

ORIGINAL

BEFORE THE FLORIDA
PUBLIC SERVICE COMMISSION

DOCKET NO. 060368-WS
AQUA UTILITIES FLORIDA, INC.

IN RE: APPLICATION FOR INCREASE IN WATER AND
WASTEWATER RATES IN ALACHUA, BREVARD,
HIGHLANDS, LAKE, LEE, MARION, ORANGE, PALM
BEACH, PASCO, POLK, PUTNAM, SEMINOLE, SUMTER,
VOLUSIA, AND WASHINGTON COUNTIES BY AQUA
UTILITIES FLORIDA, INC.

DECEMBER 1, 2006

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DIRECT TESTIMONY OF:

GARY C. WHITE

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **AQUA FLORIDA, INC.**

3 **DIRECT TESTIMONY OF GARY C. WHITE**

4 **DOCKET NO. 060368-WS**

5 **December 1, 2006**

6

7 **Q. Please state your name and business address.**

8 A. Gary C. White, 3 Sleepy Hollow Drive, Clifton Park, New York.

9

10 **Q. What is your occupation?**

11 A. I am the Director of Accounting with Guastella Associates, Inc. a firm that
12 provides utility consulting services primarily for municipal and investor-
13 owned water and wastewater utilities.

14

15 **Q. Please state your educational background and professional
16 experience.**

17 A. I received a Bachelor of Science in Business Administration from
18 Valparaiso University in 1972. I graduated with an Accounting major and
19 Finance minor. I have also completed a course in utility rate regulation
20 sponsored by the National Association of Regulatory Utility
21 Commissioners (NARUC), the Florida Public Service Commission and the
22 University of Utah.

1 I was employed in the unregulated, private industry sector between 1972
2 and 1984 with responsibilities in various areas of business management,
3 accounting and finance. Since 1984, my experience has been
4 concentrated in the areas of management, valuation and rate setting for
5 water and sewer utilities. During this period, I was employed by and
6 responsible for the rate regulation department of General Development
7 Utilities, Inc. which was the largest investor-owned water and sewer utility
8 in Florida. I was subsequently employed as General Manager of Country
9 Knolls Water Works, an investor-owned utility in upstate New York. I
10 managed all of the utility's regulatory, accounting and operations activities
11 on a day-to-day basis. I began my employment with Guastella Associates
12 in 1992.

13 My experience in utility matters includes the preparation of cost of service
14 and revenue requirement analyses for both private and municipal utilities. I
15 have prepared cost allocation, connection charge, and rate design studies;
16 revenue requirement forecasts; population growth and system capacity
17 projections; market value analyses and various operations and
18 management evaluations. I have provided rate, regulatory and system
19 valuation services for clients in Alaska, Arizona, California, Connecticut,
20 Florida, Georgia, Illinois, Indiana, Maine, Maryland, Massachusetts,
21 Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York,
22 Ohio, Pennsylvania, Rhode Island, and South Carolina. I have served as
23 an instructor at several seminars developed by Guastella Associates for

1 developer-related water and sewer utilities, and sponsored by Florida
2 State University and the University of Florida, and at a utility rate seminar
3 conducted by the New England Chapter of the National Association of
4 Water Companies.

5
6 **Q. How long have you been involved in utility management and rate
7 regulation?**

8 A. I have been involved in the utility industry for over twenty-two years.

9 **Q. Before what regulatory agencies and municipal jurisdictions have
10 you presented expert testimony?**

11 A. I have testified as an expert witness in regulatory hearings in Connecticut,
12 Florida, New Jersey, New York, and South Carolina.

13
14 **Q. Please describe the nature of your assignment in connection with
15 this proceeding.**

16 A. Guastella Associates was retained as consultants to Aqua Utilities Florida
17 (the "Company"). My primary assignment was to oversee and assist the
18 Company's staff with the preparation of the minimum filing requirements
19 (MFRs) in support of this filing, to develop interim and proposed individual
20 system rates, and to develop county-wide uniform rates. In addition, I was
21 also asked to provide instruction and guidance for the preparation and
22 analysis required for the service availability charges and allowance for
23 funds prudently invested (AFPI) charges.

1 Throughout the process of preparing the rate study, which supports the
2 Company's application for a rate increase, I have worked closely with the
3 Company's management, staff and other consultants to assure the
4 application accurately depicts the Company's financial position and
5 contains the information necessary to establish its cost of providing
6 service. I also coordinated my effort with John F. Guastella who is also
7 submitting testimony in this proceeding.

8 The magnitude of this filing is immense as it consists of 58 sets of MFRs
9 and supporting documentation for 80 water and/or sewer systems. This
10 represents the Company's first Florida rate filing.

11

12 **Q. Please describe and explain your involvement in the preparation of**
13 **the MFRs.**

14 A. I worked closely with the Company's computer programming consultant,
15 Dan Franceski, on the lay-out, format, and preparation of all MFRs
16 schedules. I developed the revenue requirement calculation and rate
17 design work papers necessary to support the rate filing. We also
18 developed the program to combine, for rate setting purposes, the
19 individual utility systems by county with a consolidated revenue
20 requirement and establish county-wide single-tariff rates.

21

22 **Q. Please describe the basis for the interim rate calculation.**

1 A. The interim revenue requirement is based on the historical 2005 test year
2 using a Florida Public Service Commission ("FPSC") staff approved 9.69%
3 equity return for all systems. This cost rate is 100 basis points below the
4 mid-point of the equity rate using the FPSC's 2007 leverage graph. The
5 percentage increase in the revenue requirement was applied across-the-
6 board to the existing rates of the individual water and/or sewer systems.

7

8 **Q. Briefly describe the water rate design used for the individual**
9 **systems represented in the 58 rate filings.**

10 A. Once the individual revenue requirements were calculated, I developed a
11 work paper reflecting the FPSC recommended methodology for allocating
12 cost to the base facility charge and usage rates. The residential and
13 general service water monthly base facility charges for the various meter
14 sizes were developed using meter equivalent factors. The water usage
15 charges were developed with a conservation block rate. Block One
16 represents 0 to 6 thousand gallons and Block Two represents all
17 consumption over 6 thousand gallons per month. The second block
18 reflects rates that are 25% higher than the first block rates. This rate
19 design is used consistently for all water systems.

20

21 **Q. How did you design the sewer rates used for the individual systems**
22 **represented in the 58 rate filings?**

1 A. Similarly to the water rates, the sewer rates were developed using the
2 FPSC methodology for establishing base facility charges and usage rates.
3 The residential and general service sewer monthly base facility charges
4 were developed using meter equivalent factors for the various water meter
5 sizes serving the sewer customers. The sewer usage rates were
6 designed using a monthly 6 thousand gallon cap with respect to residential
7 customers. The usage rates for general service customers cover all
8 usage, without a cap. The general service usage rates are also 20%
9 higher than the respective residential rates. This rate design is consistent
10 for all sewer systems.

11

12 **Q. Briefly describe the rate design used for the single-tariff rates for the**
13 **county-wide consolidated systems.**

14 A. The revenue requirements for individual systems within the county were
15 rolled-up into a county-wide revenue requirement. Again, these revenue
16 requirements were allocated between base facility charges and usage
17 rates using the FPSC's recommended methodology. The base facility
18 charges and usage rates were developed, as previously described, using
19 the consolidated water and sewer meter and usage data. The water
20 conservation blocks and sewer residential capped usage and rate factors
21 previously described were applied consistently to all county-wide single-
22 tariff rate structures. The consolidated county-wide summary schedules

1 for rate base, operating statement, capital structure, rates and billing
2 analysis are contained in Volume II of the Company's rate filing.

3
4 **Q. Please describe the Company's service availability filing.**

5 A. The Company is proposing a uniform treatment plant capacity charge,
6 main capacity charge, meter installation charge, and tapping fee for all
7 water systems and a uniform treatment plant capacity charge, main
8 capacity charge, and tapping fee for all sewer systems operated by Aqua
9 Utilities Florida. The proposed charges are based on the existing charges
10 in place for the systems that previously were part of Florida Water Service,
11 and would be applicable to all Aqua Utilities Florida water and sewer
12 systems. The Company's service availability information is contained
13 within Volume IV of this rate filing. The proposed service availability
14 charges were tested by the Company's rate staff against the FPSC's
15 minimum and maximum charge guidelines and the present charges of
16 local water and sewer utilities applicable in surrounding communities.
17 Their analysis showed the average current connection charges, for all
18 systems, are \$1,040 for water and \$1,550 for sewer and their calculation,
19 based on the systems projected build-out net plant investment, produced
20 an average charge of \$1,350 for water and \$2,720 for sewer. The use of
21 existing Florida Water Service charges as the proposed uniform service
22 availability charges of \$1,535 for water and \$3,280 for sewer were
23 deemed reasonable and competitive by the Company.

1

2 **Q. Please describe the Company's AFPI filing.**

3 A. The Used and Useful analysis identified 15 water systems and 4 sewer
4 systems which are not 100% used and useful. The company applied the
5 non-used and useful portion of the 2007 test year plant investment,
6 depreciation, property tax, regulatory assessment fee, and carrying costs
7 to the FPSC formula for AFPI. Using this methodology, the AFPI charges
8 were developed for these 19 systems. The Company's calculations of the
9 AFPI charges are presented in Volume III of this filing.

10

11 **Q. Does this conclude your testimony?**

12 A. Yes.