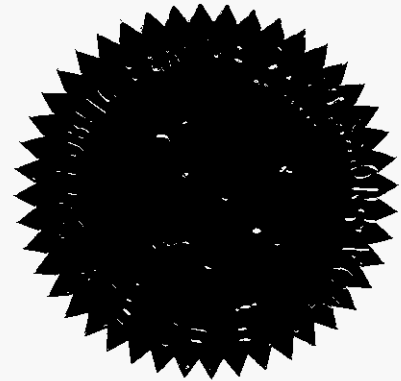


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 080695-WU

APPLICATION FOR GENERAL RATE
INCREASE BY PEOPLES WATER
SERVICE COMPANY OF FLORIDA,
INC.

_____ /



PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 2

COMMISSIONERS
PARTICIPATING: COMMISSIONER NANCY ARGENZIANO
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER DAVID E. KLEMENT
COMMISSIONER BEN A. "STEVE" STEVENS III

DATE: Tuesday, January 5, 2010

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

REPORTED BY: LINDA BOLES, RPR, CRR
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P R O C E E D I N G S

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3 **CHAIRMAN ARGENZIANO:** And now we can move to
4 Item 2, and that's the only item that's off move staff
5 list. And, staff, would you introduce the item?

6 **MR. CASEY:** Good morning, Commissioners. Bob
7 Casey on behalf of staff.

8 Item Number 2 addresses an application for a
9 general rate increase filed by Peoples Water Company of
10 Pensacola, a Class A water utility providing service to
11 approximately 8,300 customers in Escambia County. This
12 is the first Peoples general rate increase application
13 being considered by the Commission since receiving
14 Escambia County jurisdiction over water and wastewater
15 utilities in December 1991. The last general increase
16 for Peoples was approved by Escambia County in
17 June 1991. Staff is recommending an 11.9 percent
18 increase in revenue for Peoples.

19 Mr. Marty Deterding is here this morning to
20 answer any questions on behalf of Peoples Water.
21 Mr. Steve Reilly and Ms. Denise Vandiver are here
22 representing the Office of Public Counsel and would like
23 to address the Commission on this matter, and staff is
24 available for questions.

25 **CHAIRMAN ARGENZIANO:** Thank you.

1 Commissioner Stevens, you're recognized.

2 **COMMISSIONER STEVENS:** Thank you,
3 Commissioner. I, I understand, and I've read through
4 the documents, and staff has had a lot of patience with
5 me walking through the documents and explaining the
6 calculations for this increase, but I need to let the
7 Commission know that I cannot support this type of
8 increase at this point in time. And I appreciate it.
9 Thanks.

10 **CHAIRMAN ARGENZIANO:** Commissioners, any other
11 comments?

12 **COMMISSIONER EDGAR:** Madam Chair, I would like
13 to hear from the company and then from OPC.

14 **CHAIRMAN ARGENZIANO:** Absolutely.

15 **COMMISSIONER EDGAR:** And, and then perhaps see
16 if we can hear a little bit more of the reasoning for
17 your comments.

18 **COMMISSIONER STEVENS:** Sure. Certainly.

19 **COMMISSIONER EDGAR:** Thank you.

20 **CHAIRMAN ARGENZIANO:** Mr. Deterding.

21 **MR. DETERDING:** Commissioner, I'm just here to
22 answer questions or to respond to any concerns. We're
23 generally in support of the staff recommendation.

24 **CHAIRMAN ARGENZIANO:** Okay. Commissioner
25 Stevens, do you have -- is it just the increase right

1 now? Is there anything in particular that you would
2 like the company to respond to or is it just --

3 **COMMISSIONER STEVENS:** I don't need any
4 response. I've looked at the maps. I'm very -- I'm
5 from Pensacola. I'm very familiar with their customer
6 base.

7 I appreciate the alternatives that staff put
8 together with the different rate structures, but, but I
9 just can't, you know, and I realize I'm one person up
10 here, but I cannot support this substantial increase to
11 their customers, especially at this point in time, in
12 these economic times. So thank you.

13 **CHAIRMAN ARGENZIANO:** Thank you. Okay. Let's
14 move to Mr. Reilly, OPC.

15 **MR. REILLY:** Thank you very much. I have
16 Denise Vandiver with our office here, and she's going to
17 hand out just a little one-page handout that hopefully
18 will allow the Commission to consider our arguments on
19 the Issue 13, which is the repression adjustment.
20 That's one that concerned us a great deal. And we
21 believe this issue is particularly difficult to the, to
22 the customers who are having this small amount of usage,
23 and they are the ones that are having the greatest
24 increase in this rate, rate proposal. And so I'll hand
25 that out, try to explain the handout, and then kind of

1 go over our little issue a little bit.

2 **COMMISSIONER EDGAR:** Madam Chair, if I may,
3 while, while that paper is being distributed and we have
4 just a second to look at it before Mr. Reilly continues,
5 I look forward to his comments and understanding
6 hopefully what it is you're putting before us. But
7 after that then I would like to hear from the company as
8 to the reasoning for the, the rate request initially and
9 the statutory basis that they deem that it falls under.
10 But I'm glad to take up Issue 13 and then move back to
11 that.

12 **CHAIRMAN ARGENZIANO:** Okay. Thank you.

13 Mr. Reilly.

14 **MR. REILLY:** This little one-page handout
15 hopefully lets the Commissioners analyze the impacts of
16 the repression adjustment. What this little handout
17 purports to show is on the far left column it shows the
18 percentage of bills, that would be your total number of
19 customers times the 12 months. I think we're talking
20 about hopefully something like about a hundred, a little
21 less than a hundred thousand bills when you consider the
22 number of customers that are there. That would show the
23 number, the percent of the bills that are reflected as
24 either 1,000, 2,000, 3,000 gallons. So you have
25 13 percent of the bills, let's say, are at 4,000 gallon

1 level. The next column tells you what the current bill
2 produces. So currently without the increase a person
3 with a 4,000 gallon usage would have a \$13.96 bill.

4 The next block shows what the change in the
5 bills would be with this rate increase without the
6 repression adjustment. And what's -- and it shows the
7 bill and the dollar change as well as the percent of
8 change.

9 The third column is the, what the bills will
10 be as proposed in this recommendation, which is with a
11 12.3 percent repression. That's essentially saying,
12 staff is saying that this 11.9 percent increase is going
13 to produce a 12.3 percent reduction, overall reduction
14 in gallons sold. Then the additional bill for
15 repression -- oh, that just continues on, shows the
16 change and the percentage change, the dollar change due
17 to repression. That's the impact of the repression.

18 First of all, the recommendation, and we're
19 looking at now Page 23 of the recommendation, there's
20 the language, just this language is about a page and a
21 half, and in here they make reference, they say that the
22 repression that we're proposing is consistent with the
23 Commission's prior cases. And I went and read those
24 cases that are referred to and I can just characterize
25 them, these two cases, basically -- in one case there

1 was a 135 percent increase and a 28 percent repression.
2 That's about a 1-to-5 ratio. The second case, it was a
3 57.5 percent increase and a 12.2 percent repression.
4 Again, about a 21 percent ratio.

5 I suggest, number one, that the, that the
6 repression proposed by staff is just high. It's
7 counterintuitive to think that there's going to
8 necessarily be a -- and I think frankly it's
9 inconsistent with the cases referred to in the
10 recommendation that you're going to have an 11.9
11 increase that's going to produce a 12.3 percent
12 repression as compared to these other cases, just, just
13 globally speaking.

14 Number two, the proposed repression I think is
15 a bit inconsistent with the other thing that is stated
16 in this recommendation. It says that this
17 recommendation is using a price elasticity demand of
18 minus .4 is used in this analysis. And I asked staff,
19 well, what does this mean? And staff says, minus .4
20 elasticity means that for every 10 percent increase in
21 rates, you can expect, expect a 4 percent reduction in
22 usage. Well, even when you apply that sanity check to
23 what I think is an excessive repression adjustment, it
24 doesn't, doesn't wash. I mean, you have here the
25 repression is almost more than, than the reduction. The

1 ratio is not -- it breaks down, I argue.

2 So I believe it's inconsistent with the cases
3 they've mentioned, plus I think it's a little bit
4 inconsistent with the, with the elasticity factor that
5 they say they use.

6 Now they'll come back and say, and they
7 probably will today, we're looking at all these
8 different blocks, and that's why I handed out this, this
9 sheet, because it shows that the, really the rate
10 impacts of this overall 11.9 percent is very, is spread
11 most differently with the different categories. And one
12 of the biggest reasons why it's true in this case is
13 that the old rate structure included 3,000 gallons of
14 usage in the base facility charge. So by taking that
15 gallonage out of the base facility charge and separately
16 billing it causes the impact, if you will, to be, to be
17 felt mostly by those people who are using the least.

18 Now I will say staff was sensitive to this
19 unfortunate problem of rate shock and rate impact on the
20 people who use the least. And as we all know, the
21 people who use the least, frequently the older, limited
22 incomes, et cetera, et cetera, et cetera, the people who
23 are more vulnerable, and the ones that I hope that our
24 office and maybe this Commission too tries to protect as
25 much as we can, you know, on affordability issues.

1 Staff did deal with this issue and they
2 struggled with it, and there's some language in the
3 recommendation where they dealt with the MMB, multiple
4 minimum billing uniform rates, they dealt with that.
5 That was dealing with the issue. They dealt with it by
6 doing everything I think they reasonably could to reduce
7 the base facility charge on a 30 percent, which is
8 really on the low side, 30 percent recovery of overall
9 costs. You frequently see that higher than that in
10 their normal rate designs. So there were -- I will
11 concede that staff did make some efforts to try to
12 minimize the impacts of some of these people that are
13 two, three and four thousand gallon usage.

14 And I'll quantify that progress. Basically
15 staff's efforts probably took that rate increase for
16 those 3,000 gallon people from 72 percent increase down
17 to the 45.3 percent, percent of change that you see on
18 that column for the 3,000 gallon usage people. And
19 that's, that's, from my standpoint for the Office of
20 Public Counsel, that's bad enough impact on, on an
21 11.9 percent. I mean, that's hard to take. I
22 understand Commissioner Stevens can't take it. I have
23 trouble taking it. But that was bad enough. But then
24 to, but then to undo the good that you did by taking it
25 from 72 percent down to 45 percent and then increasing

1 it back up to 54 percent by applying a repression
2 adjustment of 12.3 really gave me a great deal of
3 concern and our office a great deal of concern. Number
4 one, I didn't think it was justified. They'll try to
5 justify it today and we'll argue about that. I don't
6 think it's consistent with these other cases, I don't
7 think it's consistent with the price elasticity.

8 And here's the other argument. This
9 Commission on prior cases, and those who have, who have
10 been here for several years know that we've, we've not
11 applied repression adjustment to the four and five
12 thousand. We said we don't want repression. These
13 people can't repress, so why predict that they're going
14 to repress. So there's a precedent for saying we will
15 not repress for people of this lower percentage.

16 But you have an interesting and added problem
17 for this case, and that's why I gave you this handout.
18 The interesting thing is when you look at -- you have a
19 little blip up of 11.4 percent when you have 5,000
20 gallons. But look at the usage without repression, that
21 column on 6, 7, 8, 9, 10, 11, even these higher usage
22 customers because of the change of rate design, this
23 11.9 percent increase is not going to impact them hardly
24 at all. I mean -- well, I shouldn't say -- it won't be
25 a great impact. It'll be 3. You can see it's 3.3, 3.9.

1 So even on the repression analysis you should not
2 project any repression for these people.

3 In short, my argument would be if you would --
4 I, I recommend no repression, period. And at the best,
5 if you're going to vote this thing out, just vote out
6 the nonrepression rates. But if you have to consider
7 to, quote, make the pot right and to provide some kind
8 of repression, you should only look at repression really
9 in the -- it only starts up again in the 13, 14, 15,000.
10 And so what it amounts to -- and the other thing that's
11 strange about this case is you not only had
12 3,000 gallons in the base facility charge, you had an
13 unusual situation where it was a declining block rate
14 previously so that in fact the more gallons you used,
15 the lower you paid. So consequently you're going to get
16 some repression. Some of -- the few people who actually
17 pay, who actually use 20,000 gallons or more, their,
18 their gallonage rate is going to virtually double.

19 And so two things are happening at the high
20 rates. Number one, you have a potential for repression
21 because you have a lot more discretion. Number two, you
22 have a price signal that's double. So I can see
23 repression occurring at the few customers that are using
24 a lot at the bottom side. And so if, if the will of the
25 Commission is to consider some sort of repression to,

1 quote, make the pot more right, look to those, look to
2 that, that -- those are about the only customers that we
3 are really realistically going to possibly be
4 repressing.

5 The other two don't qualify. They either
6 have, don't have the price signal because there's no
7 great increase or we don't want to go after those poor
8 people that we don't want to make them flush their
9 toilets once every other time instead of every time.

10 So, so that's our arguments. We're against
11 the repression. And don't do it at all. But if you do
12 it, only consider it for those very high use customers.
13 Thank you.

14 **CHAIRMAN ARGENZIANO:** Thank you.

15 Commissioner Edgar.

16 **COMMISSIONER EDGAR:** Just a quick question.

17 Mr. Reilly, when you say those high use customers, did
18 you say that you would consider that above
19 13,000 gallons, is that what I heard?

20 **MR. REILLY:** I would say that you wouldn't
21 even begin to start looking at it -- 8.2 is really, that
22 would be like, you know, 1 percent. I mean, it's almost
23 not worth doing. If you figure this one-fifth -- if you
24 figure that these other cases, roughly speaking, you
25 know, this ratio that I've seen in these other cases

1 that are mentioned, you wouldn't expect a lot -- it
2 might be some repression but it wouldn't be anything
3 like 12.3 percent, but there would be some repression.
4 But that's something you could look at.

5 The chart doesn't go beyond, unfortunately
6 doesn't go beyond 15. And Jenny Lingo can probably tell
7 you, well, we have X number of bills that are at 20,000
8 or more better than I could, and you could, you could
9 start looking at those people as probably deciding
10 they're going to ratchet down their use. I mean, it
11 would not be unthinkable to me that that would happen.

12 **COMMISSIONER EDGAR:** Okay. So, and I think I
13 understand your point there. But I guess when you said
14 that, kind of what I'm hearing you say is if indeed, if
15 indeed there is any, any interest or rationale for a
16 repression adjustment, you would suggest and request a
17 different one than the staff has recommended before us,
18 one that would only impact, what you said, higher,
19 higher use customers. And I'm trying to understand
20 better where, where you draw that line, recognizing that
21 that term in my mind, higher use customers, could vary
22 from system to system, region to region, region to
23 region, depending on the, you know, the type of use.

24 **MR. REILLY:** It's a bit arbitrary, but I think
25 the answer to your question, there seems to be a little

1 jump between 4.7 to 8.2. I mean, then it goes to 11 and
2 13. I don't know what the chart provides after that,
3 but, I mean, it would be somewhere in that range would
4 be my, my ballpark suggestion.

5 **COMMISSIONER EDGAR:** Meaning -- I'm sorry. I
6 just want to make sure I'm understanding you.

7 **MR. REILLY:** I, I'll tell you, I just --

8 **COMMISSIONER EDGAR:** And I, I heard you say
9 somewhat arbitrary, and I recognize that and I
10 appreciate that.

11 **MR. REILLY:** My, my first argument is with an
12 11.9 percent increase, don't even do repression.

13 **COMMISSIONER EDGAR:** I know. But I always
14 like to hear the second argument too.

15 **MR. REILLY:** But my backup, my backup
16 argument, if there's a will in this Commission to
17 somehow make the pot more right and sort of maybe
18 anticipate some less usage as a result of the rate case,
19 only apply it for 13,000 and above.

20 **COMMISSIONER EDGAR:** Okay. And that's what --
21 and I didn't mean to completely put you on the spot, but
22 I was trying to understand where you see those
23 gradations.

24 **MR. REILLY:** And you understand, you
25 understand my reluctance.

1 **COMMISSIONER EDGAR:** I do. I do.

2 **MR. REILLY:** I represent all the customers and
3 I don't want to say things, you know, that helps one
4 class of customers versus another and that's --

5 **COMMISSIONER EDGAR:** And I'm sure that we
6 don't take it that way, Mr. Reilly. Thank you.

7 **MR. REILLY:** Yeah. Okay.

8 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

9 **COMMISSIONER SKOP:** Thank you, Madam Chair.

10 I just have some follow-up questions on this
11 issue, and I appreciate Commissioner Stevens' comments.

12 With respect to the conservation rate
13 structure that Ms. Lingo has come up with in the staff
14 recommendation, it basically is a three-tier inclining
15 block, which kind of does away with what Mr. Reilly
16 spoke to of the three kilo-gallons that were previously
17 included in the BFC.

18 I know it's been Commission policy to move
19 towards conservation rates and, but, you know, the
20 opportunity cost of doing that is typically it has cost
21 impact on the ratepayers. You know, the staff
22 recommendation indicates that there's a, I believe,
23 11 point something percent increase. But when you start
24 looking at the numbers, along the higher usages
25 obviously this spread increases as one would expect it

1 should given the proposed rate structure, which
2 emphasizes conservation at the higher consumption
3 levels.

4 And I guess the question I have to staff is to
5 perhaps better explain the methodology as to why the
6 three-tiered inclining block was picked.

7 And to briefly respond to Mr. Reilly's concern
8 on Issue 13 about the repression analysis, it would seem
9 to me that, and if Mr. Reilly can elaborate too after
10 staff, that if you were trying to promote a conservation
11 rate structure, then, you know, certainly you would see
12 repression, I would think, somewhere before you hit
13 13,000 kilo-gallons. I mean, my water bill, I think my
14 wastewater is only 1,000 kilo-gallons per month. So, I
15 mean, you must have to have a big house, or if this is
16 just strictly water, you know, do a lot of irrigation on
17 top of normal household use. So, you know, I'm trying
18 to, you know, gain a better understanding of what the
19 appropriate rate structure would be should the
20 Commission choose to implement the proposed rates. And
21 then I have a second follow-on question to Ms. Lingo or
22 whoever.

23 **MR. STALLCUP:** Okay. I'm Paul Stallcup of the
24 Commission staff.

25 Let me start with the second question, if you

1 will, about where it is that repression should begin.
2 The way that staff has looked at repression in the past
3 is that we differentiate between what we call
4 nondiscretionary usage and discretionary usage.

5 Nondiscretionary usage is typically indoor
6 usage for washing, cooking, that sort of thing. Outdoor
7 usage, primarily irrigation, is discretionary usage in
8 our view. And that break point between indoor usage,
9 nondiscretionary usage, and outdoor usage is determined
10 by how many people live in the house. Based on the
11 American Water Works Association estimate of about 50
12 gallons per day per person, we can estimate how much
13 each person in the house needs for indoor use, multiply
14 that times the average number of people in the service
15 territory, and that tells us how much on average each
16 household would use for indoor purposes.

17 The reason we make that distinction is that we
18 believe, and the Commission has approved in the past,
19 that indoor usage is not subject to repression. Given
20 the kind of price increases that we're seeing, people
21 are really not going to change their consumption pattern
22 for indoor usage in response to a price increase.

23 The only place repression takes place when we
24 present our rate calculations to you is in outdoor or
25 discretionary usage. That is, people might water their

1 lawn less often or perhaps wash their car a bit less
2 often. In this case, if I remember correctly, the break
3 point between nondiscretionary usage and discretionary
4 usage is set at 3,000 gallons a month. That is we
5 assume no repression for anything less than 3,000. And
6 it's only those gallons above 3,000 a month that are
7 subject to the repression adjustment. And so that's
8 where staff looks at where repression begins to be felt
9 in terms of usage.

10 **COMMISSIONER SKOP:** Okay. And, Mr. Reilly,
11 briefly, very briefly on this to the point of your
12 suggestion that the repression adjustment, if one is
13 adopted for the Commission, should only be at the much
14 higher consumption levels. And how does that relate to
15 the Commission's goal and the water district's goal of
16 promoting conservation rates?

17 **MR. REILLY:** It might not. The reason why I
18 say that in this particular case you wouldn't do it is
19 because the price signal is not there. Now to change
20 the price signal, if you, if you somehow changed your
21 inclining, inclining and made it more inclining,
22 Commissioner Skop, so that these, these percentages you
23 see over here without repression of 3.3, 3.1, 3.0 and
24 2.9, somehow you cause those to go up so that in fact
25 the rates without repression are, you know, sending a

1 price signal, then you would expect those people to make
2 a -- you know, you could predict that they're going to
3 use less water and you're going to make up the pot right
4 by giving the company, by anticipating that less usage.
5 But it's just not in this case. The prices are not
6 there to say we're going to project. You're going to
7 give them more money than they have coming if you're
8 projecting that they're going to buy less water, when in
9 fact they buy the same amount of water because they're
10 paying the same price.

11 **COMMISSIONER SKOP:** And just to staff briefly,
12 and then I have one follow-up question, Madam Chair.

13 With respect to Mr. Reilly's concern -- and I
14 think the horizontal line on the handout that Mr. Reilly
15 handed out looks at a cutoff of above 4 K-gallons per
16 month. So I guess if I understand his concern correctly
17 is that the price signal in terms of the percent
18 increase on the bill for the higher consumption levels
19 is, is pretty much a straight line and not really
20 increasing in magnitude as you get to the higher
21 consumption levels to give a more appropriate price
22 signal to encourage consumers at the, at the higher
23 consumption levels to draw back some of their usage. If
24 staff could briefly elaborate on that, if I think I
25 understand Mr. Reilly's concern.

1 **MR. STALLCUP:** Yeah. In this case I can
2 almost agree with Mr. Reilly, but for an entirely
3 different reason.

4 The percentage price changes that he's quoting
5 at these moderate levels of consumption are very small.
6 And when staff calculates a regression adjustment, we
7 take those percentage change in prices, use that
8 elasticity factor of .4 to calculate the percentage
9 change in quantity. Because we are dealing with such
10 small changes in price, the regression effect in these
11 ranges of consumption are very tiny. There's hardly any
12 effect at all. And inside the rates that staff have
13 brought to you today and inside the regression
14 adjustment that we've brought to you today, the number
15 of gallons being repressed in staff's recommendation at
16 these levels of consumption are not really that large.

17 So in a sense I can agree with Mr. Reilly
18 that, yeah, there's not much of a price signal there.
19 Then again there's not much of a regression adjustment
20 there either at that level of consumption. The real
21 place where regression is being felt in this case is at
22 the higher levels of consumption where the price change
23 is more dramatic.

24 **COMMISSIONER SKOP:** Okay. And, and that's
25 reflected on the, on the proposals that I believe are

1 shown on Page 22 and the different alternatives versus
2 the staff recommended rate structure at the higher
3 consumption gallons. I think in 30 you can see the
4 difference in the price points, you know, kind of almost
5 constant in the alternatives, but I'll get to that in a
6 second.

7 I wanted to move on to -- on Page 15 of the
8 staff recommendation it talks about rate case expenses,
9 and particularly for the legal expense that was
10 incurred, following on to Page 16, there seem to be some
11 disallowances for legal expenses, one of which was
12 billing by the law firm for a proposed acquisition by
13 the water company that had nothing to do with the rate
14 case. So that was taken out by staff.

15 But I guess my concern, since this is a
16 relatively small, you know, water company I would think
17 to some degree, do the legal -- I mean -- let me back
18 up. What I meant to say is are the legal fees in, in
19 this instance commensurate with what we typically see
20 for a Class A provider to the extent that the MFR
21 estimated 60,000 and the adjusted total was 75,000 well
22 in excess of what was estimated? And, and that's after
23 deduction. So if staff could briefly speak to that.

24 **MR. CASEY:** Commissioner, we went through
25 every invoice, we requested every invoice from the

1 consultants and went over each one. We checked the
2 hourly rates for the accounting, for the legal, and it
3 was consistent with past cases that were approved by the
4 Commission, so we weren't that concerned with hourly
5 rates. We did go and check to make sure that each of
6 the charges were related to this case and they were.

7 One of the big things we have to remember is
8 that they had to go back 18 years because we did start,
9 we did audit from the very beginning. So they did have
10 a great deal of research to do on this.

11 **COMMISSIONER SKOP:** Okay. So in terms of
12 having previously received an increase while they were
13 regulated through Escambia County and then the
14 Commission took over jurisdiction, they've received
15 their annual pass-through and indexing adjustments, but
16 they've never had a rate case before the Commission over
17 that long period of time since they had their last
18 increase in 1991; is that correct?

19 **MR. CASEY:** That's correct, Commissioner. The
20 pass-through and indexes worked just like they're
21 supposed to try and avoid major rate cases.

22 **COMMISSIONER SKOP:** Thank you. And then just
23 to Commissioner Stevens trying to better understand I
24 think his concern, you know, in terms of water and
25 wastewater, I've often stated that, that I think that's

1 the most challenging area in Florida, critical area
2 facing the Commission other than replacing
3 infrastructure because, you know, frankly, for the most
4 part, municipalities are able to do it better, faster
5 and cheaper. They don't have the overhead, they don't
6 have, you know, stockholders and all the other costs
7 that get into a private company. So a lot of times that
8 drives rates, particularly when you have multiple
9 acquisitions over time or have not had a rate increase
10 to keep parity with cost, you get that sticker shock
11 effect.

12 So in this case, this is probably one of the
13 smaller ones I think that the Commission has seen. I
14 mean, in some instances with a prior water provider, the
15 water and wastewater bills, as Commissioner Argenziano
16 just hinted on, were approaching \$450 a month. So that
17 gets to be thorny, and I appreciate the concern.

18 What I was trying to better understand,
19 Commissioner Stevens, typically there's the internal
20 consumption of, of the used in the house for, you know,
21 the sink and the baths and the showers and all that, and
22 then there is the irrigation part that results in much
23 higher water consumption levels. And I think that the
24 staff, if I understand what they're trying to do, is
25 say, you know, to conserve water perhaps you're trying

1 to cut down on the nondiscretionary -- or the
2 discretionary usage, which is the irrigation and the
3 watering, versus not really penalize the customers for
4 the water that they have to use in everyday use inside
5 their house.

6 I'm not sure that I support the staff
7 recommendation, but I was trying to get a better
8 understanding on, on your opposition to the rate
9 increase to the extent -- are you more opposed to the
10 rate increase as a whole or would you be more opposed to
11 the rate increase for the nondiscretionary consumption
12 that the consumers have to use in their house?

13 **CHAIRMAN ARGENZIANO:** Commissioner.

14 Commissioner Stevens.

15 **COMMISSIONER STEVENS:** I am -- and I'll go
16 ahead and answer the second question first. As a whole
17 I am against this recommendation. But, you know, when
18 you look at the -- and I've been looking at the
19 3,000 gallons and below because that's where the bill
20 started, and there was a base bill and then anything
21 above that increased the bill. And I believe that's a
22 substantial increase, it's a large percentage increase.
23 I understand the history. But coming before us and
24 asking for this large percentage increase in these
25 economic times, you know, I can't deal with that.

1 I run a small business. I see the water
2 bills. I looked at the maps, I know where the customer
3 base is. Now, yeah, some of these customers, you know,
4 they may not pay attention to that increase. But there
5 are a lot of customers that if you nick them 10 to 15,
6 \$20 a month, which may not sound like a lot, it is to
7 them. And I think we need to be aware of that and I
8 think we are, and that's where I'm coming from. Thanks.
9 Thank you.

10 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

11 **COMMISSIONER SKOP:** Thank you.

12 Just as a quick follow-up, if the rate
13 structure was one that resulted, and I know that you're
14 looking at the percentage change that seems to be
15 significant at the consumption levels just at 3,000 and
16 just slightly above that, say, three to eight thousand
17 or three to six thousand where you're absorbing the
18 majority of that high increase instead of like a
19 3 percent change, if, if those, if there were a
20 methodology that shifted that percentage change out to
21 the much higher consumption and kept it lower, would
22 you, would you still be adverse to the, you know, what
23 may be legally entitled to in some aspects of the rate
24 increase? Like, for instance, if it was like -- I'm
25 sorry.

1 **CHAIRMAN ARGENZIANO:** Could we, could we do
2 something here?

3 **COMMISSIONER SKOP:** Okay.

4 **CHAIRMAN ARGENZIANO:** I think it may get --
5 can I ask you just to hang on to that for a minute?

6 **COMMISSIONER STEVENS:** Yes, ma'am. Sure.

7 **CHAIRMAN ARGENZIANO:** Staff, could you give a
8 justification for the rate increase, period? And I
9 think that gets to -- and what we're mandated to do.
10 Let's go to the justification for the rate crease, rate
11 increase and what we're mandated as a Commission to do,
12 whether we like it or not, and then I think that the,
13 Commissioner Stevens may be better able to answer that
14 question. So let's look -- because I always look for a
15 basis and a justification and then I look for what we're
16 mandated to do.

17 **COMMISSIONER STEVENS:** Yes, ma'am.

18 **CHAIRMAN ARGENZIANO:** So if staff could do
19 that, I would appreciate that.

20 **MR. CASEY:** Certainly, Madam Chairman.

21 They filed their rate case. Our auditors went
22 in and audited their books and determined that for the
23 test year they were earning 3 percent on their rate
24 base. Now according to the water and wastewater
25 leverage graphs which are done every year, our

1 calculations show that they are entitled to earn an
2 8.8 percent increase.

3 **CHAIRMAN ARGENZIANO:** Entitled by statute?

4 **MR. CASEY:** That is by statute, yes, ma'am.
5 They are allowed to earn 8.8 percent -- I'm sorry.

6 **CHAIRMAN ARGENZIANO:** Commissioner Stevens.

7 **COMMISSIONER STEVENS:** Is the -- I was under
8 the impression that the 8.8 percent was calculated by
9 our staff based on statute, not in statute. Is that --
10 am I incorrect?

11 **MR. CASEY:** The leverage graph, the annual
12 leverage graph is in the statutes where we have to
13 establish a rate of return for the water and wastewater
14 companies, and it's a formula basically. So what we do
15 is --

16 **COMMISSIONER STEVENS:** Right. So what are the
17 pieces of that formula?

18 **CHAIRMAN ARGENZIANO:** In other words, are we
19 mandated? Do we have to go the 8.8 or can we, are you
20 asking if we have an adjustment, are we flexible within
21 that amount of earnings?

22 **COMMISSIONER STEVENS:** Between the 3 percent
23 that they earned and the 8.8.

24 **CHAIRMAN ARGENZIANO:** Right.

25 **COMMISSIONER EDGAR:** If I may, it would be

1 helpful as you answer that question or from legal,
2 whomever, to include, as you're describing it to us, the
3 requirement in the statutes for compensatory rates.

4 **CHAIRMAN ARGENZIANO:** Right. Thank you.

5 **COMMISSIONER EDGAR:** Thank you.

6 **MR. CASEY:** I'd defer to our attorney for
7 that.

8 **MR. SAYLER:** Erik Sayler, Commission legal
9 staff.

10 Under Section 367.081, the rates and the
11 procedure for fixing and charging rates are set forth.
12 And the Commission is charged to, to set fair, just and
13 compensatory rates. And if we don't set fair, just and
14 compensatory rates, then there's the issue,
15 constitutional issue of taking and also of confiscatory
16 rates, which is, could be reversible on appeal.

17 And in this particular instance the utility
18 has filed their rate case pursuant to statute and rule.
19 They have submitted the documents and have been very
20 responsive to staff as far as our data requests. Staff
21 has audited and checked everything that we need to
22 check. And then we also have the leverage graph
23 discussion, which is Issue -- which explains the
24 procedure for how we set the return on equity.

25 In this particular case, the utility, instead

1 of opting to try to argue for a rate of return that is
2 different from our leverage graph, they have just
3 accepted what the leverage graph, for lack of a better
4 word, puts out on the back end. It's a fallout figure.
5 And based upon their, their debt-to-equity ratio, that's
6 where we came up with the number.

7 And then I know that staff has compared all
8 the expenses, they've gone through to make sure that the
9 expenses from their 2008 test year were actually spent
10 and were reasonable. And then through that, through
11 that ratemaking process, I was going to say magic of
12 ratemaking, they came up with a number that is the
13 outcome for their revenue requirement increase. And
14 then they add on various factors, tax and rate of
15 return, and that's where we have arrived at this
16 particular case.

17 **COMMISSIONER STEVENS:** And I'm just worried
18 about the variables within the magic.

19 **MS. HELTON:** And, Madam Chairman, if I
20 could -- if you wouldn't mind if I spoke to the leverage
21 formula in particular.

22 **CHAIRMAN ARGENZIANO:** Ms. Helton. Please.

23 **MS. HELTON:** And the Legislature has given us
24 367.081, which is the statute that governs ratemaking
25 for water and wastewater utilities. And as Mr. Sayler

1 said, we have to fix set rates that are fair, just and
2 reasonable. The Legislature has also set out certain
3 items within that statute that we have to -- that you
4 should consider when setting rates: Cost of service,
5 the used and useful value of the, of the
6 plant-in-service, the satisfaction of the customers.
7 There's a whole bevy of items that the Commission must
8 consider that are set out in the beginning of the
9 statute.

10 In addition, in (3), excuse me, (4)(f) the
11 Legislature has said that the Commission may by order
12 set out a leverage formula. I believe that the, that
13 the Legislature in doing this has recognized that water
14 and wastewater utilities are for the most part small and
15 not as sophisticated as the larger electric companies
16 and what used to be the larger telephone companies when
17 we set base rates for them. And --

18 **COMMISSIONER STEVENS:** May, not shall.

19 **MS. HELTON:** But let me finish. Let me
20 finish.

21 **COMMISSIONER STEVENS:** Okay. All right.

22 **MS. HELTON:** So in recognition of that fact,
23 that it's a, it's a sophisticated process and it's an
24 expensive process for the companies to gather the
25 information necessary to bring a proposal to you for

1 what the return on equity should be, the Legislature has
2 allowed the Commission to set a leverage -- or to create
3 the methodology by way of a leverage graph by order each
4 year. The Commission has done that for this year. So
5 we have, we have met the requirements of the statute
6 with respect to what the leverage formula should be.
7 What the particulars are in that formula, you don't want
8 me speaking to that. We do have folks in here that can
9 give you what that is. I know that we do look at
10 industry trends, we look at comparable companies. There
11 are other items in there that we do look at. So
12 there -- it's more than just magic. There are specific
13 variables that we look at that are used to get to the
14 best return on equity for these smaller companies that
15 just don't have the means to, to get us the information
16 themselves.

17 **CHAIRMAN ARGENZIANO:** Commissioner Stevens.

18 **COMMISSIONER STEVENS:** May I? The -- and,
19 Commissioners, where I am with this is we deal with
20 monopolies. This company is a good company. They have
21 good customer satisfaction. I understand that. They
22 made money last year. But I'm not going to set up the
23 customers with an 11.5 percent increase so that they can
24 earn 8, almost 9 percent in these economic times.

25 If I go to the bank, I'd be lucky if I could

1 get 1 percent. So that's where I am. And, you know,
2 and I do understand the calculations when I look at
3 them, but I can't in good conscience use this
4 percentage. Thank you.

5 **CHAIRMAN ARGENZIANO:** Thank you, Commissioner
6 Stevens.

7 Commissioner Skop, did you want to comment?

8 **COMMISSIONER SKOP:** Just, I guess my concern
9 as I'm listening to the concerns of my colleagues, and I
10 think some, some excellent points have been raised, I'm
11 having some, some concern with, you know, should a rate
12 increase be mandated by statute with our discretion and
13 following the statutes? It appears that we're bunching
14 up the biggest percentage increase in the area of
15 nondiscretionary usage. I mean, if you look at the
16 percent change rates between two and four kilo-gallons,
17 I mean the impact there is substantial. And it seems as
18 if -- I'm wondering if there's not a better alternative
19 in terms of a rate structure that could shift the, some
20 of that percentage increase out to the much higher
21 consumption levels. And I don't know how you would do
22 that. Again, I'm not an expert in rate design. I know
23 Ms. Lingo is.

24 But, again, looking at the percentage change
25 on the handout sheet that OPC has provided out, it

1 basically goes from a very high percentage increase in
2 nondiscretionary usage to a low percentage increase on
3 discretionary usage. And that seems to be
4 counterintuitive to some degree of what we're trying to
5 accomplish.

6 And it seems to me that if you're trying to
7 curtail consumption at the much higher consumption usage
8 levels, that the highest percentage increases should be,
9 you know, at the higher consumption levels and you
10 should try and keep rates basic and stable for your, for
11 your homeowners, as Commissioner Stevens has brought to.
12 So I don't know if there's some different alternatives
13 that staff might be able to propose if we were to defer
14 this item.

15 **CHAIRMAN ARGENZIANO:** Well, question. Do we
16 have the ability time frame to defer for -- if the
17 Commission decided that they would like different
18 alternatives?

19 **MS. HELTON:** It's my understanding that the
20 company has waived the five-month clock to today's
21 Agenda Conference, to today, January 5th. If we were to
22 defer it, the company would either need to agree to
23 that, or the company would have the opportunity to start
24 charging its customers the rates as filed, which are
25 higher than those that staff has recommended.

1 **MR. REILLY:** Excuse me. Subject to refund.

2 **MS. HELTON:** That would be subject to refund.

3 **MR. REILLY:** And subject to final decision.

4 **COMMISSIONER EDGAR:** Madam Chair.

5 **CHAIRMAN ARGENZIANO:** Commissioner Edgar.

6 **COMMISSIONER EDGAR:** Thank you. I had asked
7 earlier, and I know the discussion kind of went on, and
8 that's, that's fine, but I would like to ask the
9 company, if I may, to speak, before we go any further,
10 if that's all right, to speak generally or specifically,
11 however you prefer of course, to the statutory basis for
12 the rate request in the first place. And not to assume
13 too much, but I do assume, presume that the company
14 would not have spent its time or this Commission's time
15 if they did not feel that there was a strong statutory
16 basis for a rate increase at this time. And so I would
17 like you to speak to that, if you would.

18 **CHAIRMAN ARGENZIANO:** Mr. Deterding.

19 **MR. DETERDING:** Certainly. Certainly,
20 Commissioner.

21 The company, as was noted, has not filed a
22 rate increase since they've come under the Commission's
23 jurisdiction. It's right at 19 years now since this
24 company has had a general rate increase, and that was
25 under Escambia County when they had jurisdiction.

1 The passage of time, the increase in general
2 costs and the requirements that the utility do renewals
3 and replacements of a system that is probably one of the
4 older private water systems in the state, storage tanks,
5 meters, et cetera, are generally the underlying causes
6 of this increase.

7 The company has, as has also been noted, has
8 pretty good customer relations. We had a very small
9 turnout for the customer meeting because I think they
10 have good communications with their customers, they have
11 provided service at a good price, and they only came
12 before this Commission when it was apparent to them that
13 if they didn't do something, they were going to end up
14 in a, not only an under earnings, which they were
15 already in, but a loss position. So these are the
16 reasons we've sought the increase.

17 As far as the justification, the utility is
18 just trying to recover its costs and earn a fair return.
19 They have chosen to utilize their leverage formula
20 rather than get into the specifics of, of what is a
21 reasonable return on equity for a system such as this.
22 The return on equity because they are such a high equity
23 company is -- actually the overall rate of return is
24 actually relatively low for a, for a general rate case
25 because as you increase equity, you decrease the overall

1 return required, so -- on what equity there is.

2 So I think we have provided to the staff
3 everything they needed in order to fully analyze and see
4 that we were in need of a rate increase. As far as the,
5 the repression and the rate structure, Mr. Reilly points
6 out some percentages of repression versus percentage
7 increase. Well, that's not really very applicable in
8 the situation where you're going from the most archaic
9 rate structure out there to, to the most modern. You're
10 going from one where there's not only minimums but
11 there's a declining block rate structure in effect to
12 one where there is an incline block and where there are
13 no longer minimum usages.

14 To the extent it has a significantly higher
15 impact on the small use customers, that's really a
16 result of the fact that you are trying to, in accordance
17 with the Commission's long standing base facility charge
18 rate structure, to, to ensure that the fixed costs are
19 recovered through the base charges and that the variable
20 costs are recovered through the gallonage charges.

21 In this case, as Mr. Reilly pointed out, the
22 company has, and the staff have gone the extra step and
23 pushed more of the costs into the gallonage charges in
24 order to recognize that, that as those -- if you're
25 going to try and achieve some conservation rate, rate

1 structure that actually achieves conservation, that you,
2 the gallonage, the gallonage charge is what will do
3 that. And the company has gone along with that push
4 toward the gallonage charge despite the fact that it
5 increases the risk on, on the utility significantly.

6 So I believe the staff's analysis is based
7 upon historic information, on previously tested
8 statistics, and we believe that the repression as
9 proposed and the, the shift in cost from one customer to
10 another is, is in accordance with not only long standing
11 policy but the specific facts in this case.

12 **CHAIRMAN ARGENZIANO:** I'd like to ask staff a
13 question. Am I right when I look at the chart with the
14 repression, the change in the bills with repression for
15 the 3,000 gallon users, their increase percentage will
16 be 54 percent?

17 **MS. LINGO:** Yes, ma'am. That's correct.

18 **CHAIRMAN ARGENZIANO:** Okay. And just my
19 comments are I don't like the repression rate at all.
20 And I've always felt it wrong to, and when we're trying
21 to push a conservation rate structure, impose the
22 biggest hit on the least users. I think that is wrong.
23 You punish those who are using more because it's a
24 punishment, it's a punitive, it's -- if you are going to
25 use more water, if we're trying to get you to conserve,

1 then the bigger hit should be on those who use more. So
2 I don't agree with the structure at all.

3 I agree that the company, and I have to
4 commend them for 19 years -- I've been here a while and
5 it's a smaller increase than I see a lot of other
6 companies, especially for that length of time, and I do
7 understand the company has had expenses and we need to
8 make sure that we accommodate and take care of those
9 expenses while allowing them to earn a reasonable rate
10 of return. But I really have a real problem with the,
11 the way the rate is structured. I don't like the
12 repression rate at all because of that.

13 And I'm not sure that the -- is it 11 point --
14 without the repression, what was the -- 11.9? Five.
15 I'm not sure that that's the right number and I'm
16 struggling with that. But, and I don't know where the
17 Commission is going to land on this, but I couldn't vote
18 for the structure the way it is that penalizes the least
19 users. I just think that's wrong.

20 **MR. DETERDING:** And, Commissioner --

21 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

22 Mr. Deterding.

23 **MR. DETERDING:** I just wanted to comment on
24 that just very briefly. It's less a function, I
25 believe, and staff could speak to this probably much

1 better than I can, but it's less a function of
2 repression than it is a 20-year history and probably
3 more like a 50-year history of the base charges not
4 being at the level they were supposed to be in order to
5 recover the percentage of fixed costs that they are
6 trying to recover through base charges, and which
7 according to the Commission's long standing regulatory
8 theory you are trying to recover through those base
9 charges. So it's not so much penalizing these people
10 and it's not so much repression as it is finally they
11 are starting to pay the part of the fixed cost that is
12 related to providing them service.

13 **CHAIRMAN ARGENZIANO:** I would agree with that
14 except that the higher users don't have that same
15 percentage of an increase, that same hurdle to jump.
16 So, so I still think it is punishing those who are using
17 the least. It would be those persons who are now
18 conserving are now getting a bigger hit than the person
19 who is not. So I look at it as a punishment, and I
20 think they would too.

21 But in saying that, also with staff, when
22 we're talking about discretionary versus
23 nondiscretionary, aren't there water use restrictions by
24 the Water Management Districts that deal with that in
25 communities if the community is using more than the

1 consumptive use permit allows and aren't there just
2 during times of drought where they say you're not
3 allowed to use your sprinklers and so on, doesn't that
4 kind of take care of that nondiscretionary, I mean
5 discretionary use?

6 **MS. LINGO:** Good morning, Commissioners.
7 Jenny Lingo with Commission staff.

8 The watering restrictions that may or may not
9 be in place at any given time is designed in some
10 measure to target a customer's discretionary
11 nonessential use, but it doesn't, it doesn't target all
12 of it. If the restriction was in place 24 hours a day,
13 seven days a week, it would be able to target all of a
14 customer's essential -- nonessential usage. But the
15 watering restrictions given, depending on the district,
16 depending on the time of year, depending on the drought
17 conditions that exist, may be one time, once a day,
18 twice, I mean, once a week, twice a week, three times a
19 week.

20 But getting back to, if I may, Commissioners,
21 getting back to what I sense to be your collective
22 concern about the price increase at 3,000 gallons being
23 the greatest, there are, there are two things in this
24 rate structure change that are going on.

25 The first, Commissioners, is the elimination

1 of the 3,000 gallon allotment that's included in the
2 base, that was included in the utility's base facility
3 charge. So the customers could get up to 3,000 gallons,
4 use up to 3,000 gallons of water and not pay for that
5 consumption.

6 The second thing would be on top of that the
7 three-tier declining block rate structure. So
8 there's -- this is actually, Commissioners, a very
9 unique situation that we're looking at.

10 Commissioners, when, any time you eliminate an
11 allotment in the base facility charge, all other things
12 being equal, the folks who use at that allotment level
13 will see the greatest price increase because they have
14 been getting it for free and now they're, they're paying
15 for all of their consumption.

16 One way to mitigate that is for us to move
17 monies, cost recovery from the base facility charge to
18 the gallonage charge to bring that percentage down. And
19 if we had not moved money such that the base facility
20 charge was 30 percent, instead of the 54 percent you're
21 seeing at 3,000 gallons, it would have been some number
22 that was greater. And I don't have all the runs with
23 me, so let me apologize.

24 The only way, Commissioners, the only way,
25 Commissioners, to totally mitigate that problem would be

1 to have all the, all the monies recovered through the
2 gallonage charge, and, and that's not a viable
3 situation. Pardon me.

4 Based on our best judgment in terms of what
5 the utility needed in terms of a base facility cost
6 recovery percentage and, you know, placing the rest on
7 the gallonage charge, we believe that 30 percent was
8 appropriate.

9 But, Commissioners, getting back to the
10 allotment, because that's just so key in terms of
11 getting rid of it, in this case about 45 percent of all
12 residential bills did not pay, pay any consumption. You
13 know, they got, they used up to 3,000 gallons and they
14 paid nothing. In fact, Commissioners, 75 percent of
15 customers got at least half of their water free. So
16 when you are eliminating that allotment, there, there's
17 a very visceral signal that's being sent to customers:
18 I was getting something for free and now I'm not to
19 whatever degree.

20 **CHAIRMAN ARGENZIANO:** Well, let me you this,
21 and then I'll move on to Commissioner Skop and then
22 Commissioner Stevens.

23 But if you had a straight fee for the amount
24 of gallonage that you use, why isn't that fair and then
25 the company still recovers what they need?

1 **COMMISSIONER STEVENS:** Yeah. Right.

2 **MS. LINGO:** Are you talking about just a plain
3 gallongage charge with no base facility charge?

4 **CHAIRMAN ARGENZIANO:** Probably.

5 **MS. LINGO:** Well, Madam Chairman, I can't
6 think -- pardon? We could calculate that. I can, I can
7 tell you based on my years of experience I'm aware of
8 only one utility in the state that's able to pull that
9 off, and that's the City of Tampa.

10 **CHAIRMAN ARGENZIANO:** Because of the large,
11 you mean because of the large amount of residents?

12 **MS. LINGO:** Yes, ma'am. See, that's, that's
13 exactly right.

14 Because of variability in usage, in customers'
15 usage patterns a utility traditionally has been allowed
16 to recover its revenues through the combination of the
17 base facility and gallongage charge so that we could
18 ensure that the utility would have a fixed revenue
19 stream in order to cover its costs for ongoing concern.

20 **CHAIRMAN ARGENZIANO:** So if you had the base
21 facility charge and the gallongage charge, and those who
22 use more obviously are going to pay more, how come it
23 has to work that the average user has to pay more if --
24 I guess it's because the amount of people who are using
25 more, but --

1 **MS. LINGO:** And, again, ma'am, it gets back to
2 they were getting all of something for free and now
3 they're getting none of something for free.

4 **CHAIRMAN ARGENZIANO:** Commissioner Skop and
5 then Commissioner Stevens. Excuse me.

6 **COMMISSIONER SKOP:** Thank you, Madam Chair.
7 Just three quick questions, one to
8 Mr. Deterding. Is your -- on behalf of your company
9 that you're representing would you be prepared to waive
10 the five-month deadline for some additional time so we
11 could take a better look at the rate structure? Because
12 we have a statutory constraint that prevents deferral.

13 **MR. DETERDING:** Well, I have, I have -- I
14 don't know the answer to that. I cannot tell you that
15 my client would be willing to do that because I haven't
16 posed that question to them. We have already delayed
17 and granted an extension of time, but I have not
18 broached that subject with my client.

19 **COMMISSIONER SKOP:** Thank you. To staff, on
20 Page 19 we talk about the BFC cost recovery allocation
21 should be set to 30 percent. Two questions relating to
22 that and some of the concerns that Commissioner
23 Argenziano, myself and Commissioner Stevens have
24 regarding the fact that the nondiscretionary usage is,
25 is getting the big increase and staff articulated two

1 reasons.

2 What happens in this case if you did not
3 eliminate the 3,000 gallon allotment and shifted the
4 conservation rates out to higher consumption levels?

5 **MS. LINGO:** Sir, are you suggesting to, to
6 have an inclining block rate structure but keep the
7 3,000 gallon allotment?

8 **COMMISSIONER SKOP:** I think that might be a
9 good starting point because it would address a concern
10 that Commissioner Stevens had, Chairman Argenziano had
11 and I have. I mean, to the extent that it keeps the
12 nondiscretionary bills basic and stable for the most
13 part, or would hopefully do that.

14 **MS. LINGO:** Well, I'm not sure, frankly, sir,
15 I'm not sure that would address the mandate by the Water
16 Management District to have a conservation-oriented rate
17 structure in, in place.

18 **COMMISSIONER SKOP:** I understand. But we're
19 still at that level -- if we put appropriate price
20 signals out and higher consumption levels, you still
21 have a conservation rate structure. It's just that
22 you're, you're only implementing it at the discretionary
23 level of consumption, not the nondiscretionary levels of
24 consumption.

25 **MS. LINGO:** That's true.

1 **COMMISSIONER SKOP:** Okay. All right. Now
2 also too what would happen on this BFC cost recovery
3 allocation if you set it at a level higher than
4 30 percent? Would that also mitigate the rate impact to
5 the residential customers using 3,000 or 4,000
6 kilo-gallons?

7 **MS. LINGO:** Commissioner, that was an
8 alternative I looked at. In fact, in Alternative II the
9 base facility charge cost recovery we set at 40 percent.
10 And, and, Commissioners, that's on Page 22, the, the
11 recommended rate structure plus the different
12 alternatives.

13 And if I may bring your attention to, under
14 our recommended rate structure at 3,000 gallons at a BFC
15 of 30 percent the bill would be 15.47. Under
16 alternative two, at a BFC of 40 percent the bill is
17 actually greater, Commissioner. It's 16.22.

18 **COMMISSIONER SKOP:** Okay. But the current,
19 the current rate structure at 3 or 5, I'm sorry, okay,
20 I'm looking at -- let me get these glasses off.

21 Okay. I guess my concern is, is I feel
22 hamstrung to the extent that we have, we have a gun to
23 our head and we need to make a decision today on this.
24 And my gut is to defer it, to have staff give additional
25 time to considering not waiving the allotment and

1 looking at some other rate structures that would not pin
2 the substantial rate increase on the average residential
3 customer, you know, that uses the, the consumption for
4 their own personal use in their home.

5 Now the irrigation and such, if you want to
6 conserve, then that's where you can, you know, put
7 the -- like Commissioner Argenziano said, penalize or
8 incentivize those to cut back. But what you're doing
9 is, from these numbers it seems like the penalty by
10 virtue of the elimination of the allotment and the rate
11 structure, it's a double whammy and it's penalizing
12 those people that have no choice but to use that amount
13 of water in their homes. It's not discretionary. So
14 how do we overcome that given the statutory deadline
15 that we have? Because that's my concern too is I'm --

16 **CHAIRMAN ARGENZIANO:** I don't think, I don't
17 think we do. I think we could vote that way, but then
18 the company has the right to impose the rates as, as
19 they applied. Is that correct? Am I correct there?
20 And with subject to, to reimbursement with interest?

21 **MR. REILLY:** Yes, Commissioner.

22 **CHAIRMAN ARGENZIANO:** Okay.

23 **COMMISSIONER EDGAR:** Is there --

24 **CHAIRMAN ARGENZIANO:** Commissioner,
25 Commissioner Edgar.

1 **COMMISSIONER EDGAR:** I'm sorry. I'm trying to
2 follow along and, trying to follow along and understand.
3 I know, Commissioner Skop, you mentioned about usage at
4 your house. I'm sure the usage at my house is way
5 above, doing that soccer uniform washing every, just
6 about every day, I must admit, never mind how many times
7 the dishwasher is run, which I wouldn't completely
8 consider nondiscretionary, I have to say, with young
9 children. So my point is realizing that
10 nondiscretionary use, I'm being a little tongue in cheek
11 but not completely, nondiscretionary use is going to
12 vary clearly household to household, property to
13 property.

14 In order to address some of the concerns that
15 have been raised about trying to mitigate rate impact on
16 those lower users or those nondiscretionary users -- how
17 best to describe it -- isn't the discussion that I had
18 with Mr. Reilly about adjusting the repression a way to
19 address that?

20 That's what I'm trying to grapple with and
21 understand. And I know, Mr. Reilly, you were
22 begrudgingly, but I appreciate it, kind of answered my
23 questions on that point.

24 **CHAIRMAN ARGENZIANO:** Mr. Reilly.

25 **COMMISSIONER EDGAR:** But as we're seeking

1 potential alternatives to try to mitigate potential rate
2 impact on those lower end nondiscretionary users, is
3 that not one approach that may give us something to
4 discuss?

5 **MR. REILLY:** Could I respond to that?

6 **COMMISSIONER EDGAR:** Please do.

7 **CHAIRMAN ARGENZIANO:** Please.

8 **MR. REILLY:** Real quickly, I do believe the
9 repression is overstated, first of all. The 12.3 is too
10 high, and we'll go into all that. But once you
11 establish a fair repression, I think it could be applied
12 to these higher users and not to the other.

13 What's happened here today in this
14 recommendation is once they determined -- and it's a
15 pretty complicated formula which we have not gotten into
16 or method they go about it. Once they determine what
17 the repression should be, they go out and apply it to
18 all, as you can see, to all the customers groups so that
19 the people who don't really, aren't going to be
20 repressing get the negative effect of it because it's
21 spread out over all the things. So I think that's
22 something the Commission should consider.

23 Actually I thought that Commissioner Skop's
24 suggestion of putting -- and I don't know. It may be
25 that you'd have to increase the base facility charge to

1 make the pot really work out. But there's a way you
2 could tweak by maybe putting the 3,000 gallons back in
3 the base facility charge, maybe making it even higher
4 than the 10.5, creating not nearly the impacts to those
5 3,000 gallon type customers, and then spreading it on
6 down with a true conservation rate structure that, that
7 the Water Management District could never be heard to
8 complain from because they would be saying we don't
9 care, the Water Management District does not care about
10 those people using 3,000 gallons, 4,000 gallons.

11 **CHAIRMAN ARGENZIANO:** But isn't that, isn't
12 that -- if I may, if you did that, and I agree with
13 that, but if you did that and then those at the higher
14 usage started reducing, then are you going to be in the
15 company needs to make their --

16 **MR. REILLY:** Well, and in fact that's -- it's
17 a -- you're chasing yourself.

18 **CHAIRMAN ARGENZIANO:** I know.

19 **MR. REILLY:** But in fact we will anticipate
20 that they will reduce. The question is through this
21 artful method can we anticipate how much they're going
22 to reduce?

23 **CHAIRMAN ARGENZIANO:** Right.

24 **MR. REILLY:** And that anticipation is the
25 repression adjustment. Which if it's spread out from

1 the, all the way down to some point that we would agree
2 to, you know, you just take a look at the dollar impacts
3 and who those people are and to what extent they're
4 repressed. There's so many other factors that go into
5 repression: How rich they are, you know, how, other
6 uses. Like you said, it's a pretty complicated thing.
7 But we can try to make a guesstimation of what the
8 actual repression is going to be, program that in and
9 tweak the prices up to some of those higher users, and
10 then you'd have to look at it in a year or so and see
11 whether the company did in fact earn the money, the
12 amount that they were supposed to earn.

13 **CHAIRMAN ARGENZIANO:** Commissioner Stevens,
14 and then I think Mr. Deterding wants to respond.
15 Commissioner, and then Commissioner Skop.

16 **COMMISSIONER STEVENS:** And thank you. I have
17 one, one comment to make and then one question.

18 Ms. Lingo, maybe I misunderstood the way the
19 bills work, but I did not think that 3,000 gallons and
20 under were free. I thought they still had to pay \$10 or
21 \$10.05. Is that, is that correct?

22 **MS. LINGO:** Yes, sir, that's correct.

23 **COMMISSIONER STEVENS:** Okay. So they still
24 had a bill.

25 **MS. LINGO:** They have a bill, but it's not

1 based on their, it's not based on --

2 **COMMISSIONER STEVENS:** It's just a base bill.

3 **MS. LINGO:** It's -- yes, sir. It's just a
4 base rate.

5 **COMMISSIONER STEVENS:** Okay. Okay. So it's
6 not free. They still have to pay the base bill for
7 having it.

8 My other question is just to make sure that,
9 or my question is just to make sure that I understand
10 things, on Schedule Number 3A, which is on Page 33, in
11 that first column that says, "Test year per utility,"
12 are these the utility's numbers off their financial
13 statements?

14 **MR. CASEY:** Commissioner, that is the way they
15 have filed their rate case in the minimum filing
16 requirements. Yes, sir. Those are their numbers.

17 **COMMISSIONER STEVENS:** Okay. Okay. So if
18 I'm, if I look at this and I'm looking -- if I'm looking
19 at it correctly, they made \$800,000 before income taxes
20 and depreciation.

21 **MR. CASEY:** I'm sorry. I don't see the
22 800,000, sir.

23 **COMMISSIONER STEVENS:** If, if we take
24 3 million in operating revenues and 2 million in O&M
25 expenses, that's around 800 grand; is that right?

1 **MR. CASEY:** Well, there's other, there's other
2 things too, taxes other than income, income taxes.

3 **COMMISSIONER STEVENS:** Well, that's what I
4 said.

5 **MR. CASEY:** Right.

6 **COMMISSIONER STEVENS:** I said before income
7 taxes and depreciation, almost 800 grand; is that right?

8 **MR. REILLY:** And return, return on any
9 investment I don't think is in that.

10 **COMMISSIONER STEVENS:** And I'm not going in on
11 that.

12 **MR. REILLY:** Okay.

13 **COMMISSIONER STEVENS:** Before -- they made
14 almost 800 grand. And then, then my question is
15 depreciation here, the \$466,000, that's noncash;
16 correct?

17 **MR. CASEY:** That's correct.

18 **COMMISSIONER STEVENS:** Okay. Amortization,
19 noncash.

20 **MR. CASEY:** That's an offset against
21 depreciation. Yes, sir.

22 **COMMISSIONER STEVENS:** Right. And then we
23 start getting into taxes. My point being here before
24 income and taxes, before income taxes and depreciation
25 they made almost \$800,000 off 3 million in revenues.

1 Now I'm not going to tell them how to run
2 their business, but there should be some room there
3 without having this substantial increase. Thank you.
4 Thanks.

5 **CHAIRMAN ARGENZIANO:** Mr. Deterding. And then
6 what we may do, is if -- we'll give Mr. Deterding a
7 chance to respond. And then, staff, I think we'll take
8 a five-minute break and see if staff may be working on
9 something and maybe Mr. Deterding wants to call his,
10 his, the company and see if they would be willing, and
11 this way we can get an answer, if he could reach them
12 and if he would respond. And then Commissioner Skop and
13 Commissioner Klement. Let's go to Mr. Deterding.

14 **COMMISSIONER EDGAR:** Could we make it a
15 ten-minute break when we get there?

16 **CHAIRMAN ARGENZIANO:** Yes. Absolutely.

17 **COMMISSIONER EDGAR:** Thank you.

18 **CHAIRMAN ARGENZIANO:** Okay. Hold on one
19 second.

20 Commissioner Skop.

21 **COMMISSIONER SKOP:** Thank you, Madam Chair.

22 Would, would it be possible, I mean, maybe to
23 give staff, and I hate to do this, it's at your
24 discretion, but perhaps just break for lunch and then
25 come back?

1 **CHAIRMAN ARGENZIANO:** No, not today.

2 **COMMISSIONER SKOP:** Okay. All right.

3 **CHAIRMAN ARGENZIANO:** But we can give them the
4 time they need, Commissioner Skop. We can give them the
5 time they need. We'll do that. Let's give them the
6 time. If we're hungry, I've got some candy under here
7 and we can nibble on that. Let's get through this and
8 then we can all go to lunch, okay, if you don't mind.
9 But we'll take the time that you need. Do you need to
10 leave?

11 **COMMISSIONER KLEMENT:** Madam Chair, may I have
12 a clarifying question?

13 **CHAIRMAN ARGENZIANO:** Okay. Commissioner
14 Klement.

15 **COMMISSIONER KLEMENT:** Klement.

16 **CHAIRMAN ARGENZIANO:** Klement. I'm going to
17 get it sooner or later. Klement. And then, and then --
18 yes, please go ahead.

19 **COMMISSIONER KLEMENT:** It has to do with the
20 \$10, \$10.05 for the 3,000 and under. What does that
21 represent?

22 **CHAIRMAN ARGENZIANO:** Staff, staff, did you
23 hear the Commissioner's question, the \$10? Please
24 repeat that.

25 **COMMISSIONER KLEMENT:** I'm sorry. I'll repeat

1 it. I'm unclear. I heard a few minutes ago that the
2 under, 3,000 and under gallon customers were not charged
3 a base facility charge. Then I, then I don't understand
4 what the \$10.05 is charged for. Is that for their
5 gallonage?

6 **MS. LINGO:** Commissioner, the \$10.05 is the
7 base facility charge. And from zero to 3,000 gallons,
8 that's all a customer pays is the base facility charge.
9 And then after, after 3,000 gallons it's then the base
10 facility charge plus the applicable consumption charge.

11 **COMMISSIONER KLEMENT:** Okay. So they are in
12 effect getting 3,000 dollars -- gallons without
13 essentially paying for the facility.

14 **MS. LINGO:** There's, there's no price signal
15 associated with their usage at 3,000 or less. Yes, sir.

16 **COMMISSIONER KLEMENT:** All right. Thank you.
17 Thank you.

18 **CHAIRMAN ARGENZIANO:** That's the allotment
19 they're talking about that would change.

20 **COMMISSIONER KLEMENT:** I understand now.
21 Yeah.

22 **CHAIRMAN ARGENZIANO:** And Mr. Deterding, and
23 then let's take a ten-minute break.

24 **MR. DETERDING:** Commissioners, first of all, I
25 just wanted to briefly address what Commissioner Stevens

1 said a moment ago. You have to -- if you're looking at
2 I guess a cash flow, as it sounds as though you're
3 looking, you're looking to, or before tax and before
4 depreciation net revenue, I guess for lack of a better
5 term, I mean, you, you left out the consideration of the
6 tax income, which is regulatory assessment fees and
7 property taxes and things such as that. So that
8 \$300,000 was not considered in your, in your
9 calculation.

10 **CHAIRMAN ARGENZIANO:** Excuse me,
11 Mr. Deterding.

12 Commissioner Skop.

13 **COMMISSIONER SKOP:** To that point, I'll yield
14 to Commissioner Stevens, but I think what Commissioner
15 Stevens, if I was correct, was looking at was gross
16 margin.

17 **COMMISSIONER STEVENS:** Yes.

18 **COMMISSIONER SKOP:** Thank you.

19 **CHAIRMAN ARGENZIANO:** Please continue.

20 **MR. DETERDING:** Be that as it may, I just
21 wanted to point that out.

22 As far as the Water Management District and
23 the Commission and the utilization of these minimum
24 bills with gallonage included, I frankly am not sure
25 that I've seen a case that this Commission has moved

1 forward with that type of a rate structure in any case
2 I've seen in, in at least 20 years. Now there may be a
3 couple of circumstances where such things have been
4 considered because of some extraordinary reason, much
5 more extraordinary than the situation here, but it is
6 something certainly that I believe based on my dealings
7 with the Water Management Districts is something that is
8 contrary to their, their desired method for dealing with
9 water conservation. They want every thousand gallons to
10 be charged for. I believe this Commission has taken the
11 same tact in all the cases that I've ever been involved
12 in. I just wanted to point that out.

13 Then secondly I wanted to note that this, this
14 shift that is being discussed here by its nature is
15 shifting costs, a proposal to shift costs further to
16 discretionary usage and high end users, and by
17 definition I believe that also entails an increase in
18 the repression. So when you do that, you are also by
19 definition increasing the likelihood of repression, and
20 therefore that factor would further increase above the
21 level that was already discussed. And those are the
22 points I wanted to bring to your attention.

23 **CHAIRMAN ARGENZIANO:** Thank you. Let's take a
24 ten-minute recess.

25 (Recess taken.)

1 Okay. What we can do is we'll begin and
2 Commissioner Edgar can catch up when she comes in.

3 I believe that Mr. Devlin can, can shed some
4 light on a, on a possible solution, and then we'll take
5 it from there. Okay? Tim, if you would.

6 **MR. DEVLIN:** Thank you, Madam Chairman.

7 We think what might work as a, as a strategy
8 at this point is to have the Commission go forward and
9 vote out the revenue requirement in this case, and
10 that's essentially Issues 1 through 11, and that would
11 give a clear signal to the company on what they can
12 expect to get when, when the time comes to change rates.
13 We would not -- we have heard loud and clear from the
14 Commission as a collective body of the concerns with the
15 first 3,000 allotment, if you will, and then with and
16 without repression concerns. So there's various
17 scenarios. We would like to have the opportunity to go
18 back to the drawing board and present these options
19 after fully studying what transpired today. We just
20 can't do that today. So what --

21 **CHAIRMAN ARGENZIANO:** And when --

22 **MR. DEVLIN:** I'm sorry.

23 **CHAIRMAN ARGENZIANO:** And when could we
24 conceivably come back so the company would have an idea
25 of what we're talking about and if they would, it would

1 be viable for them to impose rates or not?

2 **MR. DEVLIN:** We're committing to come back the
3 next agenda, which is the 26th of January, three weeks
4 from today, not a long period of time. And with the
5 signal the company would be getting on the revenue
6 requirement, hopefully they would hold off for three
7 weeks before -- they have the statutory authority to
8 implement the proposed rates today. But knowing what
9 the revenue requirement, the desire of the Commission is
10 with respect to that and knowing that we're going to be
11 coming back with various rate options, we are hopeful
12 they will hold off until the 26th.

13 **CHAIRMAN ARGENZIANO:** Okay. Commissioners?
14 Commissioner Edgar.

15 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

16 And I appreciate the staff, as always, you
17 know, listening to the discussion and trying to answer
18 our questions and address concerns. And as always, if
19 we need more time, if there's a way to do that, I'm, you
20 know, always glad when we are, are able to.

21 But I guess if I could just ask here at the
22 bench, because we have expressed, I think, I think all
23 of us, concerns about the application of a regression
24 analysis in this instance for this company at this time,
25 is there, is there a need to delay or would there be an

1 interest in moving forward with the staff recommendation
2 with the change of rejecting the staff's recommendation
3 on Issue 13 and then having the adjustments made as
4 would, would follow that?

5 In other words, if we need more options and
6 that is something that is available, then, you know, I'm
7 glad to have that discussion, but maybe we don't need
8 more options. I mean, pretty much other than -- I've
9 heard two concerns I think today, one about any
10 increase, which we always, always have any increase to
11 essential services, and then also above and beyond that
12 more specific concerns about the impact of the
13 recommended regression adjustment on primarily
14 nondiscretionary use. So I'm just wondering if we do
15 need options on that or if to say at this point for this
16 company at this time we reject the recommendation for a
17 regression adjustment but yet are able to move forward?

18 **CHAIRMAN ARGENZIANO:** Commissioner Klement.

19 **COMMISSIONER KLEMENT:** Madam Chair, thank you.

20 I don't know that we have -- are we looking
21 at, at the customers in the correct way? We're assuming
22 in 3,000 gallons and more that a lot of that is
23 nondiscretionary. But how many of these larger users
24 are businesses in this, in this market?

25 What if, what if we are socking small

1 businesses like restaurants or whatever with additional
2 burden for their, for the water to spare residential
3 customers not, not to have that?

4 **CHAIRMAN ARGENZIANO:** Commissioner Klement, I,
5 I'm of the opinion, and have been even when I was in the
6 Legislature, that while conservation rates are for a
7 noble cause, to conserve water, they also penalize
8 families, larger families and the businesses. So there
9 are problems there. The problem that we, I think we
10 face, and staff may want to speak here, and I'm not sure
11 we should be in the business of conservation anything.
12 I think we should be rates and let the DEP and the water
13 management districts do conservation. But I think the
14 water management districts are saying and requiring that
15 there are conservation rates for these companies to, to
16 impose, and that's where I'm not sure where it gets
17 sticky as to what we have to comply with for a water
18 management district. And, yes, sometimes I say the
19 water management districts are right in line doing the
20 right thing and other times they can't always get what
21 they want either.

22 So I think any time you have a conservation
23 rate, it's doing exactly that. Anybody, the bigger
24 users or larger families are penalized.

25 **COMMISSIONER KLEMENT:** And I wanted to make

1 one other point. In looking at the chart that we were
2 handed out this morning, the percentages of, of
3 customers who, residential customers using 3,000 or
4 under is 36, no, really 44 percent of the base, customer
5 base. And if you go to 4,000 gallons, you have
6 57 percent of the customer base are, it's being
7 suggested that they not have rate increases. How can
8 the other 43 percent --

9 **CHAIRMAN ARGENZIANO:** Make up the difference?

10 **COMMISSIONER KLEMENT:** -- make up that much
11 difference?

12 **CHAIRMAN ARGENZIANO:** And I think that is,
13 that is a problem. That is part of what staff was going
14 to go back and try to rework and figure out another way
15 of, of making it work.

16 **COMMISSIONER KLEMENT:** Okay. That's -- all
17 right.

18 **CHAIRMAN ARGENZIANO:** And, Commissioner Skop,
19 you go ahead and then --

20 **COMMISSIONER SKOP:** Thank you, Madam Chair.

21 Just to Commissioner Klement's point, if staff
22 could briefly address his concern about the percentage
23 of residential customers that have the 5/8ths meters
24 versus the commercial customers, I think that would go a
25 long way towards -- if they're all residential, I think

1 Commissioner Klement's point may be somewhat moot. But,
2 again, I'd like to hear from staff.

3 **MS. LINGO:** Thank you.

4 Commissioner Klement, when we designed
5 conservation oriented rate structures, that is designed
6 inclining block rate structures, they're only applied to
7 the residential class.

8 **COMMISSIONER KLEMENT:** Okay. I didn't know
9 that?

10 **MS. LINGO:** Okay. Thank you, ma'am.

11 **CHAIRMAN ARGENZIANO:** Commissioners?

12 **COMMISSIONER SKOP:** Madam Chair.

13 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

14 **COMMISSIONER SKOP:** Thank you, Madam Chair.

15 I guess if I heard Mr. Devlin correctly, he
16 was suggesting that we, we vote out the issues with the
17 exception of actually setting the rate structure. I see
18 some, some merit in doing that. I also see some merit,
19 notwithstanding the fact that we have a deadline, in
20 perhaps deferring the item in its entirety until we're
21 looking at the total picture. But, again, I'll defer to
22 my colleagues.

23 Mr. Deterding, have you had an opportunity to
24 speak to your client regarding that?

25 **CHAIRMAN ARGENZIANO:** Yes. Mr. Deterding, if

1 you could respond to that. And then, and then I'd like
2 to hear from OPC also on Tim, Mr. Devlin's possible
3 option as well as Commissioner Edgar's.

4 **MR. DETERDING:** I have had a chance to speak
5 to my client, and they are willing, this will be the
6 third extension, I believe, that we have granted in
7 order to allow more time to look at some issues, but
8 they are willing to do that until the 26th agenda under
9 a scenario, as Mr. Devlin proposed, which is something
10 he specifically asked me to look at the possibility of.
11 So they are willing to do that, so.

12 **CHAIRMAN ARGENZIANO:** Thank you.

13 **MR. DETERDING:** And if I can -- I apologize,
14 Steve. One other point I just wanted to make. My
15 client is most concerned about conservation rate
16 structure because he's being told to, to, to impose or
17 to try and impose. This Commission has before gone to
18 water management districts and said, look, we don't
19 think in these circumstances it's appropriate or
20 necessary. And if you can talk the water management
21 into it, then we're good with an across the board flat
22 increase that is necessary in order for us to reach the
23 revenue requirement we need.

24 **CHAIRMAN ARGENZIANO:** I'd be -- I'll volunteer
25 to talk to them.

1 **MR. DETERDING:** Good.

2 **CHAIRMAN ARGENZIANO:** They know me.

3 **COMMISSIONER SKOP:** You'll make them an offer
4 they can't refuse. Yeah.

5 **CHAIRMAN ARGENZIANO:** And, Commissioner
6 Stevens, are you okay with the suggestion of maybe --
7 and I understand Commissioner Edgar's wanting to move
8 forward too. But if the company is happy with that,
9 with the, moving forward with the revenue requirements
10 and holding off until the 26th, I think that's a fair
11 compromise at this point. Maybe we can get some
12 additional options that may make feel people feel better
13 or make Commissioners feel better. And it's up to the
14 Commissioners. So if we have -- if that's the case and
15 there's a motion and a second, then we'll move forward.
16 And if not, then we're going to continue to discuss I
17 guess.

18 **COMMISSIONER STEVENS:** You mean a motion to
19 defer for three weeks?

20 **CHAIRMAN ARGENZIANO:** The suggestion -- the
21 motion would be to move forward -- Mr. Devlin, would you
22 repeat? With the revenue requirements --

23 **MR. DEVLIN:** The suggestion -- I'm sorry. The
24 suggestion is to move forward with Issues 1 through
25 11 regarding the revenue requirement calculations, and

1 then defer the other issues relating to rate structure
2 and repression for that matter to the 26th of January.

3 **CHAIRMAN ARGENZIANO:** Do we have --

4 **COMMISSIONER STEVENS:** Commissioner, I
5 couldn't do that.

6 **CHAIRMAN ARGENZIANO:** Okay.

7 **COMMISSIONER EDGAR:** Madam Chair, so moved.

8 **CHAIRMAN ARGENZIANO:** We have a motion. Do we
9 have a second?

10 **COMMISSIONER SKOP:** I'm sorry, Commissioner.

11 **CHAIRMAN ARGENZIANO:** The second was, the
12 motion was -- Commissioner Edgar.

13 **COMMISSIONER EDGAR:** Per -- as has been
14 described by Mr. Devlin, the motion would be to approve
15 the staff recommendation on Issues 1 through 11, defer
16 decision on the remaining issues, with the direction to
17 our staff to review per the discussion we've had today
18 and bring back alternatives at our next agenda.

19 **CHAIRMAN ARGENZIANO:** And that would mean that
20 there is no rate structure voted on today.

21 **COMMISSIONER EDGAR:** Correct.

22 **CHAIRMAN ARGENZIANO:** Commissioner Stevens.

23 **COMMISSIONER STEVENS:** Can I get discussion?

24 **CHAIRMAN ARGENZIANO:** Yes, please.

25 **COMMISSIONER STEVENS:** Okay. I was okay with

1 1 through 5 or 1 through 4, but 5, 6 and 7 I was not.
2 So I, you know, because that would push -- and 11, so
3 that would push certain things and kind of box me in a
4 corner on that. So that's, that's why I'm backing out.

5 **COMMISSIONER KLEMENT:** I second the motion,
6 Madam Chair.

7 **COMMISSIONER STEVENS:** Okay.

8 **CHAIRMAN ARGENZIANO:** Okay. We have a second
9 on the motion. All in favor, aye.

10 **COMMISSIONER SKOP:** Are we in discussion?

11 **CHAIRMAN ARGENZIANO:** I'm sorry. Discussion,
12 Commissioner Skop.

13 **COMMISSIONER SKOP:** Thank you. Thank you,
14 Madam Chair.

15 I think, given the concerns of my colleagues,
16 you know, perhaps -- I mean, certainly we can vote on
17 revenue requirements. It seems from a legal sense, you
18 know, that's what they may be legally entitled to. I
19 think if I heard Commissioner Stevens correctly that as
20 to Issues 5, 6 and 7 some of the individual components
21 that he may have some concern with what is the, you
22 know, the, how those numbers were arrived at and perhaps
23 deferring the issue in its entirety may, you know, give
24 my colleagues additional time to, to work with staff on
25 those issues and we could readdress it. I'm fine either

1 way. But, again, given the fact that there seems to be
2 some consternation about moving forward in voting out
3 the issues in the revenue requirements, perhaps deferral
4 might be a better option.

5 **CHAIRMAN ARGENZIANO:** That's true. But we
6 have a motion and a second. So unless that is
7 retracted, and I'm not sure it is, you know, I'm not.

8 **COMMISSIONER STEVENS:** That's fine.

9 **CHAIRMAN ARGENZIANO:** We have that on the
10 table. So we need to move on the motion and the second.
11 And all in favor, aye.

12 **COMMISSIONER EDGAR:** Aye.

13 **COMMISSIONER KLEMENT:** Aye.

14 **COMMISSIONER SKOP:** Aye.

15 **CHAIRMAN ARGENZIANO:** Aye.

16 All opposed, same sign.

17 **COMMISSIONER STEVENS:** Aye.

18 **CHAIRMAN ARGENZIANO:** Okay. Show one opposed.

19 **COMMISSIONER STEVENS:** Thank you.

20 **CHAIRMAN ARGENZIANO:** And the motion is in the
21 affirmative. And what we'll do is be back I guess on
22 the 26th with additional alternatives.

23 And with that, thank you very much. We
24 adjourn.

25 (Agenda adjourned.)

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STATE OF FLORIDA)
 :
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, LINDA BOLES, RPR, CRR, Official Commission Reporter, 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' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 15th day of January, 2010.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734

Peoples Water Service Company of Florida, Inc.
Docket No. 080695-WU
Impact of Repression

Current Bill			Change in Bills (w/out Repression)			Change in Bills (w/ Repression)			Additional Bill for Repression	
% of Residential Customers	Kgals	Bill	New Bill	\$ Change	% Change	New Bill	\$ Change	% Change	\$ Change	% Change
8%	0	\$10.05	\$6.63	-\$3.42	-34.0%	\$6.60	-\$3.45	-34.3%	-\$0.03	-0.5%
9%	1	\$10.05	\$9.29	-\$0.76	-7.6%	\$9.56	-\$0.49	-4.9%	\$0.27	2.9%
13%	2	\$10.05	\$11.94	\$1.89	18.8%	\$12.52	\$2.47	24.6%	\$0.58	4.8%
14%	3	\$10.05	\$14.60	\$4.55	45.3%	\$15.48	\$5.43	54.0%	\$0.88	6.0%
13%	4	\$13.96	\$17.25	\$3.29	23.6%	\$18.44	\$4.48	32.1%	\$1.19	6.9%
11%	5	\$17.87	\$19.91	\$2.04	11.4%	\$21.40	\$3.53	19.8%	\$1.49	7.5%
8%	6	\$21.78	\$22.56	\$0.78	3.6%	\$24.36	\$2.58	11.8%	\$1.80	8.0%
6%	7	\$25.69	\$26.55	\$0.86	3.3%	\$28.80	\$3.11	12.1%	\$2.25	8.5%
4%	8	\$29.60	\$30.53	\$0.93	3.1%	\$33.24	\$3.64	12.3%	\$2.71	8.9%
3%	9	\$33.51	\$34.51	\$1.00	3.0%	\$37.68	\$4.17	12.4%	\$3.17	9.2%
2%	10	\$37.42	\$38.49	\$1.07	2.9%	\$42.12	\$4.70	12.6%	\$3.63	9.4%
2%	11	\$40.89	\$42.47	\$1.58	3.9%	\$46.56	\$5.67	13.9%	\$4.09	9.6%
1%	12	\$44.36	\$46.46	\$2.10	4.7%	\$51.00	\$6.64	15.0%	\$4.54	9.8%
1%	13	\$47.83	\$51.77	\$3.94	8.2%	\$56.91	\$9.08	19.0%	\$5.14	9.9%
1%	14	\$51.30	\$57.08	\$5.78	11.3%	\$62.82	\$11.52	22.5%	\$5.74	10.1%
1%	15	\$54.77	\$62.39	\$7.62	13.9%	\$68.73	\$13.96	25.5%	\$6.34	10.2%
4%	> 15									

Parties/Staff Handout
Internal Affairs/Agenda
on 1/15/10
Item No. 2
080695-WU