

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: December 12, 2001
TO: Division of Commission Clerk and Administrative Services
FROM: Lorena Espinoza, Staff Attorney *YAE*
RE: Docket No. 010503-WU - Application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc.

Please be advised that the testimony of Commission staff witness Frances J. Lingo, along with the attached Exhibits FJL-1 through FJL-11, are being adopted by Commission staff witness Paul W. Stallcup. This has required deletion of Page 1 through line 15 of page 4 of Ms. Lingo's testimony, and replacement with pages 1 through 3 of Paul W. Stallcup's testimony. Based on this change, Line 10 of page 3, through Line 15 of page 4 will now be blank or stricken. Also, lines 5 through 14 of page 22 shall be stricken. The attached pages replace the original pages of the testimony that was filed in the docket on November 21, 2001.

LAE/lw

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cc: Division of Regulatory Oversight (McPherson, Vandiver)
Division of Economic Regulation (Fletcher, Jones, Lingo, Merchant,
Stallcup, Wetherington, Willis)
Division of Legal Services (Jaeger)

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DOCKET NO.: 010503-WU - Application for increase in water rates in Pasco County by Aloha Utilities, Inc.

WITNESS: **DIRECT TESTIMONY OF PAUL W. STALLCUP**, APPEARING ON BEHALF OF THE STAFF OF THE FLORIDA PUBLIC SERVICE COMMISSION

DATE FILED: December 12, 2001

DIRECT TESTIMONY OF PAUL W. STALLCUP

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2 Q: Would you please state your name and business address?

3 A: My name is Paul W. Stallcup. My business address is 2540 Shumard Oak
4 Boulevard, Tallahassee, Florida 32399.

5 Q: By whom and in what capacity are you employed?

6 A: I am employed by the Florida Public Service Commission as the Supervisor
7 of the Economics and Forecasting Section in the Division of Economic
8 Regulation.

9 Q: Would you please summarize your educational and professional experience?

10 A: I graduated from the Florida State University in 1977 with a Bachelor
11 of Science degree in Economics with minors in Mathematics and Statistics. I
12 received my Masters of Science Degree in Economics from the Florida State
13 University in 1979 and, as a PH.D. candidate, completed the course work and
14 doctoral examinations required for that degree in 1980.

15 In 1981, I was employed by Florida Power and Light Company as a Load
16 Forecast Analyst. In this capacity, I prepared short and long term forecasts
17 of company sales, peak demand, and customer growth. In 1983, I was employed
18 by the Florida Public Service Commission (the Commission) as an Economic
19 Analyst and in 1991 was promoted to my current position as Supervisor of the
20 Economics and Forecasting Section. In this capacity, I have analyzed and made
21 recommendations on a variety of issues in all of the industries regulated by
22 the Florida Public Service Commission. In addition, since the Commission's
23 last reorganization in May of 2000, I have acted as supervisor to staff
24 members who have analyzed and made recommendations on water and wastewater
25 forecasting, repression, and rate design issues in various dockets.

1 Q: Have you previously testified before the Florida Public Service
2 Commission?

3 A: Yes. In 1983 I testified on behalf of the Commission staff in the
4 Florida Power and Light rate case (Docket No. 830465-EI). IN 1997 I testified
5 on behalf of the staff in the Florida Power Corporation's proposed buy-out of
6 Orlando Cogen Limited's energy contract (Docket No. 961184-EQ), and in 2000
7 I provided testimony in the Aloha Utilities rate case (Docket No. 991643-SU).
8 Finally, in 2000, I provided testimony in BellSouth's Permanent Performance
9 Measures Case (Docket No. 00012-TP).

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1 ~~— In addition, I have been a faculty member of the NARUC Annual Regulatory~~
2 ~~Studies Program at Michigan State University since 1998, and a faculty member~~
3 ~~of the Eastern Utility Rate School since 1997, lecturing on water pricing~~
4 ~~concepts.~~

5 Q. ~~Have you previously testified before this Commission on behalf of~~
6 ~~Commission Staff?~~

7 A. ~~Yes. In January 1993, I testified in the show cause portion of Docket~~
8 ~~No. 900025 WS regarding the application for a staff-assisted rate case by~~
9 ~~Shady Oaks Mobile Modular Estates, Inc. (Shady Oaks). In August 1994, I~~
10 ~~testified in Docket No. 930944 WS regarding the revocation of the water and~~
11 ~~wastewater certificates of Shady Oaks. In October 1996, I testified in Docket~~
12 ~~No. 950615 SU regarding the application for approval of a reuse project plan~~
13 ~~and an increase in wastewater rates by Aloha Utilities, Inc. And in May 2001,~~
14 ~~I filed testimony in Docket No. 991437 WU regarding the application for an~~
15 ~~increase in water rates by Wedgefield Utilities, Inc.~~

16 Q. What is the purpose of your testimony in this case?

17 A. The purpose of my testimony is to:

18 (a) evaluate the projected customer growth contained in the utility's
19 Minimum Filing Requirements (MFRs) and addressed in the prefiled
20 testimony of utility witness Robert Nixon;

21 (b) evaluate the projected growth in consumption contained in the
22 utility's MFRs as addressed in the prefiled testimony of utility
23 witness David Porter, and to address the consumption growth
24 projection filed by OPC witnesses Ted Bidy and Stephen Stewart;

25 (c) respond to the calculation of inclining-block rates as contained

1 | Witness Parker goes on to testify that, "Aloha needs to implement a water
2 | conserving rate structure, and water conservation programs to comply with
3 | SWFWMD rules and its WUP....to date Aloha has not taken adequate measures to
4 | conserve water."

5 | ~~Q. Do you agree with witness Sorensen's suggestion regarding how to pay for~~
6 | ~~conservation program expenses for Aloha?~~

7 | ~~A. Since it is my understanding that the Commission does not approve~~
8 | ~~revenue requirements in excess of what was requested on MFR Schedule B-1, I~~
9 | ~~believe the only method of funding Aloha's conservation programs in this case~~
10 | ~~is through reductions in operating expenses, thereby freeing up monies to~~
11 | ~~apply toward the conservation programs. Finally, to the extent conservation~~
12 | ~~programs are funded, I believe the Commission staff should work with the~~
13 | ~~SWFWMD to insure that the conservation program monies are being spent~~
14 | ~~appropriately.~~

15 | Q. Thank you. Earlier in your testimony, you stated that, through a series
16 | of illustrative rate designs, you would explain how Aloha's proposed rate
17 | design should be modified. Would you please begin?

18 | A. Certainly. There are several steps involved in evaluating and
19 | calculating an inclining-block rate structure including (but not limited to)
20 | determining: 1) the appropriate "conservation adjustment," if any; 2) the
21 | appropriate usage block rate factors; and 3) the appropriate usage blocks.
22 | So that my comparisons to Aloha's proposed rate design are as comparable as
23 | possible, I have based Exhibit FJL-11 on Aloha's requested revenues from
24 | monthly service rates of \$3,702,822, as well as used Aloha's projected bills,
25 | ERCs and gallons. In Exhibit FJL-11, the analysis is first categorized by the

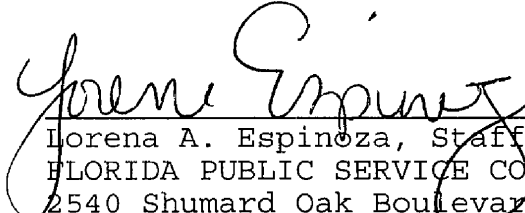
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase
in water rates for Seven Springs
System in Pasco County by Aloha
Utilities, Inc.

DOCKET NO. 010503-WU
FILED: DECEMBER 12, 2001

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Paul W. Stallcup and the Revised Direct Testimony of Frances J. Lingo has been furnished by regular U.S. mail to **Ms. Margaret Lytle**, 2379 Broad Street, Brooksville, Florida 34604-6899; **Mr. Edward Wood**, 1043 Daleside Lane, New Port Richey, Florida 34655-4293; **F. Marshall Deterding, Esquire**, Rose, Sundstrom & Bentley, LLP, 2548 Blairstone Pines Drive, Tallahassee, Florida 32301; and to **Steve Burgess, Esquire**, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street #812, Tallahassee, Florida 32399-1400 on this 12th day of December, 2001.


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