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REPLY TO: Tallahassee

May 17, 1993

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: FPSC Docket No. 911082-WS

Dear Mr. Tribble:

On behalf of Southern States Utilities, Inc. ("SSU") enclosed for filing in the above-referenced docket is an original and fifteen copies of the testimony of Joseph P. Cresse and John F. Guastella.

5308-93

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Copies of this filing have been served on the parties of record in this docket pursuant to the attached certificate of service. Thank you for your assistance in processing this filing. Please contact me if you have any questions.

- ACK _____
- AFA _____
- APP 1 _____
- CAF _____
- CMU _____
- CTR KAH/rl _____
- EAG Enclosures _____
- LEG cc: Brian P. Armstrong, Esq. _____
- LIN enjo Mr. Forrest L. Ludsen _____
- OPC _____
- RCH 2 _____
- SEC 1 _____
- WAS _____
- OTH _____

Sincerely,

Kenneth A. Hoffman

RECEIVED & FILED

RECORDS & REPORTS

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing testimony of Joseph P. Cresse and John F. Guastella was furnished by U.S. Mail on this 17th day of May, 1993, to the following:

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By:


KENNETH A. HOFFMAN, ESQ.

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TESTIMONY OF JOHN F. GUASTELLA
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
ON BEHALF OF
SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 911082-WS

DOCUMENT NUMBER-DATE
05309 MAY 17 88
FPC-RECORDS/REPORTING

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is John F. Guastella. My business address
3 is Post Office Box 371, Peapack, New Jersey 07977.

4 Q. HAVE YOU ATTACHED AS EXHIBIT JFG-1 A STATEMENT OF
5 QUALIFICATIONS AND EXPERIENCE WHICH DESCRIBES YOUR
6 EDUCATIONAL AND PROFESSIONAL BACKGROUND?

7 A. Yes.

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9 A. I was asked by Southern States Utilities, Inc.
10 ("SSU") to review the proposed revisions to certain
11 rules in connection with the Florida Public Service
12 Commission's ("FPSC") rulemaking, Docket No.
13 911082-WS, as set forth in Order No. PSC-93-045-
14 NOR-WS. The primary issues for which I will
15 provide comments and recommendations pertain to
16 acquisition adjustments and used and useful
17 analyses, as well as other related issues.

18 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE
19 FPSC REGARDING THESE ISSUES?

20 A. Yes, on many occasions.

21 Acquisition Adjustments

22 Q. WHICH RULES IN THIS DOCKET ADDRESS THE QUESTION OF
23 ACQUISITION ADJUSTMENT?

24 A. As set forth in the FPSC Order, Rules 25-30.037 and
25 25-30.0371 codify the current FPSC practice with

1 respect to the evaluation of transfers, the
2 definition of net book value and the calculation of
3 any acquisition adjustment at the time of transfer.
4 In addition, Rule 25-30.038 is to provide a new
5 mechanism to encourage the acquisition of small
6 systems.

7 **Q. DO YOU AGREE WITH THE PURPOSE AND INTENT OF THESE**
8 **RULES?**

9 A. Yes. In my opinion, these rules would continue the
10 FPSC's policy with respect to acquisition
11 adjustments which has clearly been in the best
12 interest of the customers, and which is consistent
13 with what I believe to be the views of regulators
14 throughout the country.

15 **Q. HAS THE FPSC RECENTLY REVIEWED ITS ACQUISITION**
16 **ADJUSTMENT POLICY?**

17 A. Yes, in Docket No. 891309-WS, Order No. 25729,
18 issued February 17, 1992, it confirmed its
19 acquisition adjustment policy.

20 **Q. WILL YOU PLEASE PROVIDE SPECIFIC COMMENTS AS TO WHY**
21 **YOU AGREE WITH THE FPSC POLICY WITH RESPECT TO**
22 **ACQUISITION ADJUSTMENTS?**

23 A. For a number of years one of the primary concerns
24 of regulators has been to find solutions to the
25 problems of small companies; problems taking the

1 form of size, inadequate service, inability to
2 attract capital and lack of managerial and
3 technical expertise. The most commonly recognized
4 solution has been to somehow encourage large
5 utilities to acquire the small utilities and, among
6 regulators, one of the most commonly discussed
7 incentives has been to allow positive acquisition
8 adjustments -- with the recognition that the
9 improved service to the customers of these small
10 systems is well worth the possibility of added
11 cost.

12 The issue of acquisition adjustments can
13 easily be addressed in terms of what is in the best
14 interest of the customers. Specifically, it is in
15 the best interest of the customers of a small
16 utility that cannot provide adequate service to be
17 acquired by a large utility that can provide
18 adequate service. It is also in the best interest
19 of the customers of small utilities acquired by
20 large utilities if, in the long run, the rates for
21 service after being acquired by a larger utility
22 would be no more, and probably less, than if the
23 acquisition did not take place and the small
24 utilities were somehow able to make required
25 improvements and provide an equivalent level of

1 operations. It is in the best interest of the
2 customers, therefore, to have a policy which
3 encourages such acquisitions. In my opinion, the
4 FPSC's February 17, 1992 order as well as the rules
5 proposed in this docket reflect such a policy.

6 On the other hand, it is not in the best
7 interest of the customers to have a regulatory
8 policy which provides disincentives for the
9 acquisition of small, problem utilities by large
10 utilities, because for those utilities not
11 acquired, the customers will receive poorer service
12 than would otherwise be the case. Public Counsel's
13 comments filed in April 23, 1993 in this docket
14 recommend the elimination of essential incentives.
15 Specifically, Public Counsel would require, by
16 rule, the elimination of "poorly or improperly
17 maintained" assets from rate base, page 12 of its
18 comments. It may very well be the ability of the
19 acquiring, larger utility to properly operate and
20 maintain those assets which provide benefits to the
21 customers, which would not otherwise be achievable.
22 Public Counsel would eliminate Construction Work in
23 Progress from rate base, also page 12 of its
24 comments, when the construction in progress may
25 represent the very improvements needed to best

1 serve the customers; and for which a delay in rate
2 base recognition would create a disincentive.

3 Given the FPSC's findings as to the many
4 benefits resulting from the acquisition of small
5 utilities, the most surprising statement by Public
6 Counsel's statement (page 14) is that it "cannot
7 conceive of any rationale" for positive acquisition
8 adjustments.

9 **Q. WHAT ARE SOME OF THE EXPECTED BENEFITS RESULTING**
10 **FROM THE ACQUISITION OF SMALL UTILITIES BY LARGE**
11 **UTILITIES, WHICH HAVE BEEN RECOGNIZED BY THE FPSC?**

12 **A.** The FPSC has generally recognized, and SSU has
13 specifically demonstrated, the following benefits:

- 14 1) improved service
- 15 2) lower operating expenses;
- 16 3) the attraction of capital;
- 17 4) a lower cost of capital;
- 18 5) the ability to make improvements;
- 19 6) more professional and experienced
20 managerial, financial, technical and
21 operational resources;
- 22 7) compliance with regulatory requirements;
- 23 8) resultant lower rates than otherwise for
24 service for the customers of the acquired
25 utility, and ultimately for all customers

1 larger customer base. These economies of scale
2 also enable larger utilities to employ highly
3 professional and experienced people, usually not
4 available to smaller utilities.

5 It is obvious that small utilities find it
6 difficult and in many cases impossible to make
7 service improvements. If they do, the cost is
8 usually high, and the resultant rates even higher
9 because the costs must be spread over relatively
10 few customers. The larger utilities, such as SSU,
11 have been able to make service improvements, and
12 the resultant rates have been less than they would
13 otherwise be. Moreover, to the extent that the
14 larger utilities are continually expanding their
15 customer base, the economies of scale continually
16 improve to the benefit of all of their customers.

17 **Q. HAS THE FPSC RECOGNIZED THE ABOVE BENEFITS?**

18 **A.** In my opinion, it has. I believe it is fair to say
19 that every time the FPSC approves the acquisition
20 of a small utility by a large utility, it does so
21 only because that acquisition was in the best
22 interest of the customers. In fact, the FPSC has
23 specifically noted the improvements the customers
24 of small systems should experience with acquisition
25 by SSU.

1 Q. ARE YOU FAMILIAR WITH THE FPSC'S POLICY WITH
2 RESPECT TO ACQUISITION ADJUSTMENTS?

3 A. Yes. The FPSC's policy is to establish rate base
4 at the acquired utility's book value, with no
5 acquisition adjustment, absent the showing of an
6 extraordinary circumstance in support of the
7 acquisition adjustment.

8 Q. HOW DO YOU INTERPRET THAT POLICY?

9 A. The FPSC's policy is consistent with regulatory
10 law, precedent, policy and ratesetting methodology
11 that utilities are entitled to earn a return on the
12 net investment in the property devoted to public
13 service. Further, I believe it is fair to conclude
14 that the FPSC will not allow more than the required
15 net investment unless the acquiring utility
16 provides extraordinary justification for a positive
17 acquisition adjustment. I would note,
18 parenthetically, that large utilities could and
19 should use the advantages I previously described to
20 support positive acquisition adjustments.
21 Obviously, a positive acquisition adjustment would
22 result in a benefit to the utility and its
23 stockholders over and above the required return on
24 the net investment rate base of the acquired
25 utility -- the kind of incentive being suggested by

1 regulatory leadership around the country.

2 Q. DO YOU AGREE WITH PUBLIC COUNSEL'S RECOMMENDATIONS
3 REGARDING ITS NEGATIVE 80% ACQUISITION ADJUSTMENT
4 PROPOSAL?

5 A. No. If a positive acquisition adjustment is a
6 benefit which might be allowed to recognize the
7 advantages of having large utilities acquire small
8 utilities, then a negative acquisition adjustment
9 at any percentage must be viewed as a penalty,
10 because the acquisition was somehow not in the best
11 interest of the customers. It would be
12 contradictory for the FPSC to approve an
13 acquisition, which it will only do because it is in
14 the best interest of the customers, and then, for
15 rate base purposes, reduce the net investment by a
16 negative acquisition adjustment, which it should
17 only do as a penalty because the acquisition was
18 not in the best interest of the customers. In my
19 opinion, it would be a regulatory absurdity to
20 approve an acquisition because it is in the best
21 interest of the customers and then penalize the
22 acquiring the utility with a negative acquisition
23 adjustment.

24 Q. IN YOUR OPINION, ARE NEGATIVE ACQUISITION
25 ADJUSTMENTS APPROPRIATE FOR RATESETTING PURPOSES?

1 A. No. Utilities are entitled to a return on the net
2 investment of the property devoted to public
3 service. The cost of that property is, by
4 definition, the cost to the person first devoting
5 the property to public service. In my opinion,
6 ratesetting with respect to this issue is a one-way
7 street. The minimum the acquiring utility is
8 entitled to is a return on the original cost of the
9 property first devoted to public use, and if for
10 the good of the public (improved service and/or
11 ultimately lower rates) a positive acquisition
12 adjustment is warranted, the regulatory agency may
13 allow that positive acquisition adjustment. On the
14 other hand, a negative acquisition adjustment is
15 simply confiscatory.

16 Aside from my opinion about regulatory
17 restrictions against negative acquisition
18 adjustments, such adjustments are simply not in the
19 best interest of the customers. The signal to
20 utilities would clearly result in a disincentive
21 for large utilities to acquire small utilities.
22 The customers of small "problem" utilities would
23 continue to experience poor service and higher
24 rates than would otherwise be the case. In
25 addition, negative acquisition adjustments would

1 continually increase the burden on regulatory
2 agencies associated with the resources necessary to
3 cope with the problems caused by more and more
4 aging utilities.

5 Used and Useful

6 Q. WOULD YOU PLEASE COMMENT ON THE PROPOSED RULES
7 REGARDING USED AND USEFUL, SPECIFICALLY 25-30.432?

8 A. This section is rather extensive, covering general
9 policy considerations, specific used and useful
10 concepts, allowances and detailed default formulas.

11 With respect to general policy consideration,
12 I agree with 25-30.432(1), (2), (3) and (4). I
13 believe, however, it would also be essential to
14 include a general statement which recognizes that
15 used and useful is a regulatory rate setting term
16 which cannot be defined by the application of only
17 engineering design concepts, or only operational
18 requirements, or only financial considerations, or
19 only economic criteria or only accounting
20 standards. No one formula would be suited to a
21 rule that could properly be applied to all
22 utilities or to even the same utility repeatedly
23 over time. Each utility must be evaluated on a
24 case-by-case basis. It is equally important to
25 also recognize that used and useful calculations

1 are only valid to the extent that they reasonably
2 establish the cost of providing service, and that
3 the resulting revenue requirement must be adequate
4 to enable the utility to cover its operating
5 expenses, maintain financial viability and attract
6 capital. In this regard water and sewer utilities
7 should not be treated any differently than any
8 other type of utility. The mere fact that water
9 and sewer utilities may have excess plant capacity
10 does not necessarily mean that used and useful
11 adjustments should automatically be made -- other
12 types of utilities (electric, telecommunications,
13 etc.) also have excess capacity for which no used
14 and useful adjustments are made. When, as the
15 proposed rules suggest, a water and sewer utility's
16 investment is found to be prudent, necessary to
17 meet statutory obligations and provides for
18 economies of scale, then no used and useful
19 adjustment should be made simply because the
20 utility provides water and sewer service, as
21 opposed to some other type of service.

22 **Q. DO YOU AGREE WITH THE INCLUSION OF MARGIN RESERVE**
23 **AS PROVIDED FOR IN THE PROPOSED RULES?**

24 **A.** Yes. In my opinion the proposed rules reflect what
25 I believe has been a reasonable FPSC policy, which

1 recognizes that utilities must have sufficient
2 capacity to meet existing and changing demands of
3 present customers, as well as the demands of
4 potential customer growth. I also agree with the
5 recognition in the proposed rules that the
6 calculation of margin reserve is not only related
7 to the anticipated construction time of various
8 projects, but also to allow time for regulatory lag
9 in the rate setting process.

10 **Q. WITH RESPECT TO MARGIN RESERVE, PROPOSED RULE 25-**
11 **30.433(6) STATES THAT CIAC SHALL NOT BE IMPUTED ON**
12 **THE MARGIN RESERVE CALCULATION. DO YOU AGREE WITH**
13 **THAT PROVISION?**

14 **A.** Yes. The costs associated with margin reserve
15 plant are incurred by the utility on a current
16 basis. The margin reserve plant is depreciating,
17 and the capital costs for financing the margin
18 reserve plant are being incurred. As customers
19 connect to the system and the utility receives CIAC
20 from those newly connected customers, the need for
21 yet additional margin reserve plant to meet the
22 demands for both new and existing customers in the
23 near term future does not diminish. In other
24 words, the utility must always have enough margin
25 reserve plant in service in order to meet the

1 demands of both future and existing customers prior
2 to the time that it receives CIAC related to that
3 margin reserve plant.

4 Q. ARE YOU IN GENERAL AGREEMENT WITH THE RECOGNITION
5 THAT THE PROPOSED RULES GIVE TO FIRE FLOW,
6 UNACCOUNTED-FOR WATER, INFILTRATION AND INFLOW AND
7 COST BENEFIT ANALYSES?

8 A. Yes. I generally agree with the proposed rules
9 regarding those items. I would add, however, that
10 while specific levels of fire flows, unaccounted-
11 for water and infiltration and inflow have been
12 identified, the rules provide for justification for
13 different levels on a case-by-case basis, which I
14 believe is essential. The one item that I would
15 eliminate with respect to unaccounted-for water is
16 in Section 25-30.432(5)(c)4. where a statement is
17 made that the FPSC may "impute revenues" for excess
18 unaccounted-for water. The imputation of revenues
19 is simply an inappropriate kind of adjustment with
20 which to address the problems of excessive
21 unaccounted-for water. The only basis with which
22 to establish some type of revenue imputation would
23 be the production costs related to purchased power
24 and chemical expense. It is, therefore,
25 unnecessary to convert an adjustment for power and

1 chemicals into a revenue imputation.

2 **Q. DO YOU AGREE WITH THE DEFAULT FORMULAS WITH RESPECT**
3 **TO USED AND USEFUL SET FORTH IN THE PROPOSED RULES?**

4 A. Yes. In large part the default formulas as written
5 seem to be well thought out and achieve the main
6 objectives of providing a fair, just and reasonable
7 method for calculating allowances for used and
8 useful investments while reducing the rate case
9 expense. However, I believe there should be a
10 limitation to its application in some situations.

11 **Q. DO YOU BELIEVE THAT THE PROPOSED USED AND USEFUL**
12 **DEFAULT FORMULAS ARE ADEQUATE FOR ALL SITUATIONS?**

13 A. No.

14 **Q. WOULD YOU GIVE AN EXAMPLE NOT COVERED BY THE**
15 **DEFAULT FORMULAS?**

16 A. Yes. As an example (kept simple for illustrative
17 purposes), let's assume that we are performing a
18 used and useful analyses for a system with 500
19 current customers and a buildout of 1,000
20 customers. If you build a 0.5 mgd capacity plant
21 to serve the current 500 customers at a cost of
22 \$500,000, the plant would be 100% used and useful,
23 and the utility would be allowed to recover the
24 full \$500,000 from the ratepayers. However, if the
25 best long term interests of the ratepayers are to

1 be served, the FPSC would want the utility to build
2 a 1.0 mgd plant because, due to economies of scale,
3 the cost would only be \$600,000. If a default
4 formula is used under the second scenario. instead
5 of judgement that considers prudence and economies
6 of scale, the utility would be punished for
7 considering the long term best interest of the
8 ratepayer, because the used and useful percentage
9 would be 50% and the utility would be able to
10 recover from ratepayers only \$300,000 of its
11 investment (50% of \$600,000). The utility should
12 not be encouraged to construct two plants for
13 \$500,000 each, instead of a single \$600,000 plant.
14 While inclusion of the entire \$600,000 prudently-
15 sized plant would add \$100,000 to the current rate
16 base, the rates for all customers would ultimately
17 be less than if two \$500,000 plants were
18 constructed. This example is just one of many I
19 could give in order to demonstrate the need for
20 judgement, prudence, economies of scale and
21 sometimes mere practical logic in performing used
22 and useful studies.

23 **Q. WHY DON'T THE DEFAULT FORMULAS ADEQUATELY PROVIDE**
24 **ALLOWANCES FOR THE JUDGEMENT, PRUDENCY AND**
25 **ECONOMIES OF SCALE WHICH YOU DEMONSTRATE IN THIS**

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EXAMPLE?

A. If you review the default formulas, you find that they are geared to produce arithmetic results based on capacity, demands and growth for which quantitative numbers are available. Quantitative numbers may be obtained from engineering design criteria, operating statistics, accounting figures and various formulas. The addition, subtraction, division, multiplication and sometimes linear regression of those numbers do not measure the long term reduction of costs which would result from a prudently and economically-sized plant, nor do they in any way measure whether the utility would be able to maintain its financial viability and attract capital if the resultant investment included in rate base was less than the cost of financing that was necessary to fund that investment.

In my opinion, the most critical step in a used and useful analysis may very well be the component of judgement that is capable of incorporating a knowledge of utility economics and the regulatory rate setting process. Recognizing the "prudency" of an investment in the context of not only a used and useful study, but also the rate

1 setting process in which such studies are
2 performed, has not been converted to a formula, yet
3 it may be the most critical component.

4 Possible the most important sentences in the
5 proposed rule 25-30.432(1) are at the beginning,
6 which state "The Commission shall allow a utility
7 to recover through authorized rates, charges and
8 fees, the costs incurred in meeting its statutory
9 obligations to provide safe, efficient and
10 sufficient service. The utility's investment,
11 prudently incurred, in meeting its statutory
12 obligations shall be considered used and useful."

13 It seems inconceivable that the FPSC would
14 seriously consider the deletion of the second
15 sentence as recommended by Public Counsel on page
16 22 of its comments.

17 The Commission should use these default
18 formulas but should not ignore the prudence of the
19 investment. It must consider all of the factors
20 mentioned in 25-30.432(3)(a)(b)(c) and 25-30.432(4)
21 even if the default formulas are relied upon. Such
22 driving forces as FDER rules in Chapters 17-555 and
23 17-600 still must be taken into consideration when
24 determining the prudence of the investment.

25 Q. DO YOU BELIEVE THERE IS ANY VALUE TO THE DEFAULT

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FORMULAS PRESENTED IN THE RULES?

A. Yes. In general the formulas provide methods of calculating used and useful percentages which are reasonable and commonly used. While I believe they should be incorporated in a rule I do not believe they should be applied without exception. I believe some of the formulas as well as the input data as defined should be geared to specific situations. I will provide some examples:

- The use of the maximum day demand should always be the maximum day demand, not an average, and there may be times when a peak hour demand instead of the maximum day demand may be appropriate.
- There may be several methods of determining fire flows (local ordinances, insurance service office and others, including coincidental fire demands) and the formula should not be limited to the use of any one source.
- With respect to water distribution and wastewater collection mains, the use of "fill-in lots "is an appropriate recognition. In addition, I would adjust the formula to use ERCs in the numerator and lots with service

1 available in the denominator, because the
2 relationship of lots served to lots with
3 service available does not take in to account
4 varying demands of different classes of
5 customer (as the FPSC has recognized in some
6 decisions). I would recommend the use of ERCs
7 in relation to lots as a method of recognizing
8 the added cost to properly size mains in order
9 to serve different classes of customer with
10 different demands. I would note
11 parenthetically that water distribution mains
12 are essential for meeting fire flow demands,
13 even though Public Counsel disagrees on page
14 42 of its comments.

15 - The formula for effluent disposal facilities
16 uses a maximum month flow. Certain effluent
17 disposal facilities, such as deep injection
18 wells, may be designed to meet more
19 instantaneous or daily flows.

20 **Q. DOES THAT CONCLUDE YOUR COMMENTS AT THIS TIME?**

21 **A. Yes.**

PROFESSIONAL EXPERIENCE AND BACKGROUND
of
JOHN F. GUASTELLA

B.S., Mechanical Engineering, Stevens Institute of Technology, 1962

Registered Professional Engineer in: Florida, New York and New Jersey

Member:

- American Water Works Association**
- National Association of Water Companies**
- American Society of Appraisers**

Committees:

- AWWA, Water Rates Committee**
- National Association of Regulatory Utility Commissioners (NARUC) and NAWC, Joint-Committee on Rate Design**
- NAWC, Rate Design Committee**
- NAWC, Small Water Company Committee**

Currently, Mr. Guastella is President of John F. Guastella Associates, Inc., which provides management, valuation and rate consulting services for municipal and investor-owned utilities. His clients include utilities in the states of Arkansas, California, Connecticut, Delaware, Florida, Illinois, Maine, Massachusetts, Michigan, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Texas and Rhode Island.

Mr. Guastella also served for more than four years as President of Country Knolls Water Works, Inc., a water utility which serves some 5,500 customers in Saratoga County, New York. He is also a member of the Board of Directors of the National Association of Water Companies.

Mr. Guastella has qualified and testified as an expert witness before regulatory agencies and municipal jurisdictions in the states of Connecticut, Florida, Illinois, Massachusetts, Nevada, New Jersey, New York, North Dakota, Ohio, Rhode Island and Texas.

Prior to establishing his own firm, Mr. Guastella was employed by the New York State Public Service Commission for 16 years. For two years he was involved in the regulation of electric and gas utilities, with the remaining years devoted to the regulation of water utilities. In 1970, he was promoted to Chief of Rates and Finance in the Commission's Water Division. In 1972, he was made Assistant Director of the Water Division. In 1974,

he was appointed by Alfred E. Kahn, then Chairman of the Commission, to be Director of the Water Division, a position he held until he resigned from the Commission in August, 1978.

At the Commission, his duties included the performance and supervision of engineering and economic studies concerning rates and service of many public utilities. As Director of the Water Division, he was responsible for the regulation of more than 450 water companies in New York State and headed a professional staff of 32 engineers and three technicians. A primary duty was to attend Commission sessions and advise the Commission during its decision making process. In the course of that process, an average of about fifty applications per year would be reviewed and analyzed. The applications included testimony, exhibits and briefs involving all aspects of utility valuation and rate setting.

In addition to his employment and client experience, Mr. Guastella served as Vice-Chairman of the Staff-Committee on water of the National Association of Regulatory Utility Commissioners (NARUC). This activity involved the preparation of the "Model Record-Keeping Manual for Small Water Companies", which was published by the NARUC. This manual provides detailed instruction on the kinds of operation and accounting records that should be kept by small water utilities, and on how to use those records.

Since 1974 he has prepared study material, assisted in program coordination and served as an instructor at the Eastern Annual Seminar on Water Rate Regulation sponsored by the NARUC in conjunction with the University of South Florida, Florida Atlantic University and currently the University of Utah. This course is recognized as one of the best available for teaching rate-setting principles and methodology. It is attended by regulatory staff, utility personnel and accounting, engineering, legal and consulting firms throughout the country. In 1980 he was instrumental in the establishment of the Western NARUC Rate Seminar and has annually served as an instructor since that time. He has also served as an instructor and panelist in a water and sewer utility rates and regulations seminar conducted by the Independent Water and Sewer Companies of Texas.

Mr. Guastella has presented papers at meetings of the National Association of Water Companies, the New England Conference of Public Utilities Commissioners, the Florida, New England and New York Chapters of NAWC, the Mid-America regulatory Conference, the Southeastern Association of Regulatory Utility Commissioners, the Pennsylvania Environmental Conference, and the Public Utility Law Section of the New Jersey Bar Association.