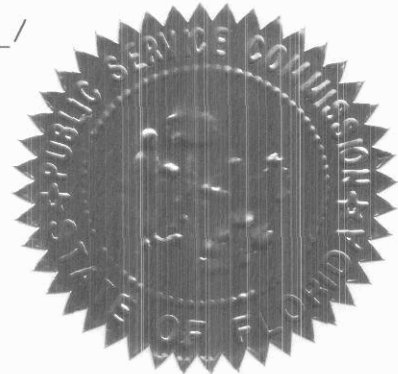


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 090462-WS

APPLICATION FOR INCREASE IN WATER
AND WASTEWATER RATES IN MARION,
ORANGE, PASCO, PINELLAS AND SEMINOLE
COUNTIES BY UTILITIES, INC. OF
FLORIDA.



PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ

DATE: Tuesday, August 3, 2010

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

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

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3 **COMMISSIONER SKOP:** We're going to reconvene
4 and go back on the record. And before we introduce Item
5 9 (sic,) I do want to recognize the members of the
6 Summertree community that came out and thank them for
7 their attendance today, and we look forward to hearing
8 from each of you.

9 Okay. With that, if staff could please
10 introduce Item, Item 9 (sic.) Thank you.

11 **MR. FLETCHER:** Commissioners, I am Bart
12 Fletcher with Commission staff. Item 5 is staff's
13 recommendation to approve a rate decrease for Utilities,
14 Inc. of Florida's Marion County water system and a rate
15 increase for the utility's wastewater system in Marion
16 County, as well as its systems in Orange, Pasco,
17 Pinellas and Seminole Counties.

18 Staff has modifications to its recommendation
19 which have been previously provided to all Commissioners
20 and parties. Staff is prepared to answer any questions
21 the Commission may have.

22 **COMMISSIONER SKOP:** All right. Thank you.
23 Thank you for introducing Item 5. It's my understanding
24 also that we have Senator Fasano with us on the phone.
25 And, Senator, if you can hear us.

1 **SENATOR FASANO:** I certainly can. Good
2 morning, Chairman.

3 **COMMISSIONER SKOP:** Good morning, Senator.
4 You're recognized for any comments that you'd like to
5 make, sir.

6 **SENATOR FASANO:** Thank you. Good morning.
7 And I won't be but a couple of minutes because I want to
8 thank you and especially your staff for accommodating me
9 and my staff being able to call in this morning.

10 I want to welcome the two new commissioners as
11 well. God bless you and good luck. We appreciate your
12 service to, to the State of Florida.

13 As you recognized and commented earlier, Mr.
14 Chairman, in the audience today are several members or
15 residents from the Summertree communities in Pasco
16 County. They, of course, represent hundreds and
17 hundreds of customers of the utility company that, that
18 is asking for the rate increase.

19 I'm calling today to ask you to deny the rate
20 increase, but also to deny staff's recommendation. And
21 I realize staff has worked diligently and has done an
22 excellent job in looking at the complaints, looking at
23 the comments from the hundreds of Summertree residents
24 that either e-mailed or, in fact, we forwarded letters
25 on their behalf, complaints on behalf to the

1 Commissioners.

2 And I realize that staff has done an excellent
3 job in looking at it and making a recommendation that is
4 less than, from what I understand, what the utility
5 company had requested, in fact, less than what the
6 interim rate increase has been put in place. But I
7 would like to stress something. Summertree communities
8 is a typical community that is monopolized by a private
9 utility company that has invested absolutely no dollars
10 into their community. And from what I can understand,
11 and of course I might be corrected later, but from what
12 I understand, that these dollars that they will be
13 spending, the increased cost of water and water and
14 sewer by the Summertree residents, they will benefit in
15 no way from them. Those dollars will be used to help
16 other communities that Utilities, Inc. owns and operates
17 throughout the rest of the state. And I have great
18 concerns that the residents in Pasco County are going to
19 be paying for any upgrades for a private utility company
20 outside of Pasco County. And I would ask that the
21 Commissioners take that into consideration today.

22 I don't have to tell you that the last thing
23 any consumer can afford today is a rate increase,
24 regardless of how much it's going to be. People are
25 struggling. The -- not only the vast majority, but in

1 fact probably 100 percent of the residents of Summertree
2 are retired. They are -- it is a 55 and older
3 community. They are senior citizens. As we all know,
4 that they have not seen a cost of living index in their
5 social security check for the last couple of years
6 because of the economy that we're facing today, yet what
7 Utilities, Inc. is asking for is a dramatic increase.
8 What the staff is recommending is not as much, but it's
9 still an increase that cannot be borne on the backs of
10 the consumers in the Summertree area.

11 I would ask you on behalf of, of the residents
12 of Summertree, the well over a thousand people,
13 consumers that live in that community, not to grant any
14 rate increase, especially at a time when people can
15 least afford it, but also at a time when the Summertree
16 residents will get no benefit from that increase.

17 I thank you, Mr. Chairman, for allowing me to
18 speak to you today. I want to commend the residents of
19 Summertree. This was thrown at them at the last minute,
20 not realizing the rate increase that was going to take
21 in effect. They organized like I never saw a community
22 organize before -- true grass roots. And it makes me
23 proud of them the way they were able to organize, work
24 with the Public Counsel. And Public Counsel has been
25 outstanding, J.R. Kelly's crew.

1 But the -- as you can see, the amount of
2 petitions that were signed, sent in either by our office
3 or individuals on their own e-mails pleading with the
4 Commissioners today not to grant any increase at this
5 time, and I would ask the same.

6 Mr. Chairman, I thank you so very much. And
7 while I have you on the line, Mr. Chairman, and
8 Commissioner Argenziano, who I understand is not with
9 you today but may be on the line, I want to thank you
10 both, commend you for the dedication, the commitment
11 that you put forward over the last few years and being
12 fair, being reasonable and rational when these issues
13 come before you. Both of you are truly going to be
14 missed. And we welcome the two new commissioners and
15 thank them for their public service to the Public
16 Service Commission. Mr. Chairman, thank you so very
17 much.

18 **COMMISSIONER SKOP:** Thank you, Senator Fasano.
19 I appreciate your comments. And with that, we'll move
20 forward to our first speaker.

21 I believe, Mr. Beck, you've provided the list,
22 and I believe that's Ms. Ann Marie Ryan.

23 **MR. BECK:** Yes. Thank you, Commissioner.
24 Commissioner, briefly, my name is Charlie Beck. I'm
25 with the Office of Public Counsel. And sitting on my

1 left is Ann Marie Ryan from the Summertree community.
2 With your permission, I'd like to introduce her and have
3 her make some opening comments. Then we'll call a
4 number of speakers who came here from Summertree this
5 morning, and then with your permission Ms. Ryan would
6 like to make some concluding remarks.

7 **COMMISSIONER SKOP:** Very well. You're
8 recognized. Good morning, Ms. Ryan.

9 **MS. RYAN:** Good morning. I'd like to thank
10 the Commissioners, all of you, for seeing us today. I
11 really appreciate the time that we need to have before
12 you and to be given this time on this important day.

13 I have just a summary I'd like to go through.
14 Summertree is a 55 retirement community off Route 52.
15 We have six subdivisions, and they're a combination of
16 condominiums, villas and single homes. We come here
17 today to protest the Utilities, Inc. of Florida's
18 extreme water and wastewater rate increase on our
19 community.

20 The Summertree residents received the rate
21 increase on April 30th. The information was in a
22 consolidated rate request and difficult to understand.
23 Interim rates went into effect on May the 10th. A
24 public hearing was scheduled for May 26th in Pasco
25 County, which gave our community little time to react.

1 Many people thought that the rates were already decided
2 and that their input would have little change in the
3 outcome. The process for notification and
4 implementation of rate increase requests is unacceptable
5 and needs to change.

6 When we received this information, the way it
7 was written up, it was very hard for individuals to see
8 what impact it was going to have on them or even what
9 numbers that they should put together. When they saw
10 the interims, which is about 75 to 80 percent of their
11 final request, people thought that was a final decision.
12 And there was such a small differentiation, that was
13 hard to read as well.

14 We would hope that the Commission would
15 recommend in the future that when the rate increases are
16 sent out, that they're sent out in a timely fashion,
17 that they're sent out so that the residents who are
18 impacted by them know what pertains to them. We didn't
19 find that out until we went to the Pasco hearing and got
20 the information from the Public Service Commission.

21 We're requesting -- oh, the proposal will
22 impact us in three ways. We have three homeowners
23 associations that are ratepayers. We also have a
24 community-wide recreation center that impacts -- it's
25 also a ratepayer and impacts every single homeowner. So

1 depending upon where you live, three communities use
2 utility water for irrigation, so they'll have a separate
3 bill from their homeowners association for that.
4 Furthermore, everyone belongs to the recreation
5 facility. They get impacted by the rate increase from
6 them and then the homeowners as well. So it's anywhere
7 from -- they'll pay two to three times for every
8 increase that is, has been entertained.

9 Okay. And this unexpected increase -- we are
10 already into our budget. So when we got this increase
11 in May, that put us eight months in the red because no
12 one budgets. I was thinking we had a 75 percent
13 increase. But after reading the information that I got
14 from the Public Service Commission, it was a 117 percent
15 increase between the water and the wastewater increase
16 for homeowners, and then again water for the irrigation.
17 And then again when it comes from the rec, it's water
18 and wastewater.

19 So this creates a severe financial hardship
20 when rate increases are approved like this. Please stop
21 the Utilities, Inc. rate increase for the residents of
22 Summertree. It unfairly increases us three times higher
23 for water and four times higher for wastewater than the
24 other five counties in the 22 systems that they serve.
25 All of our neighboring communities in Pasco County have

1 not been impacted by this increase, and so that puts us
2 in a very unusual position because we're in the west end
3 of the county. So you can go anywhere up and down 52 or
4 anyplace else in Pasco County and they're only going to
5 be paying, if this increase goes through, 20 percent for
6 the water rate that we will pay and they're, and we are
7 side by side with these other communities.

8 Our water quality is very poor due to taste,
9 odor and pressure problems. Utilities, Inc. promised
10 the residents back in 2007 that they would build a water
11 treatment plant in 2009 to improve the water.

12 Utilities, Inc. held meetings, showed us site plans,
13 applied for SWFWMD approval, and they have not started
14 the plant. We have not received the promised
15 improvements in water quality or services for our
16 development and no improvements are planned in the
17 future.

18 In the current economic downturn with no COLA
19 increases in Social Security, stock market volatility,
20 real estate and bank interest instability, it is
21 unconscionable for the utilities to request such an
22 outrageous rate increase on our small community. We
23 implore the Public Service Commission not to give
24 Utilities, Inc. the requested interim or final rate
25 increase. We need the Public Service Commission to help

1 us to fight this injustice. Thank you.

2 **COMMISSIONER SKOP:** Thank you, Ms. Ryan.

3 Mr. Beck.

4 **MS. RYAN:** I just have one more letter to
5 read. On behalf of the Point West Condominium
6 Association, which has 425 members, the board asked --
7 they were unable to attend -- if I could read this
8 letter.

9 **COMMISSIONER SKOP:** Yes, ma'am.

10 **MS. RYAN:** "Dear Commissioners, on behalf of
11 Point West Condominium Association Board of Directors I
12 would like to offer the following regarding the rate
13 increase by Utilities, Inc. of Florida. It is of
14 concern to us that such a large rate increase is being
15 considered, given the quality of service being provided
16 to the customers of Utilities, Inc. of Florida. No one
17 should be allowed to profit from an inferior product, be
18 they management, employees or stockholders.

19 "In normal circumstances, customers have a
20 choice and can decide to purchase or not purchase a bad
21 product, which helps control the marketplace. In this
22 instance, we, the residents of Point West Condominium
23 Association, a 425 50-plus community, are captive
24 customers and have no choice. We are dependent on
25 Utilities, Inc. for water and sewer service. Therefore,

1 we feel it is important for us to once more stress that
2 our water is not drinkable. It tastes bad, smells foul,
3 lacks consistent pressure. It also discolors our
4 appliances and clothes. In addition, the new
5 formulation destroys the gaskets and seals in our pipes
6 and appliances. We should not have to have expensive
7 filtration systems installed in our homes or to rely on
8 bottled water for cooking and drinking. This is a
9 costly venture for senior citizens, many of whom live on
10 fixed incomes. Again, we thank you for considering our
11 very real concerns." And it's signed Marilyn Gay,
12 President of the Point West Condominium Association.
13 Thank you.

14 **COMMISSIONER SKOP:** Thank you, Ms. Ryan.

15 Mr. Beck.

16 **MR. BECK:** Thank you, Commissioner. We have a
17 number of witnesses to call. And what I'd like to do is
18 ask you to go to the podium that's on the side of the
19 Commission when it's your opportunity to speak. The
20 first speaker is Anthony Lotito.

21 **MR. LOTITO:** Good morning, Commissioners. I'm
22 representing the president of The Greens at Summertree.
23 My name is Anthony Lotito. I live in Summertree also.
24 He requested me to read this letter. He's on vacation.

25 "The Greens at Summertree consists of 80 homes

1 and is part of the Summertree over-55 senior community
2 numbering more than 1,100 homes. Our community has a
3 large number of residents who travel north for Easter
4 and spend several months in spring and summer with their
5 families. Therefore, the recent notice as well as past
6 notices received very little attention from the majority
7 of our neighbors who are traveling or are away on
8 vacation, making the noticing process ineffective.

9 "Any senior Florida resident would question
10 the timing of this type of notice, and, in fact, at our
11 community meeting it has been called unfair and
12 dishonest. As a board member of the Summertree
13 Recreation Facility and the president of The Greens HOA,
14 I attend several meetings per month. And at more than
15 half the meetings during open mike the subject of water
16 quality and pressure comes up, with residents
17 complaining about the smell and discoloration. Our
18 community is completely dissatisfied with the water
19 company and has been waiting patiently for the
20 improvements in service and quality promised in 2007.

21 "We were told that there would be a new
22 treatment plant expanded and the right sized water mains
23 that would improve water pressure and water quality.
24 The smell and color would be removed. Now we learn that
25 this project has been shelved and we are left with the

1 same stinky, third world, expensive water along with a
2 rate increase for good measure.

3 "And, by the way, the filing by Utilities,
4 Inc. is being justified to increase Utilities, Inc.'s
5 bottom line. The rate increase will not improve
6 service, will not build new or improved infrastructure,
7 will not provide any benefit to the ratepayer. It is
8 only intended to benefit the share owners and the
9 executives of Utilities, Inc.

10 "The situation is a perfect example of why
11 government constituted Public Service Commissions to
12 monitor utilities. Utilities are monopolies. There is
13 no competition; therefore, there are no market forces to
14 help control price and service. The Florida Public
15 Service Commission is one of the few forces that are in
16 place to protect the ratepayer.

17 "I would hope that the Commission would look
18 to other water suppliers in the Pasco service region and
19 compare the rates we are paying with that of other Pasco
20 County water systems. According to the rate request
21 information we received from Utilities, Inc.,
22 Summertree, Pasco County rates and rate increase are the
23 highest. We are relying on our Florida government to
24 carefully review this rate increase and consider all the
25 quality and cost factors, as well as the negative impact

1 this outrageous increase will have on our community, and
2 we implore the Florida Public Service Commission to
3 reject this outrageous rate request. Thank you very
4 much."

5 **COMMISSIONER SKOP:** Thank you, Mr. Lotito.
6 Any questions from the bench? Hearing none, thank you.

7 Mr. Beck, next.

8 **MR. BECK:** Thank you. The next speaker is
9 Judy Harris.

10 **MS. HARRIS:** Good morning.

11 **COMMISSIONER SKOP:** Good morning, Ms. Harris.

12 **MS. HARRIS:** My name is Judy Harris. I'm a
13 little shorter. My name is Judy Harris and I live in
14 the Villas of Summertree, and I'm also president of the
15 homeowners board of directors.

16 At our house -- I'm going to do a little show
17 and tell for you. At our house we have a double water
18 filter system at the point where the water comes into
19 the house. The first week of June we replaced the
20 filters, and I remember the timeline because I bought
21 them and because of other circumstances. For the first
22 two weeks of July we were away. We flew back in on the
23 16th. On the 17th, my husband noticed that the blue
24 light was flashing on the first filter.

25 (Showing filters.)

1 First filter. This is what they look like
2 new. This is less than 30 days. Second filter.
3 Whoops, sorry.

4 Financially for the homeowners, the sprinkler
5 system is the water -- the water for the sprinkler
6 systems for 78 units, 36 buildings, along with common
7 areas, is paid for through the association dues.

8 In June, for the May water use, we paid
9 \$2,451.77. In July, for the June water, we paid
10 \$3,459.49, an increase of \$1,000. That's just the
11 sprinkler system. So the homeowners are being impacted
12 twice; for their individual home water use and again for
13 the sprinkler water system use.

14 I object to any increase for Utilities, Inc.
15 both as a homeowner and as an officer of the board of
16 directors. Thank you very much.

17 **COMMISSIONER SKOP:** Thank you, Ms. Harris.
18 Any questions from the bench for Ms. Harris? Hearing
19 none, Mr. Beck, call your next speaker.

20 **MR. BECK:** Thank you. The next speaker is
21 Ramon Albini.

22 **MR. ALBINI:** Good morning. My name is Ramon
23 Albini. I am the president of Arbor Wood Association,
24 which is one of six subdivisions within Summertree
25 consisting of condos and private homes and approximately

1 1,100 residents.

2 Many of the residents are limited in their
3 resources, as Mr. Fasano and the other two speakers
4 spoke about, and we'll be hit very hard should these
5 increases become permanent.

6 For our individual home rates, this is in
7 Arbor Wood, the water, presently the rates are \$18.28.
8 The proposed rate is \$31.88, which is an increase of
9 \$13.10. That's just for the water. Then we have the
10 wastewater, present rate \$29.49, proposed rate \$49.95,
11 which is an increase of \$20.50.

12 So if you add those two together, we have a
13 monthly increase of \$33.60 or \$403.20 for a year.
14 That's for each individual. Plus we have what they call
15 a service charge for the water. The rate now was
16 \$9.61 and became \$16.23, which is an increase of \$6.62 a
17 month.

18 We have the current service charge for water
19 is \$11.34 and the proposed rate is \$19.11, which is an
20 increase of \$7.77. So we have the service, the water
21 and the waste, total increase \$14.29 a month for
22 \$172.68 a year. So we have the water increase, the
23 service charge, \$33.60 a month comes to \$403.20, service
24 charge \$14.39 comes to \$172.68, with a total for the
25 year just for the homeowners to use their water is

1 \$575.88. That's one year for one person, one home.
2 That would make it -- with the \$575.88 divided by 289,
3 which we have 289 homes, comes to approximately \$48 a
4 month per homeowner.

5 Then we have, in addition to that, as the
6 other speakers have mentioned, we have irrigation and we
7 irrigate quite a bit of property. We have 26 meters,
8 3-inch meters. The present charge for the meters is
9 \$1,614 and the proposed rate is \$2,744, with a
10 difference of \$1,130. And for the year that's \$13,560.
11 That's just for the meters.

12 For the water, for the irrigation, we
13 presently use 20 million gallons of water to irrigate
14 our property for our grass. At the proposed rate of
15 \$2.20, that's the new rate, the increase will be
16 \$44,000. So with the meters it's \$13,560, with the
17 water \$44,000. That's an increase yearly of \$57,560,
18 which paid by the association dues quarterly would be
19 approximately \$50 a quarter. So that's in addition to
20 the individual homes, they have to pay that.

21 My questions are, this was kind of answered
22 before we got here but I want to ask it anyway, why does
23 the Utilities, Incorporated raise rates before the rate
24 increase is approved by the Public Service Commission?

25 Second question, why is Pasco County getting

1 the highest rate of all five counties? In addition to
2 that, there has been no improvements, as others have
3 said, in the quality of water for the past eight years
4 that I've been living there.

5 As also mentioned, there were plans drawn up
6 to have a new plant put in our subdivision. It was
7 approved by SWFWMD. We as homeowners or boards actually
8 made a lot of plans also as to how it was going to be
9 developed. However, that has never happened. We have
10 had no change in the water at all. We, most of us, use
11 bottled water because of the water quality for drinking
12 purposes. The water tastes terrible, smells terrible
13 and, as you can see from the last speaker, didn't look
14 too good either.

15 Many mistakes have been made also by their
16 meter readers. They come around and read their meters,
17 but they come up with the wrong numbers. And the people
18 have to be calling the company constantly to come back
19 and recheck their meters, which costs them money and is
20 a nuisance to us, and then they have to pay those rates
21 and then get them back. So there's a lot of problems
22 there. Even when the people have gone away but turned
23 off their water, came back and then had a higher
24 reading. Figure that one out.

25 Both myself, Ann Marie Ryan and Bob Ryan have

1 directed letters to the board, to your Commission in
2 June voicing our complaints and protests that we and our
3 residents feel are inconceived (phonetic), without
4 merit, in particular when other districts are paying
5 much less. Again, we, Pasco County is paying the most
6 of all those increases. And that's all I have to say,
7 Commissioners. Appreciate your listening.

8 **COMMISSIONER SKOP:** Thank you, Mr. Albini. I
9 do have a question. I want to see if there's any
10 questions from the bench.

11 Commissioner Graham, you're recognized.

12 **COMMISSIONER GRAHAM:** Thank you, through the
13 Chair. Mr. Albini.

14 **MR. ALBINI:** Yes.

15 **COMMISSIONER GRAHAM:** First of all, I just
16 want to thank you for coming down and speaking to us
17 today.

18 You said that you've lived there for eight
19 years?

20 **MR. ALBINI:** Yes, sir.

21 **COMMISSIONER GRAHAM:** What were some of the
22 promises that you've heard from Utilities, Inc. as far
23 as what they're going to do to change the color and
24 quality issues?

25 **MR. ALBINI:** Okay. Many -- on several

1 occasions they've come around and put a bottle in front
2 of your door and asked you to fill it up and they would,
3 you know, analyze it or whatever they do with it and
4 then they'll come back and tell us, you know, what, how
5 good our water is. But they never came back to do that.
6 And that's been about four or five times since I've been
7 there. That's one of the things.

8 The other one, like I said, is they had, we
9 had all kind of plans, they had the building plan, they
10 had where they were going to put the shrubberies around
11 it so it wouldn't be offensive to the neighbors and
12 things, they had all that planned out and it just went
13 nowheres. So I hope I answered your question.

14 **COMMISSIONER GRAHAM:** Okay. Thank you.

15 **MR. ALBINI:** Thank you, Mr. Graham. And I
16 congratulate you on your new position and wish you lots
17 of luck.

18 **COMMISSIONER GRAHAM:** Thank you very much.

19 **COMMISSIONER SKOP:** Thank you. Any other
20 additional questions from the bench? Mr. Albini, if you
21 could stay up there, I do have one too, but I just
22 wanted to see from my colleagues.

23 **MR. ALBINI:** I'm trying to get out of here.

24 (Laughter.)

25 **COMMISSIONER SKOP:** Okay. I just have a quick

1 question. I think you mentioned that you have three
2 irrigation wells or three 3-inch irrigation wells.
3 Could you clarify that for me?

4 **MR. ALBINI:** No, sir. I said we have 26
5 meters of three inches in size.

6 **COMMISSIONER SKOP:** Okay. Okay.

7 **MR. ALBINI:** And that's how they, that's how
8 they come up with the rates, by the size of the meter.

9 **COMMISSIONER SKOP:** Okay. Have you ever
10 approached the utility about changing the meter size, if
11 it would be appropriate to do so on those particular
12 meters?

13 **MR. ALBINI:** No, sir, I haven't.

14 **COMMISSIONER SKOP:** Okay. Because if that is
15 possible, again, the base facility charge is dictated by
16 meter type. And we've had customers in the past that
17 have had oversized meters for a certain purpose where it
18 turned out they could have had a smaller meter and paid
19 less on a monthly basis.

20 **MR. ALBINI:** I don't know if smaller meters
21 would do it, but I'll certainly speak to our property
22 manager about it.

23 **COMMISSIONER SKOP:** Okay.

24 **MR. ALBINI:** And if we can do that, we
25 certainly will.

1 **COMMISSIONER SKOP:** Okay. Appreciate it.
2 Thank you. Any other questions for Mr. Albini? Thank
3 you.

4 **MR. ALBINI:** Anymore questions?

5 **COMMISSIONER SKOP:** Thank you. All right.
6 Mr. Beck, if you could please call the next speaker.

7 **MR. BECK:** Thank you, Commissioner. The next
8 speaker is Douglas Edgar.

9 **MR. EDGAR:** Good morning. My name is Douglas
10 Edgar, and I'm on the board of directors for The Villas
11 of Summertree.

12 About five weeks ago I called the Utilities,
13 Incorporated of Florida about the water smelling so bad.
14 To me it smelled like rotten eggs, which smells, makes
15 the house smell pretty bad. Also, when my wife tried to
16 take a bath at different times, the water, instead of
17 being clear, has actually been black.

18 So when I called the Utilities of Florida
19 (sic.), the gentleman said that they would be out the
20 following day to flush the lines. Well, in the past --
21 it's probably been at least three months since they
22 flushed the lines. And when they flush the lines, then
23 that smell goes away and the water clears up. But if
24 they don't flush the lines, then the water has that
25 smell to it.

1 And my last bill was \$138 for the month, and
2 the water in that condition shouldn't be. So what
3 they're doing is charging a ridiculous rate for inferior
4 water, and I feel at this time that this rate should not
5 be increased. And that's just about all I have to say.
6 But the water is not good, and I've lived in Summertree
7 for the last 12 years and it hasn't improved at all. So
8 there should something be done to make the water better
9 for people to drink.

10 In fact, my wife and I can't drink the water.
11 We don't drink the water. We use bottled water and
12 still we're paying \$138 for the two of us for the month.
13 So I think really when you're asking for a rate
14 increase, I think it's way out of line. Thank you.

15 **COMMISSIONER SKOP:** Thank you, Mr. Edgar. Any
16 questions from the bench? Mr. Edgar, I think we have a
17 question. A question.

18 Commissioner Brisé, you're recognized.

19 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.

20 I have one question, and I suppose, I think it
21 goes to any one of these speakers who have spoken so
22 far. I'm getting the sense that it's not completely the
23 rate increase, though there's a problem with the rate
24 increase, but there's more of a problem with the
25 combination of the rate increase and the type of service

1 that is being received. Tell me if that is a correct
2 assessment of your sentiment.

3 **MR. EDGAR:** Well, I think, I think the water
4 is, you know, the water situation the way it is is not
5 good. But also the rate increase is ridiculous. You
6 know, the people that live in Summertree, they're not
7 rich people. They're people that have been retired for
8 many, many years and their income hasn't gone up that
9 much. So when you're asking for that type of an
10 increase, I don't think that's right for the people that
11 live in Summertree.

12 **COMMISSIONER SKOP:** All right. Thank you.

13 Any additional questions? Thank you,
14 Mr. Edgar. I appreciate your comments.

15 **MR. EDGAR:** Okay. Thank you.

16 **COMMISSIONER SKOP:** Okay. Mr. Beck, if you'd
17 call the next speaker, please.

18 **MR. BECK:** Thank you, Commissioner. The next
19 speaker is Paul Leoci.

20 **MR. LEOCI:** Good morning. Good afternoon, I
21 guess by now. My name is Paul Leoci. I live in Cross
22 Creek community in, located in Summertree. And I'm not
23 going to talk about the increase I got in my bills
24 because it's already all been said.

25 We are in the unique position of being the

1 last community in Summertree. So what does that mean?
2 That means we get the end of the water from Utilities,
3 Inc. It deadheads at the end of our community. I know
4 they take their samples and they passed within the
5 government guidelines right now. But for the past, up
6 until 2008 they were well below the guidelines. They
7 have corrected it by using ammonia mixed in with the
8 chlorine and that has cleared up their, their problems
9 with the water. It kills fish, you know, tropical fish,
10 and it's also no good for dialysis machines. You must
11 remove all them chemicals to use the dialysis machines
12 and use them in your aquariums. I don't know what it's
13 doing to us because they never mention people. Okay?

14 But at the end of our communities where they
15 should be taking their water samples, there is no
16 circulation. That water sits at the end and it's not
17 circulating back to the plant, which it should be. Why?
18 Because the piping cost too much, I guess, in the
19 original development and they didn't want to do that.
20 But that's the way it should run. That water should be
21 continually running true. Right?

22 They used to flush the fire hydrants. For the
23 past two years I have seen nobody flushing the hydrants.
24 Right? They used to have two employees in utilities. I
25 see one now. I see him taking a sample from, it looks

1 like a little drinking fountain outside the plant.
2 Right? And then he does whatever he has to do and
3 that's it. They flush in the, in the greens because
4 that's pretty close to the, to the, to the plant, the
5 wells. Right?

6 So my, my question is, you know, why don't
7 they take samples at the end? Don't go into somebody's
8 house because they have water softeners and they have
9 water filtration systems. So their water will prove to
10 be clear in there. I have a water filtration system and
11 a charcoal filtering system in my house. Right? And
12 the water, if I put it in the refrigerator, you could
13 drink it. I buy bottled water, right, to drink and use
14 it for tooth brushing and all that stuff. I will not
15 use the, the Utilities, Inc. water for drinking.

16 Across the street from me there's a homeowner
17 that does not have a water filtering system. You walk
18 in there, and it was mentioned here before, you get the
19 smell of sulfur, rotten eggs as soon as you turn the
20 water on. Now we were told years ago to get rid of that
21 smell to take out the -- there's an, a rod or anode bar
22 in the water heater, right, to take that out. I lived
23 there maybe three months -- and if you take that rod
24 out, your guarantee on your water heater is gone. Okay?
25 But I took it out because my -- I had that chemical

1 smell. I took it out and you should have seen the
2 garbage on, on that rod, which is what it was supposed
3 to do, pick up all that to save your water heater. The
4 water heater is only guaranteed for five years, so I
5 wasn't going to worry about that.

6 But my, my problem is, you know, would
7 Utilities, Inc.'s president's parents live in our
8 community and he will not do anything? Then I'm pretty
9 sure if he moved in his parents in our community, that
10 we would see better drinking water. Right? So what I'm
11 saying here now is please, the board, think of us as
12 your parents. Okay? Would you like to see your parents
13 living in our community and drinking and smelling the
14 water that we are drinking and smelling? I don't know
15 how it's shortening our lives. You know, I'm up in age
16 now, I shouldn't worry. We have people 55, 60 and 65,
17 they would like to live a little longer. But I'm sure
18 that the Commission would do something if your parents
19 were in that community.

20 They talk about the plant. That plant went by
21 the wayside. That probably would have been the answer.
22 Right? But -- so, please, do not give them one red
23 cent. They got some way back in 2007 and we protested
24 then but they still got a little increase. Right? So
25 please think of us as your parents and do not give them

1 any increase. Thank you very much.

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

3 A question from Commissioner Graham.

4 Commissioner Graham, you're recognized.

5 **MR. LEOCI:** Speak a little louder.

6 **COMMISSIONER SKOP:** Sorry. Thank you.

7 **COMMISSIONER GRAHAM:** Thank you, through the
8 Chair.

9 Mr. Leoci, once again I want to thank you for
10 coming down as well. You said that they had, they have
11 cleared up some of the problems in 2008?

12 **MR. LEOCI:** Say that again.

13 **COMMISSIONER GRAHAM:** You said that they have
14 cleared up some of their problems in 2008?

15 **MR. LEOCI:** Yes. Up until 2008 their water
16 quality was below government standards.

17 **COMMISSIONER GRAHAM:** And so now it is at
18 government standards.

19 **MR. LEOCI:** Well, they put in the ammonia
20 chloride, I think they call it chloramine or something.
21 What is the wording for -- I don't know. But they put
22 ammonia solution in with the chlorine which solved the
23 problem of the elevation of, of the different grades
24 that failed the testing.

25 **COMMISSIONER GRAHAM:** So it hit government

1 standards but it still has the odor and the color and
2 the taste?

3 **MR. LEOCI:** You still get the smell, you still
4 get the rust. I must mention this also. We have a well
5 in our community that we use for irrigation. Right?
6 And we, we are spending -- which also has a smell, also
7 has a bad rust condition. What the community is doing
8 is we are spending thousands of dollars putting
9 filtration systems on that well to try to get -- now
10 this is irrigation water, not drinking water -- to try
11 to get acceptable irrigation water. So if we're doing
12 this in our little community, why can't Utilities, Inc.
13 do something to their wells to clear up with their
14 problems?

15 **COMMISSIONER GRAHAM:** Thank you, sir.

16 **COMMISSIONER SKOP:** Mr. Leoci, just one, one
17 final question. You mentioned that your community is
18 located at the end of the line, so a lot of the problems
19 result and require flushing. Do you know if they have
20 installed automatic flushing devices or do they have to
21 come out --

22 **MR. LEOCI:** The only flushing they do, there's
23 a little, like a little sprinkler system at the end of
24 the community. It's very small. The fact is we got
25 many calls in the community that we were sprinkling our

1 irrigation system at the wrong time, while it was
2 Utilities, Inc. trying to flush out the line. It's only
3 a three-quarter line, I believe it is, and they're
4 trying to flush out a line that reaches like a mile and
5 a half on the beginning of our community to the end, and
6 they can't do it like that. I mean, there's not enough
7 pressure coming out of there to clear those lines. They
8 used to use the hydrants. That's gone by the wayside, I
9 guess, because they don't have the help to do it
10 anymore.

11 **COMMISSIONER SKOP:** Appreciate that. Thank
12 you. Thank you for your time.

13 Mr. Beck, if you can call the next speaker,
14 please.

15 **MR. BECK:** Thank you, Commissioner. The next
16 speaker is Wanda Watson.

17 **COMMISSIONER SKOP:** Good morning, Ms. Watson.

18 **MS. WATSON:** Good morning, Commissioners. My
19 name is Wanda Watson. I'm a resident of Cross Creek at
20 Summertree, and I live in the very last road in
21 Summertree back behind The Woods. And I just wanted to
22 show you the quality of the water that we receive from
23 our toilet tank.

24 (Showing water sample.)

25 This -- I have been in the community two

1 years, I've lived in Florida almost 40 years, and I've
2 never seen water like this in a toilet tank. We do not
3 have an osmosis in our house. We do have a water
4 softener. Even with the water softener, this is still
5 building up in the toilet tank.

6 And it has been said before, the rate increase
7 is one thing, but also the quality of the water that's
8 going through our homes in Summertree. And I hope that
9 you would do, the Commission would do what is best for
10 the residents of Summertree in this situation. Thank
11 you.

12 **COMMISSIONER SKOP:** Any questions for
13 Ms. Watson? Okay. Thank you, Ms. Watson. Appreciate
14 your comments.

15 Mr. Beck, if you'd call the next speaker,
16 please.

17 **MR. BECK:** Thank you. The next speaker is
18 Alyce Darkoski.

19 **MS. DARKOSKI:** I have another sample. I don't
20 know whether you can see it from there.

21 (Showing water sample.)

22 My name is Alyce Darkoski. Thank you for
23 seeing us today. I have the -- color is one thing, but
24 if you can see the silt on the bottom. We've lived in
25 Summertree for 23 years. The water has never, ever been

1 really good. However, with the rate increase, it's
2 adding a lot of stress. We've suffered with this for
3 many years off and on. I don't see why we have to have
4 a filtering system and things like that. We never drank
5 the water. We bought water. We buy seven gallons of
6 water every week, we use that much water, 25 cents a
7 gallon. We wouldn't drink this water, we never have all
8 23 years. But now with the rate increase, that's really
9 piling it on for us I think. We've put up with this for
10 a long, long time, and I don't see how they can do this
11 to us. Again, we're senior citizens. We worked all our
12 lives to retire and then this is what we get. It's not
13 fair. Thank you.

14 **COMMISSIONER SKOP:** Thank you. Any questions
15 for Ms. Darkoski? Hearing none, thank you,
16 Ms. Darkoski.

17 And, Mr. Beck, if you could please call the
18 next speaker.

19 **MR. BECK:** Yes, sir. The next speaker is
20 Frank Zucconi.

21 **COMMISSIONER SKOP:** Mr. Beck, I had Erika
22 Milligan as the next one. Mr. Beck?

23 **MR. ZUCCONI:** Good morning. We've got to
24 realize that our water company is owned by AIG. AIG on
25 May 18th, 2005, acquired 100 percent of the stock of

1 Utilities, Inc. Utilities, Inc. is a water and
2 wastewater utility holding company based in Northbrook,
3 Illinois. The American taxpayers have shelled out
4 \$168 billion to keep AIG afloat. And on top of that,
5 they have the gall to give bonuses to their employees
6 which dropped the company into the toilet.

7 Now my point is that a company that big does
8 not have -- they're not worth as far as I'm concerned.
9 They have over 300,000 customers in 17 states. They're
10 not concerned about wee little Utilities, Inc. here in
11 Florida. No way. Just bottom line, money and greed.
12 That's all I can say.

13 The water, the guys and gals before me spoke
14 about how bad the water is. It smells, it stinks, it's
15 not drinkable. I use distilled water. I buy seven
16 gallons of distilled water every week at a dollar a pop.
17 I will not drink that water. And the water in the
18 basins and the toilet bowls have a yellow tinge to them.
19 It's really very sad that we've got to contend at our
20 age and we're on a fixed income, and these people are
21 looking for this type of an increase? It's abominable.
22 Thank you very much.

23 **COMMISSIONER SKOP:** Thank you, Mr. Zucconi.
24 Any questions from the bench? Hearing none, thank you
25 and I appreciate your comments.

1 Mr. Beck, I think we might have missed a
2 speaker.

3 **MR. BECK:** Yes. And I apologize. The next
4 speaker is Erika Milligan.

5 **COMMISSIONER SKOP:** All right. Thank you.

6 **MS. MILLIGAN:** I'm Erika Milligan. I live in
7 Fairways in Summertree. And the previous speakers have
8 already addressed just about any complaints we have.
9 But I wanted to point out that when you look through
10 this, we were already paying the highest rates of any
11 community here in Florida and yet we are getting hit
12 with the highest increase. How can we be so lucky?

13 I think you have to add that since the water
14 is really bad, I mean, there is no doubt about it, we
15 have to purchase water to drink, we have to purchase
16 salt for our water softeners, we have to purchase
17 chemicals for our wells because there's so much rust in
18 our well water and other chemicals that all these costs
19 have to be added to our utility bills. And it's really
20 untenable because most of us are on fixed incomes that
21 have not increased and are not likely to increase. So
22 we really cannot understand why we're getting this huge
23 increase. Thank you very much.

24 **COMMISSIONER SKOP:** Thank you, Ms. Milligan.
25 Any questions? No. All right. Thank you.

1 Mr. Beck, I think that was the last speaker
2 before Ms. Ryan, but -- is that correct?

3 **MR. BECK:** Yes.

4 **COMMISSIONER SKOP:** Okay. I just wanted to
5 check if there's any additional consumers from
6 Summertree that might want to speak before we have
7 Ms. Ryan close. I do see one hand, so please feel --
8 two hands, so please feel free to step forward to the
9 podium, and please give your name when you do so.

10 **MS. ZOZZARO:** Hi there. I'm a new member of
11 Cross Creek in Summertree. I will be 62.

12 **COMMISSIONER SKOP:** Ma'am, can we get, please
13 get your name?

14 **MS. ZOZZARO:** My name is Linda Zozzaro and I'm
15 nervous.

16 **COMMISSIONER SKOP:** Okay. That's fine.

17 **MS. ZOZZARO:** I'm trying to catch up on a
18 couple of the dots and the tiddles here. I live on
19 Merganser Way, the last street. When I bought my home,
20 the woods next to me was completely dried. I was able
21 to walk in there if I wanted to, you know, walk around
22 in the woods. I did. Anyway, to say one area is --
23 they don't use the hydrants anymore. That's because
24 they're all the way back on my street, the last street.
25 They actually take the, the cap off the fire hydrant,

1 open up the valve on top so the water pours out. And I
2 have a pump -- a pond next, across the street from me.
3 When that fills up, it goes into an overflow. It's a
4 concrete overflow and the water runs out into the woods
5 supposedly on that side.

6 What's happening is they're opening up this
7 fire hydrant and they're flowing it onto the ground, the
8 grass where the homes haven't been built yet. Now --
9 and they leave that thing open seven, eight hours,
10 they'll forget about it and come back in the morning,
11 shut it off. An hour later it's back on again. There
12 is so much water that they let out that I can no longer
13 walk in those woods.

14 SWFWMD, they're supposed to be protected for
15 the animals, you know, wildlife. There's water in
16 there. All the trees' roots are just saturated. The
17 water is up to the, you know, you can see about two,
18 three feet. You can tell those roots, they're rotting.
19 The trees are falling down in there. And another
20 expense is not to worry about is this big tree going to
21 come down on my house, so I had to go through rigmarole
22 to get the tree taken down so it didn't rot and fall
23 over to my property. There's another tree still hanging
24 on my property that's falling over.

25 They waste more -- I have never seen -- we're

1 trying to educate our country. I have never seen such
2 disrespect. And that's what goes on with these large
3 companies, disrespect for their elders, for the
4 generations that came before them and the ones that are
5 coming after them. And we need to protect those that
6 are coming after us. That's why these people are here.
7 A lot of them, they have great wisdom. You need to
8 listen to them. It's a disgrace.

9 The water stinks, it's filthy. I have a white
10 tub. I want to take a bath. It looks -- before I even
11 get in, it looked like somebody actually went in there
12 and took a freaking bath before I got in there. Really
13 it's disgusting.

14 What I had to do one day when I drove home is
15 I happened to see a fire hydrant. Oh, what's going on
16 here? I get out of my car. Nobody is there. This time
17 there's no water coming out of it. Righty tighty, lefty
18 loosey. It was loose. The wrench on top of the fire
19 hydrant was loose. The cap was twisted off on the side
20 hanging on a chain. I twisted that back up, righty
21 tighty, tied it, made it tight. What I should have done
22 is took the stupid wrench away from them. This is what
23 goes on, and it's down in our area, the back now they're
24 moving to.

25 I have never seen such a waste of water;

1 probably more water than our community uses. And this
2 is to flush out the system? What is -- we're paying for
3 their waste of water. Not ours, theirs. And I don't
4 want to be paying theirs. I have enough trouble being
5 handicapped and disabled to take care of my own. And I
6 have a dry mouth. I could use a glass of water, clean
7 water. Okay. Thank you so much.

8 **COMMISSIONER SKOP:** Thank you, Ms. Zozzaro.
9 Just any, any questions from the bench? Okay. Thank
10 you. Mr. Beck, I think we have one final speaker.
11 Actually another hand. So, okay, please step to the
12 podium and please state your name.

13 **MR. CLISSOLD:** Good morning, Commissioners.
14 My name is Richard Clissold, and I live in the
15 Summertree section. I probably have the distinction, my
16 wife and I, of being some of the newest residents. We
17 moved in on April 27th of this year, unpleasantly to
18 find, as my wife was doing laundry the day that we moved
19 in, we relocated from another state as I just retired,
20 and found just the water was very unsuitable.

21 This isn't about quality for me. I understand
22 what we're dealing with. I went out, I purchased out of
23 my pocket now that I'm on a fixed income a water
24 filtration system like most of the residents have had to
25 do. But I like all of these folks behind me that got up

1 at 3:00 this morning to get on a bus at 4:00 a.m. are
2 here for one reason, and that is about rates. To charge
3 more for what we get, which I believe in my own opinion
4 is a substandard product, borderlines obscene and
5 illegal. Something needs to be done, one, about the
6 quality, and certainly about this increase. This is
7 unconscionable.

8 I spent 32 years in the business world, like a
9 lot of people in this room. And if I ran my business
10 like that, I would have been out of business and retired
11 a lot earlier than this. This is totally unacceptable
12 to me and to all of these people that got on a bus this
13 morning to come up here and want to say one thing and
14 leave you with one message. Please think about this
15 rate increase. These people are on fixed incomes. This
16 is the highest rate increase that we've ever seen
17 requested and is totally unacceptable. The next thing
18 that needs to be addressed is the quality, but we need
19 to focus on this rate increase. Thank you.

20 **COMMISSIONER SKOP:** Thank you, Mr. Clissold.
21 Any additional speakers? I think we have --

22 **MR. BECK:** Yes, Commissioner. Sister Carole
23 Bouchard.

24 **MS. BOUCHARD:** I wasn't going to speak because
25 I was afraid if you thought I was a nun that I would

1 want something for nothing, but I do pay my bills. Yes,
2 that does occur. (Laughter.)

3 In fact, much to my community's dismay, when
4 we were tax-free I always paid my taxes when I bought a
5 car or something because I drove the same roads as
6 everybody else. I was brought up by a very, very moral
7 father. However, I now represent my 95-year-old mother
8 with whom I live, my neighbor nextdoor who's 92, the
9 80-year-olds across the street who are very ill and I
10 come here to represent them.

11 This increase is intolerable. I went to the
12 bank yesterday to withdraw a CD for my mother to put in
13 another bank. The other bank was going to give me
14 2.20 percent for three years. This bank really didn't
15 want us to take that money out. They were going to let
16 me have a CD for five years. I said, "My mother is 95
17 years old." "Oh, yes. But our interest rate will only
18 be a quarter percent less than the bank you're going
19 to," which amounted to \$250 a year. So I said to her,
20 "Then increase your rate to equal the other bank so we
21 don't lose the \$250." Oh, no, they couldn't do that.
22 We're not earning money. I don't earn -- I've gone back
23 to work. I retired at 70 and a half, had my knee done,
24 and now I still work. To go to my patient's house -- my
25 door to the patient's house is 99.7 miles. That's

1 200 miles round trip. But I'm here for service and I do
2 pay my bills.

3 So this increase is intolerable. No matter
4 how little water -- I bought a washing machine with
5 front load to save water, we have a toilet that only
6 flushes so much water down, we do not leave the water on
7 when you're brushing your teeth. When I wash my hair,
8 shut the water off so it's not still running. So I'm
9 trying to save water. What I'm worried about, if I save
10 too much water, they'll have to increase it again
11 because we don't use enough water and they're not making
12 any money. So that's all I have to say for the elderly
13 that I represent today. And as a nun I do pay my bills.

14 **COMMISSIONER SKOP:** Thank you, Ms. Bouchard.

15 Okay. Any other speakers before Ms. Ryan
16 makes some closing comments?

17 Seeing no hands, Ms. Ryan, you're recognized
18 for closing comments.

19 **MS. RYAN:** Commissioner Skop, I'd like to
20 thank you for giving me an opportunity to summarize.
21 I'd like to thank our community for the valiant effort
22 they made to get here. It was tough. At 3:00 o'clock
23 this morning they were all waiting and ready. Our whole
24 community sponsored the trip and paid for it, and not
25 everybody was able to come. But I just would like to

1 just go over some key points.

2 I thought it was wonderful that Senator Fasano
3 was willing to take the time to help us through this
4 trial period; also that he spoke to the Commission to
5 set forth our concerns. And he said, to repeat his
6 words, he felt this was the most egregious rate increase
7 and felt that we needed to have this remedied.

8 I just want to read -- this is the packet that
9 came from the Public Service Commission staff
10 recommendations. On Page 5 it says the utility
11 requested final rates designed to generate total annual
12 water revenue of \$3,000,021, an increase of over a
13 million, or 53.6 percent, and a total annual water waste
14 revenue increase that would represent 48 percent. So we
15 are looking at over 101 percent increase in our water.

16 I think I'd like to also welcome the new
17 Commissioners as well as those who served. And,
18 Commissioner Brisé, you had mentioned was our complaint
19 quality or was it the price. The truth of the matter is
20 if you live next door to us in Colony Lakes, which is
21 only a stones throw from one of our communities, The
22 Villas, or if you go to the other side and you go to
23 Timber Oaks, Beacon Woods, Meadow Oaks, anyone on 52,
24 our general area, so the well water is similar, and we
25 have three wells serving us from Utilities, Inc., their

1 water is fine. Their water is good. It's drinkable and
2 it's reasonable. So I don't think that it's just a
3 bunch of people living on a limited income complaining.

4 We have a real issue and a real problem. We
5 are distinguished from everyone else. We won't be able
6 to sell our houses, because who is going to come and pay
7 75 percent more for water that you can get 100 feet down
8 the road for 25 percent less and it's usable? Everyone
9 in our community is cutting back, and most people have
10 bottled water. So what we're asking of you is to please
11 consider.

12 I'd also like to take the time to thank the
13 Public Service Commission staff who have been
14 phenomenal. They have done a great job researching, and
15 they found all kinds of holes and problems in the
16 pricing and made recommendations, deep cuts into the
17 things that have been asked for by the utility company.
18 And we came here today to thank them for their efforts.

19 But after you heard from all the people in our
20 community, we want you to know, along with the aid from
21 Senator Fasano, we need you to go one step further. We
22 need you to find the work that they are doing in taking
23 care of our community unacceptable. We need you not to
24 grant their increase.

25 It's not fair for someone to be rewarded for

1 poor service. I know it says here on this page that
2 they are meeting the minimum standards, but you saw the
3 water. None of you would drink it. We don't get
4 service.

5 We have -- I'd like to also enter -- I have
6 more protests. I believe we have sent in over 1,000,
7 and we beg that you would listen to our plea and do what
8 is best for our community. And we want to thank you
9 also. We know your job is hard, but you are the only
10 thing between us and this company. And we don't have a
11 choice. We don't want to be with Utilities, Inc. They
12 haven't served us well, and we have no choice. We need
13 you to voice your vote and your opinion to not give them
14 an increase, and they should give us the water and the
15 quality that we deserve. And we thank you for your
16 time.

17 **COMMISSIONER SKOP:** Thank you, Ms. Ryan.

18 Mr. Young, with respect to the petitions that
19 Ms. Ryan has before her, what is the appropriate method
20 that staff wishes to enter those into the record?

21 **MR. YOUNG:** If we can, Mr. Chairman, we can
22 file them with the Clerk and they'll go in the
23 correspondence side of the docket.

24 **COMMISSIONER SKOP:** All right. Very well.

25 Ms. Ryan, if you could provide those to our

1 staff, we'll see that those get entered into the
2 correspondence side of the record in this proceeding.
3 And I would like, at this time, to thank you and the
4 members of the Summertree community for taking the time
5 to come appear before the Public Service Commission to
6 speak on this matter before us today. So your time and
7 efforts are appreciated, and I want to thank everyone
8 for coming, as well as Senator Fasano for making his
9 comments.

10 And at this point, I think that if there's no
11 further questions for Mr. Ryan, in fairness to the
12 company, I think that we need to get along with the
13 proceeding effort, having heard public comment, and hear
14 from the company, and also Public Counsel, and the staff
15 on the issue, and then the Commission will ask any
16 appropriate questions. But I do want to thank you and
17 the members of the Summertree community for taking your
18 time to come before us today.

19 **MS. RYAN:** Thank you, Chairman Skop, and I
20 wish you well, and thank you to the rest of the
21 Commissioners.

22 **COMMISSIONER SKOP:** Thank you. Okay.

23 Staff, like I say, introduce the issue, and I
24 believe at this point it would be appropriate to hear
25 from the company unless the Commissioners have any

1 questions from the bench from staff.

2 All right. Mr. Friedman, you're recognized.

3 **MR. FRIEDMAN:** Thank you, Commissioner Skop
4 and Commissioners.

5 My name is Martin Friedman of the law firm of
6 Rose, Sundstrom & Bentley, and we represent Utilities,
7 Inc. of Florida. Also with me here today is Patrick
8 Flynn, who is the regional director. He is in charge of
9 the operations of the systems in Florida, including the
10 Utilities, Inc. of Florida system. Also behind us here
11 is Mr. John Williams, who is the Director of Public
12 Affairs for Utilities, Inc. nationwide.

13 We want to address a number of issues, and I
14 guess it's appropriate more to start with having Mr.
15 Flynn discuss the quality of service issues. But before
16 he does so, I want to reiterate what was mentioned
17 earlier, and that is that the staff's recommendation
18 appropriately articulates that Utilities, Inc. of
19 Florida provides water that meets or exceeds all primary
20 and secondary standards as required by the appropriate
21 regulatory agencies. And with that said, I'll turn it
22 over to Patrick to address some of the specific comments
23 by the customers, and then I'll come back and address
24 other technical issues.

25 **COMMISSIONER SKOP:** Commissioner Edgar, you're

1 recognized for a question.

2 **COMMISSIONER EDGAR:** Thank you, Commissioner
3 Skop.

4 Just very briefly. And, of course, the
5 quality of service issue is Issue 1, and I look forward
6 to hearing all comments and having a good discussion on
7 that. But as you get into -- to you and Mr. Beck, as
8 you get into other issues that you would like to bring
9 to our attention, if you could use the issue number that
10 would be helpful to me.

11 **COMMISSIONER SKOP:** Thank you.

12 Okay. Mr. Flynn, I believe you're next up.

13 **MR. FLYNN:** Thank you, Mr. Commissioner.

14 I appreciate the opportunity to talk with you
15 today. I certainly listened very intently with the
16 comments made by our customers today. I did not take
17 them lightly in any way, and I appreciate the
18 perspective that they expressed to you. However, I
19 would like to point out a few things.

20 One is, as Mr. Friedman just mentioned, our
21 challenge is to, at a minimum, meet the DEP water
22 quality requirements for -- as described in their rules,
23 and as the staff recommendation describes, we are
24 successful in doing that. Nevertheless, we understand
25 clearly that there are aesthetic issues that are at

1 issue here, that customers would like to have a better
2 quality of water.

3 The challenge of the fact is that we have
4 looked at alternatives to the current treatment scheme,
5 which is basically a chlorine disinfection and ammonia
6 added for disinfection at our three well sites, but the
7 solution to an improved water quality is to invest over
8 \$2.5 million in infrastructure; a plant, storage tank,
9 pumps, piping modifications in order to significantly
10 make changes to the water quality in the system.

11 We, in fact, did a pilot study to identify
12 alternative treatment technologies to figure out which
13 one would be the best. From that process we identified
14 the preferred approach. We costed it out. We initiated
15 the permitting process through the various agencies, DEP
16 and SWFWMD, through the county. We just recently
17 received the final approval for the permitting of the
18 site, so it has not been a very quick process,
19 obviously.

20 It's also a challenge to fund that investment.
21 I'd like to also mention the fact that the rate case
22 that we have in front of us doesn't reflect any recovery
23 of any plant improvements. That's a future proceeding
24 that would have to be entertained before we would get
25 any recovery of that future investment. And the fact is

1 that if we had that investment made and we had that in
2 front of us, in front of you, there would also be
3 increased O&M expenses, and those combined with the
4 capital investment recovery would be a significant
5 increase in customers' bills.

6 So in the interim condition we continue to
7 flush our system in a routine way. I provided to staff
8 relatively descriptive identification of how we flush,
9 where we flush, how long we flush at points in the
10 distribution system. We do that routinely. So I do
11 take issue with some of the comments made earlier, but
12 we, in fact, document what we do and make sure that we
13 are maintaining our chlorine residual throughout the
14 distribution system as required; that the water quality
15 is improved by flushing. It is certainly not the case
16 that it is a long-term solution in terms of it has to be
17 repeated. You have to flush periodically throughout the
18 week and throughout the month, and we do that with our
19 staff.

20 We sample our system as DEP requires in order
21 to make sure we're in compliance with DEP rules. That
22 includes sampling at the far reaches of the distribution
23 system. DEP approves a sampling plan that we utilize.
24 It reflects analysis and approval by DEP of where we
25 sample, when we sample, how we sample. That is

1 appropriately done.

2 We would certainly entertain discussion with
3 the customers on what the best course of action might be
4 to get to a point in the future where we can identify
5 the costs for -- what the costs would be for future
6 investments in a water plant, both in terms of capital
7 cost-recovery and in terms of O&M cost, so that that
8 opportunity would be discussed with the customers so
9 that we could identify -- they could identify whether
10 they support that significant investment.

11 And that would be a really critical important,
12 prudent thing to do for us to have an understanding of
13 the willingness on the part of those particular
14 customers to bear that cost. And if that was the case,
15 that we were successful in that approach, then we would
16 be able to move forward with the financing of that
17 effort and ultimately construction and ultimately a
18 filing to reflect recovery of that investment.

19 **COMMISSIONER SKOP:** Thank you, Mr. Flynn. I
20 think Commissioner Graham has a question.

21 Commissioner Graham, you're recognized.

22 **COMMISSIONER GRAHAM:** Mr. Flynn, how old is
23 your system?

24 **MR. FLYNN:** The Summertree system started
25 around the 1970s. Other UIF systems are in the '50s and

1 '60s. We have owned different systems in the UIF rate
2 case for different lengths of time. We have acquired
3 some over the years.

4 **COMMISSIONER GRAHAM:** But this system we are
5 talking about is roughly about 40 years old?

6 **MR. FLYNN:** Correct.

7 **COMMISSIONER GRAHAM:** Any idea what the water,
8 the hardness is of this water?

9 **MR. FLYNN:** It's moderate, moderately hard.

10 **COMMISSIONER GRAHAM:** Moderate as in 180 PPM,
11 moderate as in 300 PPM?

12 **MR. FLYNN:** It's less than 300. It's probably
13 between 100 and 200 parts per million in calcium
14 hardness.

15 **COMMISSIONER GRAHAM:** Do you have that data
16 somewhere; can someone get it?

17 **MR. FLYNN:** I have it in my files. I do not
18 have it with me, but I would be happy to provide that.

19 **COMMISSIONER GRAHAM:** Thank you.

20 **COMMISSIONER SKOP:** Any additional questions?
21 Okay. I have a few for Mr. Flynn.

22 Mr. Flynn, you mentioned the estimated cost
23 for capital projects to improve the aesthetic quality of
24 the water, and I think that although the staff
25 recommendation on Page 8 projects nearly \$2 million, I

1 think that you stated it would be closer to 2.5 million,
2 is that correct?

3 **MR. FLYNN:** That's our estimate, yes, based on
4 information from a couple of years ago.

5 **COMMISSIONER SKOP:** Okay. And I don't think
6 you came out and said it specifically, but reading
7 between the lines of your comments, it seems to be that,
8 you know, such a capital undertaking would most likely
9 be cost prohibitive in terms of potential rate impact.
10 Is that a fair assessment?

11 **MR. FLYNN:** I honestly have not analyzed what
12 the per monthly impact would be on the customers, so I
13 can't fairly answer that question.

14 **COMMISSIONER SKOP:** Okay. But in relation to
15 the proposed increase in revenue requirement for this
16 rate case, obviously \$2.5 million is a substantial
17 addition to base rate, is that correct.

18 **MR. FLYNN:** It's certainly substantial, yes.

19 **COMMISSIONER SKOP:** Of the rate base, I'm
20 sorry?

21 **MR. FLYNN:** Yes, certainly substantial.

22 **COMMISSIONER SKOP:** Okay. All right. In
23 order to address some of the aesthetic quality of water
24 issues, at least from the customer comments I have seen
25 today, and I have looked at the DEP reports where it

1 seems that it meets all the requirements. But, again,
2 some of the comments that we're seeing seems to indicate
3 hydrogen sulfide and/or iron deposits in the water.
4 Would you agree with that, or is that correct?

5 **MR. FLYNN:** There is not much iron in the
6 water. There is -- there is some iron in the water, and
7 iron is a very visible contributor when it's in small
8 concentrations. We don't have any treatment methodology
9 in place to remove the iron.

10 Hydrogen sulfide is oxidized by the addition
11 of chlorine to combat the production of sulfide
12 bacteria. Sulfide bacteria, generally speaking, is what
13 generates the discoloration and the precipitation of
14 solids and material into the water.

15 **COMMISSIONER SKOP:** Okay. And the reason I
16 asked about the iron, again, the coloration on the
17 filters from the home, I guess it seems to me that it
18 might be iron. But looking at the analysis, I guess the
19 MCL is .3, and the analysis results, at least the data
20 I'm looking at is .11, and I'm not sure which
21 subdivision this is specifically for. I assume it's for
22 Pasco County, but does that seem to be correct?

23 **MR. FLYNN:** Well, the water samples for DEP
24 purposes for primary and secondary standards are usually
25 drawn from the wells, each of the wells in the system.

1 In this case, three different wells, so that reflects
2 the source water quality in the ground.

3 **COMMISSIONER SKOP:** All right. Well, I'm
4 looking at this supplemental information and trying to
5 make -- interpret it on the fly, if you will.

6 Moving on to the aesthetic quality issues,
7 what discussions, if any, have been given to
8 interconnection, or bulk water, buying bulk water to
9 improve the water quality? I guess it seems to be a
10 well issue, is that correct?

11 **MR. FLYNN:** Years ago we looked at
12 alternatives including service from Pasco County
13 Utilities, which provides service along State Road 52
14 highway corridor. The cost for connection fees and bulk
15 water services are exorbitant relative to what the
16 current rates are. It's not economically feasible.

17 **COMMISSIONER SKOP:** Okay. Thank you.

18 Any questions from the bench? Commissioner
19 Graham, you're recognized.

20 **COMMISSIONER GRAHAM:** Yes, thank you, through
21 the chair.

22 Mr. Flynn, one of the speakers earlier got up,
23 I believe it was Mr. Albini, and talked about you guys
24 collected water samples from the different homes. Did
25 you collect those samples, and did you ever get any

1 In this case, three different wells, so that reflects
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21 the chair.

22 Mr. Flynn, one of the speakers earlier got up,
23 I believe it was Mr. Albini, and talked about you guys
24 collected water samples from the different homes. Did
25 you collect those samples, and did you ever get any

1 at least feel a little bit more comfortable because they
2 are in the know of what's going on. Right now it's a
3 lot of the -- I'm sure a lot of this process could have
4 been handled on its own if the communication was a
5 little better.

6 **MR. FLYNN:** I agree.

7 **COMMISSIONER GRAHAM:** Thank you.

8 **COMMISSIONER SKOP:** Thank you.

9 Any additional questions for Mr. Flynn? Okay.
10 Hearing none. In the interest of moving forward, again,
11 I certainly want to hear from Public Counsel, as well as
12 staff, but, Mr. Friedman, if you could also briefly
13 touch upon the point of the electronic filing that you
14 made on Friday with respect to additional costs for
15 legal fees?

16 **MR. FRIEDMAN:** Is that the rate case expense
17 issue?

18 **COMMISSIONER SKOP:** Yes.

19 **MR. FRIEDMAN:** I was going to get to that. I
20 was going to go through them in order. If you'd prefer
21 me to jump to that one, I will.

22 **COMMISSIONER SKOP:** No.

23 **MR. FRIEDMAN:** I have just got three other
24 issues, or four other issues to address, and that was
25 obviously going to be one of them.

1 **COMMISSIONER SKOP:** Okay. Well, just proceed
2 in the manner that you intended.

3 **MR. FRIEDMAN:** All right. Thank you,
4 Commissioner.

5 The next issue I would like to comment upon is
6 Issue Number 3. This deals with the Project Phoenix
7 costs, which you recall -- at least two of you recall
8 from prior agendas. And the particular issue I want to
9 address in there is on Page 14 where the staff said that
10 because Utilities, Inc., the parent, had made a gain on
11 the sale of some of its systems in Florida that,
12 therefore, the staff had -- the utility had then
13 recovered the Project Phoenix costs through the profit
14 they made on those systems. And I've got two concerns
15 with that.

16 My first concern is it's contrary to the law.
17 As you recall, a number of years ago the legislature
18 passed the statute that addresses gain on sale, and says
19 the gain or loss on the sale of a utility system is
20 borne by the utility shareholders, and this
21 philosophically is opposed to that mandate by the
22 legislature.

23 My second argument is a more practical one,
24 and that's the fairness argument that you hear me -- if
25 you'll recall, you'll here me make many times, which is

1 what is good for the goose is good for the gander. And
2 so my question is if this had been the other way around,
3 had Utilities, Inc. lost money on the sale of those
4 systems, would this Commission have subsidized that loss
5 by making these customers pay the difference? I don't
6 think so. And that's where the fairness argument comes
7 in. If you wouldn't do it if it benefited the utility,
8 why are you doing it because it benefits the customers.
9 I don't know how you can look me in the eye and justify
10 that. So in addition to being contrary to the law, it's
11 just not fair to do it one way if you're not ready to do
12 it the other way.

13 The next issue that I would like to address is
14 Issue Number 11. The staff is recommending a
15 substantial decrease in the utility's salary and
16 benefits request. And it seems like that what the staff
17 has said, at least in one part as a partial
18 justification is to say that the utility has divested
19 itself of customers so it has got less customers now,
20 why does it need more employees. And the flip side of
21 that is they also recognize that the utility does have
22 an increase in revenue. And so the staff appears to
23 think that at least the corporate level employees are
24 tied to the number of customers and not to revenue, and
25 I don't think that realistically addresses the corporate

1 world today. I don't think the number of customers
2 necessarily is reflective of some of these positions
3 that we have talked about.

4 And on the local level, I'd like to address a
5 couple of the specific positions that the staff has said
6 were not necessary. We have got a regional
7 vice-president now that handles -- it's Patrick's boss
8 that handles not just Florida, but some other states
9 also. So his salary is allocated, obviously, among the
10 various systems that he oversees. You know, we provided
11 the staff with a list of the functions that that person
12 undertakes.

13 You know, the water and wastewater industry is
14 very highly regulated and continues to be more regulated
15 every day and not less regulated. So the utilities, to
16 keep up with that increased regulatory oversight, have
17 got to do stuff. They've got to hire people to do that.
18 And this regional vice-president and business manager
19 position are two positions that are in accordance with
20 that requirement.

21 Also, the staff has refused to recognize the
22 safety and compliance manager positions that the
23 utilities added, and these are additions since the 2005
24 rate case because the staff has more or less said we
25 don't need anybody we didn't have around in 2005. And

1 so the regional vice-president position is a necessary
2 one, along with the business manager, and we have gone
3 over those duties about what that's necessary to do, but
4 those are the people that help us meet the regulatory
5 requirements and also handle the issues of the quality
6 of the service.

7 They also added safety and compliance manager
8 positions. This increases the -- this goes directly
9 along with the obligations of increased oversight by the
10 regulatory agencies to meet or exceed their
11 requirements. Included in that is the employees that
12 the staff has said are unnecessary as a backflow
13 prevention specialist. I'm sure that if you have been
14 reading the clipping services over the last couple of --
15 the last year or, so you have seen that the DEP has
16 begun to enforce its rule on backflow prevention a lot
17 more strenuously than it had in the past, including the
18 annual sampling of backflow prevention devices which had
19 been a requirement for many years, but had just been not
20 enforced by DEP.

21 You know, this person is directly responsible
22 for helping the various subsidiaries of Utilities, Inc.
23 to meet that increased regulatory compliance. And then
24 to say that that person is not necessary is just putting
25 your head in the sand and hoping that everything works

1 out fine. And I would suggest to you that the staff has
2 been overly conservative in eliminating those positions,
3 and would suggest that the employee positions as
4 recommended or as filed by the utility should be
5 reinstated.

6 The next issue I want to address is the rate
7 case expense issue, Number 14. I believe that's the
8 issue to which Commissioner Skop recently referenced.
9 We provided the staff and Public Counsel also the
10 analysis that we did of our actual rate case expense
11 versus what the staff had recommended based upon looking
12 at the -- I think it was the Sanlando Utilities case.
13 And, of course, every case is different. This one
14 substantially different because it involved a number of
15 counties and a lot more systems than the Sanlando case,
16 and, just bluntly, there were three customer meetings in
17 this case instead of one, and so the staff and legal
18 time to attend three meetings instead of one and travel
19 to those locations whereas Sanlando was here locally.

20 Two of these three customer meetings were --
21 one was in Marion and one was in Pasco County, the other
22 one was local. And so, you know, it's not right to be
23 able to just look at one case and say this one is like
24 that one. I mean, I agree that you ought to -- or I
25 concede that you should, as a sanity check, kind of look

1 at each case on rate case expense, and kind of see where
2 they are and see if it is out of line. And if it is way
3 out of line, you know, look at it and try to figure out
4 why it's out of line. But I don't think that it's
5 appropriate for either legal or accounting rate case
6 expense to just say we did it in this case so we're
7 going to do it in this other case.

8 And we provided the staff and Public Counsel
9 and filed with the Clerk our analysis of our actual rate
10 case expense and the little bit that's estimated --
11 since this was so current, there is a very little bit
12 that is estimated through completion, and we used the
13 staff's recommended amount for that through completion
14 amount.

15 And in order to meet the obligation to make
16 the utility, reimburse the utility for its reasonable
17 rate case expense, I would suggest to you that the
18 Commission not accept the staff's recommendation and go
19 with the information that we have provided which is more
20 actual to this particular -- to this particular case,
21 and we would request that you all accept the change in
22 rate case expense to accomplish what was actually
23 incurred.

24 The last issue I want to address --

25 **COMMISSIONER EDGAR:** Mr. Chairman, may I,

1 before we move on?

2 **COMMISSIONER SKOP:** Commissioner Edgar, sure.

3 **COMMISSIONER EDGAR:** Thank you.

4 I'm a little confused. My understanding from
5 staff previously was that -- and from the written
6 recommendation is there was a lack of detail or
7 explanation as to the reason for some of the amounts for
8 the rate case expense.

9 **MR. FRIEDMAN:** I think that is probably
10 accurate as of the time they wrote that recommendation,
11 that's correct. And as a result of that, I mean, had we
12 known in advance of the staff writing its recommendation
13 that it had some issues with the specificity of our
14 filing, we certainly would have made it more specific.
15 And the staff often sends out more than one set of data
16 requests. They only sent out one, I think, in this
17 case. They often send out more than one set of data
18 requests to ask for that type of specificity. They
19 didn't. We didn't know it was an issue, and for that I
20 apologize. And that's why we have filed this additional
21 documentation, just to kind of make up for that lack of
22 specificity.

23 **COMMISSIONER EDGAR:** Okay. And that
24 additional documentation, I believe Commissioner Skop
25 said that had come in Friday. I have not seen that.

1 Would it be possible for somebody on staff to get me a
2 copy while we're discussing it?

3 **MR. YOUNG:** Not a problem, Madam Commissioner.

4 **COMMISSIONER EDGAR:** Thank you.

5 And in the briefing that I had with staff, and
6 it was a little while ago, because I was actually on
7 vacation last week, I think we had some discussion about
8 the fact that -- and as you have referred to there
9 really being only one data request, but that part of
10 that where there was some time constraints. Could you
11 elaborate on that for me or refresh my memory?

12 **MR. FLETCHER:** Yes, Commissioner Edgar. In
13 the timing of the case, we had to send out a data
14 request. Actually, the timing of it was to get more
15 actual rather than -- Mr. Friedman is right, typically
16 we send out a second data request for a rate case
17 expense, but due to the timing we sent out one as a
18 means of efficiency to get more actual rate case expense
19 support. And due to the time constraints for the
20 statutory time frame for a five-month period for this
21 case, there was no time to follow up with the utility as
22 far as any lack of support on the requested rate case
23 expense cost.

24 **COMMISSIONER EDGAR:** Mr. Friedman, do you have
25 any additional on that, any additional comment in

1 response?

2 **MR. FRIEDMAN:** Yes. I think that's consistent
3 what I said, was that typically we expect another data
4 request and request for specificity, if the staff has
5 any. And as Mr. Fletcher pointed out, they did not ask
6 for it and we did not realize there was a problem with
7 it. And we certainly did our best when we did to
8 provide the staff and everybody with our actual rate
9 case expense to see, you know, how inconsistent it was
10 with what the staff had guessed at.

11 **COMMISSIONER EDGAR:** And, again, just for
12 clarity, and thank you for this, does the additional
13 information that Mr. Friedman and colleagues submitted
14 late last week, does that change the staff
15 recommendation? Have you had the opportunity to review
16 it?

17 **MR. FLETCHER:** Yes, we have had a chance to
18 review the information, and I will -- with regard to the
19 three components that were in their letter, one
20 addressed legal fees, the other one was for the
21 accounting consultant firm, and then also the in-house
22 WC, or Northbrook employees working on this case.

23 For the legal fees, had we had the additional
24 invoices at the time of the response to the first data
25 request, or prior to staff's formulation of its

1 recommendation, there are some additional costs for
2 legal that we perhaps would have recommended. I can
3 tell you that it is not material as far as the legal.
4 In fact, the revenue, what we have in the recommendation
5 right now with all five counties, if we were to approve,
6 basically, the legal -- the requested additional legal
7 fees, it would be about \$3,574 all grossed up with RAFs
8 related to that one component.

9 Now, I will just touch on the other two
10 components. The accounting consultant firm, as
11 mentioned on Page 39 of staff's recommendation, one of
12 the things that staff pointed out as far as the lack of
13 detail was -- I'll wait until everybody gets there -- it
14 is Page 39, and it's the last paragraph on Page 39
15 beginning with the third adjustment dealing with Milian,
16 Swain and Associates, and it is actually the fourth
17 sentence where we say, "In addition, the invoices for
18 the actual hours did not provide any detail or itemized
19 description of work performed."

20 Now, Milian, Swain and Associates has been
21 contracted by UI for other sister companies of UI here
22 in Florida. And those other cases, one of the more
23 recent ones was the Sanlando case that we use as a
24 comparable. And in that case the support documentation,
25 the utility provided job detail reports behind each

1 invoice for the accounting firm, and that lists every
2 employee that was responsible for specific tasks and the
3 hours associated in performing those tasks. That was
4 still not provided in the filing on Friday for us to
5 compare, and what happened -- what additional duties or
6 what really did the accounting firm do additional than
7 the last case as they are indicating in their letter on
8 Friday is that it was a more cleaner filing here. Staff
9 only had to ask one data request. The audit is what
10 they mentioned, but there's nothing for us to compare
11 there, because we don't have the detail.

12 The same goes with the last component in their
13 letter for the in-house expenses for the Northbrook
14 employees. We still don't have that detail that was
15 provided in their Friday filing. So if staff were to --
16 basically, bottom line is that if we have the
17 information for the legal fees, then we perhaps would
18 have gotten -- would have included those in staff's
19 recommendation. However, I will say that it is
20 immaterial. And Paul Stallcup can speak to the rate
21 impact on that -- basically, a little less than \$3,600
22 revenue impact with the recommendation for the
23 additional legal fees.

24 **COMMISSIONER SKOP:** Bart, before we get into
25 that, I just want to make sure that Commissioner Graham

1 and Commissioner Brisé, do you have the additional
2 filing that was dated the 30th? Okay. So everyone now
3 on the bench has that.

4 Just before we get into that, I want to give
5 our court reporter a five-minute break, if we could. We
6 have been going for about two hours now, and we
7 typically either change out court reporters or give them
8 a brief break since they are typing diligently. So why
9 don't we do this, why don't we come back at 20 till, and
10 that is in five minutes, and give everyone a brief
11 moment to look at the data and proceed forward from
12 there. Thank you. And we're on temporary recess.

13 (Recess.)

14 **COMMISSIONER SKOP:** Okay. We're going to go
15 back on the record. And before we pick up, when I
16 introduced this item, I know staff said the right item
17 number, No. 5. I believe I said 9, because I
18 was tongue-tied, but I just asked the court reporter to
19 reflect that correctly, that we were discussing Item 5,
20 and I want to make that correction.

21 So when we left off, Mr. Fletcher, you're
22 recognized.

23 **MR. FLETCHER:** Commissioners, I'd just like to
24 add one more thing to the rate case expense with the
25 questioning there regarding their filing. Staff still

1 stands by its recommendation that was filed on the 22nd,
2 with no additional legal fees. Had we had it at the
3 time, we would have considered that at the time.
4 However, because we filed the recommendation on the
5 22nd, the Utility filed its information on the afternoon
6 of the Friday before this agenda conference, and also in
7 light of the utility, is it is not a new process for
8 Utilities, Inc. in filing rate cases. They have
9 actually had three that went on the June 1st agenda, and
10 they know that we need that information in order for
11 staff to analyze the appropriate reasonable and prudent
12 rate case expense. So I just wanted to clarify that
13 staff stands by its recommendation in regards to the
14 appropriate amount of rate case expense in Issue 14.

15 **COMMISSIONER SKOP:** Okay. And just with
16 respect to materiality of the proposed change, I think
17 it's less than one cent on --

18 **MR. FLETCHER:** And Mr. Stallcup can address
19 the materiality, if the Commission wishes.

20 **COMMISSIONER SKOP:** Okay. Great.

21 Mr. Stallcup, you're recognized.

22 **MR. STALLCUP:** Yes. I'm Paul Stallcup with
23 the Commission staff. I think you heard Mr. Fletcher
24 say just a minute ago that had he received all the
25 information on a timely basis he might have saw fit to

1 increase the rate case expense by about \$3,500. I would
2 point out that \$3,500 is 2/100th of one percent of the
3 total revenue requirement of all the systems you're
4 considering here.

5 What that means is that if you are a customer
6 with a \$50 bill, your bill would change by 1 cent. This
7 is not a significant issue as far as customers final
8 rates are, in my opinion.

9 **COMMISSIONER SKOP:** Thank you.

10 Any questions from the bench before we move
11 forward?

12 Mr. Friedman, would you like to respond?

13 **MR. FRIEDMAN:** Well, again, if the staff and
14 the Commission could say if this were a change that were
15 going to benefit the customers, if you can say that you
16 would not make it because you thought it was not
17 material, then I don't think I can really complain about
18 it. I think that it's appropriate and we ought to have
19 included the rate case expense, but I understand the
20 staff's position that filing it at a late date, that the
21 materiality may be an issue. And I can only say that if
22 you will, if you can sit there and say if it were -- if
23 the adjustment were in favor of the customers that you
24 would ignore it because of materiality, then I won't
25 argue with you.

1 And that kind of segues into my last
2 discussion on Issue Number 19. And this is just one --
3 this is a \$2,800 issue. And, again, if the Commission
4 can honestly say that if the error were in the utility's
5 favor that you wouldn't make it because of materiality,
6 then I think I can accept that. But this is one where
7 they made an adjustment for purchased water in Pasco
8 County, and Pasco County doesn't purchase water. End of
9 story, end of discussion.

10 There should not have been a purchased water
11 adjustment to assist them for some -- for a system that
12 doesn't purchase water. This goes to -- it's a \$2,800
13 issue, I think, in round numbers. And, again, it just
14 points out that the staff recommendation was -- I don't
15 know where they got the fact that they purchased -- they
16 purchased wastewater, but not water. And that's a
17 \$2,800 issue. Again, you add that to the \$3,500 issue,
18 and, you know, \$5,000, you all may not think it's much,
19 but, you know, \$5,000 is \$5,000. And I still would
20 request that the staff recommendation be adjusted to
21 reflect the 3,500 and the clear error in the 2,800.
22 Even though it may be pennies to the customers, it is
23 \$5,000, or \$6,000, and to me that's real money. Thank
24 you.

25 **COMMISSIONER SKOP:** Thank you, Mr. Friedman.

1 If staff would briefly speak to that
2 adjustment on Issue 19?

3 **MR. STALLCUP:** I'm trying to see exactly. Mr.
4 Friedman, could you point on page --

5 **COMMISSIONER SKOP:** That is on Page 56, the
6 second paragraph, and Pasco County test year consumption
7 should be reduced. Purchased water expense should be
8 reduced by 2,800, I believe.

9 Is that correct, Mr. Friedman?

10 **MR. FRIEDMAN:** Yes, I think that's correct.

11 **MR. STALLCUP:** I can't address whether or not
12 they have purchased water at this point. I just quite
13 frankly can't recall. But assuming that Mr. Friedman is
14 correct, we'll go back and verify the correct amount
15 that should be included in the calculation of rates and
16 the calculation of the resulting repression adjustment,
17 and we will correct it to reflect the proper amount.

18 **COMMISSIONER SKOP:** All right. Thank you.
19 Any questions from the bench? Okay. Hearing none. Mr.
20 Friedman, does that conclude your presentation?

21 **MR. FRIEDMAN:** That does. I would like to
22 address any arguments that anybody else may make.

23 **COMMISSIONER SKOP:** You will be afforded that
24 opportunity. Mr. Beck, you're recognized.

25 **MR. BECK:** Thank you, Commissioners. And

1 welcome to the new Commissioners, Commissioner Graham
2 and Commissioner Brisé.

3 First of all, I'd like to thank the customers
4 who came out. You know, this is a very large showing of
5 customers, and they started this day at 3:00 a.m., which
6 is quite a feat. I know I wouldn't have liked to get up
7 at 3:00 a.m. But so many customers came up here and
8 took their own time and their own money to do this to
9 show you how important this issue is, that they are
10 getting bad quality water and being asked to pay much
11 more for it.

12 I would like to address -- first of all,
13 address the staff recommendations and issues that Mr.
14 Friedman brought up, and then I'd like to address the
15 more broader issue about the quality of service and the
16 rates.

17 Staff, I think, has done an excellent job.
18 They have done an outstanding job. Many of these issues
19 have been raised before in previous agenda conferences
20 with other Utilities, Inc. systems, and the customers
21 appreciate the work the staff has done to make a number
22 of adjustments to the utility's case.

23 First of all, with respect to Issue 3, which
24 is the Project Phoenix costs. Again, you have already
25 had this argument before you. I know Commissioners

1 Graham and Brisé weren't here, but in previous agenda
2 conferences Mr. Friedman made the same arguments he has
3 made here today. The Commission rejected them, issued
4 proposed agency actions addressing them, and those
5 proposed agency actions have become final orders without
6 protest from the company.

7 Utilities, Inc. argues that what the staff is
8 trying to do is usurp the gain on sales from other
9 systems that were sold, and I disagree with that. I
10 think the fundamental premise of the staff's adjustment
11 is what is a reasonable expense. That the system was
12 designed to serve a large number of separate companies,
13 and when two are sold that doesn't mean that that
14 expense isn't meant to serve the larger number. So,
15 essentially -- and, of course, staff can well defend
16 their own more than mine, but I simply want to show
17 concurrence. What they have said is that this is an
18 unreasonable expense when you consider that this system
19 was designed to serve more. So it's not that the
20 Commission is taking the profits from the sale of
21 systems, it is that you are limiting the expense they
22 seek to recover from the utility customers to a
23 reasonable level.

24 The same is true for Issue 11, which is the
25 salary and benefits issue. Again, the Commission has

1 heard these arguments before in the other Utilities,
2 Inc. cases. You rejected them. They went into proposed
3 agency action orders. Those became final without
4 protest from the company.

5 Utilities, Inc. has proposed salary and wage
6 expense increases of 61.15 percent for water and
7 58.83 percent since the last rate case. Which ask any
8 ordinary person whether that's reasonable in a period of
9 three years and they would tell you you have got to be
10 kidding. They are hiring more people to serve fewer
11 customers. What the staff has done is made an
12 adjustment. They have indexed the salary levels. They
13 have increased them from the last case. And, again,
14 this is premised on what's reasonable. I mean, that's,
15 as I understand, what the basis of the staff
16 recommendation is and we support it.

17 With respect to rate case expense, I think
18 that has already been -- which is Issue 14, we concur
19 with what the staff has said. I would point out that
20 the rate case expense issue is always -- the burden is
21 always on the utility to prove their case and they
22 simply didn't do it in time. They came in at the last
23 minute with adjustments that would be immaterial in any
24 event, but the burden is on them to do it. And if they
25 waited till the last day or the last hour to raise new

1 issues, then they have to accept the consequences of
2 that.

3 Commissioners, the customers, and you have
4 heard them testify, is they are really facing an
5 untenable position. They are paying prices now that are
6 much higher than the prices charged by Pasco County and
7 neighboring utilities. And they are being asked to pay
8 a large increase from those things, from those base
9 levels that are already high, and they are being asked
10 to pay that for an unsatisfactory product.

11 I mean, some of the terms you have heard this
12 morning is that the water smells, it's discolored, it's
13 low pressure. You have seen the filters that one
14 customer brought and he showed you how dirty they got in
15 a 30-day period. One customer described their water as
16 a third-world product. It's black. We have heard the
17 adjectives stinky and filthy describing the water.

18 It's pretty hard for the customers to come
19 here and being asked to pay a rate increase, and a very
20 substantial rate increase, when the product they are
21 getting is so unsatisfactory to them.

22 This is not a new issue. In the last rate
23 case, the Commission found the overall quality of
24 service for Summertree to be unsatisfactory. So this is
25 not news to the company. Commissioner Graham, you had

1 mentioned whether it is just the TTHMs, the issue with
2 the primary DEP requirements. That was present in the
3 last case, as well, but so was the customer
4 satisfaction. The Commission found that the quality of
5 water was unsatisfactory in the last case. They found
6 customer satisfaction unsatisfactory, and they found the
7 quality of service overall for Summertree to be
8 unsatisfactory, yet here they are just a few years later
9 and nothing has been done.

10 The company -- again, this has been raised.
11 It's in the staff recommendation that there have been
12 times in the past when the company has raised issues
13 about doing something about it, but that's several years
14 ago when it was raised here, and, again, nothing has
15 happened.

16 We would encourage, I think as Mr. Flynn
17 suggested, that they sit down with customers and go
18 through the solutions. I mean, the communication is
19 simply inadequate. They have done nothing until they
20 are here today facing the same thing the customers faced
21 years ago.

22 We believe, Commissioners, based on the
23 quality of what the customers are receiving and based
24 upon the history that it was unsatisfactory before, that
25 you are fully justified in denying the rate increase for

1 the Summertree system. You have done such actions
2 before. Chuluota is one, I think, that two of you at
3 least are familiar with, and there have been other cases
4 where the Commission has denied rate increases because
5 of the quality of service.

6 And, again, I emphasize this isn't something
7 new. It has been raised before and nothing has been
8 done about it. If you are not willing to do that, I
9 would ask you that at an absolute maximum would be the
10 staff recommendation. Again, they have done very good
11 work. They have made a number of excellent adjustments.
12 If you were to go that route, I think it would simply
13 place the issue on our office to decide whether to
14 protest it. But, again, that's just a second solution.
15 The better action is to simply deny the rate increase
16 for Summertree.

17 And with that I thank you.

18 **COMMISSIONER SKOP:** Thank you, Mr. Beck.

19 Any questions for Mr. Beck? Commissioner
20 Edgar and then Commissioner Graham.

21 **COMMISSIONER EDGAR:** Thank you.

22 Mr. Beck, what you have elaborated, and we
23 have heard from many of the customers, and, of course,
24 seen the letters and petitions and all with strong
25 concerns about the quality of the product in the

1 Summertree area. With the work that your office, of
2 course, has with all customers, are there concerns
3 similarly in the other area of Pasco County or the other
4 counties that are included within this recommendation?

5 **MR. BECK:** I can't speak to the other systems.
6 I mean, Summertree is where we have heard the most from
7 for certain, and there's a history with Summertree that
8 is specific to this system. Otherwise the record as
9 far -- speaks for itself, as far as complaints from
10 others. There have been complaints for other systems,
11 but I don't think it's the magnitude of Summertree.

12 **COMMISSIONER EDGAR:** Not to the same degree.
13 That is my understanding, but I wanted to make sure that
14 that was consistent with your own.

15 **MR. BECK:** It's mine, as well.

16 **COMMISSIONER EDGAR:** All right. Thank you.

17 **COMMISSIONER SKOP:** Thank you, Commissioner
18 Edgar.

19 Commissioner Graham, you're recognized. No?
20 All right.

21 **MR. FRIEDMAN:** Is this the appropriate time
22 for me to comment upon what Public Counsel has said, or
23 do you want me to wait until after the staff comments?

24 **COMMISSIONER SKOP:** It is. We'll go with you,
25 and then we will go to staff, and I have some additional

1 questions.

2 Mr. Friedman, you're recognized.

3 **MR. FRIEDMAN:** Thank you very much. Again,
4 Marty Friedman. And my comments, really, are brief.
5 The argument we made on the -- that Mr. Beck made on the
6 Project Phoenix costs that the staff made a
7 reasonableness determination. You know, that's what
8 Mr. Beck would like for it to say, but what it says is
9 we made that reasonableness determination because
10 Utilities, Inc. made money when it sold these other
11 systems.

12 And in the prior arguments we made in those
13 other cases about this, we have never made the argument
14 that if you were going to make that adjustment if it is
15 favorable to the utility, would you make that adjustment
16 if it's favorable to customers. It has got to go both
17 ways. That argument has never been made here, that
18 fairness argument has never been made. We did make the
19 legal argument which did fall on deaf ears.

20 On the quality of service, you know, this is
21 not the Chuluota case. Chuluota didn't meet primary and
22 secondary standards like this utility does. I mean, it
23 meets all of the primary and secondary standards. It
24 doesn't meet some aesthetic standards, and I think
25 everybody understands that that is something that needs

1 to be addressed. But as the staff pointed out, and this
2 has been true of other systems, sometimes the fix is
3 just for the customers to do it themselves with their
4 in-home systems. Sometimes that is the most financially
5 feasible solution to the project, and that is what the
6 staff has said is exactly that, that that might, in this
7 case, be the most financially prudent thing to do.

8 And so to all of a sudden penalize the utility
9 by not giving them a rate increase because of aesthetic
10 qualities, I think, is not good regulatory policy, and I
11 think it's contrary to the law. This is not Chuluota.
12 Thank you.

13 **COMMISSIONER SKOP:** Thank you.

14 I think, Commissioner Brisé, you had a
15 question.

16 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.

17 Going to the quality of service issue, I don't
18 know how much interaction the company has actually had
19 with customers with respect to what type of systems they
20 have within their homes, but based upon a lot of the
21 testimony that I have heard this morning, many of them
22 have filtration systems and so forth in their homes and
23 they are still having to deal with these issues. So I
24 don't know if you can respond to that.

25 **COMMISSIONER SKOP:** Mr. Flynn.

1 **MR. FLYNN:** This is Mr. Flynn. I would say
2 that the utility is not familiar with what customers
3 have, what filtration units. We understand they have
4 them. We understand that they do invest in those
5 facilities in order to have better quality. I don't
6 have any particular understanding of how many have them
7 or how much they spend. I do know that our requirement
8 is to meet DEP standards, and we do that routinely, and
9 that's the level of quality we are supposed to meet.
10 That is the standard that DEP sets.

11 **MR. FRIEDMAN:** Commissioner, if I might expand
12 on that. The water quality, I think, and I may have
13 heard this different than you, but the water quality
14 from those folks who have those individual treatment
15 facilities, I think, meet their goal when they bought
16 those treatment facilities, which is to make the water
17 usable for whatever purpose they want to use it for
18 inside their house. I mean, I would hope they wouldn't
19 buy something that didn't serve the purpose that they
20 had. But, you know, that's not unusual. I mean, I see
21 people in my neighborhood, and I've got pretty good
22 water in Central Florida, and some people choose to buy
23 filter systems.

24 You have got the Brita, a company that makes
25 millions of dollars off of people that think that their

1 water needs to be clearer than it is coming out of the
2 tap. There is a whole industry built around this is not
3 even -- this is just tap water that has been filtered.
4 You know, there is a whole industry that is built around
5 that because people have different tastes in water.

6 And so I would suggest to you that those folks
7 who chose to purchase systems, and they may need them, I
8 mean, it sounds like they did need individual systems.
9 And like I say, that may be the cost-effective way to
10 deal with this issue, but I would hope that those people
11 that spent the money to buy those systems that they are,
12 in fact, doing what they paid for them to do.

13 **COMMISSIONER SKOP:** Thank you. Commissioner
14 Graham, you're recognized.

15 **COMMISSIONER GRAHAM:** Thank you, through the
16 chair.

17 Mr. Flynn, I have a question for you. I know
18 the issue here is not necessarily the quality, because
19 that's more of a DEP question, but let's talk a little
20 bit about customer service. What do you guys do,
21 customer service wise, for these users? Do you send out
22 a monthly bill, is that how they get billed?

23 **MR. FLYNN:** Correct. Every month they receive
24 a bill reflecting the amount of service provided.

25 **COMMISSIONER GRAHAM:** Do you guys ever send

1 out any sort of, like, a newsletter letting them know
2 the things that you are working on or the things that
3 you have done, improvements you make, that kind of
4 stuff?

5 **MR. FLYNN:** No, we do not send out a public
6 relations newsletter that identifies.

7 **COMMISSIONER GRAHAM:** Do you guys have a
8 website?

9 **MR. FLYNN:** We have a website.

10 **COMMISSIONER GRAHAM:** Do you provide any
11 information on your website as far as testing that you
12 guys do? I heard you say you have an employee out
13 there, do you post the test results on your website?

14 **MR. FLYNN:** We provide on our website the
15 consumer confidence report that's required annually.
16 That is available on the website for all of our water
17 systems across the company.

18 **COMMISSIONER GRAHAM:** So you just do it
19 annually?

20 **MR. FLYNN:** Correct.

21 **COMMISSIONER GRAHAM:** Is there a reason why
22 you can't just post whenever the guy goes out and does
23 his normal testing? I mean, what I'm looking for here
24 is more of some kind of feedback to the customers. It
25 seems like a lot of this stuff is just -- as I mentioned

1 earlier, putting them, making them aware of what's going
2 on. Making them aware of, you know, you said two or
3 three years ago that the cost of a new system -- well,
4 you got the approval, and in looking at the cost of the
5 new system is going to be \$2 million, \$2.5 million, I
6 mean this kind of communication to these guys as you
7 move forward, as things change, you know, one woman said
8 that the fire hydrants are running all the time and
9 another man said earlier that there is no flushing going
10 on.

11 I mean, I would imagine your guy that is out
12 there, he has got to report this information to
13 somebody. It's just as easy when he e-mails it to
14 somebody to put it, you know, someone to load it onto
15 the website. Somebody to make that information
16 available for the constituents that are out there.

17 **MR. FLYNN:** We do have a corporate website, as
18 I mentioned. It reflects information from all of our
19 systems across 17 states. It certainly would be more
20 labor intensive to have all types of information
21 constantly uploaded to that website. Certainly it could
22 be done. But is there a cost associated with that
23 effort, certainly, and to maintain that level of
24 information. There's a means to communicate. Certainly
25 there is opportunities for improvement. I don't

1 disagree with that whatsoever.

2 **COMMISSIONER GRAHAM:** What sort of things are
3 you guys doing, what sort of things are you guys looking
4 at as far as improvement wise, as far as communication
5 wise? Are you just happy with the standard -- the
6 status quo?

7 **MR. FLYNN:** I would say the, probably the
8 better course of action is to actually contact the
9 homeowners association boards or the collective board
10 for Summertree and have some dialogue with those members
11 in order to allow for communication back and forth to
12 identify what their concerns are and what, what our
13 limitations are, what our concerns or programs are.

14 **COMMISSIONER GRAHAM:** I think that would make
15 everything a lot better for everybody, especially us up
16 here. Thank you, sir.

17 **COMMISSIONER SKOP:** Thank you, Commissioner
18 Graham. Any additional questions from the bench?

19 Mr. Flynn, to follow up on a question from
20 Commissioner Graham, you know, everything I've heard
21 this morning, you know, in terms of addressing the
22 aesthetic quality of the water, it seems as if the
23 position of the company as it pertains to Summertree is
24 one of that of status quo, as Commissioner Graham
25 mentioned, to the extent that there is really nothing

1 more that can be done without seeking additional revenue
2 requirement from the customers for capital improvements.
3 So, you know, it seems as if the position of the company
4 is just to maintain the status quo and continue flushing
5 and not provide any improvements to address the
6 aesthetic concerns raised by the customers.

7 **MR. FLYNN:** I would say that we had intentions
8 to construct our, our plant improvements and simply
9 could not get funding for that in the, in the current
10 condition. So it's still on our plan. It's still an
11 item that can be constructed if and when it meets our
12 needs or if it meets the requirements of the
13 Commissioners or if it meets the requirements. There's
14 not any pure, simple answer because it's an expensive
15 proposition, and we have challenges to meet where we
16 deploy our capital across all of our companies.

17 **COMMISSIONER SKOP:** I understand. And that's
18 one of the critical issues I think facing Florida is how
19 do you provide quality water at an affordable cost? And
20 any time you have, you know, tertiary issues that need
21 to be resolved such as aesthetic quality, you know,
22 obviously you have to put in capital improvements to pay
23 for those. And I think that that's where, you know, the
24 critical challenge facing the Commission hearing from
25 the consumers is how do you deal with that, where's the

1 tension? And sometimes it seems as if that is the
2 biggest challenge. And, you know, obviously
3 interconnecting or doing things like that tend to
4 mitigate some of those concerns, but that doesn't appear
5 to be feasible in this instance or pursuit.

6 But anyway, any other additional questions
7 from the bench before we move forward? Mr. --
8 Commissioner Edgar, you're recognized.

9 **COMMISSIONER EDGAR:** To staff, can you
10 elaborate on the issue that Mr. Friedman raised about
11 the gain on the sale perhaps not being consistent with
12 law or the handling in the item?

13 **MR. DEASON:** Yes, Commissioners. I'm Jared
14 Deason with Commission staff. I think staff has a
15 different take on this issue than what Mr. Friedman
16 does. He is trying to portray an issue where we're
17 trying to take some of their profits from the sale.

18 In determining the profit or loss, you have to
19 look at the transaction, you have to look at the sales
20 price of the, of the utility, you have to reduce or take
21 away the net book value which is associated with the
22 company's rate base minus depreciation. You have to
23 take away any transaction costs that are associated with
24 that to determine if there is a profit or loss.

25 Staff believes that the allocated portion of

1 Project Phoenix is found in the net book value which is
2 associated with our rate base. The reason we pointed
3 out that issue that they did make a profit is to point
4 out that they were able to recover all of their net book
5 value when they did sell it.

6 But I think that the biggest reason that we do
7 not agree with the utility has to come down to customer
8 benefit associated with the sale. Under these
9 situations, under this situation, the utility have
10 divested themselves of some utilities. And because they
11 have divested themselves of these utilities, they want
12 to take those allocated portions of the Project Phoenix
13 and reallocate it to the other remaining systems, which
14 increase the amount that those other systems, the
15 undivested systems have to pay. But there is no --
16 staff does not believe there's any added benefit to the
17 customers by doing that. We believe they're just paying
18 more for something that they're already getting with no
19 extra benefit.

20 **COMMISSIONER EDGAR:** Okay. Thank you.

21 Mr. Friedman?

22 **MR. FRIEDMAN:** Then why did they say it the
23 way they said it? I mean, if, if, if it didn't matter
24 that they gained, made a profit on the sale of those
25 systems, why the heck did they put it in the staff rec?

1 It had to be put there for a reason. And now that they
2 see that maybe they shouldn't have said it, maybe now
3 they're trying to retreat from that position. But, I
4 mean, why mention something if it's got no significance
5 to your opinion? It obviously had a bearing on their
6 opinion or they wouldn't have written it in there.

7 **COMMISSIONER SKOP:** Mr. Fletcher.

8 **MR. FLETCHER:** Just a comment on that. We
9 perceived that the utility might use that as a concern
10 of theirs because we definitely know the case law for a
11 gain on sale, 100 percent of a gain on sale -- if you
12 lose the revenue streams, you get the customers, you
13 lose that revenue stream, that is, flows to the
14 shareholders 100 percent. That was actually an item
15 that was addressed in UIF's 2002 rate case. That was a
16 posthearing decision. And after that decision was made,
17 that final order, then the rule for acquisition
18 adjustments was started to be promulgated, actually, you
19 know, rulemaking was processed and now the acquisition
20 rule is in place.

21 So I agree that it is 100 percent of the gain
22 flows to the shareholders. However, what Mr. Deason was
23 trying or was expressing is, is that the difference
24 between the sales price and the net book value that's,
25 and also the selling cost, that's your gain. We're

1 saying that is the net book value and it's not in the
2 gain.

3 But like Mr. Deason alluded to, is one of the
4 other factors more primary is that we had a customer at
5 one of the sister companies of UIF, Penbrooke, in a
6 customer meeting stating what happens if UI divests all
7 of its systems? Let's say it's just Penbrooke. Is it
8 fair, just and reasonable for Penbrooke customers to pay
9 a return on a \$21.6 million investment? No, it's not.

10 And that's -- basically we address that on
11 page 14 of our recommendation and in the, starting with
12 the second paragraph. And I believe it is the second to
13 the last sentence where we say, "Because no added
14 benefit was realized by the remaining subsidiaries,
15 staff further believes that it is not fair, just or
16 reasonable for ratepayers to bear any additional
17 allocated project -- or Phoenix Project costs."

18 **COMMISSIONER SKOP:** Thank you, Mr. Fletcher.
19 Any additional questions from the bench?

20 **COMMISSIONER EDGAR:** I do, but on other
21 issues. So if there's anything more on this issue
22 for -- okay.

23 **COMMISSIONER SKOP:** I don't have anything more
24 on this issue. Commissioners? Okay. All right. Good.
25 Commissioner Edgar, you're recognized.

1 **COMMISSIONER EDGAR:** Thank you. I'm trying
2 to -- to staff, I'm trying to remember. It seems that
3 some time back ago that we had one or more instances
4 where rather than satisfactory or unsatisfactory quality
5 of service, we found a, made a finding of marginal, and
6 I'm just having a hard time remembering, remembering
7 what instance it is that I'm trying to remember. But I
8 vaguely recall that there in that instance were maybe
9 some similarities as far as Tier 1 standards being met
10 but more Tier 2 as far as aesthetics not being met.

11 So my question is can you help refresh my
12 memory on that, if I'm anywhere close? And then,
13 secondly, is there any, under the statute, any legal
14 requirements triggered or not triggered or discretion on
15 our part as far as unsatisfactory versus marginal?

16 **MR. WALDEN:** Commissioner Edgar, Tom Walden of
17 Commission staff. This is just from my recollection.
18 When we, when the Commission has found a marginal
19 quality of service as far as quality, when we're talking
20 about primary and secondary standards, periodically we
21 will have a utility company that has an issue with
22 standards and the utility has made a significant effort
23 to improve the water quality, they may not, the utility
24 may not achieve the standard just yet but it's close.

25 **COMMISSIONER EDGAR:** Uh-huh.

1 **MR. WALDEN:** Because of the steps the utility
2 has made. In my recollection, I believe we have made a
3 recommendation to the Commission that that would be a
4 marginal quality of service because of the effort the
5 utility has made.

6 I think it's more common for staff to
7 recommend and for the Commission to agree, marginal
8 quality of service when it's really the response from
9 the utility company to the customers where we don't
10 believe the utility is making enough effort to resolve
11 an issue. It kind of goes to what Commissioner Graham
12 was saying earlier in terms of interaction between the
13 customer and a utility where the utility makes a bigger
14 effort to keep the utility customers informed of changes
15 that are occurring.

16 The recommendation in this case is -- the
17 reason we concluded it was satisfactory quality of
18 service is that in my opinion I see the utility making a
19 big effort for flushing. Obviously the utility is
20 meeting standards, both primary and secondary. The
21 utility is doing a pretty good job with what they are
22 faced with. And in order to improve the water quality,
23 I believe there's going to have to be additional
24 treatment. That's kind of where we are with this case.
25 And I've touched on the marginal conclusions that the

1 Commissioners found before. If there's more detail
2 needed on marginal, I'd have to look it up. That's the
3 best of my recollection.

4 **COMMISSIONER EDGAR:** Thank you.

5 **COMMISSIONER SKOP:** Any other -- Mr. Willis.

6 **MR. WILLIS:** Just to add on to your second
7 part.

8 **COMMISSIONER EDGAR:** Yes.

9 **MR. WILLIS:** When the statute gets invoked as
10 far as marginal versus unsatisfactory.

11 **COMMISSIONER EDGAR:** Yes.

12 **MR. WILLIS:** Normally the Commission would
13 have to have a finding of unsatisfactory before they
14 would use the rate of return portion of the statute that
15 says the Commission could penalize the company down to
16 the low end of the range of reasonableness. In that
17 case, if you found that in this case, you would have to
18 make the finding of unsatisfactory for the Summertree
19 subdivision.

20 And the other, the other problem you have here
21 is with the way the rates are set. You have uniform
22 rates by five counties. It's virtually -- it's pretty
23 difficult, not impossible, difficult to separate out the
24 Summertree revenue requirement from the other half of
25 Pasco County. The only way we could probably do it at

1 this point if you were to make that kind of a finding
2 would be to penalize, not by penalize, but reduce the
3 rate of return down to the low end of the range of
4 reasonableness for the entire Pasco County portion, if
5 that were -- if that answers your question.

6 **COMMISSIONER EDGAR:** That's very helpful.
7 Thank you.

8 **COMMISSIONER SKOP:** Thank you, Commissioner.

9 As a follow-up, Mr. Willis, on the Pasco
10 County issue of making any appropriate adjustment
11 because of the uniform rates, it would have to be on a
12 countywide basis if we were to make any findings.

13 **MR. WILLIS:** I would agree with that. It
14 would have to be on a countywide basis.

15 **COMMISSIONER SKOP:** All right. Thank you.
16 Any additional questions from the bench? I have a few.

17 Mr. Flynn, with respect to the flushing, I
18 guess staff has noted that you're making efforts in
19 Summertree to accomplish that. Has that been automated
20 to any extent with automated flushing or --

21 **MR. FLYNN:** It has not, Commissioner. We've
22 utilized our manpower to accomplish our flushing in that
23 system so far.

24 **COMMISSIONER SKOP:** Would there be any
25 resultant cost savings that could be realized by going

1 to an automatic flushing process?

2 **MR. FLYNN:** I doubt it. There's going to be
3 no change in labor. The person who, who is there
4 routinely each day has a similar set of requirements and
5 responsibilities that covers most of the workday.

6 **COMMISSIONER SKOP:** All right. Thank you.

7 And just a few points of information. I guess
8 Mr. Albini had questioned why interim rates occurred,
9 and I just wanted to reference the statute. That was
10 *Florida Statute 367.082* deals with interim rates and the
11 requirement of the Commission to grant those.

12 But more importantly, your second question as
13 to why the percentage increase is the highest for the
14 Pasco water and wastewater, I do have a question for
15 staff. On page 46 of the staff recommendation it
16 outlines the percentage increase in revenue requirements
17 for the Pasco water and Pasco wastewater. And can staff
18 specifically speak as to what's driving the water
19 increase in water revenue requirement?

20 **MR. FLETCHER:** Yes, Commissioner. For Pasco
21 County, staff had compared from the last order and
22 basically from our recommendation, and what's driving it
23 for the water is you have a 1 point, almost \$1.5 million
24 rate base increase since the last rate case. And,
25 again, those would -- it's non-growth related. It's

1 more for the system pumping and the treatment equipment
2 is the primary drivers for the plant. And so that's one
3 of the areas. And then also for the operating expenses
4 have increased since the last case, primarily operating
5 and maintenance, operation and maintenance expense as
6 well as taxes other than income primarily for the
7 property taxes. Because of that additional tangible
8 personal property investment, their tax assessed value
9 has gone up and then that's also a fallout of property
10 taxes increasing.

11 **COMMISSIONER SKOP:** Okay. So under regulatory
12 law, just for everyone that's in the audience can
13 understand, when they place equipment in service for the
14 public benefit, they're entitled to recover rates for
15 taxes and depreciation and all those other additional
16 expenses that a municipality would not otherwise
17 recover; is that correct?

18 **MR. FLETCHER:** That is correct. There are
19 definitely -- the two notables is, like you mentioned,
20 property taxes that municipalities will not have to pay,
21 income taxes that they won't have to pay as well.

22 **COMMISSIONER SKOP:** Okay. And with respect to
23 the addition to rate base, you mentioned there's
24 approximately \$1.5 million in capital investments
25 outside of O&M costs. Was any of that spent on, on

1 improving the aesthetic quality or is that just
2 replacement of pumps or capital items?

3 **MR. FLETCHER:** That was non-growth related,
4 non-aesthetic related plant improvements. As Mr. Flynn
5 mentioned earlier, the system was placed in service back
6 in the '70s. So that was for non-growth related
7 treatment plant and system pumping primarily.

8 **COMMISSIONER SKOP:** Okay. So if \$1.5 million
9 was spent on capital projects as an addition to rate
10 base, it's driving this revenue requirement. If they
11 had to do \$2.5 million to improve the aesthetics, it
12 would probably multiply that or at least double the
13 percentage revenue requirement increase. Would that be
14 just fair just as a rough --

15 **MR. FLETCHER:** A rough number. I did the
16 calculation based on \$2.5 million. You basically have
17 depreciation of \$125,000, and it would be \$175,000 for
18 the return. So you're looking at with grossed up it
19 would be about \$313,000 in additional revenue
20 requirement.

21 **COMMISSIONER SKOP:** Okay. So basically rates
22 would probably double over what they currently are now.

23 **MR. FLETCHER:** That's correct.

24 **COMMISSIONER SKOP:** Okay. All right. Just a
25 couple follow-on items. And then, Commissioners, I

1 think my plan, just to move this along, is to proceed
2 item by item, if that's the will of the Commission, and
3 we can do a vote. But I did have some additional
4 questions for staff before we got into that.

5 With respect to the rate structure for Pasco
6 County, I know staff speaks to that. Let me find the
7 appropriate page. I've got it tabbed here.

8 **MR. FLETCHER:** Page 47, Commissioner.

9 **COMMISSIONER SKOP:** I believe so. Thank you.
10 Yes. Actually it was a different page. Okay. It's
11 page 47. Starting with the paragraph in the middle of
12 the page where the appropriate rate structure for water
13 systems in Pasco County. In developing that rate
14 structure, they used a BFC cost recovery percentage,
15 45 percent for the water system and 30 percent for the
16 wastewater system. Do you see that on that page?

17 **MR. STALLCUP:** Yes, I see it, Commissioner.

18 **COMMISSIONER SKOP:** Were there any sensitivity
19 analysis done? I know that the water consumption is
20 highly seasonal, but it seems to me that they're lumping
21 the majority of the rate structure costs into the base
22 facility charge. And were there any variations of that
23 performed to see what the sensitivities would be on
24 Pasco rates, if any?

25 **MR. STALLCUP:** Yes. We do look at the degree

1 of seasonality and what the proper percentage for the
2 BFC should be to cover fixed costs, while the majority
3 of the customer base is out of residents. And in this
4 case we did find that the 40 percent was, or, I'm sorry,
5 45 percent was, was necessary to cover the company's
6 fixed costs as measured by our accounting staff.

7 **COMMISSIONER SKOP:** Okay. And as a corollary
8 follow-up to that, because I know typically on that same
9 page in other areas of Marion County the BFC, and it may
10 be due to seasonality or what have you or overall water
11 consumption, but the BFC recovery percentages are much
12 lower. And so it seems as if you stated that the fixed
13 costs are being recovered or the operating costs by the
14 BFC percentage.

15 **MR. STALLCUP:** That's correct.

16 **COMMISSIONER SKOP:** If that's the case, then
17 what is driving the high gallonage charge for Pasco
18 County?

19 **MR. STALLCUP:** It would be the total revenue
20 requirement that the rates need to recover.

21 **COMMISSIONER SKOP:** Okay. Do you know if, I
22 don't know if Ms. Lingo is assigned to this case, but
23 did Ms. Lingo do any of the rate structure analysis on
24 this one?

25 **MR. STALLCUP:** No. Actually I did it all and

1 we just carried the rate structures forward from the
2 last case.

3 **COMMISSIONER SKOP:** Okay. All right.
4 Commissioners, I don't have any further questions. I
5 wanted to look to the bench before we get started.

6 **MR. STALLCUP:** Commissioner, if I may, I'm
7 going to respond to Mr. Friedman's comment about the
8 \$2,800 back on, I think it was page 56. We went back
9 through the MFRs as well as staff work papers, and
10 somewhere along lines -- purchased power expense became
11 labeled as purchased water expense in staff's work
12 papers. So the correct amount, I'm sorry, the correct
13 phrasing on page 56 for Pasco County, that first
14 sentence should read, "Pasco County test year
15 consumption should be reduced by 4,443 gallons and
16 purchased power expense should be reduced by \$2,800."
17 So the dollar amounts are correct, it was just simply
18 mislabeled.

19 **COMMISSIONER SKOP:** Okay. And those
20 projections, were those -- were escalators used for that
21 or do they reflect current cost of electricity?

22 **MR. STALLCUP:** Current cost.

23 **COMMISSIONER SKOP:** Okay. Thank you. Any
24 additional questions?

25 I do have one for Mr. Fletcher. On page 21 of

1 the staff recommendation where it talks about
2 infiltration and inflow adjustments at the bottom of the
3 page, staff concluded that the utility's calculation
4 show excessive I&I at Summertree and that adjustment was
5 made to take those out.

6 **MR. FLETCHER:** Yes. That adjustment was made
7 to reduce the purchased wastewater by the excessive I&I.

8 **COMMISSIONER SKOP:** Okay. And so for the
9 purchase wastewater expense for Summertree was
10 \$316,638 and was decreased by \$63,000 and change?

11 **MR. FLETCHER:** That's correct, Commissioner.

12 **COMMISSIONER SKOP:** Okay. All right. All
13 right. Commissioners? Commissioner Edgar, you're
14 recognized.

15 **COMMISSIONER EDGAR:** Thank you. Just for
16 clarity, Mr. Stallcup, making the wording, the slight
17 but important wording change on page 56, the numbers
18 that you just read to us are the numbers from the item,
19 but I thought that we had modified those numbers.

20 **MR. STALLCUP:** Oh, I'm sorry. You're
21 absolutely correct. There was that modification.

22 **COMMISSIONER EDGAR:** Just so I knew which page
23 I was looking at.

24 **MR. STALLCUP:** And so that same change from
25 purchased water expense, purchased power expense would

1 apply to the modification.

2 **COMMISSIONER EDGAR:** Okay. And the -- but the
3 number in the first line is the correct number on a
4 going forward now for our consideration is 4,914?

5 **MR. STALLCUP:** I believe that's correct.

6 **COMMISSIONER EDGAR:** Okay.

7 **MR. STALLCUP:** I have the old rec right here
8 in front of me right now and I don't have the other one.

9 **COMMISSIONER EDGAR:** Okay. Thank you.

10 **COMMISSIONER SKOP:** All right, Commissioners.
11 I guess the time has come to address the items before us
12 today on this Item 5, and I guess we'll begin with
13 Issue 1 with respect to the quality of service.

14 And is there any discussion as to the quality
15 of service? Or, staff, could you just lead us into this
16 issue and we'll do that and then have the Commission
17 discussion. Just a brief overview. I think we've
18 covered the majority of the issues, but --

19 **MR. WALDEN:** Tom Walden, from Commission
20 staff.

21 Staff is recommending that the overall quality
22 of service, water and wastewater service be found
23 satisfactory based upon the utility meeting the
24 standards as set forth by the DEP, and also the
25 utility's efforts to respond to customer inquiries and

1 solicitations from the customers for flushing or for any
2 issue that the customers have with water quality.

3 **COMMISSIONER SKOP:** Thank you. Any questions
4 from the bench? Any discussion with respect to some of
5 the comments that staff had made? Okay. Do we have a
6 motion -- actually I do have a little bit of discussion.

7 With respect to the quality of service, I know
8 customer service is included in that. Staff, on page 8
9 of the recommendation, has indicated that the company's
10 attempted in staff's opinion to make a good faith effort
11 to address the customer concerns, but the aesthetic
12 qualities are what they are. And if staff could briefly
13 speak to that.

14 **MR. WALDEN:** Yes, sir. The water quality at
15 Summertree is obviously a real concern. I think the
16 customers did a very good job of characterizing the
17 water quality that they receive through their taps. The
18 other systems involved in this case, the water quality
19 is much better. I think the, as discussed in the staff
20 recommendation, a number of customers have purchased
21 home treatment units of varying devices in order to
22 improve the water quality. We saw the filters that were
23 brought in for, to show us the, the color of the water
24 is yellow to brown. It changes in variation. There are
25 more sophisticated home treatment units that can be

1 purchased.

2 So, so many times what staff sees is that
3 customers have different expectations for water quality.
4 There's absolutely no disagreement from staff that the
5 water quality at the Summertree system leaves a lot to
6 be desired. We have, we've discussed this issue before
7 with other utilities where even if the water quality
8 meets the DEP standards, it's not anything that any
9 customer would really like to have. They would like the
10 water quality to be better.

11 Other options are, as we've heard this
12 morning, where the utility can invest some more money
13 and do treatment for all the water that is delivered to
14 the system and -- well, it's -- there are those options.
15 It'll cost more money to do so, but it certainly would
16 improve the water quality.

17 **COMMISSIONER SKOP:** All right. Commissioner
18 Graham, Commissioner Brisé and then Commissioner Edgar.
19 Commissioner Graham, you're recognized.

20 **COMMISSIONER GRAHAM:** I am -- the quality is a
21 big issue. I think, as Mr. Friedman has said earlier,
22 everybody has got their own idea of what quality should
23 be. I've seen -- you know, I think we've all traveled
24 different places. You've seen some water that you would
25 never drink and which people have probably been drinking

1 all their lives and some water that you think tastes
2 absolutely fantastic. I, I don't mean to keep harping
3 on the customer service. I think that is a key one. I
4 would encourage -- I guess there's a lot to be said with
5 institutional knowledge. This is the first time you
6 guys have been before me, so I can't say that I'd like
7 to see you do something in the future and then two years
8 later when it doesn't happen maybe things wouldn't be so
9 well.

10 But I think that communication needs to be
11 there. I think you need to have a candid conversation
12 with the residents of Summertree and go over the
13 options. I think Mr. Friedman was correct, or maybe it
14 was Mr. Flynn that said maybe it's best or, best to
15 handle it with everybody doing their own standards at
16 their own home. Because if you try doing it systemwide,
17 it may be something that may be cost prohibitive for
18 some of them. And, but I think those options need to be
19 laid out before them, those conversations need to be
20 had.

21 I'd like to also see some other things
22 happened, as I mentioned earlier. I'm not going to go
23 back over when it comes to customer service. I think
24 you'll ease a lot of the tensions out there if those
25 things do occur. It's a shame that DEP standards

1 doesn't take into account some of these things.

2 And I guess the question I have to staff, is
3 there a turbidity test when it comes to the DEP
4 standard? Does it matter what the color of the water,
5 what's floating in there, or is that just not part of
6 the DEP standard?

7 **MR. WALDEN:** There are standards. There is a
8 standard for turbidity. There is also a standard for
9 color. The utility is meeting both of those standards.
10 The color, I believe the -- I can't remember
11 specifically the number for color. I want to say that
12 the upper limit is like five units and the water at
13 Summertree is like 1, 1.5. It's really -- the bottom
14 line that I see is that the standards are what they are.
15 And when you have a water quality like Summertree has,
16 even though the water meets standards, it's not the kind
17 of quality that any customer would want to have.

18 **COMMISSIONER GRAHAM:** Now when these DEP
19 tests -- I guess most of these things are done prior to
20 the, prior to entering the household.

21 **MR. WALDEN:** That's correct.

22 **COMMISSIONER GRAHAM:** So when you're dealing
23 with lines that are 40 years old, I'm sure there's a ton
24 of calcium scale and all those things. And having
25 experienced this personally myself with an older system,

1 you pull out one of those 2.5 lines, 2.5 inch lines and
2 you can't even see light come through those lines. So I
3 can imagine what it picks up as it goes from, from the
4 source to the household.

5 And I guess it was Mr. Flynn that said earlier
6 there was a test that they do that actually, the test
7 has to be done at the home, and I believe that was an
8 iron and a lead test; is that correct?

9 **MR. WALDEN:** That is copper and lead.

10 **COMMISSIONER GRAHAM:** Copper and lead. And it
11 seems like there's a lot of things here to be desired,
12 but I guess DEP is the one that's controlling the
13 quality of this and our question here is more the rate.
14 But the customer service, I think there needs to be a
15 little bit more outreach there.

16 **COMMISSIONER SKOP:** Thank you, Commissioner.
17 Commissioner Brisé.

18 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.
19 I won't repeat what Commissioner Graham has addressed
20 because that's one of the things I wanted to address.
21 But I want you to address the, I guess the financial
22 impact of the two routes that could be afforded to
23 customers: The in-home route of addressing the quality
24 of the water and the systemwide way of addressing the
25 issue. If we were to hypothetically look at the dollars

1 and cents of that, you know, which route would
2 potentially be more, say, cost-effective for the
3 customer?

4 **MR. WALDEN:** That's a difficult question to
5 answer and here's why. I believe Mr. Fletcher said that
6 if we were to consider the plant improvement of about
7 \$2.5 million that the utility would invest, we're
8 looking at an increased revenue requirement to water of
9 a little over \$300,000. Obviously that's significant.

10 As far as home treatment units, home treatment
11 units are a couple thousand dollars apiece. They might
12 be \$2,000, maybe as much as \$3,000. I think there are
13 treatment devices out there that you can buy for your
14 home and you can spend as much money as you want.

15 What I have seen in my experience with the
16 Commission and interfacing with customers who are
17 dissatisfied with the water quality, as some of the
18 customers alluded here today, you know, it's a
19 retirement community, there's not increases in
20 retirement income. Some of these folks don't have the
21 extra resources to buy the home treatment unit. They're
22 not in a position to spend \$500 or \$1,000 and certainly
23 not \$3,000 on a home treatment unit. So it's going to
24 come down to personal choice, and chances are the most
25 significant thing is what I can afford in order to

1 improve my water quality.

2 So that's -- really my bottom line is it's a
3 difficult question to answer and it's going to be
4 customer specific to a large degree.

5 **COMMISSIONER SKOP:** Commissioner Edgar.

6 **MR. FLETCHER:** If I may clarify.

7 **COMMISSIONER SKOP:** Yes, briefly.

8 **MR. FLETCHER:** The number that I had mentioned
9 earlier about over \$300,000, that was just for the
10 capital cost. I don't have, like Mr. Flynn mentioned
11 earlier, when you have aeration, you're going to have,
12 and you're going to have some storage and high service
13 pumping, you're going to have additional purchased power
14 and maybe other operating -- just with that type of
15 system, the maintenance expense on that is pretty
16 extensive. So I don't have those factors. That's just
17 at a minimum with the capital investment.

18 And looking at that without having their
19 engineering study, you know, we have a rule in
20 depreciating it with treatment equipment, that's over 20
21 years is what that would be recovered over.

22 **COMMISSIONER SKOP:** Thank you. And
23 Commissioner Edgar.

24 **COMMISSIONER EDGAR:** Thank you. Is there, and
25 this is to the company initially anyway, is there a

1 third option potentially of interconnecting with Pasco
2 County? And if that may be an option, how would the
3 costs compare?

4 **MR. FLYNN:** Exorbitant.

5 **COMMISSIONER EDGAR:** Beyond the \$2.5 million
6 for --

7 **MR. FLYNN:** Pasco County would charge us
8 connection fees per each household to have access to
9 their water system and its capacity that they've already
10 invested in. And that would be a one-time event, just
11 as we collect connection fees from new customer. To
12 them it would be a new customer base and they would have
13 to pay connection fees. That's a very extensive, very
14 expensive proposition on the front end, plus an ongoing
15 expense for the added cost of bulk water, which is not
16 cheap over time.

17 **COMMISSIONER EDGAR:** And so the -- for -- are
18 you telling me that in your estimation that would be
19 significantly greater than the \$2.5 million that has
20 been estimated to potentially have a positive impact on
21 the aesthetic quality?

22 **MR. FLYNN:** That's my perception from having
23 discussed that perspective, that issue about two, three,
24 four years ago.

25 **COMMISSIONER EDGAR:** Just for discussion

1 purposes at this point to our staff, if it were to be
2 the will of the Commission to as to Issue 1 find the
3 water quality satisfactory for the other portions of the
4 system that are before us but unsatisfactory for the
5 Summertree portion of Pasco County, what other issue
6 numbers would then potentially be impacted by that
7 finding as we moved through the different adjustments
8 and recommendations?

9 **MR. FLETCHER:** Yes, Commissioners. If that
10 was found for the 100 basis points, bringing them down
11 to the low point of the ROE, it would impact Issue 9 and
12 10 specifically for Pasco County.

13 **COMMISSIONER EDGAR:** Uh-huh.

14 **MR. FLETCHER:** Then Issue 16, 17 and maybe
15 even Paul's Issue 19 and 20 as well.

16 **COMMISSIONER EDGAR:** Thank you. Commissioners

17 --

18 **MR. FLETCHER:** Oh, I'm sorry. The interim
19 refund too. It would affect Issue 21 as well.

20 **COMMISSIONER EDGAR:** Thank you.

21 Commissioners, during the time that, that I've been here
22 and probably before as well, I know that as a body we
23 have grappled with this issue, particularly with some
24 older systems particularly in Central Florida because of
25 some of the geographic components and elements that are

1 more unique to that area than some of the other parts of
2 the state. And I know that we have also, to my memory,
3 grappled with how to, how to hit that fair and
4 reasonable and equitable and appropriate -- is it
5 appropriate to find a finding of unsatisfactory if
6 indeed it meets all government standards? And, you
7 know, and that, that can be a difficult question that we
8 often have gone round and round about.

9 It also, of course, gets us into the, we have
10 had this with other issues over the years where if we
11 find something unsatisfactory, then we are basically --
12 it could be perceived that we are directing the company
13 to make an investment, at which point under the law they
14 would come back to us to approve a rate increase, often
15 significant, that we in many ways directed that they
16 needed to do in order to be a quality, performing
17 company and meet the requirements, needs and
18 expectations of their, of their customers.

19 So often this gets into, you know, kind of a
20 circular -- I want and I'm sure we all want every
21 consumer in the State of Florida to have a quality
22 product, one that meets all standards and exceeds, but
23 yet often there are costs involved with that. And as an
24 agency I think we need to think that through.

25 I asked the question about potentially making

1 a different finding for the Summertree portion. My
2 understanding from staff in response to questions that
3 Commissioner Skop asked, that effectively if we were to
4 go in that direction, probably to apply it to all of
5 Pasco County would be the more appropriate or logical
6 thing to do, which would counterintuitively maybe give a
7 slight subsidy to the other portion of Pasco County. I
8 don't know that that is -- that candidly is not an
9 overriding concern in my mind, but I do think it's a
10 point that should be raised and that we should be clear
11 on.

12 I welcome, welcome your thoughts, especially
13 on the, the findings, the terms of the statute,
14 satisfactory, unsatisfactory. As staff has discussed
15 with us, we have in some other instances under perhaps
16 some other circumstances made use of the term "marginal"
17 when something seemed to meet and exceed standards but
18 yet there were other components that were not, not quite
19 there. And I appreciate the staff helping me think
20 through if indeed that were a direction on Issue 1 that
21 as a body we had some interest in recognizing, that then
22 there would be fallout impacts for the Pasco County
23 portion of the recommendation on a number of other
24 items. So I welcome your thoughts.

25 **COMMISSIONER SKOP:** Thank you. Just before we

1 move forward, I have a follow-up question to Mr. Flynn.
2 With respect to the question that I posed, Commissioner
3 Edgar posed regarding the interconnection or bulk water
4 to improve the aesthetic water quality within your
5 system, you mentioned that the cost to interconnect with
6 Pasco County would be excessive in your view to the
7 extent that they charge a per household interconnection
8 fee vis-a-vis.

9 Beyond that, you know, this is the paradox
10 that we're faced with. Obviously, you know, a private
11 company is in business to make money, it gets a return
12 on investment, it gets, you know, rates that are
13 compensatory and in accordance with the controlling case
14 law. The problem here is the aesthetics and you have
15 the consumers that don't like paying for water that they
16 claim they can't use, but the company can't just do it
17 on its own to improve the quality. And that's where,
18 again, this discussion has come down many times. And,
19 you know, the Commission deals with a lot of electrical
20 issues and those are challenging, but I think the
21 Commission has a really good handle on those.

22 What is more critical though I think is,
23 again, the providing quality water at affordable costs
24 seems to be the most challenging issue facing this
25 Commission. And, Commissioner Brisé, I know in your

1 former service on the Legislature, you know, certainly
2 one of the things that seems to draw attention to how do
3 you solve this tension between rates that become
4 unaffordable when you make the required capital
5 improvements on small delapidated systems versus
6 achieving economies of scale. And in most instances
7 municipalities can provide higher quality water at a
8 lower overall cost. But the question is how do you have
9 that public/private type of arrangement to, to achieve
10 affordable rates and quality water?

11 So my question to Mr. Flynn would be has there
12 been any consideration given to divesting the Summertree
13 community, to selling it to a municipality that could
14 bring some of these improvements at a lower cost?

15 (Applause.)

16 I mean, because ultimately I think what you're
17 going to see is, and I hope, because the Commission
18 can't deal with this on its own, is some legislative
19 intervention where the Legislature provides incentives
20 that encourage municipalities to acquire these small
21 systems to achieve the economy of scale, thereby
22 bringing the overall cost of the rate structure down and
23 achieving the water quality issues. It's not a
24 reflection on your company. It's just the economic
25 realities of at what point do you reach an affordability

1 threshold? And we've faced that in other cases before
2 the Commission. But I just wanted to ask if there's
3 been any thought or consideration on this one system
4 where it's possible to consider such options?

5 **MR. FLYNN:** Well, we bought the system years
6 ago and it's an asset. It's certainly the case that if
7 it was worth our while to sell a system, we would sell
8 it for a fair market value, for a reasonable value that
9 we think is appropriate for our investment.

10 **COMMISSIONER SKOP:** I understand. But in
11 light of the concerns that obviously have occurred since
12 2007 towards improving the aesthetics through a capital
13 project that's never come to fruition because of the
14 intense cost, again, would it be diligent to pursue some
15 of those options to try and find an overall win-win
16 solution that is amenable to your company but equally
17 agreeable to the consumers that might provide some rate
18 relief and address some of the aesthetic issues?

19 **MR. FLYNN:** Over the years we've had
20 discussions with potential buyers, whether they were
21 municipal or not, and none of them have borne fruit.

22 **COMMISSIONER SKOP:** Okay. Very well.

23 **MR. FLYNN:** But we would certainly entertain
24 further discussions in the future if that opportunity
25 was available.

1 **COMMISSIONER SKOP:** All right. And then one
2 follow-up question. With respect to the 2009 water
3 quality report I think for Summertree, I have that
4 before me, that has some, shows that the primary and
5 secondary standards are being met from DEP, so it is an
6 aesthetics issue that we're talking about in terms of
7 the consumer complaints, do we, to staff or to
8 Mr. Flynn, do we have any more recent test data that
9 gives the Commission a higher level of confidence that
10 there are no violations or any consent orders that may
11 be pending? Mr. Flynn and then to staff. Because this
12 is dated, the information I have is dated, the test date
13 is February 11th, 2009. So that seems to be like a year
14 and a half ago.

15 **MR. WALDEN:** Commissioner, that's the most,
16 the most recent information that staff has. We would
17 defer to Mr. Flynn if he has something more recent.

18 **MR. FLYNN:** No, sir. There's a three-year
19 cycle the DEP samples systems routinely unless there's
20 evidence by the results from previous cycles to sample
21 more frequently. So that reflects consistency with
22 which that characterizes the water quality in our
23 Summertree wells.

24 **COMMISSIONER SKOP:** All right. Does staff
25 have anything to add to that? Is there ability to --

1 that's the best data we have to make our judgment on?

2 **MR. WALDEN:** That's the best information we
3 have, Commissioner.

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

5 Commissioners, we've had good discussion on
6 this issue. There are no easy answers. That's why the
7 Commission is faced with these issues that come before
8 us. But if there's any further discussion or if we have
9 a motion on Issue 1.

10 Mr. Willis.

11 **MR. WILLIS:** Commissioner, could I just
12 interject for a minute?

13 **COMMISSIONER SKOP:** You may.

14 **MR. WILLIS:** Maybe I can help things out here.
15 One thing you have to consider when you're looking at
16 doing what we've talked about, what the Commission has
17 talked about as far as lowering the rate of return to
18 the low end of reasonableness is you do have to make a
19 finding that the company is not meeting the standards of
20 DEP. That's part of what the statute says. And as far
21 as talking about it, you'll have to make that
22 unsatisfactory quality of service judgment.

23 One of the problems here as I've heard from
24 staff is they are meeting those requirements. The best
25 information we have is what Commissioner Skop just

1 referred to a minute ago is apparently they're meeting
2 secondary as well as their first standards with DEP.

3 One, one thing I've heard all the Commission
4 talk about at this point is the fact that there's a real
5 need for the company to get out to the customers.

6 They're the ones who know what the quality of their
7 service is. They know what the quality of the water is.
8 They're the ones who apparently are not out there
9 looking for a fix at this point and relaying that to the
10 customers. They have done research in the past.

11 They've gotten as far as looking at, I understand, a
12 packed tower aeration unit to remove the hydrogen
13 sulfide. It might take care of some of the color. I'm
14 not sure.

15 I would suggest that one avenue to go at this
16 point would be to order the company to go out and update
17 its research, to relook at the RO facility, look at
18 other avenues of dealing with this problem, as well as
19 interconnection with Pasco County, get all those costs
20 together in a certain time frame and meet with the
21 customers as to a possible solution.

22 Part of it, I think, ought to be the company's
23 desire to look at whole house filtration. As a customer
24 of a water company, it's very difficult for a customer
25 to look out there and know what in the world is out

1 there for you to actually put on your house. The
2 company knows the quality of the water it's delivering.
3 They should have some idea, should be able to research
4 what's available out there and what those costs might
5 be. They don't need to be recommending who to buy from
6 or anything of that nature, but they ought to be able to
7 be available to tell these customers what is available
8 out there if there is a desire to put a whole house
9 filtration unit on, as well as what it would do to the
10 standards of their water, whether it would actually
11 increase that, whether that's the most economical means
12 to follow. I think that's a viable approach at this
13 point is to require the company to do that. It's
14 something for you to consider.

15 **COMMISSIONER SKOP:** Commissioner Brisé, you're
16 recognized.

17 **COMMISSIONER BRISÉ:** I'm going to ask a
18 procedure question in terms of how we move forward.
19 Let's say we were to take that approach, that we would
20 order the company to go ahead and do that. Would we
21 then still have to move forward with the actions of
22 today or would that be the primary action of today, and
23 then setting a time certain for that issue to, to
24 resurface for us to address it in the future?

25 **MR. WILLIS:** You would have to do both. You

1 would have to move forward with the action today because
2 of the statutory time frames established in the statute
3 to proceed forward with this case. But you would
4 also -- if you were to proceed the way I have suggested,
5 you would need to put a time frame on that for the
6 company so that they have and know what their obligation
7 is to meet with those customers with all the information
8 they've collected.

9 **COMMISSIONER SKOP:** Thank you, Commissioner.

10 Any additional questions?

11 Okay. Commissioner Edgar.

12 **COMMISSIONER EDGAR:** Mr. Willis, once again
13 I'm going to ask you to help refresh my memory.

14 **MR. WILLIS:** Okay.

15 **COMMISSIONER EDGAR:** For Aloha it's -- for
16 Aloha did we make a finding of unsatisfactory?

17 **MR. WILLIS:** There were two cases, I believe,
18 in Aloha.

19 **COMMISSIONER EDGAR:** At least.

20 **MR. WILLIS:** I'm really stretching my memory
21 here. But originally when there was, the black water
22 was coming out at Aloha, the Commission did make a
23 finding of unsatisfactory because they believed the
24 company was not moving forward fast enough to get a fix.

25 **COMMISSIONER EDGAR:** But is it not also true,

1 and, again, I really am trying to, trying to remember
2 correctly, that they were meeting DEP water quality
3 standards, required standards?

4 **MR. WILLIS:** They were meeting DEP water
5 quality standards at that point. Boy, I wish I had
6 those orders in front of me, but -- I believe --

7 **MR. FLETCHER:** If I could speak to that.

8 **COMMISSIONER EDGAR:** Okay.

9 **MR. FLETCHER:** In the '01, in the '01 rate
10 case there was a finding of unsatisfactory. What it was
11 was the water management district, they had a history of
12 overpumping since 1996. And they came in for an
13 emergency proceeding and then eventually a limited
14 proceeding and that was denied by the Commission. Then
15 they came in for the '01 rate case. And that was one of
16 the areas as far as the quality of service, the finding
17 of unsatisfactory, you have those three prongs, and
18 definitely the customer, attempt to address customer
19 satisfaction was unsatisfactory. But the one with
20 meeting the water management and their water use permit
21 limit, getting under that limit, they had -- it was
22 going on a decade of them overpumping, and that was one
23 of the primary drivers of the unsatisfactory quality of
24 service in that case.

25 **COMMISSIONER EDGAR:** Well, again, it's, it's

1 hazy, but I think that one of -- maybe a more primary
2 driver at that point in time were the aesthetic concerns
3 and the evidence that had come to the Commission that
4 was pretty strong along that point. Yes, sir.

5 **MR. WILLIS:** Commissioner Edgar, I can read
6 the one paragraph out of the order that would probably
7 help.

8 **COMMISSIONER EDGAR:** That would be very
9 helpful. Thank you.

10 **MR. WILLIS:** This is out of Docket Number
11 010503. And it specifically states the finding of the
12 Commission, staff -- it says, "Staff has recommended
13 that due to Aloha's long-term problems with black water
14 and other water quality complaints, long-term violation
15 of its consumptive use permit, its lack of a proactive
16 approach to finding acceptable solutions to these
17 problems and the customer complaints about the attitude
18 of the utility, the overall quality of service of Aloha
19 Utilities be considered unsatisfactory. Possible
20 remedies to this unsatisfactory quality of service are
21 discussed in another issue."

22 But that was, that was part of the, of why the
23 Commission found the unsatisfactory quality of service
24 in that case. And actually I'm reading actually from a
25 staff recommendation, it looks like, and not from the

1 order itself.

2 **COMMISSIONER EDGAR:** Mr. Willis, that does not
3 seem to me to be 100 percent consistent then with I
4 think what I heard you tell us earlier.

5 **MR. WILLIS:** That's correct. And I would, I
6 would agree with you, Commissioner. What I was reading
7 to you before actually was from the statute. But the
8 Commission in the past, from my experience, has, has
9 gone well beyond what this talks about.

10 **COMMISSIONER EDGAR:** Can you give me that
11 exact cite?

12 **MR. WILLIS:** The exact cite for the statute is
13 367.111, service, and it's (2). Water refund is the
14 last sentence of that, which states, "If the Commission
15 finds that a utility has failed to provide its customers
16 with water or wastewater service that meets the
17 standards promulgated by the Department of Environmental
18 Protection or the water management districts, the
19 Commission may reduce the utility's return on equity
20 until the standards are met."

21 **MS. HELTON:** If I could speak for just one
22 minute.

23 **COMMISSIONER SKOP:** Ms. Helton.

24 **MS. HELTON:** And I'm not 100 percent today and
25 my brain is not working 100 percent definitely either,

1 but my recollection also is that in the Aloha case, as
2 in the Gulf case, we reduced ROE based on mismanagement
3 issues as well. The Gulf case went to the supreme
4 court, and the court agreed that we had, you had the
5 discretion to penalize or reduce the ROE in that way
6 based on mismanagement at the company. And my
7 recollection is that the Commission found for Aloha that
8 there were also mismanagement issues. And I think that
9 for water companies as well as for electric companies,
10 you have some discretion there beyond that that is
11 mentioned here in the statute if there is mismanagement.

12 **COMMISSIONER EDGAR:** Thank you. The Gulf case
13 predates me, so I am, I am not familiar with that one.
14 That is starting to bring some of the discussion at the
15 time back. I thank you for your comments as to Aloha.
16 And then, of course, there was the Chuluota issue or
17 instance. But am I correct in my memory that for that
18 system that there were some instances where they were
19 not meeting DEP required standards?

20 **MR. FLETCHER:** That's correct. It was the
21 trihalomethane.

22 **MR. WILLIS:** That's correct. It was the
23 trihalomethane problems.

24 **COMMISSIONER EDGAR:** Okay. Thank you. And it
25 does seem like there was maybe, if not more, at least

1 one other that we have in the last few years or at least
2 while I've been here that we have made a finding of
3 unsatisfactory. Is anything coming to mind? There are
4 no other names that are coming to my mind. I just feel
5 like we've had the same discussion on one other system.

6 **MR. WILLIS:** Unless my staff has one, I don't.
7 I know we've done it. We've had several small companies
8 with problems, problematic systems not meeting
9 requirements. And there have been occasions where we
10 found utility systems to be unsatisfactory or marginal
11 in the past three years obviously.

12 **MR. WALDEN:** Commissioner Edgar, there was
13 another system of Aqua's called The Woods --

14 **COMMISSIONER EDGAR:** The Woods.

15 **MR. WALDEN:** -- which had violations where
16 that system was not meeting DEP standards. It was part
17 of the same docket with Chuluota to which you are
18 referring.

19 **COMMISSIONER EDGAR:** Uh-huh. Commissioner
20 Skop, maybe, maybe, maybe you can help me with this.

21 **COMMISSIONER SKOP:** I've got some divine
22 intervention question for staff and maybe we can take a
23 quick break while they research it to address your
24 concerns as well as mine.

25 **COMMISSIONER EDGAR:** Okay.

1 **COMMISSIONER SKOP:** Here's my concern,
2 Commissioners. Again, the primary and secondary
3 standards according to staff seem to be being met, but
4 they're being met based on water quality testing that
5 was done over a year and a half ago. In light of the
6 visual evidence that's been presented before the
7 Commission, I guess my question to staff would be, you
8 know, certainly there's a statutory deadline for
9 implementing rates, but I don't have a high degree of
10 certainty with Summertree as to whether the water
11 quality meets standards. I've got data that reflects it
12 does, but the data is somewhat aged, a year and a half
13 old. I won't have new data anytime soon unless somebody
14 does a quick interim test.

15 So the question is without holding up the rest
16 of the proceeding, is there a way to address testing the
17 water quality specific to Summertree to get more recent
18 test data in light of some of the things that the
19 consumers have complained about, the water? And, you
20 know, I can't vouch for where the water came from, but
21 obviously there are concerns. Is there a way to
22 harmonize being fair to the company, being fair to the
23 consumers by getting some additional test data to
24 conclusively determine realtime before the Commission
25 takes final action as to whether the water quality,

1 primary, secondary standards are actually being met
2 today, not a year and a half ago?

3 And the concern I have is when you start, you
4 know, making assessments as to the quality of service,
5 if you find it marginal or unsatisfactory, then that
6 gives the Commission the lever to penalize the company.
7 And, you know, I'm not so sure what's appropriate there.
8 You know, there have been instances in the past where
9 we've reduced the rate of return. The Gulf case was
10 cited. That was a power company. We did so for another
11 water company in the state. We don't like to do that,
12 but there are circumstances where it arises to that
13 level where the Commission, it's necessary to take
14 decisive action and send a message to the company that
15 your performance, either customer service or water
16 quality issues are not being resolved in a timely manner
17 to the benefit of your consumers.

18 So if staff could think about that and perhaps
19 also think about Commissioner Edgar's question as to are
20 there any other cases that would provide the case law
21 that Commissioner Edgar has asked for, and if I could
22 give staff maybe five or ten minutes to reflect upon
23 that, come back with an answer, and I think that will
24 help the Commission move forward on Issue 1. And so
25 we'll recess temporarily and come back at ten after the

1 hour.

2 **COMMISSIONER EDGAR:** Could we make it 15?

3 **COMMISSIONER SKOP:** Fifteen after the hour.

4 Thank you. We're on recess.

5 (Recess taken.)

6 **COMMISSIONER SKOP:** Okay. We will go back on
7 the record at this point. And where we left off, we
8 looked to staff to address questions presented by
9 Commissioner Edgar and myself.

10 Mr. Willis, you're recognized.

11 **MR. WILLIS:** Commissioner, let me start out.
12 I do actually have the order in front of me for Aloha,
13 so we can exactly tell you what happened in Aloha. It's
14 pretty much what I read you before. The Commission did
15 find they had violated its water use permit, which does
16 make it fall under that statute, because that's part of
17 what the statutory requirements are. So it's fairly
18 easy to bring Aloha under that requirement to lower the
19 rate of return.

20 During the break I did have a chance to talk
21 with the company some. I presented to them an idea of
22 possibly deferring a portion increase on the Summerwood
23 until additional testing could be done. I think at this
24 point it might be appropriate, maybe, for the company to
25 let you know their thoughts on that idea. I think they

1 would rather have it implemented with the idea that they
2 could come back with that testing at a set time. But it
3 might be appropriate for them to address their feelings
4 on that subject.

5 **COMMISSIONER SKOP:** Mr. Friedman, you're
6 recognized.

7 **MR. FRIEDMAN:** Thank you. Again, Marty
8 Friedman.

9 You know, I think it's clear and it's
10 indisputable that the company meets primary and
11 secondary standards. They did -- the most recent tests
12 show that. That means that the utility is clearly not
13 within the ambient of the statute that allows you to
14 reduce the rate of return. Are there quality issues
15 that could be improved? Yes. You know, they should
16 talk about the aesthetic quality issues with the
17 customers and hopefully come up with a solution. And it
18 may be -- it may be, as somebody mentioned, to just
19 suggest to them in-house units to get, if that happens
20 to be the most financially feasible way to do it.

21 You know, the suggestion to break out the rate
22 of -- this issue, I mean, if the Commission is compelled
23 to do that, I mean, I guess we would probably agree to
24 do that if you would go ahead and issue your order,
25 contingent on the company -- with the proviso that the

1 company perform those sort of primary and secondary
2 standards, and then probably in 30 or 45 days we could
3 have that data. And if it comes back that they are in
4 compliance, the case goes -- you know, it is done and
5 over. If it turns out they are not in compliance, then
6 you all can revisit the quality of service issue for the
7 Summertree system.

8 I don't think it's necessary; I don't think
9 it's right; I don't think you ought to make the company
10 go through that. But if you are bound to do it, then
11 the company certainly will comply with that wish, if
12 that's your wish.

13 **COMMISSIONER SKOP:** Thank you, Mr. Friedman.

14 Any comments from the bench? Commissioner
15 Edgar.

16 **COMMISSIONER EDGAR:** Thank you.

17 I'd like to hear from Mr. Beck.

18 **MR. BECK:** Thank you, Commissioner.

19 There's three aspects to quality of service
20 that the Commission typically addresses. One is the
21 quality of the product, one is the condition of the
22 plant, and the other is customer satisfaction. And the
23 Commission decides what weight to give to those three.
24 It's not like there's three separate tests, and they are
25 all equal, and you just count them up and you have an

1 answer. The Commission decides the weight to give to
2 those. So you are perfectly within your bounds, and I
3 think properly so, that if you determine customer
4 satisfaction is unsatisfactory, both because they have
5 not done anything in the last three years since you
6 found it was unsatisfactory, because of the way they
7 have not addressed -- gotten together with the customers
8 and told them what, you know, the options that are
9 available, then you can take action and say the quality
10 of the service overall is unsatisfactory because of the
11 customer satisfaction. It's purely within your legal
12 bounds to do so.

13 And in other cases, you know, and staff is, I
14 guess, about to tell you more about them, you have
15 denied rate increases based upon the inadequate quality
16 of service.

17 **COMMISSIONER SKOP:** Commissioner Edgar.

18 **COMMISSIONER EDGAR:** Can you help me remember
19 what those cases were?

20 **MR. BECK:** Well, the big ones, of course, are
21 Chuluota, you know, where there was no rate increase for
22 Chuluota. Aloha, I wasn't personally involved with. As
23 I understand one of those cases, I think the revenue
24 requirement came out to be zero on other issues, so
25 there was no rate increase. But I'm not sure it was

1 attributable solely to quality of service or not. I'm
2 just not sure on that one.

3 **MR. FRIEDMAN:** And in both of those cases, you
4 know, you would point out that they did not meet the
5 primary standards.

6 **COMMISSIONER SKOP:** Commissioner Edgar, any
7 follow up? Okay.

8 Commissioners, I guess my perspective is this:
9 Certainly the Commission needs to decide this issue and
10 we need move forward in the interest of timeliness and
11 rendering a decision on the merits. My concern, again,
12 is I have test data before me showing that for
13 Summertree, the most recent testing, which dates back to
14 February of 2009, which, again, is about a year and a
15 half ago, shows that the primary and secondary standards
16 were met. However, the customer testimony showing
17 visual representations of the water quality, again, begs
18 the question what are the current -- are the standards
19 currently being met.

20 And, again, I know that we have statutory
21 criteria. I know that it would be inappropriate, I
22 believe, to penalize the company if you don't have a
23 legal basis for doing so. But, again, at the end of the
24 day the amount of the return on equity adjustment in the
25 grand scheme of things is really probably not material

1 in the grand scheme of the entire revenue requirement.

2 What I would probably like to see is to find a
3 win/win solution where, at least from my perspective,
4 that the water quality could be retested because, again,
5 I would feel more comfortable rendering a decision on
6 the merits if I knew that at present day the primary and
7 secondary standards were being met, because to do
8 otherwise, if they are being met, to me, is contrary to
9 controlling statute that says we must do this if the
10 standards are being met. We can take aesthetic quality
11 and customer service into account, but, you know, the
12 primary standards, or the primary and the secondary
13 standards that we consider pursuant to the statute that
14 was referenced by our staff. But that's just my
15 thoughts on the matter. I'll look to the bench. I've
16 got the gavel, so I don't get to make the motions today.

17 So, you know, I do think if there were a way
18 to get additional testing done for Summertree prior to
19 rendering a decision, it would be incumbent upon the
20 Commission to do so to have the full as possible
21 assurance that the standards are being met prior to
22 rendering a decision. And I don't feel that that
23 incremental time delay is detrimental to the company
24 significantly to the extent that it was quoted that
25 30 to 45 days to get the testing done and bring it back

1 to the Commission.

2 So if there is a way to carve out Summertree
3 until we get some additional testing done and move
4 forward with the rate case, then certainly I'm open to
5 hearing any suggestions from our staff or Commissioners.
6 But it seems to me from my perspective getting
7 additional testing done would be appropriate to do so if
8 we have the legal authority to do it.

9 Commissioner Edgar.

10 **COMMISSIONER EDGAR:** Just a question. Excuse
11 me. How often -- and I guess to staff, how often is a
12 company in this situation required to have their water
13 tested and those results submitted?

14 **MR. WALDEN:** Commissioner Edgar, it's a
15 three-year cycle unless, you know, there's a problem.
16 The utility might -- for instance, if the utility has
17 its water tested and it is not meeting standards on a
18 parameter, a particular parameter, the testing would be
19 more frequent because the goal is always achieving the
20 standards. But for Utilities, Inc., the systems
21 involved in this case, a three-year cycle is the term.

22 **COMMISSIONER SKOP:** And as a follow-up to that
23 question, I mean, things could certainly change within
24 the three-year cycle. Just because you're tested early
25 in the three-year period doesn't mean, necessarily, at

1 the end of that three-year period things are exactly the
2 same as they were when the water was tested, is that
3 correct?

4 **MR. WALDEN:** That's correct. The utility can
5 have its water retested at whatever frequency it
6 desires, but at a minimum it's every three years.

7 **COMMISSIONER SKOP:** Well, I don't -- and I
8 want to be clear to my colleagues. I don't want to put
9 an undue burden on the company, and I don't want to
10 unnecessarily penalize the company in terms of an ROE
11 adjustment that may not be warranted in terms of the
12 statutory criteria. But I think that the people, the
13 consumers that appear before us today, you know, have
14 implicated water quality issues as a part of their
15 comments to the Commission. And it seems to me looking
16 at the last test date there has been a significant
17 period of time that has occurred between the last test
18 date and the present day.

19 And it seems to me, in order for me on Issue
20 1, and I can't speak for my colleagues, but to have a
21 comfort level as to whether the water quality or quality
22 of service is satisfactory for Summertree, I think I
23 would like to, at least from my perspective, see more
24 recent test data on Summertree alone. Not the other
25 Pasco County systems, not the other systems, but

1 Summertree. There seems to be a concern, and I think
2 the only way to conclusively establish that is to test
3 if we have the ability to do so.

4 Commissioner Graham, you're recognized.

5 **COMMISSIONER GRAHAM:** Thank you, through the
6 Chair. Mr. Willis, let's see if we can't find -- bring
7 all of this stuff together. You had said that, and you
8 talked to Utilities, Inc., as well, that there is a way
9 for us to move forward with this and hold Summertree off
10 to the side, have them go back and retest it and come
11 back before us in 45 to 60 days?

12 **MR. WILLIS:** Normally, according to the
13 statute, the Commission has to act within that
14 five-month time frame on a proposed agency action case.
15 Without the company's consent to withhold Summertree,
16 you would have to go ahead and act. If the company
17 would not consent to withhold the increase for
18 Summertree, you could implement, subject to refund,
19 pending those test results. That's another way to do
20 it.

21 There's two ways to go about it. If the
22 company wouldn't agree to withhold that part, you could,
23 if you found no other reason to do it, could go ahead
24 and just take that one little piece out of the rate of
25 return, hold it subject to refund pending a requirement

1 that they give you test results, and I think they said
2 they could do that within 35 days.

3 **COMMISSIONER GRAHAM:** Mr. Friedman, would the
4 company consent to us pulling Summertree out?

5 **MR. FRIEDMAN:** We would under the condition
6 that -- I just don't want to be having this same
7 discussion about quality of service 60 days from now. I
8 think the better course would be that we would pull
9 Summertree out, that they would do this testing. If the
10 testing comes out that it does, in fact, meet standards,
11 all is well and good and we don't have to do anything
12 else.

13 If something happens and it doesn't meet
14 standards, then I think it would be appropriate to come
15 back to the Commission to make some determination. But
16 if those tests show that it meets standards, I just
17 don't want to be standing here or sitting here making
18 this same -- going through this same ordeal for two or
19 three hours in 60 days.

20 **COMMISSIONER GRAHAM:** Well, let me go ahead
21 and continue, I guess, before you give the okay. I'd
22 also like to add in the order that -- and Mr. Willis
23 brought up, as well, where you guys would sit down with
24 the customers and go over -- let's just say go over a
25 strategy on what to do moving forward. Even though you

1 meet the standard, address the issue of the color -- the
2 issue of the color of this, and the smell, and some of
3 those other things.

4 Now, granted everything could be to the point
5 that it is cheaper for them to do it at home or you are
6 not going to do anything, but at least to lay that out
7 in front of them and let them know what their options
8 are.

9 Now, my motion would be to pull out
10 Summertree, get back to us in 60 days, and for you guys
11 within the next six months to sit down and have that
12 conversation with the ratepayers. Now, knowing all of
13 that, would you guys be amenable to it?

14 **MR. FRIEDMAN:** I don't know if we want to be
15 amenable to waiving it for six months.

16 **COMMISSIONER GRAHAM:** No, no, no.

17 **MR. FRIEDMAN:** I mean, if you would --

18 **COMMISSIONER GRAHAM:** We are not waiving you
19 for six months, we are only waiving you for 60 days.
20 The test comes back and everything quality-wise is fine,
21 I still want for you to sit down and talk to them about
22 some of these other issues, as well.

23 **MR. FRIEDMAN:** I mean, they're willing to do
24 that, probably whether you order them to or not. So if
25 you want to -- and you all have done that before. I

1 know you are new, but there have been cases where there
2 have been similar situations, and you have ordered the
3 utilities to sit down and discuss those options within
4 some period of time. And you all have done that before,
5 and that's certainly appropriate, and they certainly
6 will do that, and probably would do it whether or not
7 you order them to.

8 **COMMISSIONER GRAHAM:** Okay. Well, that being
9 the case, I guess my motion would be to move staff
10 recommendation to pull out the Summertree piece of this,
11 and for Summertree to come back before us within 60 days
12 with the new data. And I guess, also, to tie to that
13 would be an order for them to sit down with the
14 ratepayers within a period of eight months.

15 **MR. FLYNN:** Certainly.

16 **COMMISSIONER GRAHAM:** Within a period of eight
17 months and go over what the future options could be.

18 **MR. FRIEDMAN:** My only -- you know, if you are
19 asking us to waive that five months, I want to make sure
20 I get clear what we are doing here.

21 **COMMISSIONER SKOP:** I understand, Mr.
22 Friedman. Just hold on for a second here. We have a
23 pending motion. Before we get to considering the
24 motion, I want to seek a point of clarification from Mr.
25 Willis. And I know you have something to say, so let me

1 let you say it, but then I have a couple of points of
2 clarification with respect to the testing that would be
3 done.

4 **MR. WILLIS:** As far as the motion from
5 Commissioner Graham, I just wanted to make sure that
6 that included that after 60 days if the test results
7 came back in as both primary and secondary, that they
8 were satisfactory that the company would implement at
9 that point automatically.

10 **COMMISSIONER GRAHAM:** Yes, automatically.

11 **MR. WILLIS:** It wouldn't have to come back to
12 the Commission to have that done, it would just be
13 automatic --

14 **COMMISSIONER GRAHAM:** Automatic.

15 **MR. WILLIS:** -- upon our assurance that that
16 had happened. I think that was it, Commissioner Skop.

17 **COMMISSIONER SKOP:** Thank you, Mr. Willis.

18 I guess my concerns with respect to the
19 proposed testing, who's going to conduct the testing,
20 would it be DEP, would it be staff? Obviously it would
21 need to be a random test to make sure that excessive
22 flushing was not done so it's representative of current
23 water quality conditions and not, you know --

24 **MR. WILLIS:** Well, it was my intent,
25 Commissioner, that the company would follow the DEP

1 requirements for the secondary and primary testing as
2 they would normally do that.

3 **COMMISSIONER SKOP:** So would it be
4 appropriate -- I know Interim Secretary Drew at DEP, is
5 there any way that that testing could be expedited
6 either through collaboration with staff, or working with
7 DEP to try and get that done in a timely manner so we
8 could, you know, get an affirmative finding on that
9 issue?

10 Because it seems to me that if the new test
11 comes back and it meets primary and secondary standards
12 in all material aspects, then the quality of service,
13 absent any customer service concerns, would have to
14 weigh in favor of finding the service satisfactory
15 pursuant to statute. Would that be staff's conclusion?

16 **MR. WILLIS:** That's true.

17 **COMMISSIONER SKOP:** Okay. That's my legal
18 conclusion, but, again, I would like to look to staff
19 to --

20 **MR. FRIEDMAN:** Commissioner Skop, the DEP
21 doesn't do the testing.

22 **COMMISSIONER SKOP:** All right.

23 **MR. FRIEDMAN:** We pull the samples and they go
24 to a testing laboratory.

25 **COMMISSIONER SKOP:** Okay. So they go to a

1 testing lab and you file reports with DEP?

2 **MR. FRIEDMAN:** That's correct.

3 **MR. FLYNN:** May I also add to that?

4 **COMMISSIONER SKOP:** Mr. Flynn.

5 **MR. FLYNN:** What's sampled are the water
6 quality at the wells, at the source point.

7 **COMMISSIONER SKOP:** I understand.

8 **MR. FLYNN:** It has no respect on the
9 distribution system and the timing of that. It's the
10 same water quality.

11 **COMMISSIONER SKOP:** I know historically the
12 Commission has ordered different testing. I know that
13 we did some specifically during service hearings for
14 Chuluota previously where we had customer concerns, but,
15 again, they had primary violations or some other
16 violations that were going on and this is a little bit
17 different situation. So I am trying to balance the
18 interest of companies with balancing the concerns that
19 we have heard before the Commission with the consumers,
20 and I think getting some additional testing done would
21 be appropriate.

22 Commissioner Edgar, do you have anything to
23 add to the discussion or the motion?

24 **COMMISSIONER EDGAR:** I just wanted some
25 clarification, if I could.

1 Commissioner Graham, with your motion, is that
2 to -- it sounds to me like that is to address all
3 issues. Is that all issues that are before us or were
4 you limiting that to Issue 1?

5 **COMMISSIONER GRAHAM:** I guess if you put it on
6 Issue 1 it goes basically for all issues, and hopefully
7 that handles most of the problems that we have on all
8 the issues moving forward.

9 **COMMISSIONER SKOP:** Again, I have some
10 concerns with respect to rate structure for Summertree.
11 So, again, you know, if we could go -- I don't want to
12 prolong the discussion. I think it will go very quickly
13 once we get through this threshold issue that is
14 Summertree. But in terms of the rate structure, I do
15 have some questions on that whether staff could consider
16 some alternatives on that.

17 **MR. BECK:** Commissioner Skop, could I ask a
18 question just to understand?

19 **COMMISSIONER SKOP:** Yes.

20 **MR. BECK:** Is the motion that effective today
21 the customers would not pay -- it would go back to
22 pre-rate case rates, and then if they pass the test at
23 that point they would pay the rates that are ultimately
24 decided on?

25 **COMMISSIONER SKOP:** Commissioner Graham, can

1 you clarify your motion.

2 **COMMISSIONER GRAHAM:** No, we would stay with
3 whatever today's rate is, which is the interim rate.

4 **MR. BECK:** I guess the issue I have is the
5 interim rates generally are higher than the staff's
6 recommendation.

7 **COMMISSIONER GRAHAM:** Just like everything
8 else, as stuff gets refunded back, if we are going to
9 readjust it to a lower rate. But, I mean, it's 60 days
10 we're talking about. We're going to stay status quo for
11 60 days. If the tests come back correct, then whatever
12 money they are supposed to be refunded back to them
13 because of the interim rate being higher, that's going
14 to go just like -- just as if we passed it today. Does
15 that make sense?

16 **MR. BECK:** I guess my concern is that absent
17 all this, and if you accepted the staff recommendation
18 as is, rates are going down compared to interim. And as
19 I understand it, you are going to keep them up for 60
20 days and then true it up at the end. It's just that --
21 it just seems a bit incongruous that if the staff
22 recommendation were accepted they go down, but what you
23 are going to do is keep them up for the next 60 days.
24 Am I clear? That's the issue I have.

25 **COMMISSIONER SKOP:** And, Commissioner Graham,

1 just to Mr. Beck's point, I think that's part of what
2 happens under operation of the statute, when you
3 implement interim rates for whatever reason, only on
4 rare occasion are they not actually usually much higher
5 than the final rates. I think that's Mr. Beck's
6 concern, and I don't know why the operation of the
7 statute works that way. I have questioned it myself,
8 but I don't have the infinite wisdom of being the divine
9 legislature to change that, but that's what we are
10 facing. And I think what they are saying is they are
11 paying a much higher rate than they would be if
12 we implemented rates now, or at least marginally higher,
13 so I think that is Public Counsel's concern.

14 **COMMISSIONER GRAHAM:** What I was trying to
15 address was it seems like the will of the board, and I'm
16 speaking from my perspective, is they don't want to make
17 the decision on Summertree today without more data. So
18 what I'm looking to do is stay with what the status quo
19 is today until we get that data in.

20 (Simultaneous conversation.)

21 **MR. BECK:** Stop me if you think I'm going too
22 far --

23 **COMMISSIONER GRAHAM:** No, no, no. I
24 understand what you are saying. I understand they are
25 paying more; I get that.

1 **MR. BECK:** It seems to me you could implement
2 whatever you decide today and make it effective today,
3 and then when you come back in 60 days, see if
4 additional amounts should be refunded, it would seem to
5 me is another alternative.

6 **COMMISSIONER SKOP:** Commissioner Brisé, you
7 had a quick follow-up question?

8 **MR. FRIEDMAN:** We are okay if he wants to do
9 it that way. I mean --

10 **COMMISSIONER BRISÉ:** I just wanted to ask
11 staff if we pursued the track with Commissioner Graham's
12 recommendation of keeping the status quota as it is
13 right now, or could we go with the recommended
14 decreases, continuing what he is seeking to do in terms
15 of the testing and so forth; is that feasible?

16 **COMMISSIONER SKOP:** Mr. Willis.

17 **MR. WILLIS:** Commissioner Graham basically had
18 it the right way. His way would work. If you kept the
19 status quo as of today, what Commissioner Graham said is
20 correct, you would keep the interim rates in place. If
21 the company is willing to not do that, and go ahead and
22 make the refund, and go back to the -- I guess the
23 original rates at that point for 60 days, that would be
24 kind of --

25 **MR. FRIEDMAN:** We wouldn't go to the original,

1 we would go to whatever the PAA rates are. And then,
2 you know, yes, like what he said, and then if the water
3 quality turns out it's not what we think it is, then you
4 would come back and decide whether you want to make some
5 further adjustment to them.

6 But we are willing to go ahead and reduce the
7 rates to whatever the PAA rate will be. I mean, it
8 might be better for us just to do one refund instead of
9 pulling out Summertree and having to do a separate
10 refund later on Summertree.

11 **MR. WILLIS:** Commissioners, that gets back to
12 what I had originally said, that it would probably be
13 easier to go ahead and implement the PAA rates subject
14 to refund if the testing comes back. That way you get
15 the implementation of lower rates now rather than having
16 to wait.

17 **COMMISSIONER SKOP:** Commissioner Edgar.

18 **COMMISSIONER EDGAR:** Just a thought, of
19 course, at the discretion of the Chairman. Or let me
20 pose it -- let me start over. Let me say to staff and
21 then maybe a thought, would it be possible for us to,
22 just on Issue 1, because I know there's a desire for
23 some further discussion on some of the other individual
24 issues to follow, but just on Issue 1, for us today to
25 make a finding of satisfactory for all other systems,

1 and defer just on Issue 1 a decision as to the quality
2 of service for the Summertree area.

3 **MR. WILLIS:** That's what you would be doing,
4 Commissioner, if you did what we were talking about.
5 Commissioner Graham sort of had that built into his
6 motion exactly what you're talking about.

7 **COMMISSIONER EDGAR:** I just thought it might
8 be clearer if we address Issue 1. And I do think that
9 we are all trying to do the same thing and get to the
10 same place, but for clarity, if we perhaps kind of
11 considered taking Issue 1 that way, then went ahead on
12 the votes on the other issues. And once we know, and
13 the staff knows, and the company knows, and OPC, of
14 course, what the decisions are, then it may be easier
15 for us to have that kind of rounded-out finish-it-up
16 discussion as to time frame and further direction.

17 **MR. FRIEDMAN:** (Inaudible. Microphone off.)

18 **COMMISSIONER SKOP:** Hold on Mr. Friedman, let
19 me recognize you. We are not just going to -- there is
20 some formality to this.

21 Mr. Friedman, you're recognized.

22 **MR. FRIEDMAN:** Thank you.

23 The problem is that doesn't accomplish what we
24 were talking about doing, which is making a decision
25 subject to.

1 **COMMISSIONER EDGAR:** What I was saying is --

2 **COMMISSIONER SKOP:** Let's hold on.

3 **COMMISSIONER EDGAR:** -- to do that after we
4 have taken the votes on the other issues.

5 **COMMISSIONER SKOP:** And I think what
6 Commissioner Edgar is saying, let's limit the discussion
7 and the motion on Issue 1, because the proposed motion
8 by Commissioner Graham is more encompassing and gets
9 into the refund and the interim rates and all that. So
10 it seems to me that, you know, if the motion were
11 geared -- and Commissioner Edgar's, I believe, thoughts
12 on this was that the quality of service would be
13 satisfactory with the exception of Summertree, which is
14 indeterminate at this time pending further testing.

15 I think that would get us in a procedural
16 posture to render a decision on Issue 1 and then move
17 forward, if we had a motion of that nature. But
18 certainly, you know, Commissioner Graham has made a
19 motion, and I don't know what his preference would be at
20 this point. I'll look to him.

21 **COMMISSIONER GRAHAM:** Through the chair, I
22 guess I'm trying to understand. It sounded like her
23 motion was my motion. Her amendment was just to make
24 sure that it only affected Issue 1, which I don't have a
25 problem with that amendment.

1 **COMMISSIONER SKOP:** Okay.

2 **COMMISSIONER EDGAR:** And if I may, Mr.
3 Chairman, my suggestion was truly trying to rephrase
4 what I thought you were saying, and it was intended to
5 be -- intended to be supportive and helpful.

6 **COMMISSIONER SKOP:** Okay. All right. So can
7 we restate what we believe the motion to be is on Issue
8 1, and then we will deal with the other issues, which I
9 think will go quicker. But if I heard, synthesizing the
10 two motions together, again, what I thought I heard is
11 the quality of service is satisfactory for all systems
12 except Summertree, which is indeterminate pending
13 further testing within -- Mr. Willis.

14 **MR. WILLIS:** I think you need to clarify that
15 as to whether Summertree water, because they have water
16 and wastewater.

17 **COMMISSIONER SKOP:** Okay. Great. Good point.
18 So, Commissioner Graham or Commissioner Edgar, can
19 somebody --

20 **COMMISSIONER EDGAR:** Mr. Chairman, if I may,
21 following along with your thoughts, I would move at this
22 time that on Issue 1 only we make a finding of
23 satisfactory quality of service for all systems except
24 for the Summertree water. And that after a vote on
25 Issue 1, we move forward individually through the

1 remaining issues, and prior to closing out discussion on
2 this item as a whole we talk about next steps and other
3 considerations.

4 **COMMISSIONER SKOP:** All right. Very well. Is
5 there a second to that motion?

6 **COMMISSIONER BRISÉ:** Second.

7 **COMMISSIONER SKOP:** Okay. We have a second.
8 Discussion to the motion? I do have a point of
9 clarification with respect to Summertree water, the
10 closing the loop on that one, in terms of pending
11 further testing. So is it the intent of the motion that
12 quality of service for Summertree water is indeterminate
13 at this time pending further testing?

14 **COMMISSIONER EDGAR:** Yes, sir.

15 **COMMISSIONER SKOP:** Okay. All right. Great.
16 Any further discussion on the motion before the
17 Commission? Commissioner Graham, you're recognized.

18 **COMMISSIONER GRAHAM:** Do we have to address
19 the 60-day time frame or are you going to come back and
20 do that later?

21 **COMMISSIONER SKOP:** I believe we should
22 probably embody it within the motion on the table, if
23 Commissioner Edgar might want to --

24 **COMMISSIONER EDGAR:** I would be glad to, and I
25 appreciate the question, because what I'm trying to get

1 to is to make sure we all are on the same page to the
2 best of my and our ability. So, yes, I would include
3 more specifically that within 60 days additional testing
4 results are submitted to this Commission for
5 consideration by our staff and further recommendation to
6 us.

7 **COMMISSIONER SKOP:** All right. Very well. Is
8 there a second?

9 **COMMISSIONER GRAHAM:** I just want to make sure
10 I understand. So 60 days -- within 60 days they bring
11 the test information back to staff. They do not have to
12 come before us before another hearing. Staff would make
13 the determination that they hit standard, and everything
14 moves forward automatically.

15 **COMMISSIONER EDGAR:** I wasn't ready to go that
16 far yet.

17 **COMMISSIONER SKOP:** My view on that,
18 Commissioner, would be -- you know, I don't want to hold
19 up the show if it meets the primary and secondary
20 standards. Certainly, you know, the presumption is
21 going to be in favor of the water quality satisfactory,
22 absent the customer service, but it seems to me the -- I
23 would like to see that again, because I would like to
24 see the test results when they come back to make sure
25 that they are in compliance.

1 I don't want to make it a formality, but I
2 don't want to delegate that authority to staff. And I
3 don't know if that embodies Commissioner Edgar's
4 thoughts on that. She has the motion.

5 **COMMISSIONER EDGAR:** And if you want me to
6 withdraw, I will be glad to and we can start over. But
7 what I was trying to do, Commissioner Graham, and,
8 again, trying to be supportive of where I think you are
9 helping us to get to -- was to really at this moment
10 just address the issues that I see directly tied to
11 Issue 1, and then go through the remaining issues, and
12 then prior to conclusion of this item, have the
13 discussion that would address what would be effective,
14 and when, and for what systems, and any other timing
15 issues. That just helps my thought process, but it's
16 not meant to be a hindrance.

17 **COMMISSIONER SKOP:** Commissioner Brisé.

18 **COMMISSIONER BRISÉ:** Just for clarity for my
19 purposes, so we are saying right now we are dealing with
20 Issue 1, just moving Summertree out, setting the premise
21 of 60 days of the testing, and then we will go through
22 the rest of the items, and at the conclusion of going
23 through the rest of the items, we will come back based
24 upon what we have decided as we have gone through the
25 rest of the items to see how the impact of those

1 decisions will have on what we have set as the premise,
2 and then we will conclude that discussion at that point.
3 I just want to make sure for my mind's sake that --

4 **COMMISSIONER EDGAR:** Commissioner Brisé, I
5 think that that is exactly what I was trying to convey.

6 **COMMISSIONER SKOP:** All right. Commissioner
7 Graham, you're recognized.

8 **COMMISSIONER GRAHAM:** I guess like Mr. Willis
9 had said earlier, we need to make sure that the company
10 is still on board with volunteering to do this. So
11 maybe the easiest thing to do is lay Issue 1 on the
12 table. Let's finish everything else and come back to
13 Issue 1.

14 **COMMISSIONER SKOP:** I think -- okay. That's a
15 point and we can look to the company, but I think Issue
16 1 is the threshold issue for moving forward because each
17 of the remaining issues has -- there are some issues
18 that are fallout issues, and each issue kind of builds
19 on the quality of service. But we can, you know --

20 **COMMISSIONER GRAHAM:** And, Mr. Willis, tell me
21 if I am incorrect. If they are not voluntarily willing
22 to do Issue 1, then we have to do something different
23 than the motion that's on the floor. And if we start
24 putting more -- let's just say hoops in front of them,
25 they may decide that they don't want to go this path.

1 **COMMISSIONER SKOP:** And that's a good point,
2 Commissioner Graham. I think certainly having the
3 company's consent and cooperation is something the
4 Commission strives to achieve. That's up to them.
5 That's a business decision, but certainly the Commission
6 has its discretion, and I know I exercised my discretion
7 on Issue 1 in terms of the additional testing
8 requirement.

9 So I'll look to Mr. Friedman, in light of the
10 motion that has been presented by Commissioner Edgar and
11 pending before the Commission, whether the company would
12 consent to that in the spirit of cooperation with the
13 Commission.

14 **MR. FRIEDMAN:** I think what we have said all
15 along was that we didn't want to have to come back here
16 and have this same discussion 60 days from now. If your
17 decision on this issue is going to hinge upon the
18 testing, and if it's not going to hinge upon the
19 testing, then why the heck are we doing the testing? If
20 your decision is hinging upon that testing coming back
21 clear, then it seems to me that Commissioner Graham's
22 motion, which is if the testing comes back clear in
23 whenever period it comes back, then the case is over and
24 we don't have to come back here and argue about this
25 again. That's what we would agree, to waive the

1 five-month rule based upon that.

2 **COMMISSIONER SKOP:** Okay. I understand that.
3 Certainly I think that I have listened to Commissioner
4 Graham and Commissioner Edgar. I think that, you know,
5 from a legal perspective if the testing comes back, at
6 least in my legal judgment, not speaking for the
7 Commission, but if it comes back meeting the primary and
8 secondary standards, you know, pretty much there's a
9 presumption that the water quality is satisfactory.

10 Now, would I like to see the test results at a
11 PAA without diving into tangential issues of aesthetics,
12 of water quality aesthetics? Absolutely. But, again, I
13 think Commissioner Edgar's motion, as I understand it,
14 and correct me if I'm wrong, basically says we do the
15 testing, we bring it back, and it's a perfunctory
16 approval at that point if it meets primary and secondary
17 standards.

18 If it doesn't, we have some additional things
19 to talk about. And I think Commissioner Graham's
20 styling of his motion was that if it meets primary and
21 secondary, we are delegating administrative authority to
22 staff to implement the proposed rate increase at that
23 point in time.

24 **MR. FRIEDMAN:** So if the testing comes back
25 then it will come back to this Commission, but the

1 determination will be made.

2 **COMMISSIONER SKOP:** The determination will be
3 made, and I would hope that if it came back, you know,
4 meeting primary and secondary standards, then
5 aesthetics -- again, the statute -- if you have
6 confidence in the statute, I mean, the staff said the
7 statute is based on primary and secondary.

8 **MR. FRIEDMAN:** I understand that. I'm having
9 a problem with what's going to happen in 60 days. Is
10 the whole issue opened -- if the testing comes back
11 satisfactory, are you still going to open up the whole
12 issue again and start arguing all of this again? We
13 have been arguing for the last three hours.

14 **COMMISSIONER SKOP:** That's not my
15 understanding of what would happen, based on the
16 discussion I have heard here today. My discussion is
17 what's important is to get the testing done to ascertain
18 the current water quality standard, and if primary and
19 secondary are met, then pursuant to statute there is a
20 presumption that the water quality is satisfactory.

21 **MR. FRIEDMAN:** Okay.

22 **COMMISSIONER SKOP:** Is that your
23 understanding, Commissioner Edgar and Commissioner
24 Graham? We're having a good discussion; that's a good
25 thing. Lengthy, but good.

1 **COMMISSIONER EDGAR:** I withdraw my motion. It
2 was an effort to move us into the next issues and to
3 have the discussion that we are now having after that.
4 And Mr. Friedman will not seem to allow that to occur,
5 so I withdraw my motion, and I welcome another approach.

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

7 Well, I have the gavel; I can't make the
8 motion. So, Commissioner Graham, you're recognized.

9 **COMMISSIONER GRAHAM:** I will go back to offer
10 my motion. I think if the issue just is if it meets
11 primary and secondary standard then there's no reason
12 for this board to get back together and hash it all out
13 again. I think it should be something that is pretty
14 automatic just for the staff. They can look at the new
15 data and say if it does or does not meet it. That was
16 my motion.

17 **COMMISSIONER SKOP:** Okay. To legal staff, do
18 we have the ability, pursuant to statute, to delegate
19 administrative authority to staff to implement rates
20 based upon test results that would come back within the
21 next 60 days?

22 **MR. WILLIS:** Commissioners, the Commission
23 could vote at any time to give staff administrative
24 authority to approve something. We do it in rate cases
25 all the time as far as rates go.

1 **COMMISSIONER SKOP:** Okay. All right. So is
2 that your motion, Commissioner Graham?

3 **COMMISSIONER GRAHAM:** Yes.

4 **COMMISSIONER SKOP:** Do we have a second?

5 **COMMISSIONER EDGAR:** May I hear it again? I'm
6 sorry.

7 **COMMISSIONER GRAHAM:** My motion was just your
8 motion exactly, except for rather than the test results
9 coming back to this board, staff would make the
10 determination that they meet primary and secondary
11 standards.

12 **COMMISSIONER EDGAR:** And the interim rates
13 would remain in effect during that additional 0 to 60
14 days?

15 **COMMISSIONER GRAHAM:** For me -- the company
16 seems to be fine with it, so if they want to go to the
17 new rate, they are fine with that. If they want to stay
18 with the interim rate, they are fine with that. They
19 seem to be very amenable whichever way the board wants
20 to go on that.

21 **MR. FRIEDMAN:** We would do either way. If we
22 want to go ahead and reduce the rates to the PAA rates,
23 we would certainly be amenable to doing that.

24 **COMMISSIONER SKOP:** Mr. Willis, if I heard you
25 correctly, you indicated the preferred method, from

1 staff's perspective, so that -- from an accounting
2 perspective also would be to proceed with the refund as
3 it is now and leave interim rates in effect, subject to
4 refund. Can you labor on that? Again, it has gone back
5 and forth.

6 **MR. WILLIS:** My preferred method would
7 probably be for the company to go to implementing the
8 actual rate reduction.

9 **COMMISSIONER SKOP:** Okay.

10 **MR. WILLIS:** And basically saying put the
11 difference between the midpoint and the low end subject
12 to refund if those test results come back wrong. Not
13 good, that is.

14 **COMMISSIONER EDGAR:** That would actually be my
15 preference, and I think that is different than the
16 motion, so I'm not able to second it.

17 **COMMISSIONER GRAHAM:** So moved.

18 **COMMISSIONER SKOP:** So with the amended
19 motion, is there a second to the amended motion? Can
20 you restate the amended motion, Commissioner Graham,
21 which I believe reflects Commissioner Edgar's friendly
22 modification.

23 **COMMISSIONER GRAHAM:** The motion was to move
24 forward with staff recommendation on Issue 1 for
25 everything except for Summertree, and that satisfaction

1 standard will be on hold until test results come back
2 before staff and staff approval on if they make primary
3 and secondary standard. And the rate that would be
4 charged is the PAA rate that we have in our
5 documentation.

6 **COMMISSIONER SKOP:** There's a motion. Do we
7 have a second?

8 **COMMISSIONER EDGAR:** So with that, it would
9 not come before us again.

10 **COMMISSIONER GRAHAM:** That is correct.

11 **COMMISSIONER EDGAR:** Okay. Second.

12 **MR. WILLIS:** Unless -- unless they don't meet
13 the standards, and then it would come before us.

14 **COMMISSIONER SKOP:** Okay. All right. So we
15 have a motion properly seconded as clarified by staff
16 that if they don't meet the standards, we will see it
17 again, subject to testing.

18 Is there any discussion on the motion before
19 the Commission? Okay. With that, I will call for a
20 vote. All in favor of the motion say aye.

21 (Vote taken.)

22 **COMMISSIONER SKOP:** All opposed?

23 There is no one opposed, so the motion passes.
24 And that disposes of Issue 1. Okay. That brings us to
25 -- (Inaudible.) -- we will get through the remainder

1 ones quickly, I assure you. We have reached the
2 threshold question. It's all downhill from now.

3 If staff could briefly, and I mean briefly,
4 introduce Issue 2, and we are going to try to expedite
5 our way through this really quick.

6 **MR. FLETCHER:** Issue 2 is staff's
7 recommendation to make audit adjustments for rate base
8 and NOI that the utility has agreed to.

9 **COMMISSIONER SKOP:** Okay. And any changes in
10 Issue 1 that might result, can you explain also the
11 flow-through effect as they pertain to the issues? I
12 don't think this was --

13 **MR. FLETCHER:** I don't think this is going to
14 be a flow-through issue.

15 **COMMISSIONER SKOP:** Okay. Very well. All
16 right.

17 With respect to that, any discussion from the
18 bench, or is there a motion on Issue 2?

19 **COMMISSIONER EDGAR:** Motion.

20 **COMMISSIONER SKOP:** Do we have a second?

21 **COMMISSIONER GRAHAM:** Second.

22 **COMMISSIONER SKOP:** I have a motion properly
23 seconded. Any discussion?

24 Hearing none, all in favor of the motion to
25 adopt the staff recommendation on Issue 2 say aye.

1 (Vote taken.)

2 **COMMISSIONER SKOP:** On Issue 2 the motion
3 passes.

4 Staff, if you could introduce Issue 3, please.

5 **MR. FLETCHER:** Issue 3 is staff's
6 recommendation to make adjustments to the utility's
7 Project Phoenix financial and customer care billing
8 system.

9 **COMMISSIONER SKOP:** Very well. Okay. Any
10 discussion on Issue 3 that involves the Phoenix project,
11 or do we have a motion at this time?

12 **COMMISSIONER BRISÉ:** So moved.

13 **COMMISSIONER SKOP:** All right. We have motion
14 to adopt the staff recommendation on Issue 3. Is there
15 a second?

16 **COMMISSIONER GRAHAM:** Second.

17 **COMMISSIONER SKOP:** All right. We have a
18 motion properly seconded. Any discussion?

19 Hearing none, all in favor of adopting the
20 staff recommendation on Issue 3, say aye.

21 (Vote taken.)

22 **COMMISSIONER SKOP:** Okay. Issue 3 is
23 approved.

24 Staff, if you could please introduce Issue 4.

25 **MR. FLETCHER:** Yes, Chairman. Issue 4 is an

1 adjustment to remove pro forma plant additions that the
2 utility does not seek in this case.

3 **COMMISSIONER SKOP:** Very well. Any discussion
4 from the bench on Issue 4? If not, do we have a motion?

5 **COMMISSIONER BRISÉ:** So moved.

6 **COMMISSIONER SKOP:** Okay. We have a motion to
7 adopt staff recommendation. Do we have a second?

8 **COMMISSIONER GRAHAM:** Second.

9 **COMMISSIONER SKOP:** All right. Properly
10 seconded. Any discussion? Hearing none, all in favor
11 of adopting the staff recommendation on Issue 4, signify
12 aye.

13 (Vote taken.)

14 **COMMISSIONER SKOP:** Okay. Show staff
15 recommendation adopted on Issue 4.

16 Issue 5, staff, if you could, please.

17 **MR. FLETCHER:** Issue 5 is staff's
18 recommendation regarding the utility's replacement
19 telephone system.

20 **COMMISSIONER SKOP:** Okay. Any discussion at
21 the bench on Issue 5? Is there a motion?

22 **COMMISSIONER GRAHAM:** So moved.

23 **COMMISSIONER SKOP:** Okay. A motion to adopt
24 staff recommendation on Issue 5. Is there a second?

25 **COMMISSIONER EDGAR:** Second.

1 **COMMISSIONER SKOP:** Okay. We have a second.
2 We have a motion and properly seconded. All in favor of
3 the staff recommendation on Issue 5, say aye.

4 (Vote taken.)

5 **COMMISSIONER SKOP:** Okay. Show Issue 5 staff
6 recommendation adopted.

7 That brings us to Issue 6, if staff could
8 introduce that issue.

9 **MR. RIEGER:** Yes. Issue 6 deals with the used
10 and useful of the utility's water and wastewater
11 facilities along with an adjustment to the excessive
12 I&I, inflow and infiltration, for the wastewater
13 purchased water -- wastewater.

14 **COMMISSIONER SKOP:** Very well. Any questions
15 from the bench on Issue 6? Do we have a motion?

16 **COMMISSIONER EDGAR:** I move staff
17 recommendation.

18 **COMMISSIONER GRAHAM:** Second.

19 **COMMISSIONER SKOP:** Okay. We have a motion to
20 adopt staff recommendation, and properly seconded. Any
21 discussion? Hearing none, all in favor of adopting the
22 staff recommendation on Issue 6 signify by saying aye.

23 (Vote taken.)

24 **COMMISSIONER SKOP:** Okay. Show the staff
25 recommendation for Issue 6 adopted.

1 Move to Issue 7, and if staff could introduce
2 the issue, please.

3 **MR. FLETCHER:** Issue 7 is staff's
4 recommendation for the appropriate working capital
5 allowance.

6 **COMMISSIONER SKOP:** Very well. Any discussion
7 from the bench? Seeing none, do we have a motion?

8 **COMMISSIONER GRAHAM:** So moved.

9 **COMMISSIONER SKOP:** Okay. We have a motion to
10 adopt the staff recommendation on Issue 7. Is there a
11 second?

12 **COMMISSIONER BRISÉ:** Second.

13 **COMMISSIONER SKOP:** Okay. We have a motion
14 and properly seconded to adopt the staff recommendation
15 on Issue 7. All in favor say aye.

16 (Vote taken.)

17 **COMMISSIONER SKOP:** Okay. Show the staff
18 recommendation adopted for Issue 7. That brings us to
19 Issue 8, and if staff could briefly introduce that.

20 **MR. FLETCHER:** Issue 8 is staff's
21 recommendation of the appropriate rate base for UIF for
22 all their systems.

23 **COMMISSIONER SKOP:** All right. Any discussion
24 on Issue 8? If not, do we have a motion?

25 **COMMISSIONER EDGAR:** So moved.

1 **COMMISSIONER SKOP:** Okay. We have a motion to
2 adopt the staff recommendation --

3 **COMMISSIONER GRAHAM:** Second.

4 **COMMISSIONER SKOP:** -- on Issue 8 followed by
5 a second by Commissioner Graham. Any discussion?

6 Hearing none, all in favor of adopting the
7 staff recommendation on Issue 8 signify by saying aye.

8 (Vote taken.)

9 **COMMISSIONER SKOP:** Okay. Show the staff
10 recommendation adopted for Issue 8. That brings us to
11 Issue 9, which is the return on equity, and I believe
12 this may be impacted by the Commission's decision in
13 Issue 1, and if staff could introduce that.

14 **MR. FLETCHER:** That is correct, Commissioner.
15 In Issue 9, staff recommends the use of the Commission
16 leverage formula which generated a 10.69 percent rate.
17 And based on the Commission's decision in Issue 1 for
18 Summertree, this would affect the Pasco County water.

19 **COMMISSIONER SKOP:** Okay. If the test results
20 come back unsatisfactory it may potentially affect --

21 **MR. FLETCHER:** May potentially affect.

22 **COMMISSIONER SKOP:** All right. Very well.
23 Based on the staff discussion, and noting the potential
24 impact on Issue 1, is there any questions on Issue 9?

25 Commissioner Graham, you're recognized.

1 **COMMISSIONER GRAHAM:** I guess I'm just trying
2 to understand. So, Issue 9, if we pass staff
3 recommendation, there is no changes here, assuming that
4 the water quality comes back perfectly fine in 60 days?

5 **MR. FLETCHER:** That's correct, Commissioner.

6 **COMMISSIONER GRAHAM:** So for the next 60 days
7 everything is going to go as planned.

8 **MR. FLETCHER:** As in the recommendation, as
9 you have --

10 **COMMISSIONER GRAHAM:** Got you.

11 **COMMISSIONER SKOP:** But, Commissioner, if the
12 water quality does not come back satisfactory, then this
13 issue will come back before the Commission and the
14 Commission will look at the water quality results and
15 determine whether an appropriate adjustment is required
16 over and above the staff recommendation. So that
17 probably needs to be embodied in any motion that would
18 be made on that, or the intent. So with respect to
19 Issue 9, is there any additional questions from the
20 bench? Hearing none, do we have a motion?

21 **COMMISSIONER BRISÉ:** So moved.

22 **COMMISSIONER SKOP:** Okay. We have a motion to
23 adopt the staff recommendation, noting that there may be
24 potential impact by the Commission's determination on
25 Summertree water quality in Issue 1. Do we have a

1 second?

2 **COMMISSIONER GRAHAM:** I second that.

3 **COMMISSIONER SKOP:** Okay. We have a motion to
4 adopt the staff recommendation as modified, properly
5 seconded. Any discussion? Okay. Hearing none, all in
6 favor of adopting the staff recommendation on Issue 9
7 with the caveat that it may be impacted by Issue 1,
8 signify by saying aye.

9 (Vote taken.)

10 **COMMISSIONER SKOP:** Okay. Show Issue 9, the
11 staff recommendation as modified, to be adopted. And
12 that brings us to Issue 10.

13 **MR. FLETCHER:** Issue 10 is staff's
14 recommendation regarding the appropriate weighted
15 average cost of capital for all of UI's systems.

16 **COMMISSIONER SKOP:** Okay, very well. And is
17 this equally impacted by Issue 1?

18 **MR. FLETCHER:** Correct.

19 **COMMISSIONER SKOP:** Okay. So that's the
20 understanding to be adopted in any proposed motion. Any
21 questions on Issue 10?

22 Okay. Hearing none, do we have a motion?

23 **COMMISSIONER GRAHAM:** I move Issue 10, the
24 same way we moved Issue 9.

25 **COMMISSIONER SKOP:** Okay. Very well. Is

1 there a second?

2 **COMMISSIONER GRAHAM:** Second.

3 **COMMISSIONER SKOP:** Okay. We have a motion
4 properly seconded reflecting the adoption of staff
5 recommendation on Issue 10 noting that it may be
6 impacted by the Commission's ultimate decision in Issue
7 1. All in favor of adopting that motion signify by
8 saying aye.

9 (Vote taken.)

10 **COMMISSIONER SKOP:** Okay. Show Issue 10, the
11 staff recommendation as modified adopted. That brings
12 us to Issue 11.

13 **MR. FLETCHER:** Issue 11 is staff's
14 recommendation to UIF's wages and salaries, pension and
15 benefits, and payroll taxes.

16 **COMMISSIONER SKOP:** Very well. Any discussion
17 on Issue 11? Okay. Hearing none, is there a motion on
18 Issue 11?

19 **COMMISSIONER GRAHAM:** I so move the staff
20 recommendation.

21 **COMMISSIONER SKOP:** Very well. Is there a
22 second?

23 **COMMISSIONER BRISÉ:** Second.

24 **COMMISSIONER SKOP:** Okay. We have a motion to
25 adopt the staff recommendation on Issue 11 and properly

1 seconded. Any discussion on the motion?

2 Hearing none, all in favor of adopting the
3 staff recommendation on Issue 11 signify by saying aye.

4 (Vote taken.)

5 **COMMISSIONER SKOP:** Any opposed? Okay.

6 Hearing none, show the staff recommendation on Issue 11
7 adopted.

8 That brings us to Issue 12.

9 **MR. FLETCHER:** Issue 12 is staff's
10 recommendation to the utility's relocation expenses.

11 **COMMISSIONER SKOP:** Okay. Any discussion on
12 Issue 12? Hearing none, is there a motion?

13 **COMMISSIONER GRAHAM:** I move Issue 12 as staff
14 recommended.

15 **COMMISSIONER SKOP:** All right. Is there a
16 second?

17 **COMMISSIONER BRISÉ:** Second.

18 **COMMISSIONER SKOP:** Okay. We have a motion to
19 adopt staff recommendation on Issue 12, properly
20 seconded? Any discussion? Hearing none, all in favor
21 of adopting the staff recommendation on Issue 12 signify
22 by saying aye.

23 (Vote taken.)

24 **COMMISSIONER SKOP:** Okay. Show staff
25 recommendation adopted on Issue 12. That brings us to

1 Issue 13.

2 **MR. FLETCHER:** Issue 13 is staff's
3 recommendation to the utility's transportation expense.

4 **COMMISSIONER SKOP:** Very well. Any discussion
5 on Issue 13? Hearing none, is there a motion?

6 **COMMISSIONER EDGAR:** So moved.

7 **COMMISSIONER SKOP:** Okay. We have a motion to
8 adopt the staff recommendation on Issue 13. Is there a
9 second?

10 **COMMISSIONER BRISÉ:** Second.

11 **COMMISSIONER GRAHAM:** Second.

12 **COMMISSIONER SKOP:** Okay. We have a properly
13 seconded motion. Any discussion? Hearing none, those
14 in favor of adopting the staff recommendation on Issue
15 13 signify by saying aye.

16 (Vote taken.)

17 **COMMISSIONER SKOP:** Okay. Show the staff
18 recommendation adopted on Issue 13. That brings us to
19 Issue 14.

20 Mr. Fletcher.

21 **MR. FLETCHER:** Issue 14 is staff's
22 recommendation regarding the appropriate amount of rate
23 case expense.

24 **COMMISSIONER SKOP:** Very well. Any questions
25 on Issue 14? Commissioner Graham, you're recognized.

1 **COMMISSIONER GRAHAM:** Thank you, through the
2 chair.

3 To staff, we beat this one up a little
4 earlier, and I believe it came down to a cost of like
5 \$3,500, \$3,600. Is the staff opposed to that fine or
6 are they just finding the number as being insignificant?

7 **MR. FLETCHER:** It is immaterial. As Mr.
8 Stallcup, I believe, mentioned earlier, it's pennies on
9 some of the rates. I think if you have a \$50 bill, it
10 represents a penny or two. So it's insignificant or
11 immaterial.

12 **COMMISSIONER GRAHAM:** Is staff opposed to
13 this, or just, like you said, it's insignificant?

14 **MR. FLETCHER:** We stand by our recommendation
15 because it's the utility's burden to prove that it's
16 requested costs. And we filed our recommendation on
17 July 22nd, and the company filed their information
18 Friday afternoon before this agenda. And they are
19 accustomed to these, providing that information. We
20 even let them know up front in the test year that
21 anything -- in the test year approval process -- that
22 anything not included in your application might not be
23 considered. So given those, we'd stand by our
24 recommendation.

25 **COMMISSIONER GRAHAM:** Okay.

1 **COMMISSIONER SKOP:** All right. Any further
2 questions on Issue 14?

3 **COMMISSIONER EDGAR:** I'd like to hear from
4 Mr. Friedman again.

5 **COMMISSIONER SKOP:** Okay.

6 Mr. Friedman, you're recognized as to your
7 position on Issue 14.

8 **MR. FRIEDMAN:** I hope my position is clear. I
9 mean, it's legitimate rate case expense that the staff,
10 I think, now says that they acknowledge is reasonable,
11 and so even though it is maybe termed immaterial, then
12 why not put it in there if it's immaterial? What's the
13 harm? And I would certainly request that you do so.

14 **COMMISSIONER SKOP:** Mr. Friedman, in response
15 to that, to your responsive question, or responsive
16 statement, how do you address the untimeliness of your
17 filing in terms of staff's concern about, you know, we
18 have had this proceeding before us?

19 **MR. FRIEDMAN:** I addressed it somewhat
20 earlier, is that, you know, we normally expect more than
21 one round of data requests. We usually want to get the
22 rate case expense as late in the process as we can
23 because we want as accurate a rate case information as
24 we can. And in this case we didn't get an updated data
25 request from the staff. The staff never said they had

1 any complaints about the way it was filed, and so I
2 just, you know, I don't think we have all the blame in
3 not doing it right. We probably should have done it
4 better.

5 When we realized that staff didn't think we
6 gave them specific enough information, we filled that
7 gap. And, you know, if they now say, yes, it would be
8 reasonable and we would have approved it had we had it
9 earlier, I don't know how you cannot approve it.

10 **COMMISSIONER SKOP:** Very well. Commissioner
11 Edgar, did that answer your question?

12 **COMMISSIONER EDGAR:** So as I'm flipping
13 through and seeing lots of numbers here, Mr. Friedman,
14 what would be the amount, the actual appropriate amount
15 of rate case expense in dollars that you were asking
16 for?

17 **MR. FRIEDMAN:** We had asked for a lot more
18 than I think what the staff calculated. I think the
19 staff --

20 **COMMISSIONER EDGAR:** I know that.

21 **MR. FRIEDMAN:** To make sure I'm clear, I think
22 the staff was just -- I think they had ignored our
23 request for anything other than the legal part of the
24 rate case expense, but the legal part of the rate case
25 expense, my recollection from the staff was that you

1 have got to amortize it over four years, so the
2 amortized amount, I understand, was \$3,574.

3 **COMMISSIONER EDGAR:** Okay. That is the number
4 that I had jotted down from the earlier discussion.

5 **MR. FRIEDMAN:** I would request more, but I
6 understand the staff's position.

7 **COMMISSIONER SKOP:** Can you repeat that
8 number, please? 3,000 --

9 **COMMISSIONER EDGAR:** 570.

10 **COMMISSIONER SKOP:** Okay. And that is for --

11 **COMMISSIONER GRAHAM:** 74.

12 **COMMISSIONER EDGAR:** 74.

13 **COMMISSIONER SKOP:** Is that strictly for legal
14 expense?

15 **MR. FRIEDMAN:** That's correct.

16 **COMMISSIONER EDGAR:** That is my understanding.

17 **COMMISSIONER SKOP:** All right. And, staff, I
18 yield to Commissioner Edgar, again, if you have any
19 additional questions.

20 **COMMISSIONER EDGAR:** I do not. I would move
21 that the staff recommendation be adjusted slightly to
22 account for the additional information and related costs
23 for legal fees in the amount of \$3,574.

24 **COMMISSIONER SKOP:** Okay. We have a motion.
25 Is there a second?

1 Okay. I don't hear a second, unless I'm
2 wrong, so --

3 **COMMISSIONER GRAHAM:** I will move staff
4 recommendation.

5 **COMMISSIONER SKOP:** Okay. Hold on. We have a
6 motion, so we have to get to the motion -- it looks like
7 it fails for a second.

8 Now we have a new motion to adopt the staff
9 recommendation on Issue 14. Is there a second to that?

10 **COMMISSIONER BRISÉ:** Second.

11 **COMMISSIONER SKOP:** Okay. We have a motion to
12 adopt staff recommendation on Issue 14. Any discussion
13 on the motion? Hearing none, all in favor of adopting
14 the staff recommendation on Issue 14 signify by saying
15 aye.

16 (Vote taken.)

17 **COMMISSIONER EDGAR:** No.

18 **COMMISSIONER SKOP:** Okay. So we have, it
19 looks like, three ayes and one no, so show the staff
20 recommendation on Issue 14 adopted. That brings us to
21 Issue 15.

22 Mr. Fletcher.

23 **MR. FLETCHER:** Issue 15 is staff's
24 recommendation regarding the utility's bad debt expense.

25 **COMMISSIONER SKOP:** Okay. Any discussion on

1 Issue 15? If not, do we have a motion?

2 **COMMISSIONER GRAHAM:** So move the staff
3 recommendation.

4 **COMMISSIONER SKOP:** Staff recommendation -- a
5 motion to adopt staff recommendation on Issue 15. Is
6 there a second?

7 **COMMISSIONER EDGAR:** Second.

8 **COMMISSIONER SKOP:** We have a second. Any
9 discussion? Hearing none, all in favor of adopting the
10 staff recommendation on Issue 15 signify by saying aye.

11 (Vote taken.)

12 **COMMISSIONER SKOP:** Okay. Show the staff
13 recommendation adopted on Issue 15.

14 That brings us to Issue 16. Mr. Fletcher.

15 **MR. FLETCHER:** Issue 16 is staff's
16 recommendation regarding the test year water and
17 wastewater operating income by county before any revenue
18 increase.

19 **COMMISSIONER SKOP:** Okay. We have -- staff
20 has introduced Issue 16. Any discussion?

21 Commissioner Graham, you're recognized.

22 **COMMISSIONER GRAHAM:** Is Issue 16 also
23 affected by the decision we made in Issue 1?

24 **COMMISSIONER SKOP:** I believe it is, yes.
25 Mr. Fletcher.

1 **MR. FLETCHER:** I believe it is.

2 **COMMISSIONER GRAHAM:** So then I move staff
3 recommendation the same way we did Issue 9 and 10.

4 **COMMISSIONER SKOP:** Okay. All right.
5 Basically, we have a motion on the table to adopt the
6 staff recommendation for Issue 16, subject to the
7 modification that it may be impacted by the Commission's
8 decision, overall decision in Issue 1. Is there a
9 second?

10 **COMMISSIONER EDGAR:** Second.

11 **COMMISSIONER SKOP:** We have a motion properly
12 seconded. Any discussion? Hearing none, all in favor
13 of adopting the staff recommendation on Issue 16 as
14 modified signify by saying aye.

15 (Vote taken.)

16 **COMMISSIONER SKOP:** Show the staff
17 recommendation as modified for Issue 16 be adopted.

18 That brings us to Issue 17.

19 **MR. FLETCHER:** Issue 17 is staff's
20 recommendation regarding the appropriate revenue
21 requirements for UIF systems. This would be an impacted
22 issue.

23 **COMMISSIONER SKOP:** I do have a question on
24 Issue 17 with respect to the proposed revenue
25 requirement and the percent increase -- decrease, I

1 guess I should say, of uniform rates by county, is that
2 correct?

3 **MR. FLETCHER:** They are uniform, yes.

4 **COMMISSIONER SKOP:** Okay. So they are not
5 statewide rates, and that's what's driving the
6 disparity. And different locales have higher rates
7 based on their own, you know, capital spending projects
8 that are required in the service territories.

9 **MR. FLETCHER:** That is correct, Commissioner.
10 And looking at it in the -- on a total company basis
11 versus the investment just for Pasco County water, for
12 all the water systems, Pasco County represents about
13 45 percent of the total investment of the utility.

14 **COMMISSIONER SKOP:** Okay.

15 **MR. FLETCHER:** It is driving that return on
16 that investment.

17 **COMMISSIONER SKOP:** Okay. And so would it be
18 also correct to understand that the revenue requirement
19 will change if the Commission adopts any changes to the
20 return on equity in terms of impacted by Issue 1 for
21 Summertree?

22 **MR. FLETCHER:** That is correct. It will have
23 an impact upon the rate of return, and it looks like,
24 depending on how the Commission votes, 100 basis points,
25 that is the statutory requirement that would represent a

1 36 basis point difference to the overall cost of
2 capital, if the Commission were to do so.

3 **COMMISSIONER SKOP:** Any additional questions
4 on Issue 17? Okay. Noting that staff has recommended a
5 recommendation of Issue 17 and it may be impacted by the
6 Commission's ultimate decision in Issue 1, do we have a
7 motion on Issue 17?

8 **COMMISSIONER BRISÉ:** So moved.

9 **COMMISSIONER SKOP:** We have a motion to adopt
10 the staff recommendation on Issue 17 as modified. Is
11 there a second?

12 **COMMISSIONER EDGAR:** Second.

13 **COMMISSIONER SKOP:** We have a second. Any
14 discussion? Hearing none, all in favor of adopting the
15 staff recommendation on Issue 17 as modified signify by
16 saying aye.

17 (Vote taken.)

18 **COMMISSIONER SKOP:** Show Issue 17 as
19 modified -- staff recommendation as modified on Issue 17
20 to be adopted. That brings us to Issue 18.

21 **MR. STALLCUP:** Issue 18 is staff's
22 recommendation, subject to the modification provided to
23 the Commission and parties last week, on the appropriate
24 rate structures for the water and wastewater systems in
25 Marion, Orange, Pasco, Pinellas, and Seminole Counties.

1 **COMMISSIONER SKOP:** Okay. And I do have one
2 question on Issue 18 with respect to the proposed rate
3 structure for Pasco County and the selection of the BCF
4 cost-recovery percentages noting that it's seasonal
5 usage, and the necessity of the utility to recover
6 costs, but in the sensitivities of the rate structures
7 that staff looked at, does the recommended rate
8 structure result in the most affordable rates for
9 Summertree and other Pasco County customers?

10 **MR. STALLCUP:** Yes, sir, I believe it does.

11 **COMMISSIONER SKOP:** Okay. And you looked at
12 multiple variations?

13 **MR. STALLCUP:** Yes, I have. I have the
14 accounting data here and the actual fixed costs that
15 the --

16 **COMMISSIONER SKOP:** I don't think we want to
17 get into that discussion.

18 **MR. STALLCUP:** Okay. Yes, I have.

19 **COMMISSIONER SKOP:** I want us to eat lunch
20 ultimately and people have been up since 3:00. I have
21 been up since 5:00, so -- okay, that resolves my
22 concern.

23 Do we have a motion as it pertains to Issue
24 18, which is the staff recommendation on the appropriate
25 rate structures?

1 **MR. STALLCUP:** If I may, Commissioner, also
2 the decision on Issue 1 could flow over and affect the
3 rates, but not the rate structure.

4 **COMMISSIONER SKOP:** Okay. The actual rates
5 themselves.

6 **MR. STALLCUP:** Yes.

7 **COMMISSIONER SKOP:** That would be a different
8 issue, right, not this issue?

9 **MR. STALLCUP:** It will fall out of all the
10 others, yes.

11 **COMMISSIONER SKOP:** All right. Very well. So
12 noting that staff has addressed concerns on Issue 18 as
13 it may be affected by Issue 1, do we have a motion?

14 **COMMISSIONER BRISÉ:** So moved.

15 **COMMISSIONER SKOP:** Okay. We have a motion to
16 adopt the staff recommendation on Issue 18 as modified.
17 Is there a second?

18 **COMMISSIONER EDGAR:** Second.

19 **COMMISSIONER GRAHAM:** Second.

20 **COMMISSIONER SKOP:** We have a second. Any
21 discussion?

22 Hearing none, all in favor of adopting the
23 staff recommendation as modified on Issue 18 signify by
24 saying aye.

25 (Vote taken.)

1 **COMMISSIONER SKOP:** Okay. I'm going to have
2 to start handing out some candy here to get the sugar
3 going, but show the staff recommendation as modified on
4 Issue 18 to be adopted.

5 And it brings us to Issue 19.

6 **MR. STALLCUP:** Issue 19 is staff's
7 recommendation subject to the oral modification provided
8 to the Commissioners and parties last week about the
9 appropriate repression adjustments.

10 **COMMISSIONER SKOP:** Okay. And just a brief
11 question, on Page 54 of the staff recommendation with
12 respect to the revenue requirements and the
13 regression -- I'm sorry, repression adjustments that are
14 being made that the same analysis and thoroughness of
15 the analysis was done as it pertains to the rates on
16 Pasco County.

17 **MR. STALLCUP:** Yes, sir.

18 **COMMISSIONER SKOP:** Okay.

19 **MR. STALLCUP:** I should point out, also, that
20 on Page 56 staff will correct in the final order the
21 fact that that is a purchased power expense and not a
22 purchased water expense.

23 **COMMISSIONER SKOP:** Okay. Very well. And I
24 think also, too, there is, Mr. Deterding -- I'm sorry.

25 **MR. FRIEDMAN:** Oh, geez. I'm leaving.

1 (Laughter.)

2 **COMMISSIONER SKOP:** It's late. I'm used to
3 the John and Marty show.

4 But, anyway, Mr. Friedman, what issue -- you
5 had the purchased water that needed to be --

6 **MR. FRIEDMAN:** That was it.

7 **COMMISSIONER SKOP:** That was it. Okay. I
8 wanted to make sure that staff is going to look into
9 making that adjustment and correction, if necessary, is
10 that correct?

11 **MR. STALLCUP:** It will be correct in the
12 order, yes, sir.

13 **COMMISSIONER SKOP:** Okay. All right. So
14 based on that for Issue 19, do we have any discussion or
15 further questions? Okay. With that, do we have a
16 motion?

17 **COMMISSIONER BRISÉ:** Move staff's corrected
18 recommendation.

19 **COMMISSIONER SKOP:** Okay. We have a motion to
20 adopt the staff recommendation as modified.

21 **COMMISSIONER EDGAR:** Second.

22 **COMMISSIONER SKOP:** A second. Any discussion?
23 Hearing none, all in favor of adopting the staff
24 recommendation as modified on Issue 19 signify by saying
25 aye.

1 (Vote taken.)

2 **COMMISSIONER SKOP:** Okay. Show the staff
3 recommendation as modified on Issue 19 to be adopted.

4 And we are in the home stretch. I think it
5 takes us to Issue 20.

6 **MR. FLETCHER:** Issue 20 is Staff's
7 recommendation regarding the appropriate monthly rates,
8 water and wastewater.

9 **COMMISSIONER SKOP:** Okay. And on Issue 20, my
10 understanding is this issue also could be potentially
11 impacted by the Commission's ultimate decision in Issue
12 1 and the fallout issues?

13 **MR. FLETCHER:** That's correct.

14 **COMMISSIONER SKOP:** Very well. Any discussion
15 or further questions on Issue 20? Seeing none, is there
16 a motion?

17 **COMMISSIONER GRAHAM:** So moved.

18 **COMMISSIONER SKOP:** Okay. We have a motion to
19 adopt the staff recommendation on Issue 20 as modified,
20 noting that it may be impacted by Issue 1 of the fallout
21 issues.

22 **COMMISSIONER EDGAR:** Second.

23 **COMMISSIONER SKOP:** I have a second. Any
24 discussion? Hearing none, all in favor of adopting the
25 staff recommendation as modified on Issue 20 signify by

1 saying aye.

2 (Vote taken.)

3 **COMMISSIONER SKOP:** Show the staff
4 recommendation for Issue 20, as modified, adopted.

5 That brings us to Issue 21.

6 **MR. FLETCHER:** Issue 21 is Staff's
7 recommendation regarding the appropriate interim
8 refunds.

9 **COMMISSIONER SKOP:** Okay. And would it be
10 correct on page 58 of the staff recommendation noting
11 that the Pasco County water and wastewater refunds
12 appear to be 17.57 percent for water and 20.57 percent
13 for wastewater?

14 **MR. FLETCHER:** That's correct.

15 **COMMISSIONER SKOP:** Okay. And those will be
16 refunded to customers?

17 **MR. FLETCHER:** That's correct. With interest.

18 **COMMISSIONER SKOP:** Okay. And that's the
19 excess interim rates that have been collected over and
20 above the final Commission approved rates which are
21 still somewhat in flux as to Issue 1.

22 **MR. FLETCHER:** Correct, Commissioner.

23 **COMMISSIONER SKOP:** Okay. Any other things
24 that the Commission needs to be aware of before making a
25 motion to adopt the staff recommendation on Issue 21?

1 **MR. FLETCHER:** This one, if the test results,
2 testing comes back and they don't meet the primary and
3 secondary standards, this will be coming back to the
4 Commission also with regard to the appropriate
5 additional refunds.

6 **COMMISSIONER SKOP:** Okay. Very well. Any
7 further questions or discussion on Issue 21? Seeing
8 none, do we have a motion?

9 **COMMISSIONER GRAHAM:** So moved.

10 **COMMISSIONER SKOP:** Okay. We have a motion to
11 adopt the staff recommendation on Issue 21, noting that
12 it as modified may be affected by the Commission's
13 ultimate decision on Issue 1. Do we have a second?

14 **COMMISSIONER BRISÉ:** Second.

15 **COMMISSIONER EDGAR:** Second.

16 **COMMISSIONER SKOP:** Okay. We have a second.
17 Any discussion on the issue? Hearing none, all in favor
18 of adopting staff recommendation on Issue 21 as
19 modified, signify by saying aye.

20 (Affirmative vote.)

21 Show the staff recommendation as modified on
22 Issue 21 to be adopted.

23 That brings us to Issue 22.

24 **MR. FLETCHER:** Issue 22 is staff's
25 recommendation regarding the reduction in rates after

1 four years to remove the amortized rate case expense.

2 **COMMISSIONER SKOP:** Okay. Any questions or
3 discussion on Issue 22? Hearing none, do we have a
4 motion?

5 **COMMISSIONER GRAHAM:** So moved.

6 **COMMISSIONER EDGAR:** Second.

7 **COMMISSIONER SKOP:** Okay. We have a motion to
8 adopt staff recommendation on Issue 22 followed by a
9 second by Commissioner Edgar. Any discussion? Hearing
10 none, all in favor of adopting staff recommendation on
11 Issue 22, signify by saying aye.

12 (Affirmative vote.)

13 Okay. Show the staff recommendation on Issue
14 22 to be adopted.

15 That brings us to the final issue or actually
16 second to the last issue, Issue 23.

17 **MR. FLETCHER:** Issue 23 is staff's
18 recommendation to require the utility provide proof that
19 it's adjusted its books in accordance with the
20 Commission's decisions.

21 **COMMISSIONER SKOP:** Okay. Any questions on
22 Issue 23? Hearing none, do we have a motion?

23 **COMMISSIONER BRISÉ:** So moved.

24 **COMMISSIONER EDGAR:** Second.

25 **COMMISSIONER SKOP:** We have a motion to adopt

1 staff recommendation on Issue 23 followed by a second.
2 Any discussion? Hearing none, all in favor of adopting
3 staff recommendation on Issue 23, signify by saying aye.

4 (Affirmative vote.)

5 Show Issue 23 of staff recommendation to be
6 adopted.

7 That brings us to Issue 24.

8 **MR. YOUNG:** Issue 24 is should the docket be
9 closed? For the reasons stated in Issue 24, the docket
10 should not be closed and for the Commission's decision
11 to remain -- for the Commission -- this docket should
12 remain open depending upon the Commission's decision on
13 Issue 1.

14 **COMMISSIONER SKOP:** Okay. Very well. And
15 that's a modification to the existing staff
16 recommendation. And are there any other catchall
17 provisions, and I'll look to Commissioner Edgar, that we
18 want to stick into this one so that we've got the full
19 intent of the Commission? Because I think that we spoke
20 to using that as a protective measure to make sure that
21 everything that we had discussed is embodied in this
22 last issue.

23 **COMMISSIONER EDGAR:** I would like to make sure
24 that we have been clear and are including the direction
25 that Commissioner Graham offered and any others along

1 that line regarding the direction to the company to work
2 more closely and more directly with the customers as far
3 as options, impacts, costs and everything else that you
4 included in your earlier discussions.

5 **COMMISSIONER SKOP:** Commissioner Graham,
6 you're recognized.

7 **COMMISSIONER GRAHAM:** Is that a specific order
8 that we're putting before them or is that all wrapped
9 into Issue 24 here?

10 **COMMISSIONER SKOP:** It's going to be in the
11 Commission's proposed agency action order that'll come
12 out. So it'll be embodied in the, in the language of
13 the order, whatever we order them to do at this point.

14 **COMMISSIONER GRAHAM:** Okay.

15 **COMMISSIONER SKOP:** Any other further
16 questions on that?

17 I do have one. I think Commissioner Graham
18 raised an excellent point with respect to the company's
19 need to communicate its predicament to consumers and the
20 customers and to let them understand, you know, here's
21 the capital improvement option at \$2.5 million, here's
22 the potential rate impact, here's the home improvement
23 option by putting in water purification or other options
24 that may be ultimately less expensive. Because, you
25 know, at the end of the day, when they put in a capital

1 project, it's not just the cost of the capital project,
2 it's that plus depreciation plus taxes plus, you know,
3 all the burdening that goes on top of that. So in a
4 regulatory sense, that number grows substantially and
5 then it gets reduced into a revenue requirement which
6 results in higher rates.

7 But I think Commissioner Graham was right on,
8 as well as my other colleagues, by having the Commission
9 encourage the company to go do that with the consumers
10 to explain these options to them. And I would even add
11 to that by encouraging the company to pursue, you know,
12 win-win solutions, whether it be a divestiture of
13 Summertree to the extent if they could enter into an
14 agreement with the entity, Pasco County, to serve at a
15 lower cost at a higher quality to address some of these
16 issues. Some of those intangible things should be, I
17 think, pursued at the company's convenience also. I
18 mean, certainly we don't want them to get out of the
19 business, but, you know, we want to look at all win-win
20 alternatives. So if there's any thought to saying that,
21 I mean, I'd like to see that included but I don't want
22 it to necessarily be ordered. So I think I'm
23 comfortable with what Commissioner Graham did. But,
24 again, I'm looking more towards what is the long-term
25 solution for addressing these problems in Florida,

1 because we need a solution because it becomes an
2 affordability issue.

3 So, Commissioner Graham, do you have anything
4 to add to your discussion that you want to see in the
5 order in terms of company communication with its
6 customers?

7 **COMMISSIONER GRAHAM:** I can hardly keep my
8 mind around what we already have out there.

9 **COMMISSIONER SKOP:** Yeah. I know. Welcome,
10 welcome to my world. So I think staff has got the
11 intent. I think Commissioner Edgar succinctly embodied
12 the fact that, you know, we're to, you know, order the
13 company and enter a PAA order to pursue better
14 communication with the customers to explain what options
15 exists and try and reach consensus. And I think -- does
16 that embody everyone's concerns? I don't want to
17 belabor the point. We'll leave it to staff to address
18 that as it deems appropriate in the order addressing
19 Commissioner Graham's concerns. So do we have a motion
20 on Issue 24 embodying the, what's been discussed at
21 bench?

22 **COMMISSIONER EDGAR:** So moved.

23 **COMMISSIONER SKOP:** Okay. So we have a
24 motion. Do we have a second?

25 **COMMISSIONER GRAHAM:** Second.

1 **COMMISSIONER SKOP:** Okay. So we have a motion
2 properly second. Any discussion? Hearing none, we have
3 a motion to approve the staff recommendation on Issue 24
4 as modified. Do we have -- I'm sorry. I lost my train
5 of thought. I've got a motion to adopt the staff
6 recommendation on Issue 24 as modified. All in favor of
7 the motion, signify by saying aye.

8 (Affirmative vote.)

9 Okay. Show the staff recommendation as
10 modified on Issue 24 to be adopted.

11 And, staff, are there any other matters that
12 we need to address on Issue 24 before we move on?

13 **MR. YOUNG:** No, sir.

14 **COMMISSIONER SKOP:** Okay. So the
15 understanding of the Commission is that for Summertree
16 on Issue 1, the company is going to engage in testing,
17 provide the test results back to the Commission staff.
18 If the results for primary/secondary are satisfactory,
19 then staff will take administrative action to implement
20 rates. Until then, we have implemented, per the
21 company's consent, to implement the proposed PAA rates,
22 which means bills will be temporarily going down until
23 we get resolution of the water quality testing; is that
24 correct?

25 **MR. YOUNG:** Yes, sir. One second.

1 **COMMISSIONER SKOP:** All right.

2 (Pause.)

3 **MR. YOUNG:** We're good.

4 **COMMISSIONER SKOP:** Okay. As long as we're
5 all good. Any other further discussion from the bench
6 on Issue 5? Hearing none, I believe that completes
7 today's agenda conference.

8 (Agenda Conference adjourned.)

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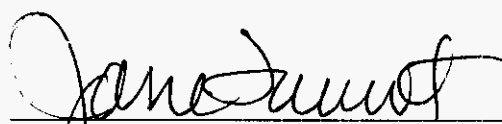
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2 STATE OF FLORIDA)
 :
3 COUNTY OF LEON) CERTIFICATE OF REPORTERS

4
5 WE, JANE FAUROT, RPR, and LINDA BOLES, RPR,
6 CRR, Official Commission Reporters, do hereby certify
7 that the foregoing proceeding was heard at the time and
8 place herein stated.


9 IT IS FURTHER CERTIFIED that we
10 stenographically reported the said proceedings; that the
11 same has been transcribed under our direct supervision;
12 and that this transcript constitutes a true
13 transcription of our notes of said proceedings.

14 WE FURTHER CERTIFY that we are not a relative,
15 employee, attorney or counsel of any of the parties, nor
16 are we a relative or employee of any of the parties'
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19 DATED THIS 6th day of August,
20 2010.

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