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JACK SHREVE
PUBLIC COUNSEL

STATE OF FLORIDA
OFFICE OF THE PUBLIC COUNSEL

ORIGINAL
FILE COPY

c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400
904-488-9330

July 22, 1994

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, FL 32399-0863

RE: Docket Nos. 930256-WS

Dear Ms. Bayo:

Enclosed please find the original and fifteen (15) copies of the Direct Testimony of Kimberly H. Dismukes on behalf of the Florida Office of the Public Counsel for filing in the above-referenced docket.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Stephen C. Reilly
Stephen C. Reilly
Associate Public Counsel

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DOCUMENT NUMBER-DATE
07473 JUL 22 94
FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ORIGINAL
FILE COPY**

In re: Application for a Rate Increase
in Seminole County by SANLANDO UTILITIES
CORPORATION.

)
) DOCKET NO. 930256-WS
) FILED: July 22, 1994
)

DIRECT TESTIMONY OF KIMBERLY H. DISMUKES

ON BEHALF OF THE

FLORIDA OFFICE OF THE PUBLIC COUNSEL

Respectfully submitted,

JACK SHREVE
Public Counsel

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c/o The Florida Legislature
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Attorneys for the Citizens
of the State of Florida

DOCUMENT NUMBER-DATE

07473 JUL 22 1994

FPSC-RECORDS/REPORTING

TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 930256-WS

1 Q. What is your name and address?

2 A. Kimberly H. Dismukes, 111 West Madison Street, Room 812, Tallahassee,
3 Florida, 32399-1400.

4 Q. Do you have an appendix that describes your educational and occupational
5 history and your qualifications in regulation?

6 A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to address Sanlando Utilities Corporation's
9 (Sanlando, SUC, or the Company) request to implement a water conservation
10 plan.

11 Q. Would you please describe the circumstances leading up to the Company's
12 request?

13 A. Yes. In the Company's last rate case, in Order No. 23809, the Commission
14 ordered SUC to submit a water conservation plan and to file an economic
15 feasibility study of implementing spray irrigation. In Order No. 24920, issued on
16 August 16, 1991, the Commission approved in part and denied in part the
17 Company's water conservation program. The Company's plan failed to adequately
18 address the economic feasibility of implementing irrigation. In fact, the
19 Company's plan stated "an economic study is not appropriate at this time because
20 the three potential customers of reclaimed water have each received consumptive
21 use permits from the St. Johns River Water Management District for four years."
22 [Docket No. 900338-WS, Document Number 06514.]

1 The Company filed a supplement to its June 26, 1991 conservation plan
2 addressing the economics of reuse on September 26, 1991. The Commission
3 considered the supplement, but still determined that it was unsatisfactory.

4

5 On September 21, 1992, the Company filed an addendum to its water
6 conservation plan. The addendum presented SUC's plan for sending reclaimed
7 water to three golf courses and implementing an inclining block rate structure to
8 collect funds to pay for the reuse program. On November 23, 1992, in Order No.
9 PSC-92-1356-FOF-WS, the Commission approved the addendum to SUC's water
10 conservation plan. As part of its order, the Commission required SUC to file a
11 limited proceeding for the purpose of implementing the conservation program.
12 The instant docket is the result of this order.

13 **Q. During this time period what happened with respect to the Company's**
14 **operating permit?**

15 **A.** In November 1991, the Florida Audubon Society and the Friends of Wekiva
16 challenged the Department of Environmental Protection's (DEP) decision to issue
17 an operating permit for the Company's Wekiva wastewater treatment plant. In
18 April 1992, a settlement was reached, which as part of the operating permit,
19 required Sanlando to enter into discussions with the Commission concerning water
20 reuse. Specifically, the settlement stated:

21 In order to encourage the conservation of water and
22 the reduction of sewage effluent, and in order to

1 provide a fund for the construction of the
2 improvements..., Sanlando Utilities Corp., ..., shall
3 use its best effort to implement an "inverted rate
4 structure" which shall charge customers an
5 increased rate based upon the amount of water
6 consumed. [Settlement Stipulation of Friends of the
7 Wekiva, Florida Audubon Society, Sanlando
8 Utilities Corp. and Florida Department of
9 Environmental Regulation.]

10 The settlement set forth the rate structure, as follows:

11 Beginning when permitted by the Florida Public
12 Service Commission, the rate charged shall be not
13 less than the following schedule:

14 Charge per 1,000 gallons of water:

15 Up to 10,000 gallons/month: \$.34

16 10,000 to 20,000 gallons/month \$.50

17 20,000 to 30,000 gallons/month \$.65

18 30,000 and up gallons/month \$.85

19 It is agreed that the obligation of Sanlando Utilities
20 Corp. to implement such an inverted rate structure
21 shall be subject to the prior approval of the Florida
22 Public Service Commission. [Ibid.]

1 As evident from the language of the stipulation, the Company's current proposal
2 is a direct function of the settlement agreement entered into between DEP, SUC,
3 the Florida Audubon Society and the Friends of the Wekiva.

4 **Q. Would you please summarize the Company's request?**

5 A. Yes. The Company has essentially made two requests. First, the Company has
6 requested that the Commission approve its proposed reuse plan--to construct the
7 necessary facilities and improvements to send treated effluent to three area golf
8 courses and other users along the route. Second, to pay for these improvements
9 and facilities, the Company has requested that the Commission approve an
10 inverted block rate structure. The additional monies received from the difference
11 between the Company's current rates and the new inverted rates would be used
12 by the Company to construct the new facilities and make the necessary
13 improvements.

14
15 According to the Petitioner's Exhibit C attached to the testimony of Mr. Billings,
16 the Company estimates that the cost of the improvements will be \$1,200,000.
17 This amount, however, under the Company's proposal will be increased to
18 \$2,050,000 to account for related taxes; specifically regulatory assessment fees
19 and income taxes. In order words, by requiring the Company's customers to pay
20 in advance for the cost of this reuse program, an additional \$850,000 will be
21 incurred relative to the traditional method of financing the project.

22

1 According to the Company, "implementation of a conservation rate structure
2 provides a method of increasing revenue which can be reserved to fund a water
3 reclamation program without causing the Utility to take unnecessary risks and
4 potentially deteriorate its capital structure. In addition, the impact on the average
5 customer would be minimal." [Petitioners Exhibit C.] It is estimated by the
6 Company that it will take approximately four years to collect the funds to make
7 these improvements.

8

9 According to the testimony of Mr. Conley, Sanlando does not have the financial
10 ability to fund the construction of the reuse program. Borrowing for the Company
11 is allegedly available only if the shareholders provide personal guarantees.

12 **Q. What benefits does Sanlando believe will be derived from this reuse
13 program?**

14 **A.** The primary benefit is the long-term reduction in the amount of water being
15 withdrawn from the Floridan Aquifer. The combined average withdrawal of the
16 golf courses is over one million gallons per day. It is important to note that this
17 benefit will accrue to all Florida residents that use water from this aquifer, not
18 just the customers of Sanlando.

19

20 There will only be minimal reduction in water consumption from the Company's
21 proposed inverted rate structure. According to the testimony of Mr. Wang, it is
22 estimated that customers will reduce consumption by about 4%. Thus, while

1 there will be some reduction in consumption by the Company's customers, the
2 savings is relatively small and secondary to the reduction in water being drawn
3 from the Floridan Aquifer from the golf courses.

4

5 Another benefit from the Company's plan would be the reduction in the amount
6 of effluent discharged into the Wekiva River System.

7 **Q. Do you agree with the Company's proposed method of funding the reuse**
8 **program?**

9 **A.** No, I do not. I do not believe that the Company's funding proposal is the most
10 economically efficient. It is excessive and unfair to the customers of Sanlando.
11 If the Company were to fund this project by traditional means--through equity and
12 debt financing, it would need to raise approximately \$1,200,000. However, if the
13 Company raises the money to fund this project through rates from customers it
14 will cost approximately \$2,050,000. The difference is attributable to income taxes
15 and regulatory assessment fees.

16

17 The Company's proposal is unfair to its customers. Under the Company's
18 proposed method of financing, the cost to the Company's customers will be much
19 greater than if the Company funds the project. I have seen no compelling
20 evidence in this case that would excuse such an injustice.

21

22 Moreover, if the Company's customers are required to fund this project, the

1 Company will receive a tax benefit for depreciation on the investment, which is
2 not passed onto ratepayers, despite the fact that they paid for the project. For
3 example, under current circumstances, the Company will collect approximately
4 \$2,050,000 from its customers. It will pay taxes on this money, such that its net
5 profit is only \$1,200,000. With this \$1,200,000 the Company invests in the reuse
6 project. For tax purposes, the Company depreciates this investment, but not for
7 book purposes because it is treated as CIAC. Thus, the Company will receive a
8 tax benefit of \$451,560. Unless some mechanism is designed to capture this tax
9 benefit, the stockholders will receive a windfall at the expense of customers.

10

11 In addition, as the Commission is aware, this Company is over contributed. If the
12 Company were to raise capital to pay for construction of these facilities, add the
13 cost to its rate base, the Company's level of contributions to plant in service
14 would be more in line with the Commission's rule 25-30.580(1), F.A.C. This
15 would also put the Company in a better position to finance other improvements
16 from internal funds that might be needed in the future.

17 **Q. Why is the Company unwilling to finance this construction under traditional**
18 **financing methods?**

19 **A.** According to the Company, raising debt necessary to fund the construction of this
20 program would require the personal guarantees of the shareholders. When asked
21 why these guarantees would be required, the Company responded: "It has been
22 the experience of the Petitioner that in order to borrow money the shareholders

1 have been required to provide personal guarantees." [Response to OPC's
2 Interrogatory 1.]

3
4 When asked why the shareholders would not be willing to provide personal
5 guarantees in connection with borrowing the funds needed to construct the reuse
6 facilities, the Company responded: "The information required is personal to the
7 shareholders of Petitioner. The shareholders are not parties to this matter and are
8 not required to provide personal information." [Response to OPC's Interrogatory
9 1.]

10
11 I would note that in the Staff's recommendation in the Proposed Agency Action,
12 it was mentioned that due to their age, the stockholders did not want to guarantee
13 any debt financing.

14
15 I seriously question the validity of the Company's claims that it can not or will
16 not finance this project by raising additional debt or equity. The Company's
17 response to OPC's interrogatory, in my opinion, casts serious doubt as to the
18 sincerity of the Company's efforts to consider options other than advanced
19 ratepayer funding. In my opinion, it would not be reasonable for the Commission
20 to grant the Company's request, merely because there is an assertion on the
21 Company's part that the project could not otherwise be financed. It is always
22 easier to look to the ratepayer than to other alternatives.

1 In addition, the Company believes that advanced ratepayer funding will allow it
2 to avoid taking unnecessary risks. [Petitioners Exhibit C.] It is not clear what
3 unnecessary risks the Company would be taking if it financed the project. As the
4 Company is aware, Section 357.0817 of the Florida Statutes requires that the
5 Commission allow the Company to recover the prudent costs of a reuse project
6 from its customers. Because of this, I see little risk on the Company's part. To
7 the extent there is a risk associated with the golf courses taking the reclaimed
8 water, the likelihood of any such problem should be resolved before the
9 Commission approves the Company's current request. In fact, I believe that it
10 would be imprudent for the Company to build these facilities unless it is assured
11 that the golf courses will take the reclaimed water.

12
13 In summary, I do not believe that the Company has adequately supported its claim
14 that it could not finance this project by raising the necessary capital from persons
15 other than ratepayers.

16 **Q. Would you address the Company's proposed inverted rate structure, in the**
17 **context of the reuse program?**

18 **A.** Yes. The Company proposes an inverted rate structure, primarily for the purpose
19 of collecting additional money to pay for the cost of constructing the facilities and
20 improvements necessary to provide reclaimed water to three golf courses. In the
21 instant case, I question the logic of requiring the total cost of this project to be
22 charged to the water customers.

1 The Company's proposal places the entire burden of paying for the reuse project
2 on the Company's water customers. Yet several groups of customers and people
3 will benefit from the reuse project. I believe several factors should be considered
4 before a determination is made concerning who should pay for the cost of this
5 reuse project.

6 **Q. What factors should the Commission consider when determining who should**
7 **pay for this project?**

8 A. The Commission should identify the parties that will be beneficiaries and cost
9 causers of the reuse project. The golf courses will be direct beneficiaries of the
10 reclaimed water, but under the Company's current proposal, they will make no
11 contribution to the cost of the reuse project. In addition, the golf courses are
12 using potable water for irrigation purposes, when lower quality water would be
13 used. The golf courses are responsible for withdrawing large volumes of water
14 from the Floridian Aquifer, but they are not being asked to pay for using a more
15 environmentally conscious form of water.

16

17 The Company's wastewater customers have dirtied the water that needs to be
18 reclaimed, yet they are not being asked to make a contribution.

19

20 All Floridians that use this aquifer should benefit from reducing water withdrawn
21 from the aquifer. Likewise, all persons that enjoy the Wekiva Water System will
22 benefit from the reuse project. Yet, it is only the water customers of Sanlando

1 that are being asked to pay for this project.

2 **Q. What are the Company's plans with respect to charging the golf courses for**
3 **the capital cost of the reclamation facilities?**

4 A. Currently the Company does not plan to collect any funds needed to construct
5 these facilities from the golf courses. OPC asked the Company in interrogatory
6 3 to state the amount, if any, it proposed to charge each golf course for the use
7 of the reclaimed water. The Company's response was that this was unknown. As
8 to future plans to charge the golf courses, the Company responded:

9 The charge to the golf courses would be a function
10 of the actual operating and maintenance cost to
11 provide reuse water to the golf courses, would be
12 subject to the rates set by the Public Service
13 Commission in this proceeding, and whether or not
14 as a condition to the existing consumptive use
15 permit issued by the St. Johns River Water
16 Management District the golf courses could be
17 required to take the reuse water would be subject to
18 an economic feasibility determination made by the
19 St. John's River Water Management District.

20 [Response to OPC's Interrogatory 3.]

21 **Q. What is the typical arrangement between the reuse provider and user?**

22 A. According to a study recently conducted by Peat Marwick, there are three typical

1 fee and service arrangements between users and providers:

2 Provider seeks to minimize or eliminate surface
3 discharge; provider pays construction costs of all
4 offsite transmission and possibly the users' onsite
5 piping and connections for reclaimed water system;
6 no fee is charged to users by provider.

7

8 Provider seeks to minimize surface discharges and
9 recover part of the cost of the transmission system
10 necessary to serve reclaimed water users; user pays
11 construction costs for all onsite improvements;
12 moderate service fee is charged by provider for
13 offsite improvements.

14

15 Provider establishes and pays for reclaimed water
16 system primarily for benefit of users and installs the
17 offsite and possibly onsite improvements; provider
18 seeks to recover the construction costs through
19 service fees; user pays relatively high service fees.

20 [Final Report Reclaimed Water User Cost Study,
21 June 19, 1992.]

22 Q. Has the Company had any correspondence with the golf courses concerning

1 reuse and the associated charges?

2 A. According to the Company's response to OPC's production of document request
3 number 15, the Company had some discussions with the golf courses in 1990 and
4 1991. In one instance, there was apparent willingness on the part of the golf
5 course to pay for the effluent. In a letter written to Sanlando from Sabal Point
6 Country Club, the golf course inquired about the possibility of reuse and
7 expressed an interest in finding out how much it would cost. The letter stated: "Is
8 it possible to obtain a cost estimate for delivery of effluent water from your
9 facility to ours?" If the Company responded, it must not have been in writing
10 since it was not produced in response to our document request. Nevertheless, the
11 letter does suggest that at one time this golf course might have been willing to
12 pay for the use of reclaimed water.

13

14

15 The other correspondence between the Company and the golf courses essentially
16 informed the golf courses that they would be responsible for the entire cost of
17 reuse facilities. It is not surprising that little interest was expressed under these
18 terms. If the golf courses are able to withdraw potable water from the ground at
19 very little cost, there is little economic incentive to purchase more expensive
20 reclaimed water from the Company. In order to enhance a golf course's
21 willingness to take and pay for reclaimed water, the St. Johns Water Management
22 District would need to seriously consider nonrenewal of the consumptive use

1 permit.

2 **Q. What is your recommendation concerning the Company's reuse program and**
3 **its proposed method of paying for it?**

4 A. I recommend that the Commission require the Company to make the investment
5 in this project. I do not believe that it would be reasonable for the Commission
6 to approve the Company's request because it is a more expensive alternative than
7 traditional capital funding. It is my understanding that the Company is well run
8 and is in good financial condition. Accordingly, I see no reason why it could not
9 obtain financing for this project.

10

11 In addition to this, there are other benefits that will be derived from this
12 recommendation. First, the Company will be able to place the reuse facilities in
13 service several years earlier than if the cost must first be collected from
14 customers up front. Thus, the environmental benefits associated with this project
15 will accrue to the Company's customers and Floridians that much sooner. Second,
16 by adding this investment to the Company's rate base, the Company's overall
17 contribution level will be reduced. This will put the Company's CIAC levels
18 more in line with the Commission's policy.

19 **Q. Do you have an alternative recommendation, if the Commission does not**
20 **adopt your primary recommendation?**

21 A. Yes, I do. I recommend that the Commission establish rates to collect the cost of
22 this project from three groups of customers--the Company's water customers, the

1 Company's wastewater customers, and the Company's future reuse customers.
2 Since all of these customers will benefit from this reuse project, it seems
3 reasonable to charge all of them for the project.

4 **Q. Would you please elaborate on how this would be allocated between the three**
5 **customer groups?**

6 A. Yes. Initially, I recommend that the portion that is to be funded by the
7 Company's golf course and other reuse customers, be funded or financed by the
8 Company. In other words, since the Company can not collect fees from the golf
9 courses until service is delivered, I believe that it would be reasonable to require
10 the Company to make this initial investment. It can then be returned to the
11 Company over the life of the reuse project.

12

13 The portion of the investment that is not funded by the golf courses, should be
14 split equally between the Company's water and wastewater customers.

15 **Q. How can the Commission establish the charge to the golf course for purposes**
16 **of this proceeding?**

17 A. I recommend that the Commission use a rate of \$.13 per 1,000 gallons for reuse
18 customers for purposes of determining the amounts that should be collected from
19 the remaining water and wastewater customers. I chose this \$.13 per 1,000
20 gallons because it was the average service fee charged by utility providers to golf
21 courses in the survey conducted by Peat Marwick and reported in their study on
22 reclaimed water.

1 Using this fee, indicates that over a 30 year life, assuming 1.3 mgd withdrawal
2 by the golf courses and other users, the Company will collect \$1,800,000 from
3 the reusers. This equates to \$62,000 per year, or \$5,200 per month. Subtracting
4 the cost to operate and maintain the reuse facilities leaves a net rate of \$.08 per
5 1,000 gallons. At a 10% discount rate this equates to \$230,000 in net income in
6 today's dollars. This is the amount that should be financed by the Company and
7 collected from the golf courses and other reusers.

8
9 The remainder, or \$970,000 would be collected equally from the Company's
10 water and wastewater customers. After grossing this figure up for taxes, the
11 Company's water rates would need to be designed to collect \$778,000 from the
12 water customers. With respect to the Company's sewer customers, I believe the
13 easiest method to collect this \$778,000 would be through a surcharge added to the
14 customers' bills. Once the project is paid for, the surcharge would be removed.

15
16 Finally, either the tax benefit associated with the advanced funding should be used
17 to reduce the amount initially collected from customers, such that \$455,000 would
18 be not advance funded, or a mechanism needs to be in place to return these tax
19 benefits to customers.

20 **Q. Do you have any other recommendations?**

21 **A.** Yes. It should go without saying that the Company should be required to keep
22 excellent records with respect to the money collect for this project. Likewise, the

1 Company should be required to file monthly, quarterly, or annually with the
2 Commission accounting for the money collected. If the Commission finds that the
3 plan is not working properly then adjustments can be made in a timely fashion.

4

5 In addition, the Commission should designate the money advanced by the
6 customers as prepaid CIAC. It is my understanding that this designation will
7 reduce the cost of the project by the regulatory assessment fees that would be
8 attached to this money if it were collected as revenue.

9 **Q. Does this complete your testimony prefiled on July 22, 1994?**

10 **A. Yes, it does.**

APPENDIX
OF
KIMBERLY H. DISMUKES

APPENDIX I
QUALIFICATIONS

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Q. What is your educational background?

A. I graduated from Florida State University with a Bachelor of Science degree in Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance from Florida State University in April, 1984.

Q. Would you please describe your employment history in the field of Public Utility Regulation?

A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing in the field of public utility regulation. While at Ben Johnson Associates, I held the following positions: Research Analyst from March 1979 until May 1980; Senior Research Analyst from June 1980 until May 1981; Research Consultant from June 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985; and Vice President from June 1985 until April 1992. In May 1992, I joined the Florida Public Counsel's Office, as a Legislative Analyst III.

Q. Would you please describe the types of work that you have performed in the field of Public Utility Regulation?

A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding to managing the work effort of a large staff in rate proceedings. I have prepared testimony, interrogatories and production of documents, assisted with the

1 preparation of cross-examination, and assisted counsel with the preparation of
2 briefs. Since 1979, I have been actively involved in more than 160 regulatory
3 proceedings throughout the United States.

4
5 I have analyzed cost of capital and rate of return issues, revenue requirement
6 issues, public policy issues, and rate design issues, involving telephone, electric,
7 gas, water and wastewater, and railroad companies.

8
9 In the area of cost of capital, I have analyzed the following parent companies:
10 American Electric Power Company, American Telephone and Telegraph
11 Company, American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc.,
12 Columbia Gas System, Inc., Continental Telecom, Inc., GTE Corporation,
13 Northeast Utilities, Pacific Telecom, Inc., Southwestern Bell Corporation, United
14 Telecom, Inc., and U.S. West. I have also analyzed individual companies like
15 Connecticut Natural Gas Corporation, Duke Power Company, Idaho Power
16 Company, Kentucky Utilities Company, Southern New England Telephone
17 Company, and Washington Water Power Company.

18 **Q. Have you previously assisted in the preparation of testimony concerning**
19 **revenue requirements?**

20 **A. Yes. I have assisted on numerous occasions in the preparation of testimony on a**
21 **wide range of subjects related to the determination of utilities' revenue**
22 **requirements and related issues.**

1 I have assisted in the preparation of testimony and exhibits concerning the
2 following issues: abandoned project costs, accounting adjustments, affiliate
3 transactions, allowance for funds used during construction, attrition, cash flow
4 analysis, construction monitoring, construction work in progress, contingent
5 capacity sales, cost allocations, decoupling revenues from profits, cross-
6 subsidization, demand-side management, depreciation methods, divestiture, excess
7 capacity, feasibility studies, financial integrity, financial planning, incentive
8 regulation, jurisdictional allocations, non-utility investments, fuel projections,
9 mergers and acquisitions, pro forma adjustments, projected test years, prudence,
10 tax effects of interest, working capital, off-system sales, reserve margin, royalty
11 fees, separations, settlements, and resource planning.

12
13 Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona Public
14 Service Company, Arvig Telephone Company, AT&T Communications of the
15 Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota),
16 Bridgewater Telephone Company (Minnesota), Carolina Power and Light
17 Company, Central Maine Power Company, Central Power and Light Company
18 (Texas), Central Telephone Company (Missouri and Nevada), Consumers Power
19 Company (Michigan), C&P Telephone Company of Virginia, Continental
20 Telephone Company (Nevada), C&P Telephone of West Virginia, Connecticut
21 Light and Power Company, Danube Telephone Company (Minnesota), Duke
22 Power Company, East Otter Tail Telephone Company (Minnesota), Easton

1 Telephone Company (Minnesota), Eckles Telephone Company (Minnesota), El
2 Paso Electric Company (Texas), Florida Cities Water Company, General
3 Telephone Company of Florida, Georgia Power Company, Harbor Utilities, Inc.
4 (Florida), Jasmine Lakes Utilities, Inc. (Florida), Kentucky Power Company,
5 Kentucky Utilities Company, KMP Telephone Company (Minnesota), Idaho
6 Power Company, Oklahoma Gas and Electric Company (Arkansas), Kansas Gas
7 & Electric Company (Missouri), Kansas Power and Light Company (Missouri),
8 Lakeside Golf, Inc. (Florida), Lehigh Utilities, Inc. (Florida), Mad Hatter
9 Utilities, Inc. (Florida), Mankato Citizens Telephone Company (Minnesota),
10 Michigan Bell Telephone Company, Mid-Communications Telephone Company
11 (Minnesota), Mid-State Telephone Company (Minnesota), Mountain States
12 Telephone and Telegraph Company (Arizona and Utah), North Fort Myers
13 Utilities, Inc., (Florida) Northwestern Bell Telephone Company (Minnesota),
14 Potomac Electric Power Company, Public Service Company of Colorado, Puget
15 Sound Power & Light Company (Washington), Sanlando Utilities Corporation
16 (Florida), South Central Bell Telephone Company (Kentucky), Southern Union
17 Gas Company (Texas), Southern Bell Telephone & Telegraph Company (Florida,
18 Georgia, and North Carolina), Southern States Utilities, Inc. (Florida), Southern
19 Union Gas Company, Southwestern Bell Telephone Company (Oklahoma,
20 Missouri, and Texas), St. George Island Utility, Ltd., Tampa Electric Company,
21 Texas-New Mexico Power Company, Tucson Electric Power Company, Twin
22 Valley-Ulen Telephone Company (Minnesota), United Telephone Company of

1 Florida, Virginia Electric and Power Company, Washington Water Power
2 Company, and Wisconsin Electric Power Company.

3 **Q. What experience do you have in rate design issues?**

4 A. My work in this area has primarily focused on issues related to costing. For
5 example, I have assisted in the preparation of class cost-of-service studies
6 concerning Arkansas Energy Resources, Cascade Natural Gas Corporation, El
7 Paso Electric Company, Potomac Electric Power Company, Texas-New Mexico
8 Power Company, and Southern Union Gas Company. I have also examined the
9 issue of avoided costs, both as it applies to electric utilities and as it applies to
10 telephone utilities. I have also evaluated the issue of service availability fees and
11 capacity charges as they apply to water utilities.

12 **Q. Have you testified before regulatory agencies?**

13 A. Yes. I have testified before the Arizona Corporation Commission, the
14 Connecticut Department of Public Utility Control, the Florida Public Service
15 Commission, the Georgia Public Service Commission, the Missouri Public
16 Service Commission, the Public Utility Commission of Texas, and the
17 Washington Utilities and Transportation Commission. My testimony dealt with
18 revenue requirement, financial, and class cost-of-service issues concerning AT&T
19 Communications of Southwest (Texas), Cascade Natural Gas Corporation
20 (Washington), Central Power and Light Company (Texas), Connecticut Light and
21 Power Company, El Paso Electric Company (Texas), Florida Cities Water
22 Company, Jasmine Lakes Utilities, Inc. (Florida), Kansas Gas & Electric

1 Company (Missouri), Kansas Power and Light Company (Missouri), Houston
2 Lighting & Power Company (Texas), Lehigh Utilities, Inc. (Florida), Mad Hatter
3 Utilities, Inc. (Florida), Marco Island Utilities (Florida) Mountain States
4 Telephone and Telegraph Company (Arizona), Southern Bell Telephone and
5 Telegraph Company (Florida and Georgia), Southern States Utilities, Inc.
6 (Florida), St. George Island Utility, Ltd. (Florida), Tampa Electric Company,
7 Puget Sound Power & Light Company (Washington), and Texas Utilities Electric
8 Company.

9
10 I have also testified before the Public Utility Regulation Board of El Paso,
11 concerning the development of class cost-of-service studies and the recovery and
12 allocation of the corporate overhead costs of Southern Union Gas Company,
13 before the National Association of Securities Dealers concerning the market value
14 of utility bonds purchased in the wholesale market, and the Florida Public Service
15 Commission concerning rules for the water and wastewater industry.

16 **Q. Have you been accepted as an expert in these jurisdictions?**

17 A. Yes.

18 **Q. Do you belong to any professional organizations?**

19 A. Yes. I am a member of the Eastern Finance Association, the Financial
20 Management Association, the Southern Finance Association, the Southwestern
21 Finance Association, the Florida and American Water Association, and the
22 National Society of Rate of Return Analysts.

CERTIFICATE OF SERVICE
DOCKET NO. 930256-WS

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail or *hand-delivery to the following parties in this 22nd day of July, 1994.

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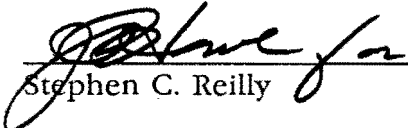
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