in general, and as much as I had

1 in my file is in there, but, you know, we do lots of
2 things on the Internet now. So a lot of the stuff you
3 just look at. So there's some documents in there about
4 Eagle and the growth rate, et cetera. They're not
5 official documents from Eagle, but they pertain to the
6 economics of Eagle and what's been going on.

Q. Your prior work for Eagle, though, was with

regard to really another subject matter, correct, not

the subject matter of producing this Department report?

A. Yes, correct.

Q. Okay. But in terms of producing the

Department report, the input you obtained from the City

of Eagle was, as you've described here, the Exhibits 2

and 3?

A. Yes. And I looked also at their

comprehensive plan.

Q. Okay. Did you bring some documents with

you today or provide them for this deposition?

A. Yes.

MR. FEREDAY: Let's go off the record.

(Exhibits 21 through 43 marked.)

MR. FEREDAY: Let's go back on the record,

please.

Q. Dr. Reading, you have brought some

documents with you today that we have marked as

deposition exhibits, and I'd like to go through those

very quickly here.

A. Sure.

Q. So the first one is, continuing the

numbering from yesterday, Deposition Exhibit 21.

Could you tell us what that is.

A. Yes. That is a subpoena I received about

this deposition. The dates changed.

Q. Okay. Thank you.

MR. BAXTER: Excuse me, Mr. Fereday.

MR. BAXTER: Could we clarify, was that a motion

for a subpoena or was it an actual subpoena?

A. Yes. That is a subpoena I received about

this deposition. The dates changed.

Q. The next one?

A. Is a memo that I wrote for the City of

Eagle in 2007 regarding the M3 development.

Q. And that's Deposition Exhibit 22?

A. 22.

Q. Okay. How does Exhibit 22 relate to your

work in the Department report?

A. When the Department contacted me about

potentially working for them, I remembered that I had
1 worked for the City of Eagle before. So my interest
2 was trying to remember what I said. So the first
3 document I did, I looked at what I said in there to
4 help bring me up to speed.
5 Q. Did you find anything in your work in
6 producing the Department report that conflicted with
7 your findings in Exhibit 22?
8 A. I would have to nitpick at it, but no.
9 Q. Okay. The next exhibit, 23?
10 A. A Statesman article, January 3rd, 2011,
11 about foothills development.
12 Q. Thank you.
13 A. The next one, Exhibit 24?
14 A. A sheet, I believe off the M3 website,
15 called "Fact Sheet" for M3 Eagle.
16 Q. Did you rely on Exhibit 24 in doing your
17 work in producing the Department report?
18 A. Only in general terms. The specific
19 documents were the two produced by John Church for M3
20 with population projections, more detailed information.
21 Q. Okay. And we'll get to those in a bit.
22 A. Yeah.
23 Q. Okay. Thank you.
24 A. 25.
26 A. A page from the 2010 census outlining the
27 growth of cities and counties in Idaho.
28 Q. Exhibit 26?
29 A. Is a map indicating the M3 development and
30 the Eagle area and different wells.
31 Q. Did you rely on this Exhibit 26 in any way
32 in producing your work for the Department report?
33 A. No, nothing specific. This was supplied by
34 me by Mat Weaver, and I have not worried about cfs or
35 wells or anything like that.
36 Q. Thank you.
37 A. The next exhibit, No. 26 (sic)?
38 A. A document pulled off the web, City data, a
39 review of Eagle City with a multiplicity of demographic
40 and economic data about the City of Eagle.
41 Q. And I apologize. That was Exhibit 27;
42 A. Correct.
43 Q. Did you rely on this document in producing
44 the Department report?
45 A. I would put this in a category of yes,
46 generally. You know, the first thing you do is try to
47 tool up and familiarize yourself with what's going on
48 out there, so you look at a lot of different sources to
49 try to get your head around it before you sit down with
50 a pencil and start cranking stuff out.
51 Q. Okay. Exhibit 28, please.
52 A. It is one sheet from the Eagle Water
53 Company's annual report submitted to the PUC.
54 Q. And what was the purpose of obtaining this
55 document and how was it used?
56 A. I would say I did not use it specifically
57 at all. Again, familiarized myself. As I remember, I
58 either gave it to Mat Weaver or told him about it.
59 Q. Okay. No. 29?
60 A. 29 is three maps that Mat Weaver supplied
61 me, again, just in general, so I can understand his
62 work and how he used GIS to determine the population of
63 various entities within the city of Eagle, such as the
64 overlap of Star and the Eagle Water Company's area.
65 Q. And what significance did this have in the
66 Department's report?
67 A. That Mat Weaver used this and handed off to
68 me the population for the city of Eagle, less those
69 other water-supplying entities, as I understand the
70 RAFN says you're supposed to do.
71 Q. -- served by other water --
72 A. Yes.
73 Q. -- providers; is that your view?
74 A. Yes. And certainly in my mind, that's
75 logical.
76 MR. FEREDAY: Okay. Could we go off the record
77 for just a second.
78 (Discussion.)
79 MR. FEREDAY: Let's go back on the record.
80 Q. Exhibit 30, please. Could you describe
81 this.
82 A. That is a 30-year projection of housing
83 population, et cetera, for M3 Eagle from the John
84 Church report.
85 Q. Dr. Reading, I'd like you to refer to
86 Exhibit 6 that was included in yesterday's exhibits in
87 our deposition of Mr. Weaver. I'll represent to you
88 that that's the same document as this Exhibit 30. And
89 I'd like you to confirm that.
90 A. It looks exactly the same to me.
91 Q. Okay. Well, here's hoping I don't refer to
92 Exhibit 30 again today, but I will be referring to
93 Exhibit 6. And you can leave it as Exhibit 30, the one
94 that's in front of you, but we will talk about this
95 document in terms of it being Exhibit 6.
And, Dr. Reading, I'll also represent to you that as noted here this document was also Exhibit 60 in the hearing record previously in this case.

Okay. Let's go to 31, please.

A. It is a one-page printout that I obviously took data from the census to show Eagle growth over the last ten years.

Q. Did you prepare this?

A. Yes, from census data.

Q. Would that census data have included exhibit I think it was 27 that we just went through?

A. Not 27. 27?

Q. No, I'm sorry. We just went through a list of census data. Exhibit 25. Is that where you got the numbers for this Exhibit 31?

A. I will look and check. It may or may not have been. The census has several different pages on their website with different data.

Q. Okay. Is this the most recent publication of the Idaho Community Profile for the Eagle area?

A. I cannot answer that. I can see they have data only up to 2004. I do not know whether they've updated it or not.

Q. Looks to me like it goes up through 2005, at least with regard to the county.

A. That could be. That could be.

Q. Is that your understanding?

A. Yeah.

Q. Okay. Thank you. Exhibit 33, please.

A. That is from Idaho Economics, a report produced by John Church for M3. And since it goes through 20 years, I'm assuming it's the earlier version.

Q. Earlier version, meaning the first of two evaluations done by Dr. Church that was focused on a 20-year build-out as opposed to a 30-year build-out?

A. That is correct.

Q. Okay. Thank you. No. 34, please.

A. Two pages from Eagle's Comprehensive Plan 2011.

Q. Do you know whether this is the most recent version of this portion of the Eagle Comprehensive Plan?

A. My guess is that it is.

Q. Okay. Thank you.

Exhibit 35, please.

A. Is an Idaho Economics report, this one going through 2030. In context of what we talked about a few minutes ago, it would be the second one.

Q. That is the 30-year projection --

A. Yes.

Q. -- for the build-out for M3?

A. Yes.

Q. And this was prepared by Dr. Church as well, in your view?

A. Yes.

Q. Do you know where this came from?

A. One of his reports. I don't -- I'm not sure. I had some -- I probably pulled it from an earlier report or pulled it off the -- I'm not sure where it came from.

Q. Okay. Thank you.

Exhibit 36 I think you've described as your contract. And I don't think we need to inquire further into that.

Exhibit 37?
1 A. News article from the Idaho Statesman about
2 the economy of the Treasure Valley.
3 Q. And this is dated January of 2011.
4 And that's Exhibit 3- what?
5 MR. LAWRENCE: 37.
6 THE WITNESS: 38, I have.
7 MR. JASON SMITH: That's what you guys have for
8 37, isn't it (indicating)?
9 MR. LAWRENCE: Dr. Reading, I believe you might
10 have slipped 38 in before 37, if you could look at
11 your...
12 THE WITNESS: Oh. This is 37 (indicating). And
13 I could have written them down incorrectly. He's the
14 guy that counts.
15 MR. LAWRENCE: Think you're correct. 37 is an
16 Internet article entitled "Home Prices- Continued
17 Decline"?
18 THE WITNESS: Yes.
19 MR. BAXTER: Could we pause to make sure the
20 ones that have been marked are --
21 MR. FEREDAY: Yeah, let's go off the record,
22 please.
23 (Discussion.)
24 MR. FEREDAY: Let's go back on the record.
25 Q. Dr. Reading, let's go back to Exhibit 37,
26 please.
27 Could you describe what that is.
28 A. 37 is an article saying continued decline
29 in U.S. housing prices.
30 Q. And where did this article come from?
31 A. By looking up at the top, I pulled it off
32 the Internet. Star Global Tribune.
33 Q. Do you know who Star Global Tribune is?
34 A. At this point, no.
35 Q. What about CoreLogic, which is in the first
36 line of this article?
37 A. Okay. CoreLogic is a firm that tracks
38 housing prices, sales, et cetera. They're quoted often
39 in the news. You get some information off their
40 website. As I remember, if you want the real stuff,
41 you have to pay for it.
42 Q. Did you go get the real stuff, or just get
43 this off the Internet?
44 A. Just off the Internet.
45 Q. Do you find that CoreLogic's figures are
46 reliable and do you rely on them?
47 A. I rely on them. I rely on them some. I
48 would have to say, in my opinion, they're probably the
49 most -- one of the most reliable that I know about out
50 there. Lots of folks tend to use them. But data like
51 they collect is hard to collect. So you always are
52 skeptical to a certain extent about it.
53 Q. Okay. Thank you.
54 Exhibit 38, please.
55 A. Another Statesman article. "Idaho's April
56 home sales show biggest price drop in U.S."
57 Q. And this is dated June of 2011; correct?
58 A. Yeah. June 1st.
59 Q. And did you rely on this in putting
60 together the Department report?
61 A. At the end of Appendix C, I have a little
62 section that talks about what is going on in the
63 economy. So this is the kind of material that I used.
64 I would have to go back and look specifically to see if
65 I specifically pulled anything out of this article.
66 Q. Okay. Thank you.
67 Exhibit 40?
68 A. 40 is a Thornton, Oliver, Keller May 2011
69 report dealing with the commercial and industrial
70 market for the Treasure Valley.
1 paragraph 2?
2 A. Maybe. Let's see. "A reasonable window
3 for long-range utility planning is 30 years." And I
4 say "Not -- not tell 30 years"? I guess at this point
5 I'm not sure. I was -- I was -- I was struggling, as I
6 remember, at this point about what a reasonable
7 forecast window was.
8 Q. Do you think 30 years is a reasonable
9 forecast window for planning water for a city?
10 A. I'll answer directly. In my mind, that is
11 a difficult question for cities to deal with, because,
12 as I said in Appendix C, once you get out, especially
13 past 20 years, it gets more and more difficult to
14 forecast what is really going to happen.
15 On the other hand, cities need to plan for
16 future growth. So I guess to lapse back into the RAFN,
17 I would say that's not unreasonable to have a 30-year
18 forecast.
19 Q. Okay. Thank you.
20 MR. BRUCE SMITH: 41? Wait a minute.
21 Q. You have those two switched.
22 MR. BRUCE SMITH: Hang on a minute.
23 MR. FEREDAY: Could we go off the record?
24 MR. BRUCE SMITH: Off the record for a second.
25 (Discussion.)
26 MR. FEREDAY: Back on the record, please.
27 Q. Dr. Reading, on the bottom of page 2 on
28 Exhibit 41, you have marked in colored pen
29 "Comprehensive Plan Area is 106,175."
30 Could you tell us what, if any, the
31 significance of your marking that was?
32 A. That was the end result of what the City of
33 Eagle projected their population would be. So I just
34 marked it so I could go back and look at the number.
35 Q. Okay. Thank you.
36 Then continuing through, after page 4 is a
37 document that states it's prepared by Nichoel Baird
38 Spencer that lists several percentages along the
39 right-hand side.
40 Q. And you have made some notations there.
41 A. Correct.
42 Q. And you have made some notations there.
43 A. As I remember, I received the old report,
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1 assume. I'd have to double-check my arithmetic, but
2 that looks like what I would have done.
3 Q. Okay. How about Exhibit 42?
4 A. 42 is the second RAFN that was submitted by
5 the City of Eagle.
6 Q. Page 1 of 42 has a couple of notations in
7 the right margin and one underlined.
8 Your first one, what are you saying there?
9 "Not" --
10 A. "Not force," it looks like.
11 Q. Can you recall what you meant by --
12 A. I would put that in the same struggling
13 with what is the correct planning criteria. Is it 30
14 years? Is it more? Is it less.
15 Q. I see.
16 A. And I honestly can't -- can't say.
17 Q. And I notice you've underlined down further
18 the number "76,205."
19 Any significance there?
20 A. Again, just going through it and looking at
21 what the various populations were at particular times.
22 Q. Footnote 1 contains the statement, "By
23 virtue of meeting objective (2), both M3 and IDWR
24 acknowledge and approve of the analysis contained in
25 this document." And you've written "No," exclamation

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point.
2 What's your --
3 A. I'm trying to find where does footnote I
4 come from? Oh, way up at the top.
5 Q. Uh-huh.
6 A. Oh, as I remember the -- it says a
7 settlement agreement entered into by M3 and the City of
8 Eagle. And at that time, as I remember, I was told by
9 the Department that that agreement hadn't been entered
10 into.
11 Q. As of the date that you read this document?
12 A. Yeah, right.
13 Q. The date of this document was late April of
14 2011; correct?
15 A. I -- subject to check.
16 Q. Okay.
17 A. So as I remember, I was told that the
18 settlement agreement hadn't yet been signed. And
19 again, I will admit confusion about those things.
20 Q. Okay. Could it be possible that at that
21 point the settlement agreement had not yet been adopted
22 by the Court?
23 A. That -- that would be a possibility.
24 Q. Could that be a possibility?
25 A. That would be a possibility.

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1 Q. Okay. Thanks.
2 Let's go over to page 2 of Exhibit 42,
3 please.
4 A. Okay.
5 Q. Again, your handwritten note on that page.
6 A. It looks like the sentence, two sentences
7 describe 2004 report, and I just wrote "Pre-recession"
8 and I don't know whether "update 2009" is what they did
9 or what I thought should have been done, but the fact
10 it was older.
11 Q. On the next page, page 3, you have
12 handwritten material at the top.
13 What does that say and what did you mean by
14 it?
15 A. "RAFN. Five-year infrastructure. How
16 defined beneficial use." Otherwise I was -- as I
17 remember, that was a note to ask folks at IDWR about
18 beneficial use of water. And I was trying to come to
19 grips with what the RAFN was about and how it was used.
20 Q. Okay. Down near the bottom, further
21 notations, can you illuminate any of those for us,
22 please.
23 A. Yeah. For instance, it says the planning
24 staff has estimated population at 21,000. You know,
25 when you get round numbers like that, it's an estimate.

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1 And I wrote "19,985," which I would have to check, but
2 I assume that's what the 2010 consensus came down with.
3 Q. Okay. And the same with "76,205," there's
4 a notation there or an underlining, what is meant
5 there?
6 A. Yeah. So that would affect -- let's see.
7 30-year plan projections 76,000. I'm just assuming I
8 underlined that because that would come from the Church
9 report about what they said their population would be
10 when the development was -- was fully built.
11 Q. And your notation of "M3 equals 17,445," is
12 it your understanding that comes from M3's materials
13 prepared by Mr. Church?
14 A. Right. And what I was struggling with
15 there was trying to -- to parse out the 56,892, what
16 portion would be the M3 portion and what portion would
17 be the Eagle City portion.
18 Q. The next page, page 4, "The term of the
19 Development Agreement is 30 years" in the middle of
20 that page, it says, et cetera.
1. What's the meaning of that?
   2. A. Well, 30 years plus 10 is 40 years.
   3. Q. Okay.
   4. A. So again, grappling with what's the planning horizon that's reasonable use.
   5. Q. Okay. Would you find 30 years plus 10 to be an unreasonable horizon if it was subject to a 10-year extension term on 30? Would that be unreasonable to you for a city to do that?
   6. A. That's starting to be unreasonable, I think, because of the inability to forecast accurately that far out.
   7. Q. What about if the extension occurred sometime during the 30 years and it was only for 10 years, would that be an unreasonable thing to do?
   8. A. If one were to true-up the data and move forward the next 10 years, then I would say that would be a reasonable approach for a City, to have sort of a rolling planning horizon, because things change. And as things change, you would adjust as you move through time.
   9. Q. Is it your experience working with other kinds of utilities, such as electrical utilities, that planning horizons or planning programs of 20 or 30 or even more years are used sometimes?
  10. A. Yes. And -- and in my experience, they are updated periodically. Here in Idaho the Commission requires the utilities to redo their integrated resource plans every two years. Otherwise, they're updated every two years.
  11. Q. And those plans have a horizon of what, typically?
  12. A. It varies. Generally, there's a 10-year horizon and a 20-year horizon. Two separate horizons.
  13. Q. Okay. On page 4 you also have language you wrote in. "Additional development except?"
  14. What do you mean by this?
  15. A. As I remember, I was thinking that part, what if another M3 came in, would they accept it or wouldn't they accept it.
  16. Q. And what's your understanding, if any, about that?
  17. A. That it would have to go through the review process and be consistent with the comprehensive plan and all those things, city planners, all the hoops cities make developers jump through.
  18. Q. Next page, page 5 of Exhibit 42, what's your handwritten notation there mean, please.
  19. A. Well, I can't -- "City, nothing I need to do." Reading the sentences there, it is -- it's dealing with -- with whether the project in M3 would be administered by the City or administered by Eagle, the City of Eagle. Otherwise, would the City of Eagle take over the water supply system or not.
  20. Q. And what's your understanding about that?
  21. A. My understanding at this point -- and again -- is that there is some agreement or court case or something in that the City of Eagle will run M3's water system. And I would stand corrected on that.
  22. Q. Do you understand that the City of Eagle now has been assigned the permit and permit application from M3 Eagle?
  23. A. I have been told that.
  24. Q. Next page, page 6, please, Exhibit 42. On the right you've written, "Look at water right, Eagle Water: United Water."
  25. A. That would be in anticipation of what Mat Weaver did, and that is that out of -- out of this, what was United Water's service territory and what did they serve in the city of Eagle and what did Eagle Water serve.
  26. Q. Okay. How about page 7? You note as to the first two paragraphs at the top, "A problem," it looks to me.
Q. Whereas that dual water supply would not be available in the foothills, would it?
A. Right. Because there are not surface irrigation rights in the foothills.
Q. Okay.
A. So that would be the issue there.
Q. Here in this second paragraph it says at the end, "the City has not typically included an irrigation component in determining water demands." Do you still think that the City did include an irrigation component in its future water demand for a municipal use, as in its RAFN?
A. Well, let me read the footnote. (Reviews.) I guess I'd have to cop on that. I'm not sure.
Q. Okay.
A. And again, that was not the focus of what I was dealing with.
Q. Understood. Anything more you can tell us about your notations on this page, page 7 of Exhibit 42?
A. I wrote, "declining use per customer," which is true of all water systems I know about. I don't know whether it indicated it or it was a note to myself that that's what I knew was happening.
Q. What do you mean by "declining use per customer" and that's something that happens commonly?
A. Any water system that I'm familiar with over the past ten years or whatever, the use per household is going down.
Q. For indoor uses?
A. Yes.
Q. And what's the reason for that? Do you know?
A. Put my professor hat on here. I think there's greater conservation ethic. Because of manufacturing restrictions, for instance, in California, you can't buy other than a low-flush toilet now because it's required in California. And manufacturers don't want to make different kinds, so they meet all of the standards.
Q. So that applies, then, in Idaho; is that what you're saying?
A. Exactly right. You go down to Home Depot. In general, the price of water is going up, so you're getting some elasticity impact.
Q. And over on the left-hand side, you have "Irrigation," it looks like you've written there. I don't know whether it indicated it or it was a note to myself that that's what I knew was happening.
Q. Okay. On page 8 -- we're almost through. This is the last page that has any of your handwritten notations in Exhibit 42.
A. Good.
Q. Let's quickly go through those, please. What's it say at the top?
A. "Settlement agreement says M3 water only M3 place of use." I assume that was some question that I was asking people at IDWR -- again, curiosity -- about how all this worked. And was there or was there not an issue if Eagle took over and operated M3's system, whether they could or could not use the M3 water to serve customers in their existing city limits not within the boundaries of M3.
Q. And what was your understanding about the answer to that question?
A. To be candid, confusion. As I understand it, that is -- that is not a resolved issue. But I would stand corrected on that.
Q. Okay. And I take it you have not reviewed the settlement agreement between M3 Eagle and the Department of Water Resources in this matter?
A. I have not looked at it, just been told one got done.
Q. Okay. Thank you. What about the notation on the left? Can you tell us what that says on page 8?
A. "M3, all fire by storage. Eagle not want to pay for storage." I was told -- and it might not have been IDWR. It might have been somewhere else -- that there was some water issue about Eagle and storage -- in the negotiations storage was a -- was an issue. And I think that might have been with Eagle Water. But again, just trying to understand stuff.
Q. So there's not much we can gather or glean...
from that comment, huh?
A. No. It was just curiosity and throwing it out. I certainly can't glean much from it right now.
Q. What about your comments on footnote 14 at the bottom of page 8?
A. "Water people?" It looks like I did some checking of the footnote there and came up with not 35 percent but 29.7 percent.
Q. Do you think the 29.7 percent is an accurate number?
A. I would have to go back and relook. It was -- as I said, I was just struggling with trying to replicate numbers so I could understand where they came from.
Q. Again, I see that 17,455 number. I assume that's the population of the M3 part of the City as shown in the Church report; correct?
A. Yes.
Q. Do you have any reason to question that number here today or previously?
A. Define "question." That's certainly the number that was in the report, if I wrote it down correctly.
Q. Well, do you think it's off base?
A. I'm trying to remember. If that's the number of the full build-out, I did adjust in Appendix C and assumed the start date would be 2016 and then backed up and did some truncation. I know that John Church at -- listening to the transcripts of an earlier water hearing or maybe -- anyway, stated firmly that he believes that the whole M3 can be built out within 20 years, and that if it can be built out in 20 years, it certainly can be a full 30-year build-out. And I am not as certain as John Church that that will occur.
Q. But if it were built fully out, it would be 17,455, at least based on that number in the report; would you agree?
A. At this point I guess I can't really say. If you look at the memo that's Exhibit whatever that I submitted when I worked for the City of Eagle, I was questioning in there that -- let me stop there and back up.
Q. If M3 is developed with the development plan that was given to John Church, then I would not dispute that number. I took -- my opinion is one step further. And if you read the M3 documentation, it says, "We will build," for want of a better phrase, "to market." Otherwise, because markets change, developments change.
A. And therefore the build-out that John Church based his estimates on may or may not occur. And depending on what that happens, you say "Is the number accurate?" I question that it's accurate, because I think the development will develop differently to a certain extent than they have planned right now, because that's the history of developments.
Q. But would you agree, though, that as the holder of the water permit and the one obligated to serve this area, the City would need to plan for and acquire a water right permit that is tagged to a number that is at least reasonable? Would you agree with that?
A. Yes, and as I said as much in Appendix C.
Q. And would you agree that that number that Dr. Church has provided, 17,455, is a reasonable number for that purpose?
A. For that purpose, given that development.
Q. Let's turn to Exhibit 43, please. I see that Exhibit 43 is a draft of the Department report, which is Deposition Exhibit 1 in these depositions.
Q. Can you tell us what differences there are between this Exhibit 43 and Exhibit 1?
A. No. And the reason that this exhibit is there is when Mr. Baxter and I met shortly before, he looked at it, we looked at some pages; because I had turned in all my papers to be copied two days ago, three days ago, whenever I turned them in, I didn't have a paper copy of what the final report was. So I grabbed a CD and printed it and didn't pay attention to the fact it said "Draft." I wanted to read through -- refresh my memory before this deposition about what I said.
Q. So this is something that you printed out and you had in your possession, so you felt you needed to reveal it here --
A. Exactly.
Q. -- in this deposition?
A. Mr. Baxter said, "Uh-oh, we haven't given them everything that you looked at in preparation for the deposition." And this is like -- I either printed it late last night or early this morning.
Q. Do you know when this draft was prepared and provided to you?
A. Since it was on a CD, it was very close to the final. I remember that.
Q. Just prior to June 1st --
A. Yeah.
Q. -- of 2011?
A. Yeah. And it was to go through and -- you know, final checking and making sure everything lined up. And if, for instance, you would look on page 1 of Appendix C, it said still "Table XX," and I -- reading through it I crossed out and said "1." So I did find one typo in there.
Q. And I notice that this does not include Appendices D and E.
A. Yes.
Q. Do you know the reason for that?
A. That was not what I worked on, and I was only trying to refresh my memory reading Appendix C.
Q. Okay.
A. So it wasn't worth the paper and cartridges.
Q. Thank you.
A. No.
Q. Thank you.
A. A few minutes ago, Dr. Reading, you mentioned that what you did in your work for the Department report was you truncated the amount of water that the City would have for the M3 development by some amount based on your view as to how much they could build prior to the end of the planning horizon. Do you recall that? Or is that an inaccurate --
A. I will -- let me make a statement so I understand your question. I'm not sure what you mean by "truncate." If you mean I said I didn't think the M3 development would start developing until 2016, so if you move out 30 years, then you lop off the end six years, is that what you asked me?
Q. Yes, I guess that's one way of putting it.
A. Okay.
Q. Is that an accurate --
A. Yeah. What I stated is what I did, yes.
Q. Let's see if we can get that maybe in other words.
A. In other words, the effort that the Department used in putting together the Department's report assumed that for the first five years, from 2010 to 2015 --
A. Yes.
Q. -- there would be no development, but that the planning horizon clock would be running; correct?
A. That was not in my head when I did this.
Q. And that that clock would run out in 2040; is that right?
A. The development still could be developing beyond 2040. So I took that ending number and said the 30-year planning horizon would still occur, but it would not start for five years. So I think what you said is not what I did, if I understood what you said correctly.
Q. Okay. I'm just trying to make sure we're on the same page here.
A. The way we understand the report is the report does not question, first of all, that the M3 part of the City can be fully built out at some date; correct?
A. Correct.
Q. But that date may not be by 2040; correct?
A. Correct.
Q. However, the water right planning horizon expires in 2040, correct --
A. I --
Q. -- based on your assumptions?
A. Okay. Maybe -- maybe I don't -- and again, you're giving me over -- you're getting me off where I'm less comfortable in the water rights world. The --
Q. I assume that once you got a water right, you had a water right. I didn't know the water rights expired in 30 years.
Q. Well, that's, I guess, one of the questions that we need to explore in this matter. However, let's refer to page 7 of your Appendix C of Exhibit 1.
Exhibit 1 is over here.
Q. Let's go to page 7 of Exhibit C?
A. I am looking at it.
Q. Up at the top, Table 5, the year 2030 and the year 2040 are both listed there.
A. I did this based on population.
Q. Do you understand --
A. I was trying to project population. I wasn't concerned about the water right clock.
Q. Okay.
A. That was not in my head when I did this.
Q. Okay. Thank you.

At the end of the 30-year planning horizon -- which starts in 2010 and ends in 2040; correct?

A. Okay.

Q. Is that correct?

A. Correct.

Q. Under your view, the population will be 16,254; correct?

A. Well, that's what's written there. There may be a transposition of the number. Mr. Baxter and I talked about that before the deposition.

Q. Okay. That's a question that I do have here.

But before we get to that question, the 16,254 would be your assumption, at least in this Table 5, of the population of the M3 portion of the City at the end of this 30-year planning horizon in 2040?

A. No, in 2040.

Q. In 2040, which is the end of that 30-year planning horizon; correct?

A. If you're starting in 2010, yes.

Q. Okay. And you did start in 2010, did you not?

A. Yes.

Q. Have you seen this exhibit before, Exhibit 4, especially page 2, or the second page?

A. Yes.

Q. Have you seen that before?

A. I may have. I certainly didn't focus on it.

Q. Okay. Dr. Reading, do you agree that the calculations that went into coming up with the .99 cfs reduction depend on accurately portraying the 16,524 number?

A. I see a footnote there. "Estimated by Don Reading, Appendix 6 (sic)." To the extent that "16,254" should be "16,524," I would accept that.

Q. Okay. And I'll represent to you that the description in Exhibit 4 sets forth a population ratio that was based on the ultimate population, that number 17,455, as compared to the 30-year planning horizon population of 16,254 here in Exhibit 4; correct?

A. That's how the ratio is derived?

Q. Okay. So you would agree that that ratio has to change based on that transposition; correct?

A. Assuming that Mr. Weaver did it correctly, he should have used the 16,524 and -- rather than what he lifted from my report.

Q. Okay. By the way, I note that Exhibit 4 applies this ratio reduction to indoor residential and outdoor residential use.

A. That's what it says.

Q. And do you recall any discussions about that at all?

A. None.

Q. You had no input to that?
1 A. No.

2 Q. Okay. Did you review the material from M3 that was submitted as an exhibit in the main hearing detailing water uses for various functions throughout the development?

3 A. No, I did not.

4 MR. FEREDAY: Okay. Can we take a short break and go off the record.

5 (Recess.)

6 MR. FEREDAY: Back on the record.

7 Q. Dr. Reading, we have used the number 17,455 as a full build-out population number. And I think that number was referred to in Exhibit 4 as the, quote, "ultimate population."

8 A. Yes.

9 Q. I'd like you to refer to Deposition Exhibit 6 once again, please. In the last farthest right column of that exhibit under year 30, I'd like you to note the number of residences projected at 7,153.

10 Do you see that?

11 A. Yes.

12 Q. And further a few lines down is the number 2.49, which is the average household size in terms of people.

13 Do you see that?

14 A. Yes.

15 Q. And I'll represent to you that multiplying those together results in a population of 17,811.

16 A. Okay.

17 Q. And I'll also point out to you that right below the number 7,153 is the number 143 as unoccupied residential housing units.

18 Do you see that?

19 A. 143 unoccupied. Is that what --

20 Q. Yes.

21 A. Okay. Yes.

22 Q. So I'll represent to you that the difference between 17,811 and 17,455 is that unoccupied increment.

23 A. Okay.

24 Q. Does that seem reasonable to you, that in projecting for some purposes, such as taxation purposes and so forth, that the number of people occupying a part of the city at any one time is relevant? Would you agree?

25 A. Yes.

26 Q. But would you also agree that for purposes of deciding how much water you need to serve an area, you need to know how many residences, how many stub-ins, how many actual buildings and lawns are there; correct?

27 A. That would be a relevant number.

28 Q. Uh-huh. And even though a residence may not be currently occupied, it still may require water, such as for its lawn and so forth; correct?

29 A. There's that potential.

30 Q. Okay. With regard to your Appendix C in the report, page 4, I see Table 3 there. I'd like to ask you some questions about that.

31 A. What page?

32 Q. 4, Table 3.

33 A. Yes.

34 Q. Would you agree that the average growth rate for the state of Idaho or the projected growth rate from 2011 to 2014 is going to be or is likely to be a lower growth rate than that to be experienced in the city of Eagle?

35 A. Not necessarily.

36 Q. So you think that the state of Idaho as a whole, taking all 44 counties as a whole, is going to experience a growth rate greater than the city of Eagle will experience at any time in the next, say, 10 to 30 years?

37 A. I would say in the next 10 to 30 years that the Treasure Valley area, the Boise -- Ada/Canyon County area will most likely grow faster than the whole state of Idaho with their rural populations in many counties.

38 Q. Okay. On page 3 of Appendix C, right at the bottom of that page, you have a comment regarding the forecasts for the cities of Boise, Kuna, and Eagle, and you make the statement that, quote, "Since forecasts for these cities are also contained in other forecasts included in the City's" -- that is the city of Eagle's -- "average, the result is double counting," end quote.

39 Do you stand by that being an experience of double counting?

40 A. I think maybe double counting was not the best choice of words. What I was -- the point I was making in this whole paragraph was the approach that the City of Eagle took was for overlapping forecasts that were embedded in one another and for forecasts of varying different lengths.

41 And when you have all of those different kinds of forecasts and then you take a simple average of them, that is not an, in my mind, acceptable and robust statistical method of finding a growth rate.
And so it was part of that.

Q. So are you saying, then, to put it in other words, that by using an inappropriate suite of percentages, to develop the target percentage, the target percentage will either be understated or overstated, depending on the weight of those other compared percentages in comparison with the target?

A. I would agree. That would have been a nice sentence to have in my report.

Q. Do you agree that including percentages that are lower, and including perhaps more of them than should have been included, will tend to dilute or lower the target percentage?

A. Mathematical certainty.

Q. Yes. I'd like to ask you some questions now about why you chose the 2040 date for the end of the planning horizon.

And maybe another way of putting that is, why is the water planning horizon, in your view, extending from 2010 to 2040, instead of, say, 2011, this year, to 2041, 2012 to 2042, or some other similar period? Why was that period chosen?

A. Mostly because the best data for population available was the 2010 census. That would be the one that would be closest to correct.

Q. So the choice of 2010 as a start date had nothing to do with anything you were told to do by the Department; is that correct?

A. Oh, no. No, not --

Q. And it had nothing to do with your understanding of how the RAFN statute works; is that correct?

A. That would be correct.

Q. It was just a number that you picked because it was convenient based on the census numbers?

A. Right. And as I understood my task, it was to do the most accurate forecast that I could on population, so that's what I did.

Q. Could you explain why you assumed that the M3 planned community will not start construction until 2016?

A. As I say in the last page or pages of Appendix C, the existing economic conditions are such that there isn't a lot going on anywhere. So M3 would start to develop when there's a market that they can sell their properties into.

Q. In making that determination as to 2016, what data did you review?

A. Some of the economic conditions that are contained in the exhibits that we went over, the economics and Thornton Wilder report, just general economic malaise that is occurring throughout the nation, but to somewhat greater extent in southwest Idaho.

Q. So is it fair to say that the 2016 date was your estimate as to when the M3 project might start?

A. That was judgment, yes.

Q. Judgment based just on your feel for these data that you've described?

A. Correct. And as I remember, I stated in Appendix C one would assume that when it starts, it probably in the early years would not be as rapid as they originally projected back when.

Q. Do you have any information about current conditions in the Eagle area with regard to building starts or new housing activity of any kind?

A. As was in some of the exhibits that we marked, it was just the general housing conditions that are going on. If you're asking did I do a survey of the Eagle area specifically, the answer is no.

Q. Do you know whether there might be any sources for that kind of information as to what's happening in the Eagle area now?

A. One could go to the City and look at building permits. One could look at maybe CoreLogic data. One could go to a variety of sources in an attempt to estimate that. For a city the size of Eagle, you could drive around and look at empty houses, I assume, talk to real estate agents, talk to management firms, that kind of thing.

Q. Have you done any of those things with regard to your work in this case?

A. No.

Q. Would you agree that it would make sense for the planning horizon for a water right to start once the permit actually exists and is issued, or should it start at some earlier time?

MR. BAXTER: I'm going to object. It calls for a legal conclusion.

Q. (BY MR. FEREDAY): Okay. If you have a thought about that, you could still answer.

A. Yes, I understand that.

Q. Would you rephrase the question, please.

A. Okay. Would it be reasonable to you as an economist to assume that a planning horizon for a water right permit during which it must be developed would start once the permit actually exists and is issued?

A. I will go back to a question you asked me earlier on the termination of the water right. I think

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for doing that, would you comment on that?

A. I'm --

MR. BAXTER: I'm going to object because I think
the witness here has identified that he doesn't feel
it's appropriate for himself to speak on the issues of
policy. This is really a question left to the
Director.

Q. That said...

Q. (BY MR. FEREDAY): So can you answer that
question when I put it that way to you?

A. I would prefer not to opine about policy,

based on my lack of knowledge on how it comes down.

Q. Do you have any evidence to support a

conclusion that it's more likely than not that the M3
planned community will not build out to its full 7,153
units at some point in time?

A. As I mentioned earlier and is contained in
the memo to the City earlier, I expressed for a variety
of reasons that I wasn't sure the M3 development would
occur as outlined in their planning report submitted to
the City. I guess I have questions that it will fully
develop.

Q. And those questions are based on what
evidence? That's the question I asked.

A. I think it's back on general evidence as an
economist and looking around -- boy, I'd have to go
back and reread that report. But I was skeptical in
that report, as I remember, about the projected traffic
flows, the price of the housing, number of houses,
those kinds of things.

That's a very big development, and there
have been planned unit communities around the Treasure
Valley that have not developed according to what they
planned. So I guess just a general

feeling/expectation/opinion.

Q. Would you call that just a guess on your
part?

A. Well, I guess I'll back up. I guess I'll
have to be -- let's see. A little more than a guess,
given the world that I live in in economics following
this data, doing work for population projections,
et cetera. It just -- it -- as I said in Appendix C,
those numbers -- I couldn't say in a 30-year time frame
they're unreasonable. But I -- once you get out after
ten years, it gets real uncertain.

MR. FEREDAY: Let's go off the record for a
minute.

(Discussion.)

MR. FEREDAY: That's all the questions we have
at this time.
Bruce, would you like to come down here?

MR. BRUCE SMITH: Jason? Alan?

MR. ALAN SMITH: We have no questions.

(Recess.)

EXAMINATION

BY MR. BRUCE SMITH:

Q. Dr. Reading, I'm Bruce Smith. I represent the City of Eagle in this proceeding. Good afternoon.

A. Until 5:00. After 5:00, not available.

Q. Okay.

A. Maybe I should have said after 3:15 I'm not available.

MR. FEREDAY: You lost your chance.

Q. (BY MR. BRUCE SMITH): We'll do our best to take care of that.

I'm going to try not to duplicate some of the questions that Jeff asked, unless I need clarification.

As I understood your testimony, you've never worked on any kind of RAFN analysis before you were hired by the Department to work on this one?

A. That is correct.

Q. And with regard to your contract, I think you indicated that you were contacted by Mr. Rigby; is that correct?

A. Yes. And Peterson, Jack Peterson.

Q. Okay.

A. That's who I couldn't remember before.

Q. Okay. Do you have any idea why those two people contacted you?

A. Both of them, at the time this is what they said, the Department is looking for an economist. Both of them knew me. Jack Peterson, I go way back to when both of us were at Utah State. I've known him for a long time. They know me as an economist, and my understanding is they recommended me to the Department.

Q. Okay. And specifically your job was to look at population forecasting?

A. Correct.

Q. Okay. Was it anything else?

A. When I was originally contacted, we talked about the Department was interested in developing a -- I guess for want of a better word, a template that they could produce for cities who were submitting applications for RAFN water permits. They have not asked me to do that. I understand the reason is I ran them out of the money doing the work here.

Q. So you're not getting paid for your testimony today, sir?

A. I will bill them. We'll see whether I get paid.

Q. Okay. You mentioned that you had a number of meetings with Mr. Rigby and Mr. Peterson, and you said Director Spackman came in to some of the meetings?

MR. BAXTER: I'm going to object to the characterization. I don't believe the testimony said there were a number of meetings. But I may stand corrected on that.

THE WITNESS: Yeah, the number of meetings occurred with Shelley Keen, me, and Mat Weaver.

Q. (BY MR. BRUCE SMITH): Okay.

A. The original contact was Ray Rigby and Director Spackman. There was an early meeting that Jack Peterson and some other IDWR folks were about, and maybe one more later in the process. But the majority of the work was the three of us.

Q. Okay. And the meeting with Director Spackman was when?

A. Yes.

Q. No, when? When did that occur?

A. That occurred at the inception before I even signed the contract. And then as I remember, there was a later meeting in the process toward the end of it before the report was produced, finalized.

Q. Okay. And the first meeting that Director Spackman was in, who else was in it?

A. What?

Q. Who else was in it?

A. Just Ray Rigby.

Q. And what was Director Spackman's role in that meeting?

A. I think he was attempting to decide whether or not he was going to accept Ray Rigby's and Jack Peterson's recommendation to hire me. It had the definite feeling of an interview.

Q. Okay. And in the second meeting who was in that?

A. Toward the end of the process, I can't remember exactly, but there was -- there was numerous people in that meeting. And it was a general discussion of the report that was issued and what was in it and things like the logic behind why this or that was decided.

Q. And did Director Spackman have any input or comment during that meeting?

A. I'm sure that he had comment. As I remember, they were mostly questions.
Q. Do you recall any of the questions?
A. It was -- the ones that I remember were more about process. I can't -- I'm trying to remember the ones that I would have responsibility for. And I think, as I remember, he just asked me to sort of review how I came up with what's in the report.

MR. BAXTER: Bruce, I might make one clarification for the record. I think Dr. Reading here said "Ray Rigby" a couple times, and I think he originally identified him as "Rich Rigby." I think Rich Rigby is the person.


MR. BRUCE SMITH: Thank you for the clarification. I assumed that's who it was anyways. I didn't even pick up on it. THE WITNESS: Don't tell him. He'll be mad at me. "What did I recommend you for, you fool?"

Q. There was some questions from Mr. Fereday about policy that Mr. Baxter objected to. Did anybody talk to you at any point during this process from the time you were hired until the time you produced your report about policy questions?
A. As I remember, the policy questions that I were discussed were more -- and that's -- I know when Mr. Fereday was asking me, I was just curious trying to understand what it was about. As far as anything that I had, it was "Give us your best estimate of a population forecast."

Q. Okay. And did anyone at IDWR exercise oversight of your work?
A. Tell me more of what you mean by "oversight."
Q. Did you do drafts that they reviewed and then made edits to?
A. Shelley, Mat, and I exchanged, I guess, drafts. We would have meetings where I would bring in like charts or graphs, et cetera, of what I was doing, and then there would be a general discussion among us about "Does this make sense? Does that make sense? What does this mean? What does that mean?"

Q. You focused on exclusively Appendix C; correct?
A. Yes.
Q. Did they talk to you about the rest of the document?
A. Most of the rest of the document was -- I think it's Appendix B, because Mat's work and my work were so -- he handed off stuff to me. So the discussions -- let me use just a quick example of the kinds of things.

"What does the RAFN say?" it would say.

"You should" -- it should be the planning area, or maybe another term, general discussions about what planning area meant or comprehensive plan, area of impact, you know, what did it really mean. You know, trying to operationalize what was in the statute. It says overlaps. It says other water companies.

So there would be a general discussion about how -- what would be the best procedure going forward so that the data would reflect what was in the -- our best interpretation of what was in the RAFN requirements.

Q. The statute?
A. Right.
Q. So with regard to these things like planning horizon, service area, they're telling you what that is or you're telling them what that is?
A. I would say there's a general discussion about that. As far as something like the planning horizon, Mat Weaver went out and surveyed various areas.

I think it's in his -- I don't know if it's in mine or his -- about what the various planning criterias of certain places was. And then there would be a sit-down meeting and we would discuss what -- given the information we had, what would be a rational or reasonable planning horizon.

Q. So the determination of a reasonable planning horizon was not just your determination; is that correct?
A. I would say on a planning horizon and the population, I had the final call on that.
Q. Okay. So you determined the planning horizon and the Department accepted it?
A. Yes.
Q. Okay.
A. And, you know, to be candid, I'm sure you understand how these things work. If I would have said something like 75 years, I think there would have been some push-back. The -- in general, these things were sort of agreed to in tandem, I guess would be a better way.
Q. Okay. So how did you decide what was a reasonable planning horizon versus, well, I'll say unreasonable planning horizon?
A. Looking at the data that Mat collected, understanding, as Mr. Fereday mentioned earlier when he was asking me questions, about what other entities like
I utilities do for planning horizons, my general
general plans; correct?
A. Excuse me?
Q. General planning.
A. General planning was part of that
background, certainly, yes.
Q. Okay. But I mean we're talking about
planning horizons for a water right?
A. Yes.
Q. Okay. And what you're describing is just
general planning-type endeavors; correct?
A. Yes.
Q. Okay. So until you were hired to work on
RAFN issues, you'd never heard the word "planning
horizon" in the context of a water right, had you?
A. Until the RAFN, no.
Q. Okay. So you gave the Department your
estimate of what a reasonable planning horizon was?
A. I opined that, yes.
Q. Okay.
A. And as I remember in the report, I said
that when you're forecasting out there, you can believe
20 years easier than you can believe 30 years.

Q. As a matter of fact, there's a statement in
your report, Appendix C, that generally says obviously
the further you go out the more uncertain you become,
or something to that effect?
A. Yes.
Q. How do you put some objective sideboards on
that, or is that just a judgment call?
A. I guess as -- as somebody who has been
doing this as long as I have been doing it and is as
old as I am and have been forecasting for as long as I
have and got it right sometimes and got it not right
other times, I would have to say -- and this was sort
of when Mr. Fereday was saying, "Well, then it's just a
guess."
I think it's more than a guess. I think
given my experience, education, et cetera, it's an
educated guess, I guess would be a better way to put
it. But there's certainly judgment. If that's what
you're asking, there's certainly judgment. There's no
definitive answer. And I think that's displayed in the
table of the different planning horizons of different
tables and how different they really are.
Q. Let me delve into that just a minute. When
you're talking about your age and your experience, your
history in dealing in this area, I assume you mean just

A. Yes.
Q. And it's not necessarily the same as
planning for a demand for water; correct?
A. Correct.
Q. Or if you're planning for highway
construction, it's not the same as for water or for
electricity; correct?
A. Okay.
Q. You agree?
A. Yes.
Q. "Okay" means you agree?
A. Yes.
Q. Okay. So the planning period depends on
what you're planning for; would you agree?
A. Yes.
Q. Okay. And you agreed with me at the very
beginning that you've never done any planning, you've
never looked at any planning horizons for a water
right; correct?
A. Right. And I would have to say what I was
asked to do in this case is not opinie or assign factors
for the water right. It was to come up with a
population forecast.
Q. Okay.
A. And the population forecast could be used
in a variety of ways for different planning purposes.

Q. Okay. That's a good point. So the planning that you're talking about is planning for population increases; correct?

A. Estimating, I guess would be a better word.

Q. Okay. It's not planning for the water needs for that population; correct?

A. I -- that -- I did not get into that.

Q. Okay.

A. My section was to -- to look at what the population would be over a reasonable, I guess, population planning period. And in the report those planning horizons, of course, would include population as well as other things.

Q. So your conclusion, as I read Appendix C, is that 30 years is a reasonable planning horizon for the City?

A. Not unreasonable.

Q. In terms of population?

A. Of what -- yeah, of what I think the population could reasonably be in 30 years.

Q. Okay. So if we extend that to 40 years, what would your opinion be?

A. Much less certain.

Q. How much?

A. I cannot answer that.

Q. Okay. We'll get to this later on, but I think you came up with a 3 percent growth rate; correct?

A. A what?

Q. 3 percent growth rate.

A. Yes.

Q. That's what you applied?

A. Yes.

Q. If the City went from 30 to 40 years, would the 3 percent still be applicable?

A. I think if it went to 40 years, I would have to look at some other factors that may or may not be limiting for that growth. I would have less faith in whatever number extrapolating 30 years out would be.

Q. Extrapolating out 40?

A. I mean 40 would be.

Q. What information would you look at?

A. It would be the city limits, the pushing up against other land, the annexation of surrounding cities. Cities get, want of a better term, landlocked.

Also, when you study growth in general, what almost always happens is S-curve growth, if I'm making sense.
1 you went back and revisited what you predicted and it
2 came out.
3 Q. You always remember those; right?
4 A. Yeah, right.
5 Q. So were there some you went back and looked
6 that didn't turn out correct?
7 A. Oh, absolutely.
8 Q. And what's the difference between those
9 two? The ones that you didn't turn out correct on,
10 what was the factors that led to that?
11 A. I think the one that turned out most
12 incorrectly was one I did for the City of Pocatello
13 when I was teaching at Idaho State on a manufacturer
14 who bought the naval gun plant, Bucyrus-Erie, and it
15 was I don't know how many energy crises ago, but it was
16 the one in the middle '70s.
17 And they were building these big machines
18 to go over to Wyoming and rip it up and do oil shale.
19 They invested millions and millions of dollars, started
20 to hire people, started to build. And then there was a
21 structural change. They decided it was -- and I'm not
22 sure all of the reasons, but they decided, well, that
23 isn't going to be profitable, and they pulled up stakes
24 and went away.

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1 starting from zero relative to a city that has been
2 there for a number of years and has experienced growth
3 patterns, they're really two -- two separate entities,
4 I would think.
5 Q. So there would be a significant difference
6 in the planning processes for the two?
7 A. I would think so, because the planning
8 process for a city is as you're partway down the road,
9 you've got infrastructure there, you've got, you know,
10 the water, sewer, all those kinds of things you need
11 for planning. You've got some experience. You've got
12 some roads. You got all those kinds of things.
13 Whereas in general, as I understand M3, it's starting
14 from whole cloth.
15 Q. But you understand that M3 would be kind of
16 a discrete project; correct?
17 A. A what?
18 Q. A discrete project.
19 A. As it originally planned, as -- yes.
20 Q. And that a city would do more generalized
21 planning; correct? I mean let me give you an example.
22 M3 is going to go build houses; correct?
23 A. My understanding is M3 will sell lots to
24 builders who will build houses.
25 Q. Okay. The M3 project results in houses

1 being built; correct?
2 A. That's their expectations.
3 Q. The City of Eagle will not be building
4 houses?
5 A. That is correct. The --
6 Q. So the City's approach --
7 A. Excuse me.
8 Q. Excuse me.
9 A. The City will not be selling the property
10 to be developed. It does not own the property in which
11 the development will take place.
12 Q. Right. So a city's planning focuses on the
13 general growth of the city, correct, as opposed to the
14 discrete growth and development of a specific
15 subdivision or project?
16 A. For M3, build it and they will come. That
17 is their expectation.
18 Q. Okay. But a City's planning is generalized
19 and is focused on the growth of a city, not a specific
20 project; correct?
21 A. Yes.
22 Q. Okay. And you recall the discussions with
23 Mr. Fereday about the 2016 versus some other start
24 date; correct?
25 A. Yes.
1. Q. And because the City is not starting construction of anything, that analysis and that type of approach doesn't apply to the City; correct?
2. A. Yes. And as I remember in my report, that isn't what I used to project the population for the city of Eagle. I did them independently and added them together.
3. Q. Okay. I want to make sure we understand and we have a clear understanding of this.
4. The start date for the City's planning has nothing to do with the start date for construction?
5. A. The way I projected the population for the city was not dependent on when M3 would start construction.
6. Q. Okay. I want to go through your report a little bit. I just want to make sure I understand it.
7. A. Which page?
8. Q. Well, we're going to go through it page by page. But let me ask you this, in general. When I was looking at the section where you were talking about the City's calculation of a growth rate, the paper that Nichoel did --
9. A. That the City used for their 4.39 percent?
10. Q. Right. You recall looking at that?
12. Q. Okay. As I read your report and your comments on it, your opinion was that the City's approach was not statistically valid; correct?
13. A. Yes.
14. Q. Okay. Now, you make a couple statements about the statutory provisions that you were talking about that you dealt with; correct?
15. A. Yes.
16. Q. And did you base your conclusions in this report on your understanding of the statute as you wrote it out in Appendix C?
17. A. Yes. And as I said, with the adjustments Mat Weaver made for populations of the different pieces within the city of Eagle.
18. Q. Okay. But what I'm saying, you've written out your understanding of the statutes --
19. A. Yes.
20. Q. -- and you based your opinions on that?
21. A. Yes.
22. Q. Okay. So if your understanding of the statute was incorrect, would that affect your opinions?
23. A. It would depend on where and what parts of my understanding were incorrect. Some may change my opinions, some may not.
24. Q. Well, let me ask you this: With regard to the parts of the statute that are written in part one -- okay? -- not other parts of the statute, but just what you wrote out in part one, if that understanding is incorrect, would it affect your opinion?
25. A. I'm not tracking your question here. I'm sorry.
26. Q. Okay. You've written out part one of your paper. I'm reading Appendix C. I'm looking at part one. And you make certain statements about the statutory provisions.
27. A. My interpretation of what the statute says, yes.
28. Q. Okay. And let me ask you this: With regard to the parts of the statute that are written in part one -- okay? -- not other parts of the statute, but just what you wrote out in part one, if that understanding is incorrect, would it affect your opinion?
29. A. I'm not tracking your question here. I'm sorry.
30. Q. Okay. You've written out part one of your paper. I'm reading Appendix C. I'm looking at part one. And you make certain statements about the statutory provisions.
31. A. My interpretation of what the statute says, yes.
32. Q. Okay. And let me ask you this: With regard to the parts of the statute that are written in part one -- okay? -- not other parts of the statute, but just what you wrote out in part one, if that understanding is incorrect, would it affect your opinion?
33. A. I'm not tracking your question here. I'm sorry.
34. Q. Okay. You've written out part one of your paper. I'm reading Appendix C. I'm looking at part one. And you make certain statements about the statutory provisions.
Q. Okay. Look at Table 1 for a minute.
A. Okay.
Now, "planning horizon" is a term of art within the statute? Okay?
A. I would say definitely.
Q. Now, is that what you meant by "planning horizon" at the top of that table, that's the planning horizon you're talking about?
A. That was a planning horizon these different entities, municipalities, had -- they planned for.
Q. Okay. And as a matter of fact, where did you get all these --
A. From Mat Weaver.
Q. Did you read these plans?
A. No. I got this data from Mat Weaver.
Q. Okay. So when this information in this table is listed, like Ada and Canyon County's IDWR water demand study, you didn't go look at the water demand study to see what are they were planning for?
A. For that particular one, I did read some.
Q. Okay. And what were they planning for?
A. They were trying to project water demand.
Q. Was it for a future-needs water right, a RAFN water right?
A. No.
Q. Okay. So which other one did you say you read?
A. The -- well, when I was doing the work for Eagle earlier that we have talked about, I did some review of their comprehensive plan.
Q. Okay. We'll get to that in just a minute. So none of these other documents did you look at?
A. That is correct.
Q. So how did you come up with these planning horizon years that you have listed in the second column?
A. As I said before, Mat Weaver developed the data for this table. And in some cases my understanding is he looked at some and some cases he called folks. Otherwise, he would call the City of Rexburg and ask them how many years were in their comprehensive plan or their master water plan or whatever it was.
Q. So this is Mat's work that's in here?
A. The data in that, yes, that's Mat's work.
Q. Okay. Did you happen to ask him what these -- let me give you an example. City of Lewiston, 20 years, 2031, Master Water Plan, do you know if that was a planning for a planning horizon for a water right?
A. I have no idea.
Q. Okay. Just look at that list. Are there any of them that you would see that constitute planning horizons as you describe them for a RAFN water right analysis?
A. I would say -- I don't think the RAFN statute had passed when United Water did their IMAP, but it was for water planning on that one. That's the only one that I know about.
Q. Okay. The one that's listed in the Eagle Comprehensive Plan -- and it's third from the bottom.
And it says 15 years is the planning horizon, end of the planning horizon is 2025.

Where is that from? Where is that determined?

A. When -- I think it's one of the exhibits I have. I looked at it, and it had population up to 2025.

Don't I have a page with that? I thought I had a one-page --

Q. Look at Exhibit 34.

A. Thank you.

Q. Okay.

A. That is where I got it from.

Q. Okay. Where did you get 15 years out of that table?

A. From -- I'm assuming from 2010 through 2025. And the confusing part, which we never sorted out, was the top of the table it says household and populations at 2030, but there is no data for 2030. So it was my interpretation of what that table said.

Q. Okay. You were looking at that table alone; correct? I mean that's where you based your --

A. Yes.

Q. Okay.

A. For that particular line, yes.

Q. Okay. So if you look at that table, it's talking about projected households and population at 2030; correct?

A. Again, there was confusion. The title said "2030," but the table says "2025."

Q. Okay. Did you look at the comprehensive plan to see for how many years it planned for?

A. Beyond that one page, no.

Q. Okay. So you looked at that one page at that one table, and you decided that it was a planning horizon of 15 years?

A. For that particular line item there, yes.

Q. Okay.

A. I might add that the compilation -- you know, none of the individual items was relied on solely. It was to look at what the ranges were.

Q. Okay. But you took this information -- and I assume you reviewed these lists of planning horizon 19 years, and then concluded that 30 years was a reasonable period?

A. Yeah, one of the factors that went into that.

Q. What other factors went into it?

A. As we talked about before, just the general knowledge of what I considered reasonable for population forecasting. I mean --

Q. Let me --

A. -- what other entities do.

Q. Okay. Dr. Reading, let me just clarify that.

A. Beyond how they're described there, correct.

Q. Okay. But then you took this plus your experience in planning for other things to decide that 30 years was reasonable?

A. Yes.

Q. Okay. And when I say "30 years was reasonable," it was 30 years for a planning horizon for a water right?

A. For -- yes.

Q. Okay.

A. For my part of the water right, what I would have reasonable faith in a population forecast.

Q. Okay. So looking at page 2 of your report, at the top it says, "The key term in the RAFN is "reasonable"

A. Yes.

Q. Okay. So as I read this, you're applying the interpretation again of your understanding of the statute --

A. Yes.

Q. -- to these tables or these planning periods that are in Table 1?

A. And general knowledge about forecasting and planning.

Q. And all the other things that you have been working on planning?

A. Yes. Yes.

(Mr. Holt leaves the proceedings.)

Q. (BY MR. BRUCE SMITH): Okay. The first full paragraph, and it's that last sentence. It says, "Both a 20-year and a 30-year population forecast are presented below and either could be considered 'reasonable,' with greater certainty for the 20-year forecast."

Can you put some sideboards on "certainty" for me?

A. Where did I say "certainty"? Oh, certainly within -- that is what I heard Mr. Church say in an audio of a hearing where he opined that he believed that it was reasonable -- that he believed M3 would be developed within a 20-year time period and that -- that if that were true, it would certainly be developed.
1 within a 30-year time period.
2 Q. So you're not talking about a water right
3 planning horizon here, you're talking about a certainty
4 as to the development of M3?
5 A. The -- John Church's estimate of the
6 build-out of M3, yes.
7 Q. Okay. Drop down to part 3. It's talking
8 about "Population Forecast Methodology." It says,
9 "...we first perform a survey of existing contemporary
10 population studies applicable to the local area."
11 Do you see that?
12 A. Yes.
13 Q. What local area are you talking about
14 there?
15 A. In general, the Treasure Valley.
16 Q. The Treasure Valley. Okay. "The existing
17 forecast applicable for Eagle that we examined are
18 depicted in Graph 1."
19 So how did you decide which ones that you
20 were going to examine? Am I clear?
21 A. As I remember, this is a fairly
22 comprehensive list. I also used the data that was
23 provided in the first draft RAFN study from the City of
24 Eagle. It listed various forecasts. So I looked at
25 those.

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1 And then I examined other forecasts that
2 were out there. For instance -- I'd have to
3 double-check. But as I remember, the CAMP forecast was
4 not one that was used. The CAMP forecast had
5 projections for I think more than just southwest Idaho.
6 But in it they have population for Eagle
7 specifically, so I just pulled that out of that report.
8 I did a survey of any of the reports that I could find.
9 Q. Okay. What I'm struggling with here is it
10 says "...we surveyed existing contemporary
11 population studies applicable to the local area."
12 A. Yeah.
13 Q. So I'm trying to understand what that is.
14 You're now telling me it's the entire
15 Treasure Valley: correct?
16 A. Well, it depends -- okay. No. It was
17 taken from studies that included the Treasure Valley.
18 As an example, the CAMP study was for a bigger area,
19 but contained within that study they had a population
20 forecast for Eagle specifically. And that's what the
21 green triangles are that's the lowest line there.
22 Q. Okay.
23 A. So it was forecast for the area, and I
24 attempted to pull out of those forecasts Eagle
25 specific, to the best of my ability.

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1 Q. So did you look at all existing
2 contemporary population studies related to the Treasure
3 Valley?
4 A. I tried to.
5 Q. Okay.
6 A. I will yield if there's one out there I
7 missed.
8 Q. No. Okay. Then you looked at, the last
9 sentence, it says, "The existing forecasts applicable
10 for Eagle that we examined are depicted in Graph 1."
11 A. Yes.
12 Q. Okay. How did you decide, out of the big
13 package that you looked at, the big group of population
14 studies, how did you then narrow that down to those
15 that are applicable for Eagle?
16 A. Well, when there was an Eagle specific
17 forecast as part of that, perhaps bigger, perhaps not
18 bigger forecast. For instance, the COMPASS forecasts
19 include counties and cities -- I can't remember. Are
20 they over in Canyon -- I think they're over in Canyon
21 County too -- for Ada and Canyon County. So I looked
22 at that forecast and said what did they say about Eagle
23 population. That's how I decided it.
24 Q. Okay. So you looked at all this group, and
25 if they had information for Eagle, you pulled them out?

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1 A. Yes.
2 Q. Okay. So when we look at Graph 1, did you
3 prepare that?
4 A. Yes.
5 Q. Okay. Now, as I'm looking at this between
6 the X and Y-axis, this list of -- it's the legend for
7 the lines. Okay? It starts off with "Census Eagle"
8 and it goes to "IEA: Boise MSA."
9 Do you see that?
10 A. (No audible response.)
11 Q. It lists all these forecasts, these
12 population forecasts, and it's got -- because I don't
13 have a color copy --
14 A. Oh.
15 Q. -- it looks like you got more forecasts
16 than you have lines on your graph.
17 A. Oh, well, for instance, if you look at
18 the --
19 Q. I don't want to pursue this line of
20 questioning if I'm wrong. But I looked at it and I
21 tried to decide, well, I got I think eight of these,
22 and then I start to look at the graph to see what I
23 thought about it, and I could not find that you
24 included all the legend on the graph.
25 Did I make a mistake?
A. I will look at it and yield. But I certainly attempted to include them all. And for instance, if you look at the top one, it says "Census Eagle." There are three dots starting back in 1990. So that's one of them. That is the actual census data for the City of Eagle for those -- for '90, 2000, 2010. So that's one of them.

And then the Eagle comprehensive plan are those squares.

Q. And I'm going to ask you about that while you're on there.

A. I would guess that would be true.

Q. Okay. All right. CAMP Eagle?

A. That would be the CAMP report. And that's the very lowest there where they projected water demands for lots of places through 2060, and I pulled out Eagle.

Q. But let me clarify. They looked at the water demand.

A. I mean population. Sorry. I misstated that.

Q. Okay.

A. The next was COMPASS, which is kind of the black dots. And that one's the next one up, and it's sort of superimposed on that other one. So there's three squares going on there, if you see what I mean.

Q. Uh-huh.

A. Okay. Then the next one is Eagle plus M3 RAFN, and I adjusted that for two things: One, the mathematical error that I found in adding them all up and substituting in the now known 2010 population. And that would be -- that would be the one that was -- what? -- the third one down there. On mine it's teal color.

Q. Okay.

A. And then the line just above that would be not adjusting it for the 2010 population or the mathematical error, but what was produced in the first RAFN plan.

The next one is -- really it's a comprehensive plan build-out. And if you go way up at the top, there is a triangle just under "Population Forecasts." And that's just a single number that was out there. There was an estimate and a comprehensive plan somewhere that said "When we build out everywhere, we're going to have a population of 105,000" or whatever that number is. I'll have to go back and look at my data.

Then the last one is the IEA, and that was one that was used by the City of Eagle. And that's the purple one that's sort of between the squares that come from COMPASS Eagle, and those -- they only give -- they don't give a continuing forecast. They just give ten-year increments. And so that's what I -- five-year increments. And so that's what I put in. So that includes all of them, then, I think.

Q. Okay. I'll take a look at a color copy and see if all of them are there.

A. Okay.

Q. Like I said, the copies I have don't show all of them being there. So that's what I wanted to double-check.

A. Okay.

Q. Now, as you proceed down through that, it says, "Once these forecasts are analyzed for reasonableness." And if you recall at the very beginning of your paper, you said "reasonableness" is a key term in the RAFN statute.

A. Right.

Q. So what I'm trying to figure out is, there's some of them you analyzed them for reasonableness?

A. Right.

Q. Which one of these did you find reasonable and unreasonable?

A. As I said, in the report later on where I sort of pared these down for reasonableness, I looked at a variety of forecasting approaches."

Q. So did you look at each one of these various population forecast methodologies to decide if they were reasonable or unreasonable?

A. Yeah, all of them, as I remember, except the "IEA: Boise MSA," and I couldn't find that. I looked at all of the others, and -- and, in general, know how they were done and looked at the numbers and said, "Boy, that looks high, that looks low," based on the history of growth in Eagle.

Q. So what I'm trying to figure out is, there's some of them you analyzed them for reasonableness?

A. Right.

Q. Which one of these did you find reasonable and unreasonable?

A. As I said, in the report later on where I sort of pared these down for reasonableness, I would look at this, and I would say "Boy, that triangle way up at the top there of 105,000, that sure looks really high."

Q. I looked at the CAMP forecast and said "Boy, that's a lot lower than everybody else," so in
1 general I would -- would say that the Eagle
2 Comprehensive Plan build-out number is too high, the
3 CAMP forecast for Eagle is too low.
4 Q. Why would you say that the comp plan
5 build-out is too high?
6 A. I would have to go back and look at my
7 numbers. I think in there I looked at what the
8 percentage change would need to be for the population
9 going forward. And as I said earlier, the most --
10 that's not a reasonable -- the most dangerous thing I
11 think you can do with population forecasts is look at
12 an earlier growth rate, put them on an exponential, and
13 just keep cranking them out there, because that's not
14 the way that growth, except in some very unusual
15 situations, would ever occur.
16 Q. And do you think that's what the City of
17 Eagle did to get that number?
18 A. I don't know. If you look at the data,
19 that looks like what they might have done. I assume
20 they assumed that if they had a certain population and
21 whatever and it all built out, then they would have
22 that population would be that, whatever number that is
23 out there.
24 Q. So would it be fair to say you were
25 speculating as to how the City came up with that?
26 A. I would say that I would have to go back
27 and look at my notes. But I may well have speculated
28 and said that's so much higher than anybody else that I
29 think it's unreasonable.
30 Q. But to be clear, you assumed that the City
31 was basing that number on a growth rate?
32 A. I do not know that.
33 Q. Okay. But nevertheless, because it was
34 high, you threw it out?
35 A. Yeah. Looking at the relative forecasts
36 from a variety of methodologies.
37 Q. Okay. Looking on page 3, Table 2, "2010
38 Census Based Populations," did you prepare that?
39 A. Mat Weaver did.
40 Q. Okay. Did you rely upon that?
41 A. Yes.
42 Q. So if you relied upon that and it's not
43 correct, how would that affect your opinions?
44 A. Well, it would change it, I assume.
45 Q. Okay. Again, depending on how it was incorrect.
46 Q. Okay. So as we go down that page and we
47 come to that last paragraph, that's where you, in
48 essence, criticize the City of Eagle's approach;
49 correct?
1 planning document types that you did not look at and
2 you don't know what they were even planning for, and
3 didn't you use that same approach there? Yes or no,
4 Dr. Reading?
5 A. What?
6 Q. Yes or no, isn't that what you did?
7 MR. BAXTER: I'm going to object to the form of
8 the question. And it mischaracterizes the witness'
9 earlier testimony. He did indicate that he did read
10 some of the documents.
11 MR. BRUCE SMITH: My question, Mr. Baxter, was
12 "Didn't you use the same approach when you came up with
13 your opinion as to Table 1 as you are now criticizing
14 the City of Eagle as to Table 2?"
15 MR. BAXTER: That wasn't your question that you
16 posed to him. But if that is your question now, I'll
17 stand aside.
18 MR. BRUCE SMITH: Okay. Thank you.
19 THE WITNESS: No.
20 Q. (BY MR. BRUCE SMITH): Okay. So you did
21 not take some average, you didn't average a group of
22 planning documents with multiple time periods to come
23 up with your conclusion?
24 A. As I said in the report, if you average
25 them, you get 31.8. I did not rely solely on the
26 average of them all as the -- as the Eagle RAFN did
27 where they just simply added them all up and came up
28 with 4.39 percent. Judgment went into it. The average
29 was to get a check or a feel.
30 Q. So you came up with 30 and then did the
31 averaging to see how close you were? Is that what you
32 did?
33 A. Oh, doing the averaging was one thing that
34 went into it. I assume I did that before I made my
35 decision.
36 Q. So the 31.8 and the 30 being so close
37 together is just coincidence?
38 A. No. No. It's a check. Part of the
39 decision process.
40 Q. Okay. But you recognize that the City of
41 Eagle in looking at theirs could have used other
42 factors as well; correct?
43 A. As I understand reading the report, they
44 used 4.39, which was a simple average of all those, and
45 that's what they used.
46 Q. Okay. But that was based solely on looking
47 at that table; correct?
48 A. And I think if you'll look at the forecasts
49 in there, they multiply things by 4.39, as I remember.
50 Q. Okay. Following in the next sentence, it
51 says, "Forecasts that project growth cannot be
52 statistically compared to those projecting for growth
53 up to 30 years, since there is a wide range of
54 reliability depending on the time period used."
55 Did you look at these to determine
56 reliability?
57 A. Show me the sentence. Oh, "reliably
58 depend" -- yeah, what I am saying there is that if you
59 had a short-term forecast -- a forecast over a shorter
60 time period has greater reliability than a forecast
61 over a longer time period.
62 Q. That's not what that sentence says, though;
63 correct?
64 A. I thought that's what it said.
65 "Forecasts" --
66 Q. It says, "There is a wide range of
67 reliability."
68 And my question that I asked was, did you
69 examine these to determine whether they were reliable
70 or not?
71 A. The way I used the term there is I assume
72 that, in general, shorter term forecasts are more
73 reliable than longer term forecasts. I would have to
74 look at the specific forecast methodology, and at least
75 for a portion of these I reviewed how they were doing
76 them. Most of them did them on a statistical
77 regression analysis.
78 Q. Third, "Using the City's census data of a
79 population of 19,980."
80 Do you see that sentence?
81 A. Did you ask a question?
82 Q. Yes. Do you see the sentence that starts
83 off with their -- I'm going through these points that
84 you're criticizing the City for.
85 A. Yes, I understand that.
86 Q. I'm trying to understand why you're
87 criticizing.
88 A. Oh, the third, "Using the City's" -- oh,
89 and what was your question about that sentence?
90 Q. Okay. It concludes, "Its annual growth
91 rate from 2000-2010 was 6.03, not the 7.5 used in the
92 RAFN."
93 A. Yes.
94 Q. Okay. Do you recall where 7.5 was in the
95 RAFN? Do you know what you're referring to there?
96 A. I'd have to go back and look.
97 Q. Okay. Are you saying it came out of the
98 table?
99 A. I think maybe I recalculated that, if they
100 even have one there.
Yes, the second -- if you look at the earlier report, the second line says "Eagle Actual 2000-2010, 7.5."

Q. Uh-huh.

A. That's where the 7.5 came from.

Q. But you realize that the 2010 census data was not out at the time this table was prepared?

A. Oh, absolutely, and I stated that. And that's why I recalculated it at the 6.03 rather than the 7.5.

Q. Okay. Then it states, "Eagle used the COMPASS forecast for 10-year growth rates rather than the 25-year forecast available."

The 25-year forecast which were available, are you talking about from COMPASS?

A. Yes.

Q. Do you think it was unreasonable to use the shorter term forecast, which I think you've testified already to are more certain than the 25 years?

A. Yes, they're more certain. But if you're trying to calculate a growth rate for a 30-year time period, it seemed to me more valid to pick a time period to be used that more closely replicated the time period you were creating the growth rate for.

Q. So you think it would have been more valid to use the 2.3 percent?

A. For this particular exercise.

Q. Okay. Now, I think Mr. Fereday went through this thing about the forecast, the result is double counting.

A. Yes.

Q. And in fact, it's not double counting, is it?

A. That's probably not the best choice of words.

Q. Look at page 4, if you would, please. I think you testify in that first paragraph that 24,035 within Appendix B, that you were given that number by Mat Weaver; correct?

A. Yes.

Q. So you just used it?

A. Yeah, Appendix B.

Q. And how did you decide to delete the United Water, the Eagle Water Company, and the Star overlap numbers from your calculations?

A. That was my understanding of what RAFN said, and that's what Mat Weaver and Shelley Keen determined their understanding of the statute said you should do.

Q. Okay. All right. I need some help all in this second paragraph because I can't figure out how you did this. Okay? So I want you to go through this with me. It said, "We considered the high and low reasonable forecast and took the midpoint."

A. Okay.

Q. It says, "As depicted in 2, a 3 percent growth rate is the midpoint between a high of 3.4 and a low of 2.6."

A. Yes.

Q. "The 3.4 was obtained by averaging four of the longer range forecasts from the sources selected by Eagle and as shown in Table 4 below."

A. Okay.

Q. The first one -- I went through this and this is the Eagle Comp Plan build-out at 4 percent; correct? I'm looking at Table 4.

A. Yeah. Okay. Yes.

Q. And it says the 2025 population?

A. Yes.

Q. The build-out, when we went back to that graph you had before, was the very high, the --

A. Right.

Q. -- the triangle.

Do you recall that?

A. I didn't use that in the analysis. I eliminated it.

Q. Okay. So explain to me, did you just pick four of these out of --

A. Yes.

Q. -- out of Nichoel's?

A. Yes.

Q. And you picked the longer range forecast. So you used the range of periods to pick the numbers?

A. Yes.

Q. As a matter of fact, explain to me how you did this, because I read it and I could not understand it.

A. Okay.

Q. As a matter of fact, would it help you if I gave you a copy of Nichoel's report or --

A. The what?

Q. We could pull that out.

A. What are you handing me?

Q. Well, I'm assuming what you're saying here is that you took the growth rates from Nichoel's paper and you used that to prepare this comment in this table (indicating).
A. Let me check.
No. For instance on the COMPASS there, I pulled the 2.34 growth rate from the 25-year forecast from COMPASS, whereas Nichoel used the shorter term.
Q. Okay. So that's the 2.34 that we talked about before --
A. Right.
Q. -- that you pulled that one out for 25 years?
A. Right.
Q. Okay.
A. And I did also the longer one for the Kuna.
And I used the IEA at the 2.6, and I must have calculated the Eagle Comp Plan using 2025 population to get the 4 percent.
Q. If you look at the COMPASS information that Nichoel used from Kuna, it was 6.1 percent.
A. Yes.
Q. Where is the 4.4 from -- 4.54?
A. Because I used a longer -- I used COMPASS on a longer planning period.
Q. So you just used the same reports, but you selected different rates?
A. Yes, I used longer -- the rates from the longer planning period.
Q. So you relied on COMPASS, but you just took the longer periods as opposed to the shorter periods?
A. Yes.
Q. Okay. That clarifies that for me because I tried, quite frankly, to go back and take her numbers from her report and tried to figure out how you got Table 4.
A. Right. And I went to the COMPASS and pulled the longer number.
Q. You used the same source, but different periods?
A. Correct.
Q. Okay.
A. I would hedge my bets only to assume that the one she used and the one I used were the same one and there wasn't an update in the interim. And I think that's a fair assumption to make.
Q. Okay. And the 3.37 that you've got in Table 4, did you round that up to 3.4?
A. Yes.
Q. That clarifies a lot of questions. On page 5 it says at the bottom, "A critical issue with this analysis is estimating when and how fast M3 development will develop."
A. Yes.
Q. (BY MR. BRUCE SMITH): On page 7 you make 3 percent for the city of Eagle and then moved M3 out to 2016, and I added the two together.
A. Yes.
Q. Okay. But that was for a population, but not for the growth rate?
A. Correct.
Q. You didn't calculate anything for M3. The 3 percent was solely for the city of Eagle --
A. Yes.
Q. -- it would be inclusive of M3?
A. Yes.
Q. Okay. Graph 3 is on page 6. Did you prepare that?
A. Yes.
Q. Okay. And that's where you used the 3 percent that you determined?
A. Yes.
Q. Okay. And that's where you used the
A. Yes.
Q. Okay. And how are you doing, Don? Do you need a break?
A. No, I'd just as soon keep hacking here.
MR. BAXTER: We'll be done by 5:00.
Q. (BY MR. BRUCE SMITH): On page 7 you make
the statement at the second paragraph in No. 6, it
says, "3 percent compound growth assumption used in
this forecast is optimistic given current economic
conditions."
Are there specific conditions that you're
referring to there?
A. The growth rate of recent years, the
housing overhang, the vacancy rate in commercial
property, the unemployment rate, the obvious economic
conditions that we are not coming out of this recession
at a pace that has been consistent with past
recessions.
Q. Okay. But those economic conditions are at
are you talking about?
A. Yes, all of that.
Q. Okay.
A. More specifically, obviously since we're
looking at growth in the region of which Eagle and M3
are a part of, they're part of that economic malaise.
Q. Okay. So you're assuming that the same
malaise applies to Eagle equally as it does to the rest
of the country?
A. I wouldn't necessarily say equally. In
some senses more, in some senses, yes.
Q. I'm trying to figure out, Dr. Reading, how
you can take these generalized concepts of the economic
conditions in the nation, transpose that to determining
specifically how that will affect the city of Eagle.
I'm struggling with understanding how you can take the
general and apply it to the specific.
A. Sure. We're an integrated economic nation
and increasingly becoming an integrated world economy.
If the demand for French fries goes up in Cleveland,
that has an impact on potato growers in Idaho. The --
Q. How does that affect the city of Eagle?
A. Okay. I used that as an example. And you
want some definitive examples. And if you examine
and -- when did I do -- City of Eagle had me look at a
development at Linder and Chinden, I think, about four
years ago, five years ago, and I looked at commercial
vacancy space and you look at the housing overhang.
And so you say how do you definitively say
that what's going on in Meridian affects what the
growth rate within the city limits of Eagle. And I'd
say there's a lot of interdependence there, because
somebody wants to come in and build a house or buy a
house, they have options. They have options to buy in
Eagle. They have options to buy in Kuna. They have
options to buy in the north end.
And so the general economic conditions
affect everyone. I'm not in the bag that, you know, a
rising tide rises all boats evenly. But I think it is
completely valid to look at the economic conditions of
the Treasure Valley and the region and the nation and
make opinions on what you think's going to happen to
the city of Eagle.
Q. Do you make opinions as to the city of
Eagle that would affect a 3 percent growth rate? Can
you do any specificity?
A. Oh, a growth rate, absolutely. Sure.
Q. No, a 3 percent growth rate. Can you look
at that and say it's 3.1 versus 2.9?
A. No. It's judgment.
Q. Okay. Would you agree that if you have
specific data for the city of Eagle that that would be
more relevant than say information from Kuna or from
the Treasure Valley or from the state of Idaho or from
the nation?
A. Yes, I do. And if you look at the graph at
the bottom of page 7 and the top of page 8, I pulled
the population growth rates and population changes from
the city of Eagle and note that they are down
significantly over the last few years. And that's an
indication of the fact that -- that I -- I don't think
that -- that the city of Eagle -- it would be certainly
a surprise to me if the city of Eagle all of a sudden
would jump back up to the early 2000 growth rates. I
don't think that's reasonable to assume, given the
economic conditions.
Q. But I think I would say that the city of
Eagle has not stated that.
A. Has not what?
Q. Has not stated that. That's not been the
position, that's not what they submitted in their RAFN,
is it, that the growth rate was going to jump up to
what it was in 2005?
A. I guess I'm not tracking your comment or
question. I'm not sure.
Q. Let's pass on that. Can we agree that if
you have the site-specific information on growth rate
for the city of Eagle that that is more relevant than
the information or the -- or say regional analysis?
A. It would depend on what the site-specific
information was. And I will back up and repeat, we are
very interdependent. And you can cross city, state,
county lines for economic decision-making easily.
Q. Okay. But as a general proposition, the
1 more site-specific information is more relevant;  
2 correct?  
3 A. It can be, yes.  
4 MR. BRUCE SMITH: Okay. I don't have any  
5 further questions. Thank you, Dr. Reading.  
6 THE WITNESS: Okay.  
7  
8 FURTHER EXAMINATION  
9 BY MR. FEREDAY:  
10 Q. I have just a couple of follow-up points,  
11 if you would, Dr. Reading --  
12 A. Yes.  
13 Q. -- clarify.  
14 On page 4 of Appendix C, in footnote 1  
15 appears the word "molded."  
16 That word should be "modeled"?  
17 A. Should be "modeled," yes.  
18 Q. Could we assume that that word is  
19 "modeled"?  
20 A. Yes, that should be changed. And I might  
21 note that in the older one that we had that I just used  
22 recently, I changed that. And when I asked Mat about  
23 that, he said, "Oh, I thought you were using some fancy  
24 economic term." No, it should be "modeled."  
25 Q. And on page 6 in Graph 3, the last legend  
1 on that, "Eagle Area of Impact less EWC," et cetera,  
2 "plus MC," you mean to say "M3" there; correct?  
3 A. That would be also correct.  
4 MR. FEREDAY: Okay. No further questions.  
5 (Deposition concluded at 4:31 p.m.)  
6 (Signature requested.)  
7 -oOo-
REPORTER'S CERTIFICATE

I, JEFF LaMAR, CSR No. 640, Certified Shorthand Reporter, certify:

That the foregoing proceedings were taken before me at the time and place therein set forth, at which time the witness was put under oath by me.

That the testimony and all objections made were recorded stenographically by me and transcribed by me or under my direction.

That the foregoing is a true and correct record of all testimony given, to the best of my ability.

I further certify that I am not a relative or employee of any attorney or party, nor am I financially interested in the action.

IN WITNESS WHEREOF, I set my hand and seal this 30th day of September, 2011.

JEFF LaMAR, CSR NO. 640
Notary Public
Eagle, Idaho 83616

My commission expires December 30, 2011
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**Don Reading, Ph.D. 9/23/2011**

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