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DOCKET NO.: 971663-WS - Florida Cities Water Company

WITNESS: Direct Testimony of Sarah (Sally) H. Moniz,
Appearing on Behalf of Staff

DATE FILED: JUNE 19, 1998

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FD-503 (REV. 8-83) REPORTING

1 DIRECT PREFILED TESTIMONY OF SARAH (SALLY) H. MONIZ

2 Q. Please state your name and professional address.

3 A. My name is Sarah (Sally) H. Moniz and my business address is 2540
4 Shumard Oak Boulevard, Tallahassee, Florida 32399-0873.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission (FPSC) as a
7 Professional Accountant Specialist in the Division of Water and Wastewater.

8 Q. How long have you been employed by the Commission?

9 A. Since June, 1990.

10 Q. Please state your educational background.

11 A. I received a Bachelor of Business Administration degree with a Major in
12 Accounting from Valdosta State College, which is now Valdosta State
13 University, in August, 1981.

14 Q. Please describe your employment history and experience in the field of
15 regulatory accounting.

16 A. In June of 1990, I began my employment with the Florida Public Service
17 Commission, in the Division of Water and Wastewater. While employed with the
18 Commission I have held the following positions: Regulatory Analyst II from
19 June 1990 to November 1991; Regulatory Analyst III from November 1991 until
20 October 1, 1994; and Regulatory Analyst IV from October 1994 until October
21 1996. In October of 1996, I was promoted to my present position as a
22 Professional Accountant Specialist in the Bureau of Economic Regulation.
23 Since my employment with the FPSC, I have attended various regulatory seminars
24 and Commission in-house training and professional development meetings
25 concerning regulatory matters. Additionally, I have participated in numerous

1 | rate proceedings on behalf of Commission staff.

2 | Q. Please explain your duties as a Professional Accountant Specialist in
3 | the Accounting Section of the Bureau of Economic Regulation.

4 | A. As a professional accountant, I am responsible for financial, accounting
5 | and rate reviews and evaluations of complex formal rate proceedings before the
6 | Commission. This specifically includes the analysis of file and suspend rate
7 | cases, overearnings investigations and limited proceedings of Class A and B
8 | water and wastewater utilities under the jurisdiction of the FPSC. I am also
9 | responsible for reviewing smaller filings of Class A and B utilities, such as
10 | allowance for funds used during construction (AFUDC), allowance for funds
11 | prudently invested (AFPI), service availability applications and tariff
12 | filings. I coordinate, prepare, and present staff recommendations before the
13 | Commission on the above type cases. In addition, I am responsible for
14 | preparing testimony, testifying and writing deposition and cross-examination
15 | questions for hearings involving complex accounting and financial issues.

16 | Q. Please describe your employment history in other areas of accounting.

17 | A. Prior to my employment with the Commission, I held the following
18 | positions: Budget Specialist in the Office of Planning and Budget with the
19 | Florida Department of General Services, from May 1989 until June 1990;
20 | Accounting Supervisor in the Comptroller's office of the Florida Department
21 | of Transportation from October 1988 until May 1989; Accountant with the
22 | Georgia Department of Family and Children Services from September 1986 through
23 | October 1988; Staff Accountant with Callahan and Company, C.P.A.'s in
24 | Donalsonville, Georgia, from April 1986 until September 1986; Staff Accountant
25 | with Burke-Burke and Company, C.P.A.'s, Donalsonville, Georgia, from January

1 | 1985 until April 1986; Accounting Instructor, Gordon Junior College,
2 | Barnsville, Georgia, January 1984 until June 1984; Retail Cost Accountant
3 | Gold Kist, Inc., South East Division, Moultrie, Georgia, February 1982 until
4 | August 1983.

5 | Q. What is the purpose of your testimony?

6 | A. To discuss the regulatory treatment utilized by the Commission or
7 | reflected in prior Commission orders relating to Florida Cities Water
8 | Company's (FCWC or utility) defense to the Environmental Protection
9 | Agency/Department of Justice (EPA/DOJ) litigation. I am also testifying to
10 | the approved regulatory treatment of FCWC's facilities in past rate cases.

11 | Q. When FCWC first began incurring legal costs related to EPA/DOJ
12 | litigation costs, how were these costs treated on the utility's books?

13 | A. In the North Ft. Myers wastewater rate case (Docket No. 950387-SU), the
14 | Commission found that during 1992, 1993 and 1994, the utility capitalized EPA
15 | litigation legal fees as part of an expansion project to the North Ft. Myers
16 | wastewater treatment plant.

17 | Q. Did the utility continue to capitalize the litigation expenses?

18 | A. No. During 1994, the utility began expensing all additional legal fees
19 | pertaining to the lawsuit and reporting them below the line.

20 | Q. How were the litigation expenses treated in the North Ft. Myers rate
21 | case?

22 | A. By Order No. PSC-96-1133-FOF-SU, issued September 10, 1996, the
23 | Commission accepted a stipulation to remove the legal fees from rate base.

24 | The record did not reflect why these fees were capitalized for more than two
25 | years and then expensed below the line. Since the legal fees were not

1 included in the customer's rates, the Commission did not address the
2 appropriateness of reporting the litigation fees above the line or the
3 accounting treatment.

4 Q. Did the utility continue to expense these costs below the line?

5 A. Yes. According to Order No. PSC-96-1133-FOF-SU, all the legal costs
6 were "expensed below the line".

7 Q. Concerning your other area of testimony, the approved regulatory
8 treatment of FCWC's facilities in past rate cases, do any of FCWC's facilities
9 have uniform rates?

10 A. Yes, pursuant to Order No. 16768 (Docket No. 851007-WU), the Commission
11 approved uniform water rates for the North and South Ft. Myers' systems.
12 However, all the other systems have separate rates for each facility.

13 Q. What cost components are shared among FCWC's water and wastewater
14 facilities?

15 A. FCWC is a consolidated entity with six operating divisions, three of
16 which are under the jurisdiction of the FPSC. As such, it has one set of
17 financial statements and one consolidated balance sheet. The utility is
18 required to use the balance sheet method to calculate its working components,
19 as required by Rule 25-30.433(2), Florida Administrative Code. Therefore,
20 working capital is allocated to all of the utility's facilities. FCWC also
21 has one consolidated capital structure which is allocated based on rate base
22 to each water and wastewater system. However, the Commission establishes a
23 separate rate of return on equity for each facility. The utility's general
24 plant is also allocated to each system.

25 Q. Does this conclude your testimony?

1 | A: Yes, it does.
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida
Cities Water Company for limited
proceeding to recover
environmental litigation costs
for North and South Ft. Myers
Divisions in Lee County and
Barefoot Bay Division in Brevard
County.

DOCKET NO. 971663-WS

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing
Direct Testimonies of Patricia W. Merchant and Sarah (Sally) H.
Moniz have been furnished to the following individuals by U.S.
Mail, on this 19th day of June, 1998.

B. Kenneth Gatlin, Esquire

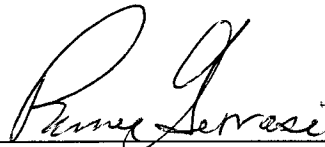
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