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DOCKET NO.: 020010-WS - Application for Staff-Assisted Rate Case in Highlands County by the Woodlands of Lake Placid, L.P.

WITNESS: Direct Testimony of William Troy Rendell, Appearing on behalf of the Staff of the Florida Public Service Commission

DATE FILED: March 14, 2003

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DIRECT TESTIMONY OF WILLIAM TROY RENDELL

1 |
2 | Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

3 | A. My name is Troy Rendell, and my business address is 2540 Shumard Oak
4 | Boulevard, Tallahassee, Florida 32399.

5 | Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 | A. I am employed by the Florida Public Service Commission as a Public
7 | Utilities Supervisor in the Staff Assisted Cases Section, Bureau of Rate
8 | Cases, Division of Economic Regulation.

9 | Q. HOW LONG HAVE YOU BEEN EMPLOYED WITH THE COMMISSION?

10 | A. Since November, 1987.

11 | Q. WOULD YOU PLEASE GIVE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL BACKGROUND
12 | AND PROFESSIONAL EXPERIENCE?

13 | A. I graduated from Gulf Coast Community College in 1985 with an Associate
14 | of Arts Degree in Business Administration. In 1987, I graduated from the
15 | Florida State University with a Bachelor of Science Degree in Finance.

16 | After graduation, I was employed as a comptroller for Port Panama City
17 | Marina, Inc. In November 1987, I began working for the Florida Public Service
18 | Commission as a Regulatory Analyst I in the Bureau of Gas Regulation, Division
19 | of Electric and Gas. In January, 1991, during a structural reorganization of
20 | the Commission, I joined the Division of Auditing and Financial Analysis in
21 | the Bureau of Accounting. In October, 1991, I transferred to the Division of
22 | Water and Wastewater as a Regulatory Analyst IV in the Bureau of Industry
23 | Structure and Policy Development. On March 1, 1994 I accepted my current
24 | position within the Bureau of Rate Filings in the Division of Economic
25 | Regulation.

1 Q. HAVE YOU HAD CAUSE TO TESTIFY IN OTHER DOCKETS BEFORE THE FLORIDA PUBLIC
2 SERVICE COMMISSION?

3 A. Yes. I testified in Docket No. 930880-WS, (Investigation of SSU's Rate
4 Structure). I have also filed direct testimony in Docket No. 980992-WS -
5 Complaint by D.R. Horton Customer Homes, Inc. Against Southlake Utilities,
6 Inc.; Docket No. 960329-WS, (Gulf Utility Company Rate Case); and Docket No.
7 880002-EG, the Energy Conservation Cost Recovery (ECCR) docket.

8 Q. WHAT ARE YOUR PRESENT RESPONSIBILITIES WITH THE COMMISSION?

9 A. I am responsible for supervising a professional technical staff who are
10 involved in accounting, engineering, and rate aspects of formal rate increase
11 applications, reverse make-whole proceedings, service availability, limited
12 proceedings, and reuse applications. The primary responsibility of my section
13 is in staff assisted rate cases, limited proceedings, and reuse dockets. My
14 responsibilities also include preparing and presenting expert testimony
15 concerning accounting and rate matters at formal hearings before the
16 Commission, as well as advising and making recommendations to the
17 Commissioners. I am also responsible for conducting research, generic
18 investigations and recommending statutory and rule changes, and Commission
19 policies on areas of my responsibility.

20 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

21 A. The purpose of my testimony is to provide information regarding the
22 protested items in the staff assisted rate case of The Woodlands of Lake
23 Placid, L.P. Specifically, I am addressing (1) the appropriate amount of
24 imputed revenue for the Camp Florida Resort; (2) the appropriate amount of
25 office rent; (3) whether the utility should be required to refund overearnings

1 | due to an unauthorized rate increase.

2 | Q. WAS YOUR SECTION DIRECTLY INVOLVED IN THE STAFF ASSISTED RATE CASE FOR
3 | THE WOODLANDS?

4 | A. Yes. I directly supervised the staff members who worked on The
5 | Woodland's staff assisted rate case.

6 | Q. COULD YOU EXPLAIN THE NECESSITY OF IMPUTING REVENUES FOR THE RENTAL LOTS
7 | LOCATED IN THE CAMP FLORIDA RESORT?

8 | A. Yes. Camp Florida Resort, L.P. was owned by Camper Corral, Inc. during
9 | the test year in this case. Camper Corral, Inc. was also the general partner
10 | of The Woodlands of Lake Placid, L.P. According to Audit Exception No. 15 and
11 | a utility letter dated August 5, 2002 from Mr. John Lovelette, Camp Florida
12 | Resort, LP owns a total of 232 lots in Lake Placid Camp Florida Resort. The
13 | utility provides water and wastewater service to both the rental lots, as well
14 | as the lots that are privately owned by customers. According to the utility,
15 | 70 of these rental lots are undeveloped and cannot be rented. Therefore,
16 | based upon this representation, staff did not use these 70 lots in calculating
17 | water and wastewater revenues. Since water and wastewater services are
18 | provided to all of the lots located within the Camp Florida Resort, except for
19 | the undeveloped lots, revenues should be imputed and recorded for the rental
20 | lots.

21 | Q. WHAT ARE THE APPROPRIATE AMOUNT OF REVENUES THAT SHOULD BE IMPUTED AND
22 | RECORDED FOR WATER AND WASTEWATER?

23 | A. The appropriate revenues that should be imputed and recorded is \$42,768
24 | for water and \$25,272 for wastewater. This figure is derived by taking the
25 | total RV lots in Camp Florida of 397, less the individually owned lots of 165

1 | lots and the 70 undeveloped lots which results in 162 rental lots. Then the
2 | monthly water rate of \$22 and monthly wastewater rate of \$13 are applied to
3 | these 162 rental lots.

4 | Q. DO YOU HAVE ANY OTHER DOCUMENTS WHICH INDICATE THAT THESE LOTS WERE
5 | BEING RENTED DURING THE TEST YEAR?

6 | A. Yes, the utility provided rental data for the 12 month period ending
7 | June, 2002. According to this data, Camp Coral Florida's busiest rental
8 | season occurs during the months of January through March. For January, there
9 | were 143 lots rented; for February, there were 156 lots rented; and for March,
10 | there were 124 lots rented.

11 | Q. WHY SHOULD REVENUES BE IMPUTED FOR THE RENTAL LOTS?

12 | A. Essentially, Camp Florida Resort is a bulk water and wastewater customer
13 | of the Woodlands of Lake Placid. This is an affiliated non-regulated company.
14 | The water and wastewater service has been provided to this RV park since its
15 | inception. If revenues are not imputed for this service, all of the other
16 | water and wastewater customers, including the residential customers, would be
17 | subsidizing the unregulated resort. Since Camp Florida Resort receives
18 | compensation through rental fees of these lots, they should be billed and
19 | reimburse the utility company for the water and wastewater services it
20 | receives.

21 | Q. WHAT IS THE NEXT ISSUE YOU ARE ADDRESSING?

22 | A. I am addressing the appropriate amount of rent expense for the utility.

23 | Q. WHY DID STAFF RECOMMEND THAT THE UTILITY SHOULD NOT RECEIVE ANY OFFICE
24 | RENT IN THIS RATE CASE?

25 | A. The building where the utility's office is located is owned by the Camp

1 Florida Property Owners Association. The association did not charge nor
2 collect any rent from the utility during the test period. Further, according
3 to the 2002 Proposed Budget of the Camp Florida Property Owners Association
4 submitted by Mr. John Lovelette, president of the association, the individual
5 lot owners pay a portion of the electric expense, water and wastewater
6 expense, insurance expense, cleaning expense, and maintenance expense for the
7 sales office. This is the office that the utility also occupies. Therefore,
8 since the utility is not paying rent for this office space and all other
9 expenses are being passed onto the lot owners, rent expense should not be
10 recovered through water and wastewater service rates.

11 Q. CONCERNING THE ISSUE RELATED TO REFUNDS, HAS THE COMMISSION PREVIOUSLY
12 ADDRESSED THE UNAUTHORIZED RATES?

13 A. Yes. Pursuant to order PSC-02-0250-PAA-WA, issued February 26, 2002,
14 in Docket No. 990374-WS, the Commission granted Woodlands its water and
15 wastewater certificates and allowed it to collect its current rates on a
16 temporary basis. However, in that same order, the Commission required the
17 utility to hold revenues subject to refund from the time of its unauthorized
18 rate increase through the pendency of the staff assisted rate case.
19 Therefore, the amount held subject to refund is \$6.29 per month for water and
20 \$3.71 per month for wastewater. The Commission found that the utility would
21 be required to make refunds to its customers if, in the staff assisted rate
22 case, the utility was found to have exceeded its authorized rate of return for
23 the interim collection period.

24 Q. WHAT IS THE PROPER METHODOLOGY TO DETERMINE WHETHER THE UTILITY SHOULD
25 BE REQUIRED TO REFUND THESE UNAUTHORIZED RATES?

1 | A. For this utility, the interim collection period is the time from the
2 | implementation of the unauthorized rate increase, January 1998, until the
3 | implementation of the Commission approved final rates. In this proceeding the
4 | test period for establishment of prospective rates was the average test year
5 | ended December 31, 2001, with pro forma adjustments for known and measurable
6 | changes in 2002. The utility has not made any major plant additions, nor has
7 | it had significant changes in its operating expenses or the number of
8 | customers since it implemented its unauthorized rate increase, in January
9 | 1998. Additionally, the utility's prior years were unaudited and there were
10 | numerous adjustments made to the utility's test year balances. Based on the
11 | above, I believe the December 31, 2001, test year is representative of the
12 | prior years and should be used as a proxy for determining the utility's
13 | earnings during the interim collection period.

14 | Therefore, to determine the interim revenue requirement, the final
15 | revenue requirement should be adjusted for items not representative of the
16 | period the unauthorized rates were in effect. Adjustments should make for pro
17 | forma plant, the related adjustments for accumulated depreciation and
18 | depreciation expense, and any prudent rate case expense from the calculation.

19 | Q. IF IT IS DETERMINED THAT A REFUND IS REQUIRED, WHAT IS THE APPROPRIATE
20 | REFUND METHODOLOGY?

21 | A. The unauthorized rate increase was only collected from the 150
22 | residential lot owners within the Camp Florida Park, as well as the 33
23 | residential customers outside the park. Therefore, any refunds should only
24 | be paid to the actual residential customers who paid the unauthorized increase
25 | in rates.

1 Q. IS THERE ANYTHING FURTHER YOU WOULD LIKE TO ADDRESS IN YOUR TESTIMONY?

2 A. Yes. In the direct testimony of company's witness John Lovelette, he
3 indicates that the owner of the RV lots has advised the utility that it will
4 physically disconnect these rental lots from the water and wastewater system.
5 If this disconnect occurs, it will effect several other issues contained
6 within the calculated revenue requirement and the resulting rates.

7 Q. COULD YOU EXPLAIN FURTHER?

8 A. Yes. These rental lots have been receiving water and wastewater service
9 as part of the RV park's rental services and included as part of the rental
10 amount charged. This information is readily available on the Camp Florida
11 Resort's website at www.campfla.com. These lots were included in several
12 aspects of the revenue requirement calculation. These include the calculation
13 of used and useful, the inclusion of water meters in the proforma plant
14 allowance, the imputation of revenues, the meter reading expense, the billing
15 expense, and the inclusion of ERCs and gallons in the rate calculation. If
16 the reduction in consumption could be quantified, it could also possibly
17 affect purchased power expense and chemical expense as well. If these rental
18 lots are subsequently disconnected from the water and wastewater service
19 immediately after the decision in this rate case, these calculations should
20 be revisited.

21 Q. DOES THIS EFFECT THE REFUND CALCULATION?

22 A. No. To determine if a refund of unauthorized rates is appropriate,
23 staff must calculate the revenues and revenue requirement for the past periods
24 when these rates were charged. These rental lots received water and
25 wastewater service as part of the RV parks services, and were included in the

1 lot rent charged. Therefore, these revenues must be imputed as I have
2 discussed previously in my testimony.

3 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

4 A. Yes.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P.

DOCKET NO. 020010-WS

FILED: March 14, 2003

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of William Troy Rendell has been furnished to **Martin S. Friedman, Esquire**, 600 S. North Lake Blvd, Suite 160, Altamonte Springs, Florida 32701, on behalf of Highvest Corporation and L.P. Utilities Corporation, and that a true and correct copy thereof has been furnished by U.S. mail to the following on this 14th day of March, 2003:

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