

1 PARTICIPATING:

2 BOB CROUCH, FPSC Division of Water and Wastewater.

3 BILLIE MESSER, FPSC Division of Water and
4 Wastewater.5 TRISH MERCHANT, FPSC Division of Water and
6 Wastewater.7 BILL LOWE, FPSC Division of Water and
8 Wastewater.9 PRENTICE PRUITT, FPSC Office of the General
10 Counsel.

11 SUZANNE SUMMERLIN, FPSC Division of Legal Services.

12 CATHERINE BEDELL, FPSC Division of Legal Services.

13 MARSHALL WILLIS, FPSC Division of Water and
14 Wastewater.

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P R O C E E D I N G S

(Transcript follows in sequence from Volume I.)

(Hearing reconvened at 8:00 a.m.)

COMMISSIONER BEARD: Good morning.

MR. WILLIS: Commissioners, I believe we have Issues 92 through 108 left, and you also wanted to revisit Issue 2 in reference to the refund.

COMMISSIONER CLARK: You passed out this sheet of paper, this single sheet of paper, is that --

MR. WILLIS: Yes.

COMMISSIONER CLARK: Should we look at that now?

MS. BEDELL: We can if you would like to.

This is our recommendation on how to handle those systems that are unsatisfactory or that -- we were particularly concerned that we couldn't have both interim and final rates in effect at the same time. And in an effort to avoid that problem and to make any of the changes as smooth as possible, we recommended that all of the new rates be implemented except for increases above pre-interim rates for systems where service is unsatisfactory or marginally satisfactory.

For those systems where such increase is material, we suggest that that would be systems with an annual increase more than \$5,000. And those systems that are affected are listed below.

1 COMMISSIONER BEARD: When I went through
2 this, on the water side, you only have three systems
3 that are receiving, potentially, depending on which way
4 you go, a decrease. The others are -- they'll be six
5 of the nine water systems will receive a decrease from
6 original rates, not talking from interim, but from
7 original rates. So you're down to three right there.

8 I did some calculations, I think the total of
9 the three was around \$26,000 total in the one case.
10 Fox Run was increased by \$2,000.

11 MS. BEDELL: Correct.

12 COMMISSIONER BEARD: Point O'Woods is an
13 increase of about a little less than \$10,000.

14 MS. BEDELL: Correct.

15 COMMISSIONER BEARD: And the other one I show
16 was Chuluota, how do you say it?

17 MS. BEDELL: Chuluota.

18 COMMISSIONER BEARD: is about 6,000 ballpark,
19 below a \$6,000 increase.

20 MS. BEDELL: Correct.

21 COMMISSIONER BEARD: Pretty soon I begin -- I
22 call it chasing butterflies with B52 bombers in the
23 air. And the goal is to get the systems healthy.

24 The other question I had in my mind on the
25 systems, how long has Southern States had these

1 systems, some of these systems?

2 MR. CROUCH: On most of these systems they
3 have already started action to correct the problems.

4 COMMISSIONER BEARD: My question is how long
5 have they owned some of these systems?

6 MR. CROUCH: Various times.

7 COMMISSIONER BEARD: Various times. And I
8 know there's been a lot of acquisitions going on. I'm
9 not sure if we are flogging a dead mule.

10 COMMISSIONER CLARK: You're suggesting that
11 we go ahead and let the rate increases go into effect?

12 COMMISSIONER BEARD: Well, I think, at least
13 from an interim basis, I don't think there are any rate
14 increases, are there, in these systems?

15 MS. MESSER: From an interim, Point O'Woods
16 is slightly higher on water than interim.

17 MS. BEDELL: And Fox Run --

18 COMMISSIONER BEARD: Well, that depends on
19 what decision we make.

20 MR. WILLIS: That's true.

21 MS. MESSER: Well, that's correct.

22 MR. WILLIS: It may be a little premature to
23 go ahead and do this right now --

24 (Simultaneous conversation.)

25 COMMISSIONER BEARD: Yeah. Maybe I'm letting

1 where I'm thinking out of the bag, perhaps, but
2 nonetheless --

3 MS. MESSER: Well, would you like to revisit
4 this after we continue on --

5 COMMISSIONER BEARD: I think that would be
6 the thing to do. Then at least we'd know what we were
7 talking about and the magnitude of it, as well.

8 COMMISSIONER CLARK: Okay.

9 COMMISSIONER BEARD: Well, another fine mess
10 we've gotten ourselves into. (Laughter)

11 I don't know any way to do but jump in on this.

12 COMMISSIONER CLARK: I don't know either.

13 COMMISSIONER BEARD: I've looked at it. I've
14 scratched and pondered and fretted about stand-alone
15 rates, regional, statewide. And when it boils down to
16 it, when I look at -- and, quite frankly, look at what
17 is termed "Staff Alternative 1," it just makes sense.
18 It makes sense from the standpoint of what I see
19 happening system-by-system against interim. It makes
20 sense in what I see happening system-by-system against
21 the original rates in almost every instance.

22 It makes sense from the standpoint of not
23 doing Mega III or giga-whatever the next one is, that
24 we begin to do some consolidation. It's not something
25 that is foreign to utility regulation. Granted, that

1 your electric grids tend to -- are all interconnected
2 and your telephone grids are all interconnected. But
3 conceptually it's not foreign and it just -- probably,
4 to me, the test of the pudding is when you look at the
5 rate case expense against what it would have been
6 system-by-system and the work load that would have
7 occurred system-by-system against this work load --
8 albeit this was a big one. But if you had done each
9 one of them by themselves, I would venture to say it
10 would have been a lot more. Every way I turn it upside
11 down and look at it, I can't find anything that fits
12 better.

13 COMMISSIONER CLARK: Well, Commissioner, I
14 have to say that I came into this case and when the
15 interim rates were voted, I voted a system-by-system
16 basis. For one reason, I didn't think we had any
17 record to determine that it was better to go to a
18 statewide basis.

19 Quite frankly, when asked about this when I
20 was going through the confirmation process, my feeling
21 was that the costs for utility service, water and sewer
22 service, is different in different areas, depending
23 upon geological makeup of the area and environmental
24 factors.

25 And I still have trouble with the notion of

1 people who choose to live in an area where the cost of
2 providing that service is not outrageous paying for
3 those people who live in areas where the sewer service
4 requires -- and the water service -- requires more
5 treatment. But I think when you weigh those factors
6 against the factors you mentioned, such as increasing a
7 customer base such that when capital improvements do
8 have to be made to individual systems you can spread
9 those costs out and the impact on the individual
10 ratepayer of those individual systems will be
11 mitigated.

12 Also, I think rate case expense has to figure
13 into this. I think Staff indicated to me that the
14 Lehigh case, the rate case expense for that was 60,000?

15 MR. WILLIS: No, it was over 100,000. Well
16 over 100,000, about 150,000.

17 COMMISSIONER CLARK: And by comparison, the
18 rate case expense per system in this case is 12,000.

19 MR. WILLIS: I believe I calculated it out to
20 be about \$12,400 per system.

21 COMMISSIONER CLARK: You know, there is just
22 short of \$90,000 that in my mind, although being an
23 attorney I always like to think our services are worth
24 what people pay for them, it's unproductive. And I
25 would rather see that money spent on the system itself

1 and improving service to customers than on the rate
2 case expense.

3 One of the things I think the Staff mentioned
4 in here was that looking at making some differentiation
5 on those systems, maybe a surcharge or something like
6 that, I don't think -- we don't have enough in the
7 record to do anything in this case, but a surcharge for
8 those systems where there is advanced water or advanced
9 wastewater treatment.

10 MR. WILLIS: You're right, Commissioner. I
11 don't think there's enough information in the record to
12 do that. But the one system that comes to mind where
13 you probably would want to do that would be the Marco
14 Island system, and they are in a separate rate case at
15 this time, they're not included.

16 COMMISSIONER CLARK: Okay. That is an issue
17 in our rulemaking, is it not?

18 MR. WILLIS: Yes, it is.

19 COMMISSIONER CLARK: Okay. And I, for one,
20 would like to see that pursued. Because I do believe
21 those people who choose to live in areas where it costs
22 more, it's above average to provide them with that
23 service because they choose to live in that particular
24 area, ought to pay for it. But I think that's sort of
25 above a statewide rate for these companies.

1 And I realize that I have changed my opinion
2 from where I went coming into this case, but I think
3 economics of it and the long-run benefits to the
4 customers of every system lie with treating this as one
5 entity in setting statewide rates.

6 COMMISSIONER BEARD: And I think the other
7 piece in my thoughts are dealing with this Company at
8 this time. That's not to say that somebody else just
9 comes in and we say, "Okay, from now on we're going to
10 do statewide rates." I don't think we can do that. I
11 think each case stands on its own merit. This one, to
12 me -- and I didn't particularly come in with a healthy
13 attitude about statewide rates, either, because of
14 treatment differences and those kind of things.
15 Although, again, that's not necessarily foreign. It
16 costs a lot more to provide electricity to somebody in
17 town than it does on that last 15 miles down the road
18 with the obligation to serve as well. So it's not a
19 totally foreign concept from that standpoint, either.

20 COMMISSIONER CLARK: No.

21 COMMISSIONER BEARD: Now, I can't, from one
22 person, I have trouble then making a leap to the five
23 cent addition.

24 COMMISSIONER CLARK: Let me just be clear.
25 That five cent is in effect to cover revenues if -- it

1 goes from water to wastewater, right?

2 MS. MESSER: It goes -- well, it's generated
3 from water. It's to recover the deficit that's
4 incurred by the cap rates on wastewater.

5 MR. WILLIS: Commissioners, that alternative
6 is not in our Alternative 1, that five cents going from
7 water to wastewater. Our statewide rates shown in
8 Alternative 1 have no subsidies going from water to
9 wastewater.

10 COMMISSIONER BEARD: Right. And that's,
11 frankly, where I was headed.

12 COMMISSIONER CLARK: I would agree with that.

13 COMMISSIONER BEARD: Well, why did we come
14 here at 8:00?

15 COMMISSIONER CLARK: Surprise, surprise.

16 (Laughter)

17 COMMISSIONER BEARD: We could have been here
18 at 9:15. (Laughter) Okay, where are we?

19 MR. WILLIS: I would point out that the vote
20 sheets that we have do not list the alternatives
21 especially for 96, which lists the Alternatives 1 and
22 2. It's just a matter of having Alternative 1 copied
23 in and denying Staff's primary and adopting Alternative 1.

24 COMMISSIONER BEARD: We're at 92?

25 MS. MESSER: 96.

1 MR. WILLIS: 96 is the issue that we took
2 that encompasses 92 through, I think, 102.

3 COMMISSIONER BEARD: Well, let me back up.
4 We left off with 92?

5 MS. MESSER: Right.

6 MR. WILLIS: Yes.

7 COMMISSIONER BEARD: I think what we're
8 saying, correct me if I'm wrong, in Issue 92 is we
9 would move Staff?

10 MS. MESSER: You'd move Staff Alternate 1.

11 COMMISSIONER BEARD: Move Staff Alternate 1.
12 On Issue 92?

13 MR. WILLIS: Yes.

14 MS. MESSER: Right. For Issues 92, 94, 96,
15 97 and 106, the Alternate 1 and 2 weren't printed on
16 the vote sheet, so we just need to clarify that.

17 COMMISSIONER BEARD: Okay. And Issue 93.

18 COMMISSIONER CLARK: What do you want me to
19 do? I move Staff Alternative 1 on Issue 92.

20 MR. WILLIS: Yes.

21 COMMISSIONER BEARD: Without objection. On
22 93, to be consistent, we would move primary?

23 MS. MESSER: Alternate 1.

24 MR. WILLIS: Alternate 1.

25 COMMISSIONER CLARK: But it is not a closed

1 issue as far as I'm concerned for the future. I would
2 like to see that looked at further. And it is my
3 belief we can do it with respect to the rulemaking.

4 MR. WILLIS: Yes.

5 COMMISSIONER CLARK: I think that's one of
6 the proposals in the rulemaking, and I would like Staff
7 to begin the research and analysis to develop a
8 rationale for a surcharge for advanced water or
9 wastewater treatment facilities. It may be that it's
10 not worth the effort, but I would like to look at it.

11 MR. WILLIS: It can certainly be explored in
12 any future cases filed by this Company, too.

13 COMMISSIONER CLARK: Okay.

14 COMMISSIONER BEARD: Okay, 93?

15 COMMISSIONER CLARK: I move Staff Alternative 1.

16 COMMISSIONER BEARD: Without objection. 94?

17 Same thing?

18 MR. WILLIS: Yes.

19 MS. MESSER: Same thing, right.

20 COMMISSIONER BEARD: Without objection?

21 COMMISSIONER CLARK: Without objection.

22 COMMISSIONER BEARD: 95, same thing?

23 MS. MESSER: Same. Correct.

24 COMMISSIONER BEARD: Without objection. 96?

25 Staff Alternative 1, is that correct?

1 MS. MESSER: Yes.

2 MR. WILLIS: That's correct.

3 COMMISSIONER BEARD: Without objection. 97?

4 MS. MESSER: Alternative 1.

5 COMMISSIONER BEARD: That would be
6 Alternative 1 again?

7 MR. WILLIS: Yes.

8 COMMISSIONER BEARD: Without objection. 98?

9 MS. MESSER: 98 deals with general policy,
10 Commission policy, on rate structure.

11 MR. WILLIS: Deals with private fire
12 protection.

13 COMMISSIONER CLARK: I move Staff.

14 COMMISSIONER BEARD: Now, let me get the fog
15 out, it's too early. Private fire protection systems,
16 we have had some discussion about differing types of
17 private fire protection where you had a separate meter,
18 where you had coming off the same meter. How are we
19 dealing with that here? Help me out; it is early in
20 the morning and I'm foggy.

21 MS. MESSER: This particular issue deals with
22 just the rate level, and the Commission has -- for
23 private fire protection. Public fire protection is
24 being rolled into the expenses, general expenses, and
25 incorporated into the rates.

1 COMMISSIONER BEARD: Was it this case that we
2 had the guy testify about the different types of fire
3 protection systems, private systems, within the building a
4 sprinkler type system as opposed to a fire hose?

5 COMMISSIONER CLARK: Must have been because I
6 remember --

7 (Simultaneous conversation.)

8 MS. MESSER: We did have some testimony on a
9 particular system. We had a concern about having a
10 rate for a two-inch meter under private fire protection
11 and it turned out that that was for sprinkler service
12 for a small residence; and that's, according to my
13 engineers, that's considered appropriate. That actual
14 portion of this case is in a different issue.

15 MR. WILLIS: Commissioners, I would also like
16 to remind you that this specific issue is part of our
17 rule docket, too. And that issue of whether or not we
18 should be setting a separate rate for private
19 sprinklers versus private fire hydrants, or whatever,
20 is being fully explored in that rule docket itself.

21 COMMISSIONER BEARD: Okay. That's where I'm
22 trying to get at. I don't want to lose it because
23 there was -- the testimony that that individual -- I
24 can't remember if it was the fire --

25 MR. WILLIS: I believe the testimony you

1 heard was in the rule docket itself when we had the
2 workshop.

3 COMMISSIONER BEARD: It's very appealing
4 testimony, okay? Conceptually, much of what was said
5 makes sense and I want to explore it further. And
6 that's what I was trying to get in my mind where I
7 picked that up, whether it was here or in the other
8 docket.

9 MR. WILLIS: That's the avenue we're
10 exploring in the other docket.

11 COMMISSIONER BEARD: Okay, okay. I don't
12 want to lose a grip on it, is what I'm saying. Okay,
13 are we going to talk about that?

14 MR. WILLIS: Our recommendation is strictly
15 going with the Commission policy as it presently has
16 been done over the past years.

17 COMMISSIONER CLARK: And they don't have any
18 private fire protection, do they?

19 MS. MESSER: Southern States?

20 COMMISSIONER CLARK: Yes.

21 MS. MESSER: They have, I think, one or two
22 systems that have private fire protection, and that's it.

23 COMMISSIONER CLARK: Okay.

24 COMMISSIONER BEARD: Okay.

25 COMMISSIONER CLARK: I'll move Staff on Issue 99.

1 COMMISSIONER BEARD: Without objection.

2 That's 98.

3 COMMISSIONER CLARK: I'm sorry, I was looking
4 at 99.

5 COMMISSIONER BEARD: Okay. And 99, I guess.

6 MS. MESSER: Right.

7 COMMISSIONER BEARD: Without objection, 98
8 and 99 are approved.

9 MS. MESSER: 100 deals with the distinction
10 between residential and general service base facility
11 charges.

12 COMMISSIONER CLARK: I move Staff on Issue 100.

13 COMMISSIONER BEARD: Without objection.

14 COMMISSIONER CLARK: I move Staff on Issue 101.

15 COMMISSIONER BEARD: I'm going to agree.

16 There's something I'm having a problem with inherently.

17 Because, I mean, obviously, we had some work done to

18 look at 6,000 versus 10,000 gallons and the impact.

19 My concern is that we do things that
20 encourage water conservation, and I'm not sure that the
21 6,000 gallon cap does that better than the 10,000. The
22 problem is that when you get done with the other
23 charges, it's -- I mean, you're talking, you're talking
24 on an average bill \$5 a month.

25 COMMISSIONER CLARK: The difference between

1 having the 10,000 and the 6,000?

2 COMMISSIONER BEARD: Right. But I still have
3 a concern with --

4 COMMISSIONER CLARK: Well, didn't I see
5 somewhere how the 6,000 was arrived at as an
6 appropriate cap?

7 MS. MESSER: We had a discussion in the
8 recommendation. It's done through basically an
9 analysis of billing analysis and that shows the
10 consumption of the customers in the different -- what
11 percentage of customers, total customers, are at
12 different gallonage consumption levels. And we did
13 this analysis of seeing what that percentage was at
14 10,000 versus what it was if we adjusted the cap. And,
15 you know, based on that analysis -- and that's a
16 standard approach that we used to determine wastewater
17 cap in the case -- we felt that that was the most
18 appropriate cap that reflected the usage of those
19 customers.

20 COMMISSIONER BEARD: And I understand that.
21 The customer that uses 20,000 gallons, okay? I want to
22 discourage that. That is excessive where I come from
23 and I've got a fairly large family.

24 MS. MESSER: I think we want to try and deal
25 with that more through the water structure rather than

1 the wastewater structure.

2 COMMISSIONER CLARK: Yeah, this is the
3 wastewater.

4 COMMISSIONER BEARD: I understand. But there
5 has to be an assumption in this that once you get past
6 a certain point, much of it must be going to irrigation.

7 MS. MESSER: That's correct.

8 COMMISSIONER BEARD: Okay. The net effect is
9 there is some, maybe it's justified in one sense,
10 reward, though. And I'm looking for alternatives,
11 every alternative, to reward conservation. And this is
12 not the place to do it, I'm just kind of expressing the
13 concerns I have that we in Florida have not gotten
14 there yet. I don't know what the answer is because the
15 conservation rates mean high rates at some point.

16 COMMISSIONER CLARK: Well, one way to do that
17 would be, is it inverted rates?

18 MR. WILLIS: Yes.

19 MS. MESSER: Yes.

20 COMMISSIONER CLARK: That, you know, when you
21 hit -- there's another cutoff at 10,000 and it costs more
22 per thousand thereafter. And if you apply it to both
23 water and wastewater, you have more of an incentive.

24 COMMISSIONER BEARD: Yeah. Okay, without
25 objection.

1 COMMISSIONER CLARK: I move Staff on 102.

2 COMMISSIONER BEARD: Approved.

3 COMMISSIONER CLARK: I move Staff on 103.

4 This is the within two years they have to come back --

5 MS. MESSER: That's correct.

6 COMMISSIONER CLARK: -- to us with a service
7 availability --

8 COMMISSIONER BEARD: We hadn't already done
9 this?

10 MS. MESSER: Well, we discussed it yesterday,
11 but I don't believe that you actually voted on it.

12 COMMISSIONER BEARD: You mean --

13 MS. SUMMERLIN: Monday.

14 MS. MESSER: Monday. That's correct.

15 (Laughter)

16 COMMISSIONER BEARD: Did I go to sleep?

17 Okay, without objection.

18 COMMISSIONER CLARK: Without objection.

19 COMMISSIONER BEARD: 103 is approved. Now we
20 need to go back?

21 MS. MESSER: 104, 105 --

22 COMMISSIONER BEARD: I thought we did those.

23 COMMISSIONER CLARK: Wait a minute.

24 MR. WILLIS: We need 104 through 108.

25 COMMISSIONER BEARD: We need 104 through 108?

1 MR. WILLIS: Right. We started over again at
2 109, and 109 is the first -- anyway, 104 through 108 --

3 COMMISSIONER CLARK: The reuse?

4 MR. WILLIS: Right.

5 COMMISSIONER CLARK: I had a question. Is
6 this on a system-by-system basis or a case-by-case
7 basis? Or is it the same thing?

8 MS. MESSER: I think we viewed it pretty much
9 as the same thing.

10 COMMISSIONER CLARK: Yeah. When we sat --
11 what is going to happen when you have, say, two golf
12 courses within the system and one of them has a
13 consumptive use permit and one of them doesn't?

14 MS. MESSER: Well, right now probably one of
15 the systems we'd be able to work with one of them in
16 accepting the effluent and one of them we probably --
17 well, it may accept the affluent but we wouldn't be
18 able to establish a charge. The issue is whether or
19 not we can establish a charge for that.

20 COMMISSIONER CLARK: Do we have any way -- is
21 there a need to do this now? Do we have reuse?

22 MS. MESSER: There are two current charges
23 that the Utility has in place. We wanted to recognize
24 those charges, they're are not currently in the tariff.
25 We felt that it was appropriate to place them in the

1 tariff.

2 COMMISSIONER BEARD: I think in addition,
3 correct me if I'm wrong, consumptive use permits are
4 not limitless. There are time restraints on those
5 typically?

6 MS. MESSER: That's correct.

7 MR. WILLIS: Yes, there are.

8 MS. MESSER: And they're renegotiable at that
9 time.

10 COMMISSIONER BEARD: Well, we need to be
11 actively participating in that issue with the water
12 management districts when these golf courses come up
13 for a consumptive use permit when there's effluent
14 available.

15 MR. WILLIS: We have been actively
16 participating with the water management districts on
17 this subject itself, and we've been working with them
18 trying to get an understanding of when these permits
19 expire as to whether or not they should be renewed or
20 alternative sources should be looked at. That's an
21 ongoing --

22 COMMISSIONER CLARK: Yeah.

23 COMMISSIONER BEARD: From my perspective, if
24 there's effluent available, we've got a standard
25 position: not no, but hell no.

1 MR. WILLIS: I believe most of your water
2 management districts are leaning towards that
3 direction, too.

4 COMMISSIONER BEARD: I think we've come a
5 long way since I first got here on this issue.

6 COMMISSIONER CLARK: Mr. Chairman, I
7 mentioned yesterday -- Mr. Chairman? (Laughter)

8 At least for this case you're the Chairman.
9 I mentioned yesterday in Internal Affairs the fact that
10 I had met with Staff and gotten an update of where they
11 were, and I have also had an occasion to talk to the
12 Lieutenant Governor about our progress in that area.

13 And he is inclined to schedule a -- to ask
14 for another meeting of the Commissioners and Virginia
15 Wetherell in sort of contemplation of the pending
16 merger, and have that meeting again that we had a while
17 back to bring her up to speed; and these issues would
18 be talked about. I'm not sure that there's any
19 inclination at this point to include the water management
20 districts just because of the logistics of getting someone
21 there. But I think we are making progress in coordinating
22 between the several agencies that deal with water issues.
23 And it will help to have the Lieutenant Governor reconvene
24 that meeting, and we can bring up these issues of reuse
25 and the need to work more with the water management

1 districts on that.

2 But Staff has done a wonderful job on that,
3 Patty and John and all the other people who are
4 involved in it.

5 COMMISSIONER BEARD: Never being satisfied,
6 "What have you done for me today," do we take, is there
7 a forum and do we take any role -- let me back up.

8 It is my position that when a developer puts
9 in a waterline, a developer puts in a sewer line,
10 they've got a hole in the ground already. And the next
11 step ought to be putting in that line that will carry
12 effluent back for irrigation as opposed to using fresh
13 water for irrigation, which would then get to some of
14 the concerns I have on water conservation, as well.

15 Is there a forum? I mean, I'm assuming that
16 the contractors in this world probably would not be
17 enthralled with that. The biggest -- in fact, the
18 digging the hole has been done, it's the matter of the
19 additional line going in. Do we take a role in that
20 anywhere? Is there a forum where we can get into it?

21 MR. WILLIS: I'm not sure there's a forum
22 where you can get into it. At present I don't believe
23 there's any agency that requires those gray lines to be
24 installed. You see those gray lines being installed
25 presently in the neighborhoods that have higher priced

1 homes. So we do have some of those systems we regulate
2 with gray lines in already, but there are very few.

3 COMMISSIONER BEARD: I'm not talking about
4 retrofitting, but, you know, for my perspective --

5 MR. WILLIS: For new construction.

6 COMMISSIONER BEARD: -- any time you do new
7 construction in Florida, it ought to be required. And
8 I guess what I have some interest in is finding out,
9 one, is there an agency that has the authority
10 currently? Or number two, does there need to be
11 something done statutorily? Because that's a windmill
12 I wouldn't mind tilting.

13 MR. WILLIS: Well, that's something we'll
14 certainly explore.

15 MR. LOWE: Commissioner, in every original
16 certificate case that we process, we require the
17 utilities to tell us whether reuse is feasible or not,
18 or give us some statement on reuse; and if there's any
19 indication at all that reuse is possible, we push them
20 in that direction. Sometimes it works, sometimes it
21 doesn't.

22 COMMISSIONER CLARK: I think only thing we
23 have is sort of a combination of pressure without
24 anyone having the real authority to say, "You will put
25 it in."

1 I think the water management districts
2 approach it from the standpoint of evaluating their
3 consumptive use permits; and the pressure from the two
4 agencies will lead them to the conclusion that this is
5 the way to go, although there's no one that can say,
6 "You will do it."

7 COMMISSIONER BEARD: Yeah. Because
8 typically, when there's no -- there is nothing that
9 says that the developer and the utility are the same
10 person. We see that quite often; but when you have a
11 developer that is basically developing the contributing
12 lines, then, you know, it could even be done to some
13 degree before you even get there. I don't know.

14 It's something I would be interested in
15 pursuing whether it's legislative or not.

16 MR. LOWE: Like Marshall said, we've got at
17 least two that I'm aware of where we actually have
18 utilities through the original certificate process that
19 have gray lines in the ground. I mean, to serve,
20 besides golf courses, I'm talking to serve, one of them
21 I'm most familiar with serves an industrial park and
22 does all the irrigation for the industrial park. So we
23 are trying to do that in our certificate process. We
24 are not trying to do that through retrofitting existing
25 systems because of the cost.

1 COMMISSIONER BEARD: Right. What we might
2 want to do is gather a little data on -- if these
3 systems have some information relative to the cost --
4 against the cost of installing without the gray lines.
5 What's the incremental cost of adding that in to put it
6 in the water and wastewater system? And gather some
7 evidence that we could use in the future, whether it's
8 a legislative proposal or whatever, to offset the
9 screaming that will occur, I'm sure, by contractors and
10 developers.

11 MR. LOWE: Yes, sir.

12 MR. CROUCH: Going back to Commissioner
13 Clark's original question on why we're looking at it
14 case-by-case or system-by-system, we're having to look
15 at it case-by-case within a system.

16 COMMISSIONER BEARD: We're on?

17 MR. WILLIS: 104.

18 COMMISSIONER BEARD: Without objection?

19 COMMISSIONER CLARK: I'll just get back to
20 it. Yeah, I think so.

21 COMMISSIONER BEARD: 105?

22 COMMISSIONER CLARK: That's a fallout issue?

23 MS. MESSER: Well, there are simply no
24 adjustments.

25 COMMISSIONER CLARK: Okay. I move Staff.

1 COMMISSIONER BEARD: 106.

2 MS. MESSER: 106 would be Alternate 1 to be
3 consistent with your earlier decisions.

4 COMMISSIONER CLARK: I move Staff on
5 Alternate 1.

6 COMMISSIONER BEARD: Without objection.

7 COMMISSIONER CLARK: Move Staff on 107.

8 MS. MESSER: I would just like to note that
9 normally we include a schedule in our recommendation
10 that identifies the specific amount of the reduction,
11 and we didn't because of the different alternatives but
12 we will include that in the final order.

13 COMMISSIONER BEARD: Okay. Without objection?

14 COMMISSIONER CLARK: Without objection.

15 COMMISSIONER BEARD: 108.

16 COMMISSIONER CLARK: 108 is probably the
17 place to pick up this.

18 MS. MERCHANT: Well, first of all, I'd like
19 to point out, based on the revenue requirement changes
20 that we made on Monday, the refund percentages would
21 change. And this is based on total revenues. It says
22 in the recommendation that water should be reduced by
23 6.68; that number should now be 6.55%. Wastewater was
24 2.82, it should now be 2.73%. And everything else
25 remains the same.

1 COMMISSIONER CLARK: All right.

2 MR. WILLIS: I think you're correct, it's
3 appropriate to bring up the --

4 COMMISSIONER CLARK: All right. So the
5 interim rates will be -- the only issue we really have,
6 you are refunding the interim rates and the new rates
7 will go into effect for all the systems except is it --

8 COMMISSIONER BEARD: Well, let's go -- let's
9 see if we can for just a minute. I think from a water
10 standpoint you can eliminate Golden Terrace; you can
11 eliminate Pine Ridge; you can eliminate Beecher's
12 Point; you can eliminate the Hermits Cove and you can
13 eliminate Palm Terrace because in water, the new rates
14 are less than the original rates.

15 COMMISSIONER CLARK: Okay.

16 COMMISSIONER BEARD: So, I mean, I don't
17 think you can refund --

18 COMMISSIONER CLARK: No.

19 COMMISSIONER BEARD: On the water side that
20 leaves Fox Run, Point O'Woods and Chuluota. My mouth
21 doesn't work that good this early in the morning.

22 MS. MESSER: Chuluota. There's very, I don't
23 know if you want to consider some level of materiality
24 or not.

25 COMMISSIONER CLARK: All right. What is

1 Chuluota? What is -- it's 6,000, right? You
2 estimated that the rate increase is 6,000; Fox Run is
3 2,000, and Point O'Woods was something short of 10,000?

4 MS. MESSER: Was that under Alternate 1,
5 Commissioner?

6 COMMISSIONER BEARD: Yep.

7 MS. MESSER: Because Gospel Island is very
8 small.

9 COMMISSIONER BEARD: I'm sorry, Gospel Island
10 was 1,148 against 1,202. We're talking about an
11 astronomical \$54 difference there.

12 COMMISSIONER CLARK: Well, Mr. Chairman, I
13 mean, what -- (Laughter)

14 I still think the principle is there that
15 they ought not to get a rate increase, but it appears
16 to me in this case it may be more trouble than it's
17 worth. In that instance, let me ask you, with respect
18 to Chuluota, Fox Run and Point O'Woods, what category
19 of noncompliance were they in? Were they
20 unsatisfactory or somewhat less than satisfactory?

21 COMMISSIONER BEARD: I think Fox Run and
22 Point O'Woods were unsatisfactory.

23 MR. CROUCH: On Page 35 of Issue 2, Fox Run
24 and Point O'Woods was unsatisfactory.

25 COMMISSIONER BEARD: And Chuluota was less

1 than satisfactory.

2 MR. CROUCH: Yes.

3 COMMISSIONER CLARK: And how long have you
4 given those to correct those?

5 MR. CROUCH: We're recommending that within a
6 year they have to come back with all of these. The
7 primary reason is some of these corrections they don't
8 know yet. They're still engineering; they're still
9 studying to see what they want to do. And they're
10 going to have to go in for permits, get DER permits,
11 get the contracts let. And so as an overall picture,
12 some of these will take the better part of a year to
13 fix.

14 MR. WILLIS: Commissioners, for Fox Run and
15 Point O'Woods, we're recommending eight months from the
16 order.

17 COMMISSIONER BEARD: Let me ask you this:
18 How long will it take the Company to come back to us
19 and tell us -- give us the plan. That is to say, okay,
20 can they within the next 30 days say, "We estimate for
21 Fox Run this is what we're going to do and this is when
22 it will be completed . . .," so that the people in these
23 systems will have a concrete date that they can look at
24 and have an idea of what to expect? Is that
25 reasonable?

1 MR. CROUCH: I think that's reasonable.

2 COMMISSIONER BEARD: Well, I'm getting some
3 of this and I'm getting some of this. (Indicating)

4 MR. CROUCH: I would say it would take more
5 than 30 days, though. I would give them probably three
6 months minimum. Because they don't know right now what
7 -- they're still studying, they don't know what their
8 plan is.

9 COMMISSIONER BEARD: Well, we want --

10 COMMISSIONER CLARK: The point is we want
11 them to focus their efforts on getting the quality of
12 service up, and I think that's what we're struggling
13 with. If it doesn't appear that a monetary incentive
14 is the way to go, what other incentive?

15 MR. CROUCH: I think the threat of show cause
16 if they do not get these corrected.

17 COMMISSIONER BEARD: This Company has been
18 aware that these systems are unsatisfactory. They've
19 at least can suspect that this is an issue in this
20 case. So I don't think that they're going to just wait
21 until tomorrow to start looking at solutions. As you
22 said, some of them have been corrected and verily as we
23 speak are being corrected. That's why I'm curious; I'd
24 like to know on these systems where they are in their
25 process correcting them or planning to correct them;

1 and if they haven't made a decision, what they think
2 the situation is.

3 And it is not so much me. I mean, I don't
4 get my water from these systems, but the people out
5 there are the ones I would like to have some concrete
6 idea of what they can expect and when. That's where I
7 am trying to get to. And I would rather not focus the
8 Company's energies on making their computer refund or
9 not refund on dollars that aren't that great if they
10 would take that same time, energy and money and focus
11 it there. That's where I've got to.

12 Kind of like a rate case expense, I'd rather
13 spend that money on capital outlays than I would on
14 lawyers. No offense, but I'd like to think as a school
15 teacher that we're worth more than we get paid
16 sometimes.

17 COMMISSIONER CLARK: I don't argue with that.

18 COMMISSIONER BEARD: So I don't know how to
19 put that, but I'd like feedback, however we get it. If
20 it needs to be in the order, let's put it in the order.
21 I just want to know.

22 MR. WILLIS: Commissioners, maybe we could
23 offer a summary of where the Company is within 30 days
24 of the date of the order. It may not list detailed
25 plans but it will tell you in every system listed in

1 Issue 2 where the Company stands. It's either
2 corrected, they have an exact plan, or they're working
3 on it. And then within 60 days, which would actually
4 give them probably three months considering the order
5 won't go out for 20 days or more, to come up with a
6 detailed plan.

7 COMMISSIONER BEARD: I just want to ensure
8 the communications.

9 COMMISSIONER CLARK: I think that's a good
10 idea, Marshall, I'd like to do that.

11 COMMISSIONER BEARD: When I was Chairman, we
12 responded quickly by mail to say, "We don't have the
13 answer but this is what we're doing to get your answer
14 and this is when you can expect your answer." So that
15 people had a focus on what to expect. And that's
16 where I'm headed with these people.

17 And that's not to say that Southern States is
18 not trying to do that, I just want to help them do it a
19 little better. Okay.

20 COMMISSIONER CLARK: I would move that the order
21 require the Company to give us a status report within 30
22 days of the order; within 60 days of the order, they give
23 us a detailed plan of how they will remedy those
24 deficiencies. And that plan should indicate that the
25 remedies will be in effect within the eight months and the

1 year period as required in the order.

2 COMMISSIONER BEARD: Second. And we would
3 then just put into effect the new rates?

4 COMMISSIONER CLARK: Yes.

5 COMMISSIONER BEARD: Okay.

6 MS. SUMMERLIN: Commissioners, you want to
7 keep the eight months and the 12 months that we've
8 already talked about.

9 COMMISSIONER CLARK: Yes.

10 COMMISSIONER BEARD: You bet you. What else
11 do we need to do?

12 MR. WILLIS: I believe --

13 MS. MESSER: The rest of the rate issues.

14 MR. WILLIS: 108 is our last issue.

15 COMMISSIONER BEARD: Well, let me say
16 something. You guys have been fantastic. I mean, this
17 case comes out of one that was a mess before.
18 Obviously, it's complicated and we didn't have any
19 relief on time clocks and other issues with that. And
20 I don't know how to thank you. You always do a great
21 job, but this one --

22 COMMISSIONER CLARK: I concur. I thought the
23 recommendation was marvelous. I mean, you can walk
24 through it and explain out people's positions. And
25 then the meeting I had with you all and you were

1 obviously well prepared and had done your homework and
2 I very much appreciate that.

3 COMMISSIONER BEARD: I feel so good about it
4 that you all can knock off at 5:00 today. (Laughter)

5 Again, thank you very much, we appreciate it.

6 MR. CROUCH: Thank you.

7 MR. WILLIS: Thank you.

8 MS. MESSER: You need to close the docket,
9 one more issue?

10 COMMISSIONER CLARK: I move Staff.

11 COMMISSIONER BEARD: Without objection, the
12 docket is closed.

13 (Hearing concluded at 8:50 a.m.)

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1 F L O R I D A)
2 :
3 COUNTY OF LEON)

CERTIFICATE OF REPORTER

4 I, SYDNEY C. SILVA, CSR, RPR and PAMELA A.
5 CANELL, Official Commission Reporters,

6 DO HEREBY CERTIFY that the Special Agenda in the
7 captioned matter, Docket No. 920199-WS, was heard by the
8 Florida Public Service Commission at the time and place
9 herein stated; it is further

10 CERTIFIED that we reported in shorthand the said
11 proceedings; that the same has been transcribed under our
12 direct supervision, and that this transcript, consisting
13 of 103 pages, Volumes I and II, inclusive, constitutes a
14 true and accurate transcription of our notes of said
15 proceedings; it is further

16 CERTIFIED that we are neither of counsel nor
17 related to the parties in said cause and have no interest,
18 financial or otherwise, in the outcome of this docket.

19 IN WITNESS WHEREOF, we have hereunto set our
20 hands at Tallahassee, Leon County, Florida, this 19th day
21 of February, A.D., 1993.

22 Sydney C. Silva
23 SYDNEY C. SILVA, CSR, RPR

22 Pamela A. Canell
23 PAMELA A. CANELL

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