

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of : DOCKET NO. 960235-WS
: :
Application for Transfer of :
Certificates Nos. 404-W and :
341-S in Orange County from :
Econ Utilities Corporation to :
Wedgefield Utilities, Inc. :

Application for Amendment : DOCKET NO. 960283-WS
of Certificates Nos. 404-W and :
341-S in Orange County by :
Wedgefield Utilities, Inc. :

VOLUME 3

Pages 308 through 412

PROCEEDINGS: HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
COMMISSIONER SUSAN F. CLARK
COMMISSIONER JOE GARCIA

DATE: Thursday, March 26, 1998

TIME: Commenced at 9:40 a.m.
Concluded at 11:05 a.m.

PLACE: Easley Building
Room 152
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

REPORTED BY: JOY KELLY, CSR, RPR
Chief, Bureau of Reporting

APPEARANCES: (As heretofore mentioned.)

DOCUMENT NUMBER - DATE
03918 APR-68
FPSC-RECORDS/REPORTING

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

(Hearing reconvened at 9:40 a.m.)

1
2
3 **COMMISSIONER DEASON:** Call the hearing to
4 order. Since this is a continuation of a hearing that
5 was held last week in the service area, do we need to
6 read the notice again or we just proceed right into
7 the subject matter?

8 **MS. BRUBAKER:** We can go ahead and read the
9 notice, if it's all right.

10 **COMMISSIONER DEASON:** That's fine. Go right
11 ahead.

12 **MS. BRUBAKER:** Pursuant to notice, the
13 hearing in this matter was continued from March 19th,
14 1998, and this time and place has been set for the
15 continuation of the hearing in Docket No. 960235-WS,
16 application for transfer of Certificate Nos. 404-W and
17 341-S in Orange County from Econ Utilities Corporation
18 to Wedgefield Utilities, Inc., and 96283-WS,
19 application for amendment of Certificate Nos. 404-W
20 and 341-S in Orange County by Wedgefield Utilities,
21 Inc.

22 **COMMISSIONER DEASON:** Thank you. We'll go
23 ahead and take appearances again, even though that
24 formality has already been done, but we'll go ahead.

25 **MR. GIRTMAN:** Ben E. Girtman, 1020 East

1 Lafayette Street, Suite 207, Tallahassee, Florida
2 32301, representing the applicant, Wedgefield
3 Utilities, Inc.

4 MR. BECK: Charlie Beck, Office of the
5 Public Counsel, appearing on behalf of Florida
6 Citizens.

7 MS. BRUBAKER: Jennifer Brubaker and Bobbie
8 Reyes for the Staff.

9 COMMISSIONER DEASON: Okay. Thank you all.
10 Let me announce that it is my understanding
11 that today's hearing is being transmitted via the
12 Internet. That connection has been made. And that it
13 also will be archived and could be accessed. Exactly
14 how that's done, I'm not sure, but if any customers
15 wish to avail themselves of that, I'm sure we'll be
16 able to relay that to them. If they are not listening
17 live today they can access that at a later time.

18 Are there any preliminary matters?

19 MS. BRUBAKER: Staff has none.

20 MR. BECK: Yes. I have two. I've handed
21 out exhibits marked Hearing Exhibit 3 and 4. And,
22 Commissioners, Hearing Exhibit 3 is not a photograph
23 of the chart used by the public witness. However,
24 this was prepared by the Legislative Resource Center.
25 It duplicates the data and the format and it's as

1 close a replicate as we could prepare of the document.
2 I also have the original here if anybody wants to look
3 at it.

4 COMMISSIONER DEASON: Mr. Girtman, have you
5 had an opportunity to review this reproduction of the
6 exhibit?

7 MR. GIRTMAN: Yes, sir. We have no
8 objection.

9 COMMISSIONER DEASON: No objection. Very
10 well.

11 MR. BECK: And I've also handed out copies
12 of the letters from public officials which was entered
13 into the record as Exhibit 4.

14 COMMISSIONER DEASON: Very well.

15 MS. BRUBAKER: Charlie, we have been
16 provided with something that's captioned "Capital
17 Improvement Plan."

18 MR. BECK: Yes. I plan to use that in the
19 cross examination of Mr. Seidman.

20 MS. BRUBAKER: Right. The exhibits you were
21 just referring to, however, I don't believe we have
22 received copies of yet.

23 COMMISSIONER DEASON: Okay. Any other
24 preliminary matters?

25 Okay. Mr. Girtman, I think, I see your

1 witness is already seated. He was at the hearing last
2 weak and was ready to take the stand and we just ran
3 out of time, so you may call your witness now.

4 MR. GIRTMAN: Thank you. We call Mr. Frank
5 Seidman. We've already presented to the Commissioners
6 copies of his prefiled testimony.

7 - - - - -

8 FRANK SEIDMAN

9 was called as a witness on behalf of Wedgefield
10 Utilities, Inc. and, having been duly sworn, testified
11 as follows:

12 DIRECT EXAMINATION

13 BY MR. GIRTMAN:

14 Q Mr. Seidman, have you previously been sworn
15 in this proceeding?

16 A Yes, I have.

17 Q And have you prepared prefiled rebuttal
18 testimony consisting of 34 pages and caused that
19 testimony to be filed in this case?

20 A Yes, I have.

21 Q Do you have any corrections or changes to
22 that testimony?

23 A No, I don't.

24 Q If I asked you the same questions today as
25 are in your prefiled testimony, would your answers be

1 the same?

2 A Yes.

3 Q Please summarize your rebuttal testimony.

4 COMMISSIONER DEASON: Do you want the
5 testimony inserted into the record?

6 MR. GIRTMAN: Yes, if we could. I was going
7 to have him summarize, but we can go ahead and
8 introduce now, if we could; move that it be
9 introduced.

10 COMMISSIONER DEASON: Okay. Are there any
11 corrections?

12 MR. GIRTMAN: No.

13 COMMISSIONER DEASON: Okay. Well, without
14 objection, then, the prefiled rebuttal testimony will
15 be inserted into the record.

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REBUTTAL TESTIMONY OF FRANK SEIDMAN
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
REGARDING THE APPLICATION FOR TRANSFER OF
ECON UTILITIES TO WEDGEFIELD UTILITIES
IN ORANGE COUNTY

DOCKET NOS. 960235-WS & 960283-WS

Q. Please state your name, profession and address.

A. My name is Frank Seidman. I am President of Management and Regulatory Consultants, Inc., consultants in the utility regulatory field. My mailing address is P.O. Box 13427, Tallahassee, FL 32317-3427.

Q. What is the nature of your engagement with the Applicant, Wedgefield Utilities, Inc. (Wedgefield)?

A. I was engaged by Wedgefield to respond to the direct testimony of Thomas C. De Ward, witness for the Office of Public Counsel (OPC), as it regards his recommendation for a negative acquisition adjustment.

1 Q. State briefly your educational background and
2 experience.

3 A. I hold the degree of Bachelor of Science in
4 Electrical Engineering from the University of
5 Miami. I have also completed several graduate level
6 courses in economics at Florida State University,
7 including public utility economics. I am a
8 Professional Engineer, registered to practice in
9 the state of Florida. I have over 30 years
10 experience in utility regulation, management and
11 consulting. This experience includes nine years as
12 a staff member of the Florida Public Service
13 Commission, two years as a planning engineer for a
14 Florida telephone company, four years as Manager of
15 Rates and Research for a water and sewer holding
16 company with operations in six states, and three
17 years as Director of Technical Affairs for a
18 national association of industrial users of
19 electricity. I have either supervised or prepared
20 rate cases, rates studies, certificate
21 applications and original cost studies or testified
22 as an expert witness with regard to water and
23 wastewater utilities in Florida, California,
24 Indiana, Michigan, Missouri, North Carolina and
25 Ohio.

1 RESPONSE TO OPC'S GENERAL RECOMMENDATION

2 Q. What is the general recommendation of Mr. De Ward's
3 testimony?

4 A. The general recommendation is that the Commission
5 establish a negative acquisition adjustment to
6 reduce rate base.

7
8 Q. Do you agree with his recommendation?

9 A. No. To accept Mr. De Ward's recommendation would
10 require the Commission to reverse its well
11 established policy regarding acquisition
12 adjustments for water and wastewater utilities.

13
14 Q. What is the Commission's policy regarding
15 acquisition adjustments?

16 A. The Commission's policy is that "absent
17 extraordinary circumstances, the purchase of a
18 utility system at a premium or a discount shall not
19 effect rate base."

20
21 Q. Is this a new policy?

22 A. No. It has been the expressed policy of the
23 Commission since approximately 1983.

24

- 1 Q. Has this policy simply remained in effect all these
2 years without any further review by the Commission
3 as to its appropriateness?
- 4 A. No. The Commission has considered and reaffirmed
5 its policy. In fact, in 1990, the Commission opened
6 an investigation into its acquisition adjustment
7 policy in response to the urging of OPC. After
8 considering written comments, and verbal comments
9 received at an informal workshop, the Commission
10 issued Order No. 23376, a Proposed Agency Action
11 (PAA) Order, on August 21, 1990, confirming its
12 acquisition adjustment policy. OPC protested the
13 PAA and all parties were afforded the opportunity
14 to present their views at an oral presentation on
15 July 29, 1991. Then on February 17, 1992 the
16 Commission issued its Order No. 25729 reaffirming
17 the policy it had been following since 1983.
- 18
- 19 Q. In Order No. 25729 did the Commission indicate the
20 reason for its policy?
- 21 A. Yes. The order indicates that the purpose of the
22 policy is to create an incentive for larger
23 utilities to acquire small, troubled utilities.
- 24

- 1 Q. Did the Commission discuss whether it anticipated
2 any benefits as result of its policy?
- 3 A. Yes. The Commission discussed several beneficial
4 changes that can result from new ownership of
5 utilities purchased under its acquisition
6 adjustment policy. They include:
- 7 a. the elimination of financial pressure due to the
8 inability [of the old owner] to attract capital;
9 b. the ability [of the new owner] to attract
10 capital;
11 c. a reduction in the high cost of debt [of the old
12 owner] due to lower risk [of the new owner];
13 d. the elimination of substandard operating
14 conditions;
15 e. the ability [of the new owner] to make necessary
16 improvements;
17 f. the ability [of the new owner] to comply with
18 DEP regulatory requirements;
19 g. reduced costs due to economies of scale and the
20 ability [of the new owner] to buy in bulk;
21 h. the introduction of more experienced management;
22 and
23 i. the elimination of a general disinterest in
24 utility operations in the case of a developer owned
25 system.

1 The Commission also indicated that the customers of
2 utilities acquired under its acquisition adjustment
3 policy are not harmed, and indeed benefit from a
4 better quality of service at a reasonable rate.

5

6 Q. Do you agree with the Commission's policy and its
7 results?

8 A. Yes, I do. I believe it is a wise policy for
9 several reasons. First, it works. As a result of
10 the Commission's known and dependable policy
11 regarding acquisition adjustments, many small
12 troubled utilities have been purchased by
13 experienced larger utilities with funds necessary
14 to support and maintain the plant serving the
15 public. Because of this, the customers of those
16 systems can be confident of better service in the
17 future.

18

19 Second, it provides a means for customers to
20 receive a better quality of service, more
21 experienced management and access to economies of
22 scale in construction and operations.

23

24 Third, the Commission's policy assures that, except
25 in extraordinary circumstances, there will be

1 continuity and consistency in rate base, that rate
2 base reflects the actual costs incurred to provide
3 service to utility customers, and that rates will
4 not fluctuate simply as a consequence of changes in
5 ownership.

6

7 Q. Is the transfer of ownership in this case the type
8 of transfer that the Commission's policy is
9 intended to encourage?

10 A. Yes. The transfer of Econ Utilities to Wedgefield
11 Utilities is just the type of transfer intended to
12 be encouraged by existing Commission policy. As Mr.
13 Wenz's prefiled testimony explains, Econ, a
14 developer-related utility, lacks the financial
15 ability to maintain its system on a regular basis
16 and to invest in facilities necessary to meet
17 anticipated growth. According to Mr. Wenz, the
18 owners of Econ are no longer interested in
19 operating or investing in the utility system.

20

21 Q. Will the transfer produce benefits anticipated
22 under existing Commission policy?

23 A. Yes. Again, Mr Wenz's testimony outlines the
24 anticipated benefits, and they closely match those
25 described in Commission Order No. 25729.

1 RESPONSE TO SPECIFIC COMMENTS AND ALLEGATIONS

2 Q. At pages 6 through 8 of his direct testimony, Mr.
3 De Ward engages in a discussion to arrive at, what
4 he refers to as the "worth," "value," or "fair
5 value" of the purchased utility's assets. Is this
6 information of any use to the Commission?

7 A. No. Whatever variation of "value" analysis OPC
8 wants to make, it has no meaning in the context of
9 ratemaking under the current requirements and
10 authority of Chapter 367, Florida Statutes. This
11 Commission sets rates based, not on so-called
12 "worth" or "value," but on cost; specifically, the
13 original cost of utility property when first
14 dedicated to public service. It has done so since
15 1971, when the Florida legislature removed from the
16 statutes any reference to the vague "fair value"
17 ratemaking concept.

18
19 Q. How has this Commission interpreted the statute
20 with regard to the cost basis for ratemaking?

21 A. The Commission has made the interpretation that
22 under the Chapter 367, F.S., the investment of the
23 utility means the original cost of property when
24 first dedicated to public service. The Commission

1 took issue with OPC's interpretation of the
2 statute, and in Order No. 25729, concluded:
3

4 On the point of statutory interpretation,
5 we disagree with OPC. We do not think
6 that Section 367.081(2)(a), Florida
7 Statutes limits us from including in rate
8 base only that which an acquiring utility
9 has invested in the system, i.e., the
10 purchase price, as OPC asserts. This
11 Commission has consistently interpreted
12 the "investment of the utility" as
13 contained in Section 367.081(2)(a),
14 Florida Statutes to be the original cost
15 of the property when first dedicated to
16 public service, not only in the context
17 of acquisition adjustments, but elsewhere
18 as well. In our current policy on
19 acquisition adjustments, we do not
20 deviate from this interpretation, nor do
21 we exceed our statutory authority.
22 (Emphasis added.)
23
24
25

- 1 Q. At page 7 of his direct testimony, Mr. De Ward
2 asserts that without a negative acquisition
3 adjustment, a debit deferred tax charge will be
4 generated. Is he correct?
- 5 A. No. A debit deferred tax charge will not be
6 generated. A credit deferred tax charge will
7 continue to be generated, resulting from the
8 difference between the accelerated and straight
9 line depreciation expense calculated on the tax
10 basis of assets.
- 11
- 12 Q. At pages 7 and 8 of his testimony, Mr De Ward
13 states that the Seller believes the value of the
14 assets to be \$545,000. Would you please comment on
15 that assertion?
- 16 A. Yes. Mr. De Ward quotes from a May 14, 1996 letter
17 to the Orange County Property Appraiser's Office
18 from a then utility owner, Mr. Forrer. In his
19 letter, Mr. Forrer argued that his property taxes
20 should be lowered and based on the selling price,
21 which estimates fair value, regardless of the
22 historic book value. What Mr. Forrer argued for
23 property tax purposes is irrelevant. It is
24 significant, however, that in the last line of the
25 quotation from Mr. Forrer's letter, Mr. Forrer

1 makes it quite clear that he does not confuse fair
2 market value for property tax assessment purposes
3 with rate base for ratemaking purposes. County tax
4 assessors are not uniform in their methodology of
5 assessing utility property. Some have based
6 assessments on a an amount per customer. Some have
7 made allowances for CIAC. Some have made allowances
8 for non-used plant. In the end, the final
9 assessment may often be the result of negotiations.
10 But whatever approach is used in assessing property
11 for purposes of taxation and whatever estimate of
12 "fair market value" results, it is irrelevant to
13 this Commission for determining rate base. This
14 Commission sets rate base at the net original cost
15 of assets serving the public, and the Commission
16 rightly should ignore property tax assessments in
17 determining rate base.

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1 Q. Continuing at page 8 of Mr. De Ward's testimony, he
2 indicates that his key element for determining the
3 "worth" of the utility assets is their physical
4 condition and the amount of improvements necessary
5 to bring them to an "acceptable" condition. Would
6 you respond to his statement regarding the
7 condition of the utility?

8 A. Yes. First, to reiterate, I have already testified
9 that the "worth" or "value" concept sought by Mr.
10 De Ward is of no import with regard to setting
11 rates in Florida. That aside, he then uses the next
12 eight pages of his testimony to provide his second-
13 hand opinion of the condition of the plant and how
14 the Commission should, in some manner, use it to
15 justify a negative acquisition adjustment.

16
17 Q. Is Mr. De Ward's characterization of the condition
18 of plant correct?

19 A. No. As I indicated, it is a second-hand opinion.
20 Mr. De Ward testified that not only did he not
21 inspect the utility facilities, he "didn't have
22 to." He apparently believed it was sufficient to
23 rely on bits and pieces of draft and partial
24 reports, taken out of context and without regard to
25 their purposes. For example, he relies on an

1 acquisition feasibility analysis prepared by and
2 for the Orange County Public Utilities Division
3 (PUD). The specifically stated premise of the
4 analysis was that the utility be evaluated for
5 possible purchase by the County with the assumption
6 that it would be integrated into the County's water
7 and wastewater system. The analysis then details
8 some \$4.6 million in "costs" allegedly needed to
9 bring the system up to County "standards". There is
10 an inference that this amount of money must be
11 spent because the utility system is "substandard".
12 That is an incorrect inference and it is
13 misleading. Remember, this utility operates under
14 the environmental jurisdiction of both the Florida
15 Department of Environmental Protection (FDEP) and
16 the Orange County Environmental Protection
17 Department (OCEPD). It is inspected regularly by
18 FDEP and OCEPD. These are the agencies that provide
19 standards for Wedgefield and determine what is
20 necessary for compliance, based on federal and
21 Florida laws and regulations. The Orange County PUD
22 does not. The Public Utilities Division is just
23 another operating utility with no authority over
24 Wedgefield or any other utility, except itself.
25 Wedgefield is in compliance with the requirements

1 of the FDEP and Orange County. So if the utility is
2 already in compliance with County requirements, why
3 would it be necessary to expend \$4.6 million to
4 "bring it up to County standards"? The answer is,
5 it isn't necessary, as long as the utility operates
6 independently. but the PUD analysis assumed that,
7 if purchased, the utility would not operate
8 independently.

9
10 Q. Then what are the standards to which the analysis
11 refers?

12 A. They are standards which the County PUD has imposed
13 on itself, for its system, and they are not
14 necessarily required for, or a sound economical
15 undertaking for, an independent utility to provide
16 safe, efficient and sufficient service. For
17 instance, out of the \$4.6 million identified as
18 capital improvements by the PUD, \$3.3 million is
19 either to relocate mains from rear lot lines to
20 front lot lines or to replace all of the existing
21 C-A pipe or to replace all of the cast iron pipe at
22 once because it is asserted to be "old." There is
23 no requirement on a privately owned utility to
24 engage in such a massive replacement program, nor
25 is Orange County or the FDEP requiring the utility

1 to do so. Over time, replacement of mains has been,
2 and will continue to be, necessary. That is true in
3 any system. But it is misleading to imply that \$3.3
4 million must be spent now to "rehabilitate" the
5 system so that service will not "suffer." In fact,
6 the Application for Transfer filed in this docket
7 identifies projects totalling \$409,000 as the
8 approximate cost of anticipated improvements and
9 repairs, and of that amount more than half is
10 related to capacity expansion.

11

12 Q. Is all of the remaining \$1.3 million in capital
13 improvements identified by the PUD necessary to
14 "rehabilitate" the existing system?

15 A. No. Approximately 65% of it is related to
16 expansion. The remaining 35%, or approximately
17 \$500,000 may be associated with existing
18 facilities, but there is nothing in the PUD
19 analysis that indicates that such needs are
20 immediate.

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- 1 Q. According to Mr. De Ward, the PUD analysis
2 indicates that maintenance and repairs have been
3 performed on an "emergency basis" only. Is Mr. De
4 Ward correct?
- 5 A. He is correct that the PUD analysis characterizes
6 the maintenance of the utility as being performed
7 on an "emergency basis" only. However, there is
8 nothing in the report to substantiate that
9 statement. The PUD analysis was made at a point in
10 time. It is sheer conjecture to conclude that if
11 there is not a preventive maintenance program, that
12 all maintenance is performed on an emergency basis.
13 Maintenance may be performed on an "as needed"
14 basis without every instance being an emergency. An
15 emergency implies that a crisis will exist if
16 immediate action is not taken. I have seen nothing
17 in the PUD analysis that leads one to reach that
18 conclusion.
- 19
- 20 Q. Also, according to Mr. De Ward, the PUD analysis
21 indicates that there was no preventive maintenance
22 program in effect. Is that correct? And if so,
23 would you be surprised if that were the case?
- 24 A. Again, Mr. De Ward is correct that the PUD analysis
25 stated that no preventive maintenance program

1 existed. I do not know on what basis they reached
2 that conclusion. However, if that were the case, I
3 would certainly not be surprised. I have reviewed
4 the annual reports to the Commission of the selling
5 utility, Econ Utilities Corporation (Econ), for the
6 period 1988 - 1995. The utility incurred an
7 operating loss in each of those years and a
8 cumulative loss of over \$2 million in operating
9 income and \$4 million in net income. It is obvious
10 that Econ was not in a position to increase its
11 maintenance expenses or to actively pursue a
12 capital improvement program or finance capital
13 additions. But the new owner is in a position to do
14 this, and that is an intended benefit of the
15 purchase, as contemplated by the Commission's
16 existing policy on acquisition adjustments.
17

18 Q. At page 12 of his testimony, Mr De Ward quotes from
19 a report prepared by Econ's engineering firm. What
20 is the substance of that quotation?

21 A. The substance of the quotation is that the utility
22 ought to start putting away some money to prepare
23 for the eventual replacement of all C-A lines.
24

1 Q. Do you know what Mr. De Ward's purpose was in
2 quoting that part of the report?

3 A. I can only surmise that he wanted to make the
4 Commission aware that the C-A lines should
5 eventually be replaced.

6
7 Q. Do you agree that they should eventually be
8 replaced?

9 A. Yes, when they reach the end of their useful lives.

10
11 Q. Does this have anything to do with determining rate
12 base?

13 A. No; not until the lines are actually replaced and
14 not until a change in rates is considered and the
15 rate base reviewed by the Commission.

16
17 Q. Have you seen the document referred to by Mr. De
18 Ward?

19 A. Yes. It is an incomplete document and is a
20 preliminary proposal of the utility's engineering
21 consultant. It consists only of an external cover
22 sheet, a summary of recommendations section with
23 unnumbered pages, an internal cover sheet, a table
24 of contents with the page number column left blank,
25 and some tables and charts. The table of contents

1 indicates there are supposed to be three sections
2 and numerous recommendations. The report was never
3 completed; there is no text; and the section that
4 would have translated any recommended improvements
5 into customer rates and fees was never done.
6

7 Q. At page 13 of his testimony, Mr. De Ward quotes
8 some comments from a 1994 PSC Staff engineer's
9 memorandum to file. What do those comments suggest?

10 A. That some parts of the utility are in need of
11 repair or replacement. But none of the items listed
12 were major or out of the ordinary.
13

14 Q. Do these have anything to do with determining rate
15 base?

16 A. No; not unless they require capital improvements,
17 such improvements are made, and they are subjected
18 to review by this Commission in a rate proceeding.
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- 1 Q. Beginning at page 13 of his testimony, Mr. De Ward
2 provides some excerpts from correspondence between
3 the seller and the buyer and internal
4 correspondence of the buyer. What is the
5 significance of this correspondence with regard to
6 an acquisition adjustment?
- 7 A. There is no significance. The correspondence
8 speculates as to what future improvements may or
9 may not be needed and how much those improvements
10 might cost. The proper time for the Commission to
11 consider such matters is when and if the utility
12 requests a change in rates predicated upon those
13 improvements.
- 14
- 15 Q. At page 17 of his testimony, Mr. De Ward states
16 that if the Commission does not recognize a
17 negative acquisition adjustment, the Company will
18 benefit at the expense of the customer. Do you
19 agree?
- 20 A. No. Absolutely not. Such a conclusion is an
21 absurdity. The Commission policy is to place the
22 buyer in the shoes of the seller. This means that
23 there is absolutely no impact on and no harm to the
24 customer. The Commission specifically made that
25 finding in Order No. 25729. Any benefit that the

1 new owner may receive is at the expense of the
2 seller, not at the expense of the customer. If the
3 seller received less than book value for his
4 assets, that's his problem. Just as, if the buyer
5 paid more than book value it's at the buyer's
6 expense, not at the expense of the customer. That
7 is the intended effect of the Commission's
8 acquisition policy. The customer's position
9 remains neutral when ownership of the utility
10 changes, regardless of whether the buyer pays book
11 value, less than book value or more than book
12 value. As pointed out in Order No. 2579, the
13 Commission's existing policy translates into
14 benefits for the customer. On the other hand, as
15 the Commission stated in Order No. 23376 regarding
16 OPC's argument in support of a negative acquisition
17 adjustment, "Not only might OPC's proposed change
18 not benefit the customers of troubled utilities, it
19 might actually be detrimental, by removing any
20 incentive for larger utility companies to acquire
21 distressed systems."

22

23

1 Q. Also at page 17 of his testimony, Mr. De Ward
2 asserts that the utility will be allowed to earn an
3 excessive return. Is that correct?

4 A. No. The utility will continue to be afforded the
5 opportunity to earn a fair return on the net
6 original cost of the assets, used and useful in
7 serving the public. From the customer's point of
8 view, nothing changes as a result of the change in
9 ownership.

10

11 Q. Mr. De Ward also asserts that the utility will be
12 allowed to recover depreciation expense on the
13 original cost of the assets. Is that correct?

14 A. Yes. Under the Commission's acquisition adjustment
15 policy, the utility will continue to be allowed
16 depreciation expense on the original cost of
17 assets serving the public. Again, from the
18 customer's point of view, nothing changes as a
19 result of the change in ownership.

20

21 Q. With regard to return and depreciation expense, has
22 Mr. De Ward pointed out anything of which the
23 commission is not aware?

24 A. No. Not only is the Commission aware that the
25 utility will continue to earn a return on and take

1 depreciation on the net original cost of assets
2 used and useful in serving the public, it is a
3 center piece of its acquisition adjustment policy.
4 And, unlike Mr. De Ward, the Commission recognizes
5 that this policy does no harm to the customer, and
6 indeed, the customer will receive benefits. The
7 Commission, at page 3 of Order No. 25729, the order
8 concluding its investigation on acquisition
9 adjustment policy, stated:

10
11 We still believe that our current
12 policy provides a much needed
13 incentive for acquisitions. The
14 buyer earns a return on not just the
15 purchase price but the entire rate
16 base of the acquired utility. The
17 buyer also receives the benefit of
18 depreciation on the full rate base.
19 Without these benefits, large
20 utilities would have no incentive to
21 look for and acquire small, troubled
22 systems. The customers of the
23 acquired utility are not harmed by
24 this policy because, generally upon
25 acquisition, rate base has not

1 changed, so rates have not changed.
2 Indeed, we think the customers
3 receive benefits which amount to a
4 better quality of service at a
5 reasonable rate. (Emphasis added.)
6

7 Clearly, Mr. De Ward is just re-arguing the OPC
8 position rejected by the Commission in Order No.
9 25729.

- 10
11 Q. With regard to his comments on depreciation expense
12 at page 17 of his testimony, Mr. De Ward states
13 that the Company will be allowed to recover a
14 return of assets which do not exist. Do you agree?
15 A. No. Of course the assets exist. They didn't
16 disappear when ownership of the utility changed.
17 And the depreciation expense on used and useful
18 plant that accrues is a necessary source of revenue
19 that can be available to fund asset replacements or
20 improvements. If the revenues from depreciation
21 expense on used and useful plant are not available,
22 the funds would have to come from somewhere and
23 that somewhere is additional utility funding, the
24 return on which would end up in rates.
25 Depreciation expense averages about 4% of the asset

1 cost and there is no tax consequence. Replacing
2 those funds with investment will cost about 12-14%,
3 including any tax effect. Disallowing recovery of
4 depreciation expense definitely would be at the
5 customer's expense.
6

7 Q. At page 20 of his testimony, Mr. De Ward implies
8 that because the utility was purchased at less than
9 net book value, that is an indication something is
10 wrong with the plant and facilities. Do you agree
11 with his implication?

12 A. Not at all. The fact is, this was an arm's length,
13 negotiated purchase. The sellers had their reasons,
14 whatever they were, for selling at below net book
15 value. I would surmise that sustaining a \$4
16 million loss over an 8 year period may have had
17 something to do with it. And the fact that
18 substantial investment will be needed to meet
19 anticipated growth may have played a part. Also,
20 the fact that the previous owner is primarily a
21 developer and wants to devote its capital to
22 development probably may have had something to do
23 with it, too. But, based upon my own inspection of
24 the plant, I do not believe that the condition of
25 the existing plant would have been a significant

1 factor in a decision to sell at a price less than
2 net book value.

3
4 Q. At page 21 of his testimony, Mr. De Ward explored
5 whether the purchased utility was a "troubled
6 utility." His conclusion was he was not sure. How
7 do react to that conclusion?

8 A. I find that conclusion amusing. He used a
9 substantial part of his testimony to imply that
10 this utility was like a car about to lose its
11 wheels, that the expense to just keep it running
12 would be enormous, and that the previous owner did
13 practically nothing to maintain it. Then, when it
14 comes to determining whether the utility is
15 troubled, he turns to the PSC staff Engineer's
16 report which says, well it's not so bad, it needs
17 some improvements, but there is no problem with the
18 water, and the wastewater plant is fine.

19

20

21 Q. Why do you think Mr. De Ward balked at concluding
22 that the utility may be "troubled."

23 A. In my opinion, because he knows the purpose of the
24 Commission's acquisition policy is to give large
25 utilities an incentive to purchase small,

1 "troubled" utilities. If he admits the utility is
2 troubled, then that supports the applicability of
3 the Commission's policy of no negative acquisition
4 adjustment for this purchase.
5

6 Q. In your opinion, is the utility "troubled?"

7 A. Yes. It is financially troubled. As I previously
8 indicated, the utility has been operating at a
9 continual loss since at least 1988. The prior owner
10 performed maintenance only on an "as needed" basis.
11 Capital improvements were often deferred. Now, the
12 utility faces the need for capital improvements for
13 growth and for replacement of aging plant. The
14 prior owner either was not in a position to attract
15 capital and make the necessary investment or was
16 unwilling to do so. These are just the type of
17 "troubles" that acquisition by a stable, adequately
18 funded utility can solve and the kind of
19 acquisition that the Commission acquisition policy
20 was meant to encourage.
21
22
23
24

1 Q. Mr. Seidman, current Commission policy is that,
2 absent extraordinary circumstances, the purchase of
3 a utility system at a premium or at a discount
4 shall not effect rate base. Does Mr. De Ward
5 indicate any extraordinary circumstances in this
6 case?

7 A. The only mention Mr. De Ward makes of extraordinary
8 circumstances is his view of the purchase price.
9

10 Q. Is that the type of extraordinary circumstance
11 contemplated by Commission policy?

12 A. In my opinion, no. Most often, an extraordinary
13 circumstance is a concern when a system is
14 purchased at a premium. Then the question is
15 clearly, "will increasing rate base by an amount in
16 excess of the historical costs, through a positive
17 acquisition adjustment, result in benefits to the
18 customer that outweigh the positive adjustment?"
19 Personally, I cannot think of any circumstance so
20 extraordinary as to justify an adjustment to reduce
21 rate base below the costs originally incurred to
22 serve the customers. I do know that during the
23 rulemaking hearings regarding revision of the water
24 and wastewater rules in Docket No. 911082-WS, the
25 PSC staff even discussed such circumstances as

1 purchasing assets that were so far deteriorated as
2 to be non-functioning. But that circumstance does
3 not exist in this case. In my opinion, even if that
4 condition existed it would not be sufficient reason
5 to impose a negative acquisition adjustment. And
6 the reason is, that for ratemaking purposes, any
7 plant condition can be addressed in rate case
8 adjustments for prudence and used and useful. If an
9 asset is not functioning, it can be excluded from
10 rate base in a rate case setting. If an investment
11 is made to replace plant that the Commission finds
12 was imprudently purchased, it can be adjusted out
13 of rate base in a rate case setting. But a negative
14 acquisition adjustment is an across the board write
15 down without the benefit of exploring the condition
16 and functions of plant, item by item, the
17 underlying circumstances, and without the ability
18 for reversal if any circumstance is corrected. Mr.
19 De Ward has not made a case for extraordinary
20 circumstances. He has only shown general
21 dissatisfaction with Commission policy, and that is
22 not what is at issue here.
23

- 1 Q. Under the Commission's acquisition adjustment
2 policy, who has the burden of proof to support
3 making an acquisition adjustment?
- 4 A. The Commission's policy is clear that there will be
5 no acquisition adjustment for ratemaking purposes,
6 absent extraordinary circumstances. The burden of
7 proof rests with the party requesting an
8 acquisition adjustment, whether positive or
9 negative, and that party must show extraordinary
10 circumstances.
- 11
- 12 Q. If Mr. De Ward's proposal to reduce rate base
13 through a negative acquisition adjustment were to
14 be accepted by the Commission, would there be any
15 detrimental consequences?
- 16 A. Yes. Many of the benefits which the Commission
17 identified in its Order No. 25729 would not be
18 available to the customers of a utility being
19 considered for acquisition. In addition, rates that
20 are set to recover a return on a rate base that has
21 been reduced by a negative acquisition adjustment
22 would not reflect the actual cost of providing
23 water and wastewater service to the customers of
24 the utility. The rate base, excluding a negative
25 acquisition adjustment, is the actual cost of the

1 assets serving those customers. Those dollars were
2 actually spent to provide service to those
3 customers. The transfer of the system from one
4 owner to another does not change that fact.
5 Further, it is important to use the costs which
6 were actually incurred in order to encourage the
7 conservation of scarce resources. Water rates set
8 below cost would give customers a false signal
9 regarding the cost of obtaining, treating and
10 distributing potable water. Water is a precious
11 resource that should be conserved and rates set at
12 less than cost encourage excessive use. Wastewater
13 rates set below cost would give a false signal as
14 to the cost of treating and disposing of wastewater
15 in an environmentally acceptable manner and would
16 understate the cost to conserve and preserve our
17 natural resources.

18
19 Finally, imposing a negative acquisition
20 adjustment would discourage the purchase of a
21 system such as Econ, and that thwarts
22 Commission policy and is a detrimental
23 consequence.

24
25

- 1 Q. If Econ were not purchased and if Econ were to
2 continue to operate under the old ownership, what
3 would be the result?
- 4 A. Econ would be entitled to apply for rates based on
5 the net original cost of assets serving the public.
6 (That is the same asset base that the Commission
7 would deny to a purchaser if it were to impose a
8 negative acquisition adjustment.) However, with
9 limited capital for improvements, service would
10 deteriorate further; without access to capital at
11 reasonable costs, any capital it could obtain would
12 be more costly; and without access to economies of
13 scale and bulk purchasing the cost of improvements
14 would be higher. Clearly, Econ utility customers
15 are better off with the utility being purchased
16 under the current Commission acquisition adjustment
17 policy, than to continue to be served under the old
18 ownership.
- 19
- 20 Q. If the Commission approves the \$2,845,391
21 determined to be the rate base by the Commission
22 auditor, is that the amount upon which future rates
23 will be based?
- 24 A. Not necessarily. First of all, existing rates are
25 not based on that amount. Rate base is being set in

1 this docket only for the purpose of establishing
2 the cost of the assets transferred. It is not
3 establishing rate base for the purpose of setting
4 rates. That will be done only if and when the
5 utility requests a change in its rates. The last
6 time this Commission determined rate base for this
7 utility for the purpose of setting rates was in
8 1985. At that time, rate base was determined to be
9 \$659,284. That amount reflected substantial used
10 and useful adjustments that are not being
11 considered here. If and when the new owners apply
12 for a rate increase, the \$2.8 million rate base
13 determined for purposes of a transfer will also be
14 subject to a used and useful analysis. Only that
15 portion determined to be used and useful by the
16 Commission will be the basis for setting rates. As
17 the Commission stated in its October 7, 1996 order
18 establishing rate base for this transfer, "The rate
19 base calculations are used purely to establish the
20 net book value of the property being transferred.
21 These calculations do not include the normal
22 ratemaking adjustment of working capital
23 calculations and used and useful adjustments."
24 (p.4 of Order; Emphasis added.)
25

- 1 Q. Does that conclude your rebuttal testimony.
- 2 A. Yes it does. No evidence has been presented to
- 3 show extraordinary circumstances warranting an
- 4 acquisition adjustment for ratemaking purposes and
- 5 none should be made.

1 Q (By Mr. Girtman) Would you please
2 summarize your rebuttal.

3 A Commissioners, my name is Frank Seidman with
4 Management Regulatory Consultants, Inc., and it's Post
5 Office Box 13427 here in Tallahassee, Florida. I'm a
6 consultant to the applicant with regard to the issues
7 of negative acquisition adjustment and acquisition
8 policy.

9 I've submitted some prefiled rebuttal, and
10 I'd like to summarize it probably a little more than I
11 usually do in these cases because the public did not
12 get to hear this.

13 I'm going to address it in terms of the
14 three, what I consider the three major issues raised
15 by Mr. Larkin. Those would be the Commission's policy
16 regarding acquisition adjustments, the condition of
17 the utility plant in this particular case, and the
18 issue of extraordinary circumstances as it applies in
19 this case.

20 With regard to policy, Mr. Larkin first
21 argued that a negative acquisition adjustment must be
22 include in rate base because the assets were purchased
23 for less than net book value, and that value should be
24 what is used as rate base.

25 This to me is simply a reargument against

1 current Commission policy. It has nothing specific to
2 do with this case, has nothing to do with the merits
3 of this particular acquisition. Commission policy
4 simply is, absent extraordinary circumstances, the
5 purchase of a utility system at a premium discount
6 shall not effect rate base. I understand Mr. Larkin
7 doesn't agree with that, but it was settled in the
8 investigation docket.

9 Another factor that falls under that same
10 policy issue is Mr. Larkin's statements that without a
11 negative acquisition adjustment to rate base the
12 Utility will be allowed to earn on the full rate base
13 of the seller, and it will be able to recover the full
14 depreciation expense associated with that rate base.
15 That is not a revelation of anything that has anything
16 to do with this particular case. It's an observation
17 and he's correct in it. His statement ignores the
18 fact this is the intent of Commission policy and the
19 Commission specifically stated those factors in its
20 final order in its investigation and indicated that
21 without these benefits large utilities would have no
22 incentive to look for and acquire small troubled
23 utilities.

24 I think Mr. Larkin's comments were
25 misleading with regard to these factors when he said

1 that the benefits to the purchaser occur at the
2 expense of the customer, and that they provide a
3 return on assets that do not exist.

4 The rate base is unchanged. The Commission
5 has indicated in its investigation order that this
6 provides no -- there's no harm to the customer because
7 of this. The rate base is the same as it was before
8 the sale and after the sale.

9 With regard to providing a return on assets
10 that do not exist, that's just not right. The assets
11 certainly do exist. They didn't disappear with the
12 sale. They are still there. The original cost that
13 was incurred to put them in service is still there.

14 According to the exhibits by Commission
15 Staff Witness Welch, there was some \$7 million gross
16 in assets that have been put in the ground to serve
17 these customers. They have now a net book value of
18 \$2.8 million after taking into consideration
19 accumulated depreciation and CIAC.

20 These are real costs for real assets. They
21 didn't go away.

22 I would point out that although Mr. Larkin
23 thinks that this is at the expense of the customer, in
24 my mind any benefit that comes to the purchaser as a
25 result of this policy is at the expense of the seller.

1 That is the person who took less than the book cost
2 for the system, and it comes from his pocket and not
3 the customer's.

4 The benefits that should accrue to the
5 customers as a result of Commission policy in this
6 particular case were included in Mr. Wenz's testimony
7 and discussed fully there.

8 I think with regard to policy the Commission
9 should look at two things here. First of all, that
10 all of Mr. Larkin's arguments about policy have been
11 made before and rejected in the context of a generic
12 proceeding. Second, that Utilities, Inc. was fully
13 aware of this policy, relied on the policy when it
14 entered into negotiations for this utility and all
15 utilities that it looks at for purchase. And to vary
16 from that policy now is to put them in the position of
17 having to deal with -- relied on something that the
18 Commission has said and then to have it changed after
19 the fact. The Commission has already found that the
20 transfer in this case is to be in the public interest.
21 That transfer took place because of the incent of the
22 Commission's policy. The Commission's policy does
23 work.

24 I'd like to now address the issues of the
25 condition of the utility plant. It seems to have been

1 a primary concern here because allegations have been
2 made that because the plant is in such poor condition
3 that must be the reason for the low purchase price.

4 Mr. Larkin's remarks were based not on his
5 own personal knowledge or observations, but,
6 basically, on the reports of others, and specifically
7 on the report by the Orange County Public Utility
8 District, which I'll refer to as OCPUD. He did not
9 make his own inspections, he didn't feel it was
10 necessary. I definitely feel it's necessary because
11 we're talking here about if a negative acquisition
12 adjustment is applied, we're writing off 80% of the
13 value of assets. And that would be based on hearsay
14 in these reports and not on personal inspection. I
15 think it's real important.

16 I should point out that that report that was
17 done by the county, as pointed out at the hearing by
18 one of the customers, was done at the urging of the
19 people in that area to try to see if they could hook
20 up to the county and get some lower rates. The
21 results of that study was -- a feasibility study --
22 was, first of all, that they couldn't do it at a lower
23 cost.

24 And second of all, I don't think they wanted
25 to do it. I mean, let's be realistic, the closest

1 line that the county had in the system was some ten
2 miles away. It just wasn't feasible for them. It may
3 be in the future, but it's not now.

4 I made inspections of the plant prior to
5 writing my testimony, and I made inspections again
6 when we were down at the hearings last week. When I
7 went to make my first inspections, I had already read
8 what was then Mr. DeWard's testimony adopted by
9 Mr. Larkin. I expected to find that place in a
10 shambles based on what I read. It's not. I wouldn't
11 mind taking you out for an inspection of the place and
12 showing it to you. That utility is in pretty average
13 condition for utilities that size. Everything is
14 functioning. It's not a violation of anything. It's
15 certainly not perfect. There are things that should
16 be done maintenance-wise. Growth-wise is a different
17 story. I don't think that's really an issue here with
18 regard to the acquisition, but it's not in bad shape.
19 And I think if we look at the conclusions from the
20 Orange County study, I think you'd come to the same
21 finding as I did.

22 The concluding statements, and I'll just
23 read these, they are very short, that were in that
24 report were with regard to the water system, the water
25 supply system, the report says, "It generally appears

1 to be in good operating condition." With regard to
2 the water treatment plant, "It appears to be in good
3 working condition." With regard to the water
4 distribution system, "The system appears to be
5 functioning adequately at the present time."

6 When we get to the wastewater system it's
7 different. There's nothing in it that says that the
8 plant is not operating properly, is not functioning
9 well, it's in bad shape in general. But it does
10 indicate that they had an indication of significant
11 inflow infiltration problems. That in itself is not
12 some type of -- something that puts a system in poor
13 condition. We know that the pipes in this system are
14 old. There's indication that a portion of them are
15 asbestos cement pipe, which represents about 20% of
16 the pipe that's in the ground now. That was the
17 standard at the time they were put in. There's not
18 much you can do with them except take them out. That
19 is not feasible for a system this size.

20 With regard to the wastewater treatment
21 plant, the report indicated that was severe corrosion
22 along the water line and at the base of the chlorine
23 contact tank. I inspected those. There is corrosion.
24 Corrosion on the external portions of the plant have
25 been taken care of, both at the water plant and the

1 sewer plant, by the way. There has been painting done
2 and cleaning up. With regard to the corrosion along
3 the water line, it affects the weirs; it affects the
4 arms of the plant. But in my mind this is not severe
5 because this is something that could be taken care of
6 and will be taken care of with maintenance. It does
7 not affect the operation of the plant. It does not
8 affect the safety of the plant. It is not going to
9 require a plant shutdown to be taken care of. Just
10 dropping the water level, in order to take care of it.
11 It is not something that is going to result in large
12 capital outlays as a result of not being done right
13 now. So, I mean, we have a difference in opinion with
14 the county, but I'm not surprised at that. The county
15 is large. It has an excellent program for taking care
16 of its own plant. I don't know that that translates
17 to such a small system.

18 With regard to the effluent disposal system,
19 the only comments with regard to that were not with
20 the operation so much, but with the indication of
21 flows being -- during rainy season, being in excess or
22 up to the capacity of the plant. The capacity of the
23 effluent disposal system is 200,000 gallons per day,
24 and they found flows in excess of that during the
25 rainy season.

1 I hate to bring this up because this is a
2 sore subject with me, but this 200,000 gallons per day
3 is an annual average daily flow rating, and you've
4 indicated in other cases that you don't look at the --
5 you don't match the flows at max during the rainy
6 season against the average to determine whether or not
7 there's excess flows. The flows that occur at rainy
8 season are taken care of by emergency holding ponds
9 that are adequate. The only thing that was indicated
10 along with this was that they had difficulty disposing
11 of the flows on the golf course during the rainy
12 season which you would expect. It's very difficult to
13 dispose of water through spraying during the rainy
14 season. They just can't handle it, and that's what
15 the ponds are for.

16 To me, at face value, without even following
17 up on the inspection, these are not conditions I would
18 consider poor, and especially so poor as to warrant
19 some type of an acquisition adjustment because of
20 them.

21 When I made my inspection, I confirmed what
22 was said in this report with regard to that, the
23 condition of the water plant and the system. What I
24 just told you about, the wastewater plant that I found
25 there. I also looked at the lift stations, by the

1 way. I think there may have been some mention of that
2 in the report. The lift stations, by the time I had
3 looked at them last year, had been -- maintenance had
4 been performed on all of them, the six of them, and
5 the master lift station has been rehabilitated. I
6 don't know what it looked like before that. That was
7 done in 1996. In any case, it was not a significant
8 dollar amount to do this work, and they are all
9 functioning adequately.

10 MR. BECK: Commissioners, I've tried to be
11 very patient. I object to any further summary. It's
12 gone far beyond a summary.

13 MR. GIRTMAN: Commissioners, we had
14 extensive testimony presented down at the service
15 area. The procedure which is being followed by the
16 Commission is that all of the direct testimony of our
17 witnesses, the witness and the other testimony was
18 provided, and now this witness is required to rebut
19 everything that was said, not just what is in his own
20 written testimony. But whether you consider it just
21 quoting pieces of his own direct -- of his own
22 rebuttal testimony or rebutting what other things were
23 said by customers in relation to this report or other
24 things that were said, I think we have a right to
25 present rebuttal testimony to everything that was said

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1 preceding this testimony. And whether it's a direct
2 quote out of his written or whether it's something
3 he's rebutting that was said down there verbally, I
4 think we have that right.

5 **COMMISSIONER DEASON:** Mr. Girtman, right now
6 we're at the phase where he's supposed to be
7 summarizing his prefiled rebuttal. I'm going to ask
8 the witness to stick to summarizing what was prefile.
9 To the extent that there needs to be additional
10 rebuttal testimony to address the matters that you
11 just described, I think that should be identified as
12 such and a request made to allow that, and we'll deal
13 with that at a proper time if you so wish to engage in
14 that. But right now he should be summarizing his
15 prefiled rebuttal.

16 **MR. GIRTMAN:** All right. Thank you.

17 **A** Okay. I don't think I've said anything yet
18 that's really not in my rebuttal.

19 As I indicated before it's a little longer
20 than I usually -- I'm pretty quick on this usually.
21 But my feeling was that there was a lot of testimony
22 the customers heard and didn't get an opportunity --
23 they don't read this, you know, if they don't hear it
24 orally, they are not going to hear it. But I will
25 adjust what I'm going to say.

1 The next point was with regard to the
2 allegations about no preventative maintenance program.
3 And that was mentioned many times, that there's no
4 preventative maintenance program, therefore, the plant
5 is in bad shape. It isn't. So I don't know what the
6 consequence is. The only thing I would mention there
7 is I think you have to look at it in the context of
8 what a utility the size of Orange County considers
9 preventative maintenance versus what a utility that's
10 only 700 customers would consider as economically
11 feasible preventative maintenance, and I won't get
12 into that now.

13 With regard to the issue of extraordinary,
14 circumstances, I just don't see any. I don't see
15 anything with regard to the plant condition, or
16 anything about the sale, the arrangements of the sale,
17 that is different from anything else that you see in
18 normal acquisitions in this state.

19 The only thing that was brought up by
20 Mr. Larkin that was extraordinary to him was the price
21 differential, and it seems to me circular reasoning to
22 determine whether the price differential is an
23 extraordinary circumstance. The price differential is
24 the incentive that the utility gets when it purchases.
25 This Commission has looked at lots of cases and the

1 price differential has varied all over the place. The
2 price differential in this case falls somewhere in the
3 middle to lower cost of those that have been approved
4 without a negative acquisition adjustment. This in
5 itself is not extraordinary.

6 That really summarizes what I had to say. I
7 had some other comments, and I don't know how you want
8 to handle them. If you wanted to hear, I'm able to
9 address some of the complaints and comments that were
10 made by customers with regard to the water main breaks
11 and that type of thing. I can bring you up on that,
12 but that's up to you whether you want to insert that.

13 **COMMISSIONER DEASON:** That concludes your
14 summary, then?

15 **WITNESS SEIDMAN:** Yes.

16 **COMMISSIONER DEASON:** Okay. Mr. Girtman, if
17 you want to try to pursue anything additionally, I'll
18 give you that opportunity subject to objection and
19 we'll deal with that. If you want to deal with it at
20 this time, go forward.

21 **MR. GIRTMAN:** Thank you, Commissioners. We
22 do believe it's important to have the Company witness
23 respond to some of the customer comments and concerns
24 that were expressed at the hearing. And there's also
25 a good point that was raised by one of the

1 Commissioners we'd like to address, a question of an
2 appropriateness of one solution to this question, if I
3 may be given permission. It's relatively short on
4 both points.

5 COMMISSIONER DEASON: Mr. Beck, is there an
6 objection?

7 MR. BECK: Not at this point, no. I'd like
8 to see what they have to say and then raise the
9 objections as necessary.

10 COMMISSIONER DEASON: Very well. Please
11 proceed, Mr. Girtman.

12 Q (By Mr. Girtman) Mr. Seidman, were you in
13 attendance at the first day of the hearings in this
14 docket in which several customers testified before the
15 Commission?

16 A Yes, I was.

17 Q Do you have some comments that you would
18 like to make in response to some of the customer
19 testimony?

20 A Yes. About three events that I can recall
21 that were significant, and I think it's important that
22 -- you know, just have the full information on them.
23 Some of it is just confirmation.

24 Q Please proceed.

25 A There was a complaint about what was

1 characterized as a main break that lasted for several
2 days around last Christmas. That did take place. And
3 I just talked to the Company, because I wanted to know
4 what the facts were to pass them on to you.

5 What happened was that late on the evening
6 of December 19th of last year, it was noticed that
7 there was water building up at the intersection of
8 Bagdad and Marlin Streets. At that location there are
9 four valves. There's a cross-connection there of a
10 ten-inch and a six-inch main. Two of the valves are
11 in what I call the grassy swale, right on the
12 intersection where it curves, and two of them are
13 right in the pavement where it takes a lot of -- takes
14 a pretty good beating as traffic goes over it.

15 What happened in this case was that,
16 apparently, as a result of traffic over a period of
17 time, some shifting and settling, there was a
18 separation of the mains from the valves and causing
19 leakage right at that connection. It wasn't a
20 breakage in itself. The pipes didn't break. It
21 wasn't any settling where, you know -- from water
22 flows or anything that caused that. The pipes just
23 separated from the connection at the valve. The
24 contractor was hired to come in. They came in that
25 night. They performed a hasty type of repair to get

1 through the night. Then they came back, and over a
2 period of about three days, about 48 man-hours of
3 work, they went ahead and reconnected the lines, new
4 gaskets, whatever. The had to work with more than one
5 valve, because as you shifted the pipe from one, it
6 affected the other. So during that period, there's
7 approximately 17 customers that were without service
8 for some period of time. I know the customer that
9 complained about this talked about being out all the
10 time. I can't dispute that, I don't know. But there
11 are about 17-odd customers that had some type of
12 outage for some period during that time because of
13 these main breaks. A boil water notice was provided
14 to those that would be affected, and that would be to
15 anybody with a pressure drop below 20 pounds per
16 square inch, because you have to do that for health
17 reasons just in case something can get into the water.
18 It has to be cleared and rechlorinated. So basically
19 that's what happened with that thing.

20 There was a customer that mentioned that he
21 heard tanker trucks during the night; Thought they
22 were carrying effluent that couldn't be handled by the
23 Company. There is no carting of effluent by the
24 Company. They do have tankers that periodically
25 remove sludge. They do make their hauls at night. My

1 | guess is that's what they heard is that -- heard
2 | sludge haulers and saw sludge haulers because that's
3 | the area where that would be taking place.

4 | I believe somebody mentioned something about
5 | scummy water, and that's probably true too. Scummy --
6 | if they got some scummy water it's because of
7 | hardness. The water down there is pretty hard. The
8 | Company treats for it. By the way, it's an aesthetic
9 | thing. It's not some type of health requirement that
10 | you have to treat for under the state provisions.

11 | **COMMISSIONER GARCIA:** Since you're on it,
12 | some of the customers talked about great variety in
13 | the scummy water. In other words, I believe someone
14 | expressed some days it's soft. Some days it's hard.
15 | What accounts for that?

16 | **WITNESS SEIDMAN:** I think what it is is the
17 | problem I'm getting at, which is the water softeners
18 | down there are big Culligan machines. As a matter of
19 | fact, Culligan is the manufacturer. Just basically an
20 | industrial size Culligan softening unit. It's an
21 | ion-exchange type of softening. The media in which
22 | the ion-exchange takes place is zeolite. The zeolite
23 | is now at the end of its useful life in those things,
24 | and it has to be changed out. And until it is changed
25 | out the amount of softening that is being done is not

1 adequate to meet the goals of the Company and to bring
2 it down to the level that the customers should be
3 expecting. That's something that is in progress.
4 Bids have been put out. They have to do whatever
5 administrative requirements to authorize it and get it
6 going, and I'd say it would be somewhere in the order
7 of 30-odd days before the zeolite can be received,
8 changed out, recalibrated to provide the service that
9 they should expect. But that's really where your scum
10 comes from. It's not scum; it's the hardness in the
11 water.

12 There was one other thing that was brought
13 up, and this was about the potential rate impact of
14 the reserve coming on the system. People were
15 concerned that bringing on the 700 units is going to
16 cause their rates to go up as a result of that,
17 because plant will have to be built to serve them and
18 that will be all rolled in.

19 Of course, we can't guarantee that there's
20 not going to be any rate increases in the future for
21 whatever reason. But specifically with regard to the
22 impact of the reserves, the area of the reserves, the
23 lines are being put in by the developer and
24 contributed, so they will have no impact on rate base.
25 In addition, the Company will receive \$3,000 service

1 availability charge for each connection. That will go
2 against rate base. Between those two, there should be
3 little, if any, impact on the rate base of this
4 Company as a result of the reserves coming on line.
5 Hopefully, as more customers are added and people hook
6 up to the reserves, there will be opportunity to
7 spread administrative and other types of costs and
8 maintenance costs and, hopefully, any increases, if
9 necessary, will be kept to a minimum because of the
10 ability to take advantage of those economies.

11 Those are the things -- or the only ones I
12 can recall.

13 Q (By Mr. Girtman) Mr. Seidman, you also
14 remember hearing one of the Commissioners raise a
15 point as to why shouldn't the purchaser be held
16 responsible for the problems caused by the seller.
17 Wouldn't that be fair? What is your comment in regard
18 to that?

19 A I listened to that discussion between
20 Commissioner Clark and Mr. Wenz. And I got out of
21 that your concern, that if you go ahead and give the
22 utility the incentive through a negative -- through
23 not having a negative acquisition adjustment, and
24 there are problems that carry forward, plant not being
25 in good shape, whatever, shouldn't that be a

1 trade-off? You're getting the benefit of this
2 incentive. Shouldn't you be taking some
3 responsibility for the cost or something there.
4 Mr. Wenz, I think very cautiously and under pressure
5 being on the stand, protected his turf and said, "No,
6 no," you know, "don't do anything." I think that's
7 kind of harsh, and I don't want to leave this
8 Commission with the idea that the utility is a
9 customer-be-damned type of operation.

10 When the Commission does make a negative
11 acquisition to rate base, it does make the purchaser
12 responsible, because now you've written off
13 everything. Even if they are not responsible and even
14 if there are only some little parts of it that might
15 have some impact it's permanent, it's with impunity,
16 it's done. There's no incentive to me under that type
17 of arrangement for anybody to make a purchase.

18 If you do not include a negative acquisition
19 adjustment, the purchaser gets the incentive, but the
20 door is still left open and the rate case proceeding
21 to review the condition of the plant, to review what's
22 happened, to review if there is capital having to be
23 put out in future years because something caused that
24 in the past. You can look at it at that time and you
25 can make those decisions at that time, so you have the

1 opportunity to review it. In addition, the purchasing
2 utility is protected because it will have the
3 opportunity at that time to address any of those
4 concerns and give you its story on it. Because not
5 everything is going to be affected even by past
6 problems. You know, there may be an adjustment
7 appropriate in one particular account and not in
8 another, instead of across the board and it's gone
9 forever. To me that's fair. I've talked to Mr. Wenz,
10 and he has no problem with that type of an approach.

11 **COMMISSIONER CLARK:** Thank you.

12 **MR. GIRTMAN:** Commissioners, we tender the
13 witness for cross examination.

14 **COMMISSIONER DEASON:** Mr. Beck.

15 **MR. BECK:** Thank you, Commissioner Deason.

16 **CROSS EXAMINATION**

17 **BY MR. BECK:**

18 **Q** Mr. Seidman, in preparing your rebuttal
19 testimony in this case, you mentioned in your summary
20 that you went down and visited the territory served by
21 the utility; is that right?

22 **A** Yes.

23 **Q** And you also reviewed all of the materials
24 in Mr. Girtman's files, did you not?

25 **A** The materials I had, yes.

1 Q And you made some visits while you were down
2 in Orlando in addition to viewing the plant, did you
3 not? Did you visit some people?

4 A Yes, I talked with -- same -- it was the
5 same trip.

6 Q Right. You talked with the people in
7 Altamonte Springs where Utilities, Inc. runs their
8 Florida utilities; is that right?

9 A Right.

10 Q And you also visited a person named
11 Mr. Webb, did you not?

12 A Yes.

13 Q And he was the engineer for Econ Utilities?

14 A He was. He is no longer an engineer for
15 Wedgefield.

16 Q What brought you to visit Mr. Webb?

17 A There was a document that was -- had been
18 provided through discovery, I guess, that had reports
19 of his.

20 Q Hence you went down there to discuss that
21 report with him?

22 A Yes.

23 MR. BECK: Commissioners, before the hearing
24 started, I passed out an exhibit, capital improvement
25 plan and utility rate and impact fee analysis prepared

1 by John B. Webb. I'd ask that that be marked as an
2 exhibit for identification.

3 COMMISSIONER DEASON: It will be identified
4 as Exhibit 17.

5 (Exhibit 17 marked for identification.)

6 Q (By Mr. Beck) Mr. Seidman, do you have
7 Exhibit 17 in front of you?

8 A Yes, I do.

9 Q Is that the report that was prepared by
10 Mr. Webb for Econ Utilities?

11 A I believe it's the same one we discussed
12 before.

13 Q Just to get the time frames in order, the
14 report by the Orlando Utilities Commission, there was
15 a draft report in January of '96?

16 A That's correct.

17 Q I'm sorry, January of '95?

18 A '95, you're right.

19 Q And this report by Mr. Webb is dated June
20 1995; is that correct?

21 A That's correct.

22 Q So at the time that Mr. Webb prepared this
23 it was already privy at least to the draft of the
24 Orlando Utilities Commission report; is that right?

25 MR. GIRTMAN: Objection. We don't have any

1 idea who had access to what.

2 Q (By Mr. Beck) Do you know, Mr. Seidman?

3 A I don't know. It was obviously prepared. I
4 have no idea if he had access or used it.

5 Q Did you not discuss with Mr. Webb the
6 Orlando Utilities Commission's report?

7 A Yes, I did.

8 Q Okay. And did you not discuss with him that
9 his report was prepared after the Orlando Utilities
10 report?

11 A I don't recall.

12 Q In any event, you did discuss this report
13 with Mr. Webb?

14 A Yes.

15 Q Could you turn to Page 9 of 17 of this
16 report?

17 This chart summarizes some of the capital
18 improvements that he saw were necessary by Econ
19 Utilities at that point, does it not?

20 A Yes, except for the word "necessary -- I
21 mean, this is his idea of, you know, what should be --
22 what capital improvements should be looked at, you
23 know, the necessity -- I'm only getting at to the
24 timeliness of when it should be done, I don't know.

25 Q And on this page he has proposed -- however

1 you want to word it, what he saw, at least, capital
2 improvements both for existing and new customers in
3 this chart; is that right?

4 A Yes.

5 Q Okay. In fact, there's a Footnote 1 for
6 those required for future customers in his view?

7 A Right.

8 Q That would be Items 4, 5 and 6 on this
9 chart, would it not?

10 A Right.

11 Q Items 1, 2 and 3, as he saw it at least,
12 were required for existing customers; is that right?

13 A Yes, it appears that way, yes.

14 Q Okay. The first item is a softener.

15 COMMISSIONER GARCIA: Charlie, excuse me for
16 a second. Are the notes on the side, are those yours,
17 theirs or --

18 MR. BECK: They were on the documents as
19 produced by the Company.

20 COMMISSIONER GARCIA: Okay.

21 Q (By Mr. Beck) Well, let me ask you about
22 one of those notes, Mr. Seidman. Do you see up in the
23 upper right corner of the chart in script there's a
24 "can't meet fire flow."

25 A Yes, I see that.

1 Q Do you recall discussing that with Mr. Webb?

2 A No, I don't recall.

3 Q Do you know whether the Company at that
4 point could meet its fire flow requirements?

5 A It's my understanding they can. I think
6 there may be a question here, and I'm not really sure
7 on this because I didn't investigate it.

8 COMMISSIONER GARCIA: Can or can't? I'm
9 sorry?

10 WITNESS SEIDMAN: That they can.

11 COMMISSIONER GARCIA: Can.

12 A (Continuing) About a difference in the
13 interpretation of what standards are applicable out
14 here at Wedgefield versus the county system, and I
15 don't know. I don't know if there's a different
16 standard or not.

17 Q This report was prepared for Econ, was it
18 not, at their request?

19 A It was prepared for Econ. I don't know who
20 requested it.

21 Q What exactly did you discuss with Mr. Webb?

22 A Basically as I recall -- you're going to
23 have to bear with me, I don't remember that much about
24 it. I know we've talked about it in deposition.

25 I initially was concerned that it was an

1 incomplete report, and I wanted to know why.

2 I talked to him about some of the things
3 that were mostly, not only in his, but were in the
4 county's report.

5 Q You did discuss the county report with him?

6 A Yes. I don't think I said I didn't. I
7 think the question was whether he had access when he
8 wrote his.

9 Q All right.

10 A About his feelings on the necessity of some
11 of these things. You know, whether there was
12 something that was really needed now or these things
13 that would be nice to do or whatever. Most of it was,
14 you know, that this would be a plan that he would
15 recommend but not necessarily something that's, you
16 know, critical.

17 Q Okay. The first three items on this chart
18 has next 12 months. Do you believe that that was
19 Mr. Webb's view, that those were items that needed to
20 be done in the next 12 months from the time --

21 A He believed that.

22 Q Okay.

23 A But I can tell you that only one of them has
24 been done.

25 Q Which one was that?

1 A The softener. There was a softener added.
2 Let's see, this was in 1995, and I believe the
3 softener may have been added within the next year.

4 Q By Wedgefield Utilities or by Econ?

5 A I don't know. I can't recall the dates of
6 transition. With regard to the well, there has been
7 no additional well been added and there doesn't seem
8 to be any requirement right now from the flows to
9 handle that.

10 COMMISSIONER GARCIA: How about with the
11 growth that you're expecting?

12 WITNESS SEIDMAN: Well, with growth, yes.
13 But he's asking about something for present customers.

14 COMMISSIONER GARCIA: Right.

15 A (Continuing) The chemical handling and
16 storage building I think is something that, looking at
17 this and looking they chemical handling and storage at
18 the plant, I think this is one of those nice-to-have
19 things but not necessary. The chlorine handling,
20 chemical handling at the water plant is old. I mean,
21 that was pointed out by, I think, Commission Engineer
22 Maya when she went down. There has been some work on
23 it, but, basically, it's an exterior shack. It's not
24 a solid building. It's a protective frame for the
25 equipment, and, you know, it seems to be adequate. It

1 would be nice to do something to it, but to the tune
2 of \$80,000, I think is wishful thinking.

3 Q So of the three items that he saw being done
4 at that point only the first one, softener, has
5 actually been accomplished?

6 A Right. Or really appears to be necessary.

7 Q If you would go to the next page, please.

8 Unlike the previous chart, this one
9 estimates cost to serve solely existing customers, at
10 least in his view; is that right?

11 A Yes.

12 Q And this is for replacement of the asbestos
13 water mains?

14 A Right.

15 Q Okay. Do you know whether any of that work
16 has been done by the Company?

17 A No, it has not. This, again, is one of
18 those items that I think we talked about with regard
19 to the observations of the county. The lines, they
20 are functioning. They are not falling apart. To go
21 ahead and to replace them is a nice program, I mean,
22 but it's expensive. And you have to weigh that
23 against the cost of repairing, you know, breaks that
24 occur and the inconveniences of that versus an overall
25 addition of plant. Because when you talk about

1 replacement here, you're talking about not because
2 there's something really wrong with it; it's because
3 it's AC, and it has its susceptibilities. It was a
4 good standard when it was put in, and it's just not --
5 you know, if you've got it, you'd like to get rid of
6 it eventually.

7 Q Asbestos cement pipes are no longer used in
8 current construction, are they?

9 A That's correct.

10 Q Okay. And they actually have asbestos in
11 the pipe?

12 A Yes.

13 Q What purpose does that serve?

14 A I have to go back to strength in materials
15 from school. It's really, I think -- it's a
16 compaction type of material, adds a strength to it.

17 Q When did that cease being used?

18 A Oh, gosh, in the '70s, I think.

19 Q Since the '70s it's no longer being used in
20 construction?

21 A It's new -- that's right.

22 Q And Wedgefield has no current plans to
23 replace the asbestos cement pipes?

24 A Not a plan to regularly take out portions
25 and just replace it whether it's needed or not at that

1 particular time.

2 Q Okay.

3 COMMISSIONER GARCIA: Before you move on,
4 Mr. Beck, if you would go back to the page you were on
5 before. And on the notation there, has any of the
6 other work been done? The 4 through 6. I notice on
7 the side there it says "804 homes start construction
8 before."

9 WITNESS SEIDMAN: No, it has not been done.
10 I guess this 804 homes must have been the original
11 Reserve plat, which is just beginning now and has, I
12 think, four.

13 COMMISSIONER GARCIA: And has this been done
14 for that?

15 WITNESS SEIDMAN: No. No. And at present,
16 flows don't, you know, require it. Now, there are
17 plans -- and I don't know what they are, Commissioner,
18 I have to be frank with you. I mean, I recall in
19 talking with the utility staff that they are looking
20 at several things to be done, you know, sewer
21 treatment plant addition, some capacity increase in
22 the water system with another well down the line.

23 COMMISSIONER GARCIA: But I would assume
24 that this planning is relatively standard for the
25 industry, right?

1 WITNESS SEIDMAN: The planning?

2 COMMISSIONER GARCIA: Well, Mr. Webb's
3 report, I know you state them as things that would be
4 nice, not necessarily essential except for the
5 softener which was done. But I assume that his
6 segregation or someone's segregation of these items
7 are essential when they say before you start these --

8 WITNESS SEIDMAN: I assume that's what he
9 was thinking, yes, but --

10 COMMISSIONER GARCIA: But it has --

11 WITNESS SEIDMAN: Right now it hasn't been
12 justified.

13 COMMISSIONER GARCIA: Okay.

14 Q (By Mr. Beck) Let's move on to a different
15 topic, if we could.

16 Do you believe that the size of the used and
17 useful adjustment in the last rate case of Econ
18 Utilities should have an effect on whether to
19 recognize a negative acquisition adjustment now?

20 A No.

21 Q Do you think that the used and useful
22 adjustment today would be found more used and useful
23 than it was in its last rate case?

24 A Probably.

25 Q Okay. Do you have Exhibit 14 for

1 identification available to you? The memo to Gerry
2 and Cindi that were used in Mr. Wenz's?

3 A No.

4 Q Let me give you a copy of that.

5 COMMISSIONER GARCIA: Charlie, if you have
6 an extra one I'd appreciate it, because I was hoping
7 my things would be here but they are not.

8 (Counsel hands out documents.)

9 Thank you.

10 Q (By Mr. Beck) Have you seen that memo
11 before that's reflected in Exhibit 14 for
12 identification?

13 A Yes. I think you provided it to me in my
14 deposition, as I recall. I don't think I had seen it
15 before that. I'm not sure. There was one memo
16 involving these people that I hadn't found and you
17 had.

18 Q What I want to ask you about is the comments
19 on the first page, Page 1 of 4, about midway for the
20 evaluation there it said, "Based on the methodology
21 used in the 1988 rate case our lines are now about 50%
22 used and useful, our treatment plants about 75%
23 utilized and the rest of the equipment 100% utilized.
24 Do you think that's a reasonable estimate? (Pause)

25 A Probably not out of line. I don't know what

1 methodology they used back then, but I know just
2 seeing the flow information here that, you know,
3 recently that it's probably up there. Lines I don't
4 know about.

5 Q Okay. And would you believe that to be a
6 reasonable estimate at the time this was prepared
7 which was June of 1995?

8 A I just can't say, Mr. Beck. I don't know
9 what numbers they used.

10 Q But you have no reason to dispute it?

11 A No, no. I have no information either way.

12 Q Let me ask you a little bit about the Orange
13 County report that you've mentioned several times. Do
14 you have that in front of you?

15 MR. BECK: Commissioners, that would be
16 Exhibit 5.

17 A Okay.

18 Q (By Mr. Beck) The Orange County report
19 makes a number of references to what they saw as a
20 lack of a preventative maintenance program for the
21 Company; is that right?

22 A Yes. Yes, it does.

23 Q Can you describe what preventative
24 maintenance is?

25 A My point of view?

1 Q Sure.

2 A I don't know if there's any --

3 Q What is it generally?

4 A It would be maintenance that you would
5 engage in prior to an event happening for the purpose
6 of, I guess, two things: Preventing something from
7 happening, something -- some event from happening, and
8 also preserve the condition of your capital assets.

9 Q Okay. Changing the oil in a car, for
10 example, would be preventative maintenance, would it
11 not?

12 A Right.

13 Q Okay. And if you didn't change the oil in
14 your car and you waited until the car blew up or
15 overheated, that would be lack of preventative
16 maintenance, would it not?

17 A Oh, yes.

18 Q You state in your testimony that you found
19 -- you would not be surprised if Econ had no
20 preventative maintenance program; is that correct?

21 A That's correct.

22 Q Okay. Is Wedgefield engaging in
23 preventative maintenance?

24 A Yes. It has no written program, but I've
25 discussed it with the Company. They have -- they

1 require their field people to make observations all
2 the time, including their plant operators, to make
3 observation and have knowledge of both the
4 distribution and collection systems, to report
5 anything to them and to take any action they feel is
6 necessary on the spot to do something.

7 And, you know, to keep after things like we
8 were talking about with like painting for preventative
9 purposes, for rust or corrosion, whatever, things like
10 that. But, basically, they require and rely on their
11 personnel to do this. I mean, it's not just that they
12 hope they to it, they follow up on it.

13 Q When you visited Orlando you went through
14 the records that are maintained in Altamonte Springs,
15 did you not?

16 A Yes.

17 Q Okay. And they had some of the records that
18 had been maintained by Econ as well as their own, did
19 they not?

20 A Yes.

21 Q And you found no records reflecting a
22 preventative maintenance program by Econ when you
23 reviewed those, did you?

24 A Right, in the sense that a program is like a
25 written document that says, "You shall do this and

1 this," like an SOP.

2 Q Now, in your summary you made some
3 references to the contents of the Orlando Utilities
4 report and its evaluation of the condition of the
5 plant, did you not?

6 A Yes.

7 Q Okay. Let's review some of that if we
8 could. Could you turn to Page 6 of 55.

9 A 6?

10 Q 6 of 55. 2-1 on the bottom.

11 COMMISSIONER GARCIA: Let's make sure you're
12 both on the same document, because he's looking at the
13 draft. Are we looking at the draft?

14 MR. BECK: No. I think they are the same.

15 WITNESS SEIDMAN: It's just I had the draft
16 when I worked with it and my notes are in there.

17 MR. BECK: We're looking at the acquisition
18 feasibility analysis.

19 Q (By Mr. Beck) Page 2-1 at the bottom.

20 A Oh, 2-1. I'm sorry.

21 Q And the last paragraph under Section 2-1, do
22 you have that there?

23 A Yes.

24 Q Okay. It says, "The water supply system
25 generally appears to be in good operating condition."

1 A Yes.

2 Q That's what you cited in your summary, is it
3 not?

4 A Yes.

5 Q But after that it also says "Repairs have
6 been made on an emergency basis only as there's no
7 preventative maintenance program in effect," does it
8 not?

9 A Yes. That's a characterization to me. I
10 mean, to say that because there is no preventative
11 maintenance program, therefore, all repairs are done
12 on an emergency basis would imply that nothing is done
13 until the main breaks or something falls apart.
14 Because this system, and after looking at it, because
15 the system and looking at the DEP reports --

16 COMMISSIONER GARCIA: That's precisely what
17 it says.

18 WITNESS SEIDMAN: Excuse me?

19 COMMISSIONER GARCIA: That's exactly what it
20 says.

21 WITNESS SEIDMAN: Yes. I'm saying it's a
22 characterization because they don't know that. They
23 don't know that repairs were only done when something
24 broke. And I don't know it. I mean, it's not whether
25 they did or didn't. It's almost like if you don't do

1 preventative maintenance, then it's emergency.
2 There's no middle ground. There's no gray area here
3 that says, "Well, we're not doing as much as we
4 should, but we're doing more than just waiting for
5 something to happen."

6 COMMISSIONER GARCIA: That's a guess on your
7 part.

8 WITNESS SEIDMAN: That's a guess on my part
9 too.

10 COMMISSIONER GARCIA: Well, in this case
11 you're saying that it was a guess on their part.

12 WITNESS SEIDMAN: Yes.

13 COMMISSIONER CLARK: I took it you simply
14 meant that if you don't have a preventative
15 maintenance program, it doesn't necessarily follow
16 that every repair you do is on an emergency basis.

17 WITNESS SEIDMAN: That's correct.

18 COMMISSIONER CLARK: You're just commenting
19 on the logic of that.

20 WITNESS SEIDMAN: Right.

21 COMMISSIONER CLARK: Okay.

22 Q (By Mr. Beck) Would you agree that they
23 made the same evaluation regarding the lack of
24 preventative maintenance both for the water treatment,
25 the water distribution and the wastewater collection

1 and the wastewater treatment plant?

2 A Yes. I think they repeated it in
3 practically every section.

4 Q Do you have Exhibit No. 8, which is letters
5 that relate to the Orange County evaluation?

6 A I think so. (Pause)

7 I have a letter dated February 27th.

8 Q Yes, that series.

9 A Okay.

10 Q Okay. Let me ask you on that letter, the
11 letter dated February 27th -- let's wait a moment.

12 The letter dated February 27, 1995, is a
13 letter from the president of Econ Utilities
14 Corporation to Alan Ispass, who is director of the
15 Orange County Public Utilities Division?

16 A Yes.

17 Q In fact, what this letter does is responds
18 to the draft report that Orange County Utilities set
19 forth --

20 A Correct.

21 Q -- does it not? Okay. Let me ask you to
22 turn to the second page, Paragraph No. 4.

23 A Yes, I see it.

24 Q Okay. Here he's responding to their view of
25 the cement asbestos pipe, and he states about in the

1 middle Paragraph 4 that, "The old pipe need only be
2 replaced when a section breaks, which to date has only
3 required an average cost of about \$25,000 per year."

4 Do you see that?

5 A Yes.

6 Q Do you agree with the view expressed by
7 Mr. Blake that the asbestos pipe need only be replaced
8 when a section breaks? Do you think that's proper?

9 A Economically speaking, yes.

10 Q There's a letter, April 13th, 1995, that
11 responds to Mr. Blake's letter. It's from Mr. Ispass,
12 is it not? Do you have that?

13 A Yes.

14 Q Okay. Could you turn to Paragraph 4 which
15 is Page 6 of 10 on the exhibit?

16 A You haven't handed me an exhibit with your
17 numbering on it. Page 4 of the --

18 Q Paragraph 4, Page 3. On the exhibit itself,
19 it's Page 6 of 10?

20 A Okay.

21 Q Okay. Do you have that there with Section
22 4, where he responds on the pipe replacement?

23 A Yes.

24 Q About midway down the first paragraph under
25 4, discussing Orlando Utilities' experience with that

1 pipe it says, "We've experienced severe deterioration
2 in older gravity sewer systems constructed with AC
3 pipe." Do you believe that to be a fair
4 characterization of dealing with AC pipe?

5 A I can only comment it appears to be what
6 their experience is.

7 Q What would be your opinion with old AC pipe?
8 Do you think that's a fair characterization by
9 Mr. Ispass?

10 A I don't know. I think you have to look at
11 it system by system and see what the circumstances are
12 with regard to the, you know, how the pipe has been
13 situated and whether there's susceptibility to undue
14 settling or anything like that that would add to that.

15 Q Could you look at the last paragraph on that
16 page where it starts, "Regarding water mains?"

17 A Okay.

18 Q The next sentence says maintaining "AC pipe
19 requires special precautions that employees working on
20 the pipe must take to avoid exposure to the asbestos.
21 AC pipe also has a history of deterioration."

22 A Okay.

23 Q Would you agree to that, that that's a fair
24 characterization?

25 A Yes.

1 Q On the next page, Page 4, Exhibits Page 7 of
2 10, toward the end of that section, just before the
3 Section 5 it says, "You also state that your engineer
4 bases cost estimates for pipe maintenance on
5 historical cost for repairing pipes that break. As a
6 system approaches the end of it's useful life, an
7 increase in main breaks is likely; therefore
8 historical cost would not accurately predict future
9 cost." Do you believe that's a fair characterization?

10 A Sure. There's not much to disagree with in
11 what they say here. These are generalizations and not
12 necessarily applicable to the system, whether it's
13 having that type of a problem. And, again, I mean you
14 have to weigh costs in this. Don't forget we're
15 talking here about a system that has like \$2 million
16 gross investment in lines, water and sewer total. And
17 the County is talking about \$3 million just to replace
18 the AC portion, which is only 20% of the system.
19 You've got to take things like that into consideration
20 whether or not you run out and replace everything
21 because it's going to deteriorate. I think you have
22 to look at how -- at the rate of deterioration as far
23 as the impact on breaks. I'm not aware of any -- I
24 know there were breaks in the past, and I can see that
25 in some of these reports. I'm not aware of any great

1 amount of breaks happening now to make such an
2 investment viable.

3 Q Could you turn to your testimony?

4 A Sure.

5 Q Page 27. Line 9. Beginning on Line 9,
6 Page 27, you state that the prior owner performed
7 maintenance only on an as-needed basis?

8 A Excuse me. What page?

9 Q Page 27?

10 A Page 27. I was looking at Page 9. Okay.

11 Q Line 9 on Page 27, you state that, "The
12 prior owner performed maintenance only on an as-needed
13 basis. Capital improvements were often deferred."
14 What capital improvements were often deferred by the
15 prior owner?

16 A That was a characterization on my part. I
17 don't know specifically.

18 MR. BECK: Thank you. That's all I have.

19 COMMISSIONER DEASON: Staff?

20 MS. BRUBAKER: Commissioners, the Staff may
21 have a moment to confer to eliminate repetitive,
22 unnecessary cross questions.

23 COMMISSIONER DEASON: We'll give you a few
24 minutes. (Pause)

25 MS. BRUBAKER: Thank you. Commissioners.

1 Staff is ready at your indulgence.

2 COMMISSIONER DEASON: Please proceed.

3 CROSS EXAMINATION

4 BY MS. BRUBAKER:

5 Q Mr. Seidman, looking at Pages 32 and 33 of
6 your testimony, you discuss how used and useful
7 adjustments may influence the rate base value in a
8 rate case proceeding. As a preliminary matter, isn't
9 it true that used and useful adjustment reduce the
10 rate base amount?

11 A Yes.

12 Q So Wedgefield's rate base amount would be
13 reduced if used and useful adjustments are applied?

14 A Could you repeat that? I'm sorry.

15 Q Certainly. So Wedgefield's rate base amount
16 would be reduced if used and useful adjustments are
17 applied?

18 A Correct.

19 Q I believe you indicate in your testimony
20 that Wedgefield would basically step in the shoes of
21 Econ if the original rate base balance is retained?

22 A That's correct.

23 Q If Econ's rate base was reduced because of
24 used and useful adjustments, would it be accurate to
25 say that similar used and useful adjustments might

1 apply in Wedgefield's case?

2 A Yes.

3 Q Okay. Assuming that the rate base value
4 determined in this docket is approximately
5 \$2.8 million, would Wedgefield be entitled to an
6 equivalent rate base amount in its next rate case?

7 A Equivalent to 2.8?

8 Q Uh-huh.

9 A It's only going to be entitled to whatever
10 is the used and useful of the net assets at the time
11 of the rate case.

12 Q So that rate base would be adjusted
13 according if used and useful adjustments are made?

14 A That's correct. And that 2.8, by the time
15 of the next rate case is going to be lower anyway just
16 because of accumulation of more depreciation and an
17 addition of more CIAC, assuming no other assets --
18 we're talking about just that 2.8 million portion.

19 Q Okay. Did Wedgefield consider the used and
20 useful condition of the Econ system to be a
21 significant factor in its decision to purchase?

22 A You're asking me to step into their
23 negotiations. I didn't take a part. I will tell you
24 that from reading the documents that have been
25 submitted, that they discussed it, yes.

1 Q In your opinion, what impact, if any, should
2 used and useful factors have when a system is
3 purchased?

4 A None with regard to the purchase because
5 it's -- you know, it's there for ratemaking purposes.
6 You know, it's only a consideration when you're
7 determining what the revenue requirements are going to
8 be.

9 Q Should the adjustments have any effect or
10 impact on the purchase price?

11 A Used and useful adjustments? On the
12 purchase price?

13 Q Uh-huh.

14 A I don't know. I mean, the purchase price is
15 negotiated and many factors would be considered.

16 Q Mr. Wenz stated in his previous testimony
17 that Wedgefield had spent about \$125,000 approximately
18 in improvements since its purchase?

19 A Correct.

20 Q Do you know what areas these improvements
21 were made?

22 A Yes.

23 Q Could you describe them for me briefly?

24 A If I can find it. (Pause) I put it in a
25 safe place. I can't find it. Here we go.

1 Okay. Really there's only been 108,000
2 actually expended with regard to work done. There was
3 some additional money with regard to costs of
4 preparing a wastewater plant expansion engineering
5 application. As far as actual work done, there was
6 approximately \$29,000 that was spent to refit the
7 master lift station. I mentioned before, earlier in
8 my summary, that they had gone in and redone their
9 master lift station so the piping and fittings,
10 whatever, and labor was about 29,000. There was about
11 8,000, between 8 and 9,000 spent on repainting the
12 tanks and the major equipment at both the water and
13 wastewater sites. They replaced both blowers at the
14 wastewater plant. They were coming near the end of
15 their useful life. Preventative maintenance no doubt;
16 about \$25,000 for that.

17 And then there was another \$38,000 expended
18 to install mains in Block 40. This was work that had
19 been done by the developer, done improperly. It was
20 redone. That \$38,000 was offset by \$30,000 in -- I
21 think credits, or something, so that the net effect on
22 the cost is only about \$8,000 to redo that work.
23 That's basically what's been done. Oh, and they
24 replaced the driveway at the wastewater plant. That
25 was another \$7800. That should total up about 108-,

1 109,000. There was another \$15,000 spent so far on
2 the engineering application for the wastewater
3 treatment expansion but, you know, that's for future
4 use, future work.

5 Q Thank you. How would you describe the
6 growth potential for the Econ system?

7 A Medium. You know, I think if they get 50 a
8 year they are doing well at this point. It's really
9 an isolated area, and I'm not quite sure what drives
10 the potential for people moving out there. But I
11 think 50 is probably indicative and probably -- maybe
12 a little high at this point.

13 Q At the time of the transfer, approximately
14 how many customers did Econ serve?

15 A Probably around 650. Between -- I think
16 they are up around 7 -- little more than 7 now. My
17 guess would be around 650 at the time of transfer.

18 Q In previous cases the Commission has
19 considered the per customer operating cost as a factor
20 in whether the acquisition of a utility system is
21 prudent.

22 A I read that somewhere. I didn't see where
23 they did it. I read where they said that they
24 consider that, but I never saw a case where it was
25 considered, at least not in the Order.

1 Q Do you happen to know what the per customer
2 operating cost is for the Econ system?

3 A I sure don't.

4 Q Would you be able to provide for me a
5 late-filed exhibit in the nature of an analysis of per
6 customer operating costs for both the Econ system
7 prior to transfer, and for Wedgefield after the
8 transfer of Econ into Wedgefield?

9 Kind of what we're looking for is if you
10 could have, for instance, operating expenses,
11 maintenance expenses, depreciation essentially divided
12 by the number of customers?

13 A Depreciation also?

14 Q Yes.

15 A I mean, that's really a factor of plant.

16 Q Then perhaps operating and maintenance
17 expenses only.

18 A I guess I can tell you I will try. I mean,
19 obviously it's available.

20 With regard to the Econ end of it, I will
21 simply be taking it out of Annual Reports. I mean, I
22 don't know where else to go. I won't have any
23 knowledge whether the expenses are legitimate or not,
24 or would have been considered for ratemaking purposes.
25 So they will be raw.

1 With regard to current costs, I will get
2 with Utilities, Inc./Wedgefield to get that. And if
3 you're considering A&G in there, I guess we're going
4 to have to accept whatever they have for their
5 allocations between systems, you know, at this point.

6 COMMISSIONER CLARK: Utilities, Inc.
7 operates Mid-County, is that --

8 WITNESS SEIDMAN: That's correct.

9 COMMISSIONER CLARK: They probably have that
10 information.

11 WITNESS SEIDMAN: Yes. I would expect so.
12 You're talking about the A&G allocations?

13 COMMISSIONER CLARK: Well, yes. And any
14 other costs they would allocate. You're talking
15 administration in general.

16 WITNESS SEIDMAN: Right. Right. Because of
17 the way they function, they've got maybe, you know,
18 three or four employees that are right there at
19 Wedgefield. The rest of the work, the oversight of
20 it -- and they bring in -- they bring in other
21 employees as needed from sites that are in the Orange
22 County area. You know, they can draw from other
23 systems. Somehow that's going to have to be worked
24 into it.

25 Q (By Ms. Brubaker) You could also provide

1 in that same kind of breakdown a breakdown of the
2 distribution and collection cost, treatment, that sort
3 of thing?

4 A Right. I would consider that in the O&M.

5 MS. BRUBAKER: Okay. Mr. Chairman, if I may
6 have this identified as a late-filed exhibit.

7 COMMISSIONER DEASON: Yes. Late-filed
8 Exhibit No. 18. Could I have a chart title, please?

9 MS. BRUBAKER: "Per Customer Operating Cost
10 Analysis."

11 (Late-Filed Exhibit 18 identified.)

12 WITNESS SEIDMAN: I guess I have to -- sort
13 of put caveats on it. I'm thinking in my mind about
14 these things because I don't know what's going to come
15 out of it. But if we've made assumptions that Econ
16 was not properly maintaining, you know, we don't know
17 that the costs are going to represent what costs
18 should be. And we don't know whether Wedgefield's
19 present cost, what they will be when they settle down
20 in operation, but -- there are things to think about.

21 MR. BECK: I can't object at this point,
22 because I don't know what the exhibit is going to
23 show, but this is precisely the sort of exhibit that I
24 would want to cross examine on and test, and perhaps
25 even rebut. And by doing it in this manner, Staff is

1 precluding me from doing that. So I would very
2 specifically want to reserve my right to object to the
3 exhibit once it is submitted.

4 COMMISSIONER DEASON: It's my understanding
5 that procedure calls for, if there's an objection to a
6 late-filed exhibit, it is not entered into the record
7 for the very reason you stated.

8 MR. BECK: Thank you.

9 MR. GIRTMAN: Commissioner, I would also
10 like to share some concerns that Mr. Seidman has
11 pointed out for us as to what these numbers actually
12 would mean, and, of course, we'd have to see what it
13 is. So I also have some concerns.

14 COMMISSIONER DEASON: He's being asked to
15 construct the exhibit. I think that if he wants to
16 qualify it or delineate assumptions or whatever, that
17 certainly would be his prerogative and then we
18 understand there also may be an objection to that. So
19 we'll just undertake the exercise and see what
20 happens.

21 Q (By Ms. Brubaker) Mr. Seidman, do you
22 understand what is meant by a nontaxable exchange of
23 property? I can provide you kind of a layman's
24 definition.

25 A I'm familiar with the case if you're going

1 to cite it.

2 Q Well, not citing to a particular case, just
3 generally referring to a transaction where the
4 taxpayer replaces one finite group of property with
5 something of a like kind and, basically, is left in a
6 similar economic position both before and after the
7 exchange?

8 A I'm familiar with the concept. I'm
9 certainly not familiar with how it actually occurs,
10 the details.

11 Q Given this kind of layman's definition I've
12 given you, would you agree that the Econ sale was not
13 a nontaxable exchange?

14 A Yes, it was not a nontaxable exchange.

15 Q Forgive the double negative.

16 Was Wedgefield's purchase of the Econ system
17 an arm's-length transaction?

18 A Yes.

19 Q In your opinion was Wedgefield purchase of
20 the Econ system prudent?

21 A Yes.

22 Q Can you explain briefly why you believe it
23 was a prudent purchase?

24 A Well, I guess I'm stepping into that. I'm
25 going to have to back off. I don't know what they

1 considered.

2 Q Okay.

3 A I can't answer for them.

4 MS. BRUBAKER: Thank you. That's all that
5 we have.

6 COMMISSIONER DEASON: Redirect?
7

8 REDIRECT EXAMINATION

9 BY MR. GIRTMAN:

10 Q Mr. Seidman, let me direct your attention to
11 the letter which Mr. Beck had asked you about, April
12 13, 1995, from Mr. Ispass to Mr. Blake, President of
13 Econ Utilities. I believe that's Exhibit No. 8.
14 (Pause)

15 A Which one? The one from Mr. Blake?

16 Q To Mr. Blake, April 13, 1995?

17 A Okay.

18 Q Look on the second page of that letter,
19 right above Paragraph 2 where it says, "For these
20 reasons acquisition of the facilities with the intent
21 to operate them independently was not considered."

22 A Yes, I see that.

23 Q Okay. If you would also look at Paragraph
24 3, the introductory sentence on the bottom of that
25 page, "The operation and maintenance expenses to
Orange County Public Utilities will not be comparable

1 to the historical costs incurred by Econ Utilities,
2 but will, in fact, be higher." Do you see that?

3 A Yes, I do.

4 Q Now, one of the questions, Mr. Seidman, is
5 to -- just what does this Orlando -- or excuse me,
6 Orange County study mean for the Commissioners here?
7 And just what should they rely on? Now, it appears --
8 and I'd like you to consider the question here. If
9 the report -- if the author of the report, Mr. Ispass,
10 is saying in his letter that we're not considering
11 buying this system and operating it as a private
12 independent system the way it's been done, we're going
13 to use standards of the Orange County system. Don't
14 we have a problem where we have a report that was done
15 on a totally different set of standards than would be
16 applicable to a private stand-alone water and sewer
17 system like this?

18 A Well, yes. I think the report, you know,
19 pretty much speaks for itself. Here's a large utility
20 that was asked to look at feasibility of a purchase.
21 It's governmentally operated. And by the way, I have
22 no problem with their ability to run that system. I
23 know of Mr. Ispass; I don't know him personally, but
24 he's very well-respected in the state in the water and
25 utility field. But what applies to a 70,000 customer,

1 900-mile system is not the same thing that applies to
2 700 customers with 17 miles. You don't have the
3 option of doing some of the things that they are able
4 to do for a full county system like that. And when
5 they are talking about applying their standards to the
6 system, and it being indicated that they are going to
7 result in higher costs, I think that's why. It's fine
8 for them. And it may very well economical for them,
9 but it just doesn't necessarily work on a microcosm.

10 Q Mr. Seidman, this letter dated April 13th,
11 wasn't it in response to the preceding letter in the
12 exhibit, February 27, 1995, from Econ Utilities to Mr.
13 Ispass?

14 A Yes.

15 Q Wasn't it in the response?

16 A Yes.

17 MR. GIRTMAN: Okay. Now, Commissioners, if
18 you would please bear with me, this is the last
19 question I'll have on my examination, but I think it's
20 important for the customers to hear, and I think it's
21 important for it to be in the record, what Mr. Ispass
22 had to say. And I'd like your permission to have
23 Mr. Seidman read into the record a portion of the
24 paragraph on the first page of the April 13 letter
25 beginning on the fourth line, the part beginning "the

1 analysis contains."

2 MR. BECK: I object. It's not even a
3 question. This letter is in evidence. If there's a
4 question, let Mr. Girtman ask it, but not just to read
5 something that is already in the record.

6 MR. GIRTMAN: I want him to read it and then
7 ask him a question about it. Whether we read it into
8 the record or just have him read it, I think it's
9 important that the customers know what this says, and
10 I'd like to have this read by Mr. Seidman as a
11 preliminary to my question to him.

12 MR. BECK: I also object to Mr. Girtman
13 characterizing what is important or not. He's here to
14 ask questions, not to give his opinion of what it is
15 important or not.

16 COMMISSIONER DEASON: Exactly what is the
17 area within the letter you wish to have read, Mr.
18 Girtman?

19 MR. GIRTMAN: It's in the first page, the
20 first paragraph, beginning on the fourth line, the
21 sentence beginning "the analysis contained" through
22 the end of the paragraph.

23 COMMISSIONER DEASON: I do realize that
24 we're having customers, perhaps, that are listening in
25 on the Internet. So they may follow the cross

1 examination, I'll allow the witness to read it
2 allowed.

3 MR. GIRTMAN: Thank you.

4 WITNESS SEIDMAN: You want me to read
5 beginning with "the analysis contained"?

6 Q Yes, through the end of the paragraph.

7 A Through the end of the paragraph. "The
8 analysis contained in our report does not portend that
9 Orange County would acquire the system and immediately
10 assume the historical system characteristics under
11 which Econ Utilities has been operating. Rather, the
12 analysis was based on at assumption that upon
13 acquiring Econ Utilities the system would assume the
14 characteristics of a facility owned and operated by
15 Orange County. As a result, your comments, which
16 relate to the operational costs, capacity charges, the
17 relationship between customers and ERCs, as well as
18 the average revenue generated per ERC must be viewed
19 within the context of the County's utility system.
20 The cost estimates in the report were based upon the
21 assumption that the system would be operated in
22 accordance with county standards and personnel
23 policies resulting in costs that will substantially
24 differ from Econ Utilities' historical costs."

25 Q Mr. Seidman, isn't Mr. Ispass the author of

1 this letter the same Mr. Ispass who was involved in
2 the Orange County study which is also an exhibit to
3 this proceeding?

4 A Yes. He is the person that signed off on
5 the study.

6 Q All right. And what is your evaluation of
7 Mr. Ispass' comparison of the Orange County system
8 with what is now the Wedgefield system?

9 A Well, I think it goes back to what I was
10 just telling the Commissioners. We're talking about
11 an assumption here, operating under the standards and
12 costs associated with a 70,000-customer system. They
13 don't apply to a system this size. And run under a
14 private funding and regulation.

15 MR. GIRTMAN: Thank you. No further
16 questions.

17 COMMISSIONER DEASON: Exhibits? Mr. Beck,
18 you had identified Exhibit 17.

19 MR. BECK: Yes, I move 17.

20 COMMISSIONER DEASON: Without objection
21 Exhibit 17 is admitted and Exhibit 18 is a late-filed.
22 (Exhibit 18 received in evidence.)

23 COMMISSIONER DEASON: Thank you,
24 Mr. Seidman.

25 Okay. We need to review some scheduling

1 | dates; is that correct?

2 | **MS. BRUBAKER:** Also, Commissioner, we need
3 | to go ahead and set a date for the late-filed exhibit.

4 | **COMMISSIONER DEASON:** Okay.

5 | **MS. BRUBAKER:** I would recommend April 9th,
6 | that would give, I believe, two weeks from the date of
7 | today, and it will also permit Public Counsel an
8 | opportunity to review the exhibit, make any objections
9 | he feels may be appropriate at the time and also
10 | incorporate it into his brief if he so deems it
11 | appropriate.

12 | **COMMISSIONER DEASON:** Any objection to April
13 | 9th being the due date for Late-filed Exhibit 18?
14 | Hearing no objection, that will be the due date.

15 | **MS. BRUBAKER:** Also, Commissioners, due to
16 | the one week continuation hearing in this matter,
17 | there are two revisions to the CASR dates that need to
18 | be made. The first is with respect to the due date
19 | for the transcripts. They are currently set for April
20 | 2nd. Due to the one week continuation, we simply move
21 | that forward one week to April 9th. The second is
22 | with regard to the briefs due date, which was
23 | originally April 16th, being moved to April 23rd. The
24 | Staff recommendation filing date and the agenda
25 | conference remain the same, June 4th and June 16th

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

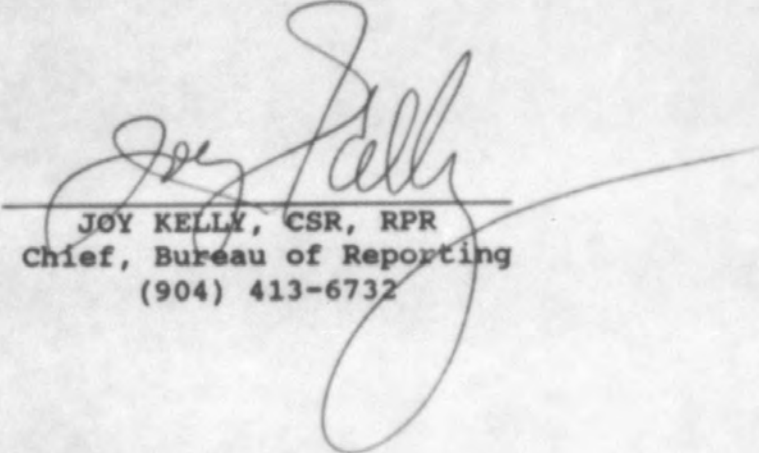
CERTIFICATE OF REPORTER

3 I, JOY KELLY, CSR, RPR, Chief, Bureau of
4 Reporting, Official Commission Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket
6 No. 960235-TW was heard by the Florida Public Service
7 Commission at the time and place herein stated; it is
8 further

9 CERTIFIED that I stenographically reported
10 the said proceedings; that the same has been
11 transcribed under my direct supervision; and that this
12 transcript, consisting of Pages 308 through 411,
13 constitutes a true transcription of my notes of said
14 proceedings.
15 and the insertion of the prescribed prefiled
16 testimony of the witness

17 DATED this 31st day of March, 1998.

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