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February 22, 1999

ORIGINAL

RECORDS AND
REPORTING
FEB 22 PM 2:53
TALLAHASSEE FL 32300

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Case No. 960444-WU

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are original and 15 copies of the Rebuttal Testimony of Hugh Larkin, Jr. , witness for the Citizens of the State of Florida.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Harold McLean
Associate Public Counsel

- ACK _____
- AFA 1 _____
- APP _____
- CAF _____
- CMU Enclosures
- CTR _____
- EAG _____
- LEG 1 _____
- LIN 3 + leg
- OPC _____
- RCH _____
- SEC 1 _____
- WAS Willis
- OTH _____

RECEIVED & FILED

16
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

02308 FEB 22 99

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate)
increase and for increase in)
service availability charges in)
Lake County by Lake Utility)
Services, Inc.)

Docket No. 960444-WU

REBUTTAL TESTIMONY OF
HUGH LARKIN, JR.
On Behalf of the Citizens of the State of Florida

Jack Shreve
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DOCUMENT NUMBER-DATE

02308 FEB 22 2008

FPSC-RECORDS/REPORTING

1 REBUTTAL TESTIMONY OF HUGH LARKIN, JR.
2 ON BEHALF OF THE CITIZENS OF FLORIDA
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 DOCKET NO. 960444-WU
5

6 INTRODUCTION

7 Q. ARE YOU THE SAME HUGH LARKIN, JR. WHO HAS PREVIOUSLY FILED
8 TESTIMONY IN THIS DOCKET?

9 A. Yes, I am.
10

11 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

12 A. The purpose of my rebuttal testimony is to take exception to one of the
13 recommendations of Staff Witness Merchant. While I agree with Ms. Merchant's
14 conclusions related to the overearnings of Lake Utilities Service, Inc. (LUSI) and
15 her recommendation that refunds of interim rates should be required, I am taking
16 exception to her statement on page 18, lines 6 and 7. Ms. Merchant states, "I am
17 not recommending that the Commission take action on prospective overearnings at
18 this time." Ms. Merchant's recommendation is based on the fact that her
19 conclusions regarding overearnings are based on estimated data for 1998. That is,
20 Ms. Merchant estimated the ratebase, operating expenses and other expenses for
21 LUSI for 1998 and arrived at the conclusion that the Company was overearning in
22 1998. I have also reached that same conclusion based on my own method of
23 estimating the return for 1998. However, Ms. Merchant concludes that her
24 estimates for 1998 could not be used to conclude that the Company would
25 continue to overearn in 1999. I take exception to that conclusion. If one looks at

1 the Company's estimated plant additions in 1999 and the fact that they are not
2 currently in service in addition to the fact that it is unlikely that any major increase
3 in expenses would be incurred, one can only conclude that the overearnings which
4 are clearly estimatable in 1998 would continue in 1999.

5
6 Q. PLEASE EXPLAIN WHY YOU RECOMMEND THE COMMISSION TAKE
7 ACTION AND WHAT ACTION SHOULD BE TAKEN.

8 A. The Commission allowed the Company interim rates in 1996 to insure that the
9 utility would not underearn because of regulatory lag. In other words, the interim
10 rates were set to insure that the implementation of final rates, which would occur
11 sometime in the future, would not penalize the utility with lower earnings because
12 of the process of establishing final rates. Interim rates are established based on the
13 view of the information which the Commission has a current knowledge of. The
14 setting of interim rates assumes that the relationship will remain constant until final
15 rates are established.

16
17 In the instance case, based on a review of LUSI's 1997 data and 1998 data it is
18 clear that the interim rates have caused the utility to overearn. It is also clear that
19 it will continue to overearn in 1999 based on the information available. The
20 ratepayer is deserving of the same protection that the utility receives through
21 interim rates. The Commission should place an adequate portion of the
22 Company's present revenue beyond interim rates under bond subject to refund.
23 Thus, when final rates are determined based on an appropriate test year and
24 ratebase, those rates can be measured against the revenues which the utility
25 actually received, with the difference refunded to ratepayers.

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To do otherwise would subject the ratepayers to paying rates which both the Staff and the Citizens of the State of Florida know are inappropriate and will result in overearnings on the part of the utility.

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

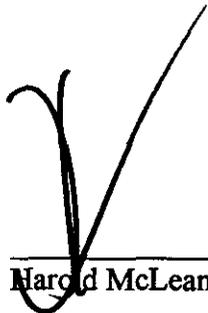
CERTIFICATE OF SERVICE
DOCKET NO. 960444-WU

I HEREBY CERTIFY that a correct copy of the Rebuttal Testimony of Hugh Larkin, Jr. has been furnished by U.S. Mail or hand-delivery to the following party representatives on this 22th day of February, 1999.

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Harold McLean