

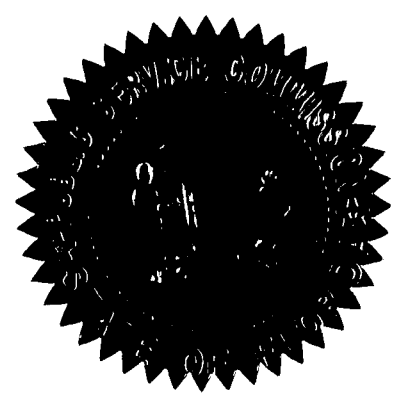
BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070601-WU

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In the Matter of:  
  
APPLICATION FOR STAFF-ASSISTED RATE  
CASE IN PASCO COUNTY BY ORANGELAND  
WATER SUPPLY.

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PROCEEDINGS:           AGENDA CONFERENCE  
                              ITEM NO. 10

BEFORE:                   CHAIRMAN MATTHEW M. CARTER, II  
                              COMMISSIONER LISA POLAK EDGAR  
                              COMMISSIONER KATRINA J. McMURRIAN  
                              COMMISSIONER NANCY ARGENZIANO  
                              COMMISSIONER NATHAN A. SKOP

DATE:                     Tuesday, April 22, 2008

PLACE:                    Betty Easley Conference Center  
                              Room 148  
                              4075 Esplanade Way  
                              Tallahassee, Florida

REPORTED BY:            JANE FAUROT, RPR  
                              Official FPSC Reporter  
                              (850) 413-6732

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FLORIDA PUBLIC SERVICE COMMISSION 03463 APR 29 08

FPSC-COMMISSION CLERK

1 PARTICIPATING:

2                   JEAN HARTMAN, ESQUIRE, JARED DEASON, BART FLETCHER,  
3 and PAUL STALLCUP, representing the Florida Public Service  
4 Commission Staff.

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## P R O C E E D I N G S

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**CHAIRMAN CARTER:** We are back on the record.

And now we are on Item 10.

Staff, you are recognized to introduce Item 10.

**MR. DEASON:** Commissioners, I'm Jared Deason with Commission staff.

Item 10 concerns an application for a staff-assisted rate case by Orangeland Water Supply. Orangeland is a Class C water utility located in Pasco County. The utility's rates were last established in 1969. Staff believes that the utility's rates should be increased, and staff is prepared to answer any questions the Commissioners may have.

**CHAIRMAN CARTER:** Commissioner Argenziano, you're recognized.

**COMMISSIONER ARGENZIANO:** Those have been some happy people since 1969. That's incredible. I guess one of the questions I wanted to ask, because it seems to me in the information I'm gathering, and I could be wrong, so help me here, that the owner is an elderly gentleman, and basically, I guess, was eating a lot of the costs. And I guess my question really is does the owner want to raise the rates now? I mean, is he against raising the rates?

**MR. FLETCHER:** No, Commissioner. He would like a rate increase, I mean, that's his -- and he has, for the

1 salaries, has been incurring that cost himself. For the  
2 operator and also, like, for a meter reader and the  
3 clerical staff, he has been incurring that cost himself.

4 **COMMISSIONER ARGENZIANO:** That's incredible.  
5 Thank you.

6 **CHAIRMAN CARTER:** Commissioners, we are into  
7 questions. We're into questions.

8 Commissioner Argenziano, you are recognized.

9 **COMMISSIONER ARGENZIANO:** Just a quick question.  
10 And, you know how I feel about the repression rates for  
11 3,000 gallons. And I see the staff's recommendation, and  
12 I understand the reasoning. You don't want to jump from  
13 five dollars -- it would really send these people into  
14 shock to -- you know, for 10,000 gallons up to 80, or 90,  
15 or \$100. But Alternative 1, if you could just go over  
16 Alternative 1 for me, which is not your recommendation,  
17 but one that I think I like better. If you could just  
18 quickly go over that for me and explain to me how that  
19 works, I would appreciate it.

20 **MR. FLETCHER:** I would defer to the rate  
21 section, Mr. Paul Stallcup.

22 **MR. STALLCUP:** Commissioner, I'm Paul Stallcup  
23 for the Commission staff. I supervise this section, that  
24 among other things, does water rates. With me is Ms.  
25 Jennie Lingo and also Ms. Sonica Bruce, who is lead

1 analyst on this case.

2           To explain the handout here, I'll just kind of  
3 run the gamut of what is contained in here, if I may.  
4 This is a summary of the rate structures that currently  
5 exist, staff's recommended rate structure, which is BFC  
6 uniform gallonage charge. Alternatives 1, 2, and 3 are  
7 inclining block rate structures that are typical of the  
8 kind of rate structures you have seen us recommended  
9 before, and they are primarily designed to incent  
10 conservation at the high end of the consumption spectrum.  
11 They are based on what I would refer to as relatively  
12 modest rate factors whereby the rates for higher  
13 consumption levels escalate, you know, modestly.

14           The second page contains some additional  
15 alternatives that are designed to approach some of the  
16 ideas you were discussing in the prior agenda we had. And  
17 in those instances, I believe you expressed a belief that  
18 it might be desirable to hold the nondiscretionary gallons  
19 harmless from the effects of oppression, that is, it would  
20 be a pre-repression price, and shift all the cost-recovery  
21 to the gallons above the nondiscretionary level. And that  
22 is what Alternatives 4, 5, and 6 are showing, my attempt  
23 to implement that idea.

24           And in Alternatives 4, 5, and 6 we have a  
25 two-tier inclining block rate structure where the first

1 tier goes from zero to 3K gals, and all remaining gallons  
2 are above 3,000. The difference between the  
3 three alternatives you see here are escalating those rate  
4 factors in an attempt to push more cost-recovery up to the  
5 higher consumption levels and reduce prices for the zero  
6 to 3K gal level. As indicated in the top of Page 2, a no  
7 repression price, if customers want to react at all to the  
8 higher costs associated in this case, gallons would cost  
9 about \$2.14.

10 So what I'm doing in Alternatives 4, 5, and 6 is  
11 escalating that rate factor, trying to push down the  
12 gallonage in the first tier to see where it gets us, to  
13 see if we can do it. And, in Alternative 4 the rate  
14 factor is 2, which means the price in the second tier is  
15 twice what it is in the first. In Alternative 5 the rate  
16 factor is 3. Alternative 6, the rate factor is 4. And if  
17 I had had wider paper I could have showed you where I  
18 pushed the rate factor all the way out to 6.

19 This is an attempt to try and implement your  
20 idea that we had last time around. And, quite frankly,  
21 Commissioner, in this particular instance with a five-fold  
22 increase in revenue requirements, we just got too many  
23 dollars chasing too few gallons to come up with what I  
24 could recommend as being a reasonable rate structure to  
25 implement the idea primarily because the gallonage charge

1 at the higher levels are just so extraordinarily high.  
2 For example, in Alternative 6 we are looking at a  
3 gallonage charge above 3K gal of over \$12.

4           **COMMISSIONER ARGENZIANO:** I couldn't go along  
5 with Alternative 6 because it really does send sticker  
6 shock, and I'm not sure how many people are using the  
7 higher gallons. What I'm trying to find, because of the  
8 fact that 3,000 gallons is pretty low usage, and because  
9 I'm looking at it as a conservation type rate, that I  
10 think that even from your Alternative 1, which is not the  
11 second tier added on, but I think your Alternative 1, in  
12 this case people going for so many years on five dollars,  
13 and we don't want to give them sticker shock, but the  
14 honeymoon is over.

15           But, Alternative 1, also, I think, if I'm  
16 reading this the right way, while it doesn't do the double  
17 tiering, it still has a conservation rate effect, I  
18 believe. And what I'm trying to say is that if you are  
19 using 10,000 gallons or more, you know, if you have more  
20 of an impact on something then you pay more. And if you  
21 are using 3,000 gallons, I think on this Alternative 1,  
22 zero to 5 gallons is 4.29 per thousand gallons, right?

23           **MR. STALLCUP:** Correct.

24           **COMMISSIONER ARGENZIANO:** And that would bring  
25 that 5,000 gallons up to 35.82 a month.

1           **MR. STALLCUP:** Correct.

2           **COMMISSIONER ARGENZIANO:** And I think that's  
3 still a reasonable price. And I think -- I guess what I'm  
4 asking you is don't you see that even though we can't go  
5 as extreme because of the numbers here, and how many  
6 people are probably involved in this community, would you  
7 think that that would kind of push a conservation  
8 affecting mode also, that if you are using 10,000 gallons  
9 and now you are going to be charged \$62, the effect will  
10 be that you are going to conserve a little bit more? And  
11 that's where I'm really trying to get at without punishing  
12 the low end user.

13           **MR. STALLCUP:** I believe of the alternatives I  
14 have listed on this page, absent what we recommended in  
15 the recommendation, because I am comfortable with that,  
16 Alternative 1 would be the most -- my second best choice  
17 in this particular instance, because of the very large  
18 increase in the gallonage charge, because of the increase  
19 in revenue requirements, it was my belief that a regular  
20 BFC uniform gallonage charge would send appropriate  
21 conservation signals. Alternative 1 would add a bit to  
22 that while at the same time having the effect of slightly  
23 lowering the gallonage charge for the low end users.

24           **COMMISSIONER ARGENZIANO:** Right. Thank you.

25           **CHAIRMAN CARTER:** Commissioner Skop, you're



1 recognized.

2           **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

3           And, again, I would like to complement staff for  
4 providing the alternatives. I think when we spoke and I  
5 requested those, and I think those have been beneficial to  
6 the discussion to the extent that by providing that  
7 additional information you avoid the what-if questions,  
8 and we have something objective that we could as  
9 colleagues discuss, and as policymakers it becomes a  
10 lateral discussion as opposed to a question and answer  
11 period.

12           I do think that Alternate 1 is a good idea. I  
13 think Alternate 3 was the three-tier, because I think that  
14 staff mentioned that average consumption is about 5,000  
15 gallons, is that correct?

16           **MR. STALLCUP:** Around six and a half.

17           **COMMISSIONER SKOP:** And I think that's why maybe  
18 I asked for that iteration at the 5,000 at the breakout.  
19 But I'm fine with one of the alternatives, whether it be  
20 Alternative 1 or Alternative 3. I think Alternative 3,  
21 and maybe to some degree 4 puts some upward price signals  
22 on higher levels of consumption, and that may help to  
23 mitigate some conservation. But either one of the  
24 alternatives, I think, would be preferable to the staff  
25 recommended BFC and uniform gallonage, I think, to address

1 some of the concerns that we have heard previously.

2 **CHAIRMAN CARTER:** Thank you.

3 Commissioner McMurrin, you're recognized.

4 **COMMISSIONER McMURRIAN:** Thank you.

5 Mr. Stallcup, or whoever, is Alternative 1 --  
6 and I will ask with respect to 3, as well, are both of  
7 those designed so that rates would be compensatory to meet  
8 the revenue requirements that we have identified?

9 **MR. STALLCUP:** Yes.

10 **COMMISSIONER McMURRIAN:** Okay. I guess, just to  
11 share my thoughts, I mean, I'm completely comfortable with  
12 Alternative 1. I realize that in staff's recommendation  
13 there's a reason for not going on to the inclining block  
14 structure, because there will be conservation probably in  
15 going from the \$5 including 5,000 gallons, 25 cents over  
16 that. There will be some conservation, but it doesn't  
17 seem like the impact is too great to go to Alternate 1, in  
18 my opinion. And it looks like it would have -- the  
19 additional plus of the folks that would be using  
20 3,000 gallons or less would be a slightly less impact to  
21 them. I think it is better if we can, and if the impact  
22 is not too great, to go ahead and set forth the inclining  
23 block rate structure, so I like Alternative 1.

24 I similarly looked at Alternative 3, because I  
25 though that it probably kept the customers at

1 3,000 gallons, which is really that minimal amount of  
2 usage down even lower. But I guess I was concerned with  
3 some of the letters we have gotten that some folks will  
4 probably be using more around the five to 6,000 gallons,  
5 and in looking at the rate impact of the Alternative 3 at  
6 the 5K gals, there is over a dollar difference in the  
7 staff rec and that one, and I'm not sure that that is  
8 really excessive usage, either. So I guess I would prefer  
9 the Alternative 1 if we are looking at alternatives. Just  
10 to share my thoughts.

11 Thank you, Chairman.

12 **CHAIRMAN CARTER:** Thank you.

13 We're in questions. We're in questions. We're  
14 in questions.

15 Commissioner Skop, you're recognized, sir.

16 **COMMISSIONER SKOP:** I think if Alternative  
17 1 seems to be the consensus estimate, I think at the  
18 appropriate time I would make a motion to adopt  
19 Alternative 1, BFC with the two-tier inclining block rate  
20 structure over the staff recommendation.

21 **CHAIRMAN CARTER:** And that would encompass the  
22 entire Item 10, correct?

23 **COMMISSIONER SKOP:** Correct, sir.

24 **COMMISSIONER ARGENZIANO:** Okay. And before the  
25 second --

1           **CHAIRMAN CARTER:** Commissioner Argenziano,  
2 before you move to second, you're recognized.

3           **COMMISSIONER ARGENZIANO:** I really do want to  
4 commend staff, and thank you very much, because that's  
5 what I was talking about. Seeing it in front of me really  
6 helps, and having those numbers there is great. And  
7 realizing that these people have been, you know, at \$5 for  
8 a very long time. So I want to thank you for that, and I  
9 mean that sincerely.

10           And then I will move to second the motion for  
11 Alternative 1.

12           **CHAIRMAN CARTER:** Thank you, Commissioners. I  
13 was just thinking about 1969. I guess I have to go to my  
14 closet and throw out some of those clothes. My wife tells  
15 me I hang on them too long. That has really not been that  
16 long ago, really.

17           Commissioners, we have got a motion and a  
18 second. We're in debate. We're in debate. We're in  
19 debate.

20           **COMMISSIONER ARGENZIANO:** I want to see those  
21 polka-dotted bell-bottoms you had.

22           **CHAIRMAN CARTER:** I've still got a pair of  
23 platform shoes. I can't wear them right now. I don't  
24 know how I was able to stay on them before. I need to  
25 work on my balance there.

1                   **COMMISSIONER ARGENZIANO:** It's called youth.

2                   **CHAIRMAN CARTER:** Commissioners, we have a  
3 motion and a second. All those in favor let it be known  
4 by the sign of eye.

5                   (Unanimous affirmative vote.)

6                   **CHAIRMAN CARTER:** All those opposed, like sign.  
7 Show it done.

8                   Staff, now you are comfortable with Alternative  
9 1 in that, correct? All right, good. Everybody is happy.

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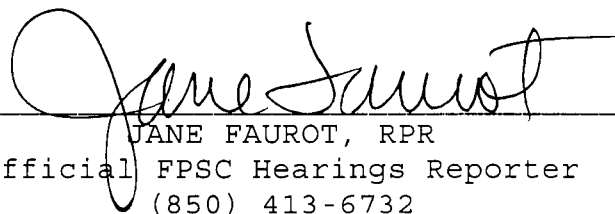
COUNTY OF LEON )

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 29th day of April, 2008.

  
\_\_\_\_\_  
JANE FAUROT, RPR  
Official FPSC Hearings Reporter  
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