

ORIGINAL

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 ALOHA UTILITIES, INC.

3 DOCKET NO. 960545-WS

4 INVESTIGATION OF UTILITY RATES OF

5 ALOHA UTILITIES, INC. IN PASCO COUNTY

6 REBUTTAL TESTIMONY OF STEPHEN G. WATFORD

7 Q. Please state your name and employment address.

8 A. Stephen G. Watford. I am the President of Aloha Utilities,  
9 Inc., 2514 Aloha Place, Holiday, Florida 34691.

10 Q. Have you previously provided testimony in this proceeding?

11 A. Yes. I prefiled direct testimony.

12 Q. What is the purpose of this rebuttal testimony.

13 A. I want to respond to some of the issues raised by Mr. Ted L.  
14 Bidy, P.E. in his testimony concerning potential tampering  
15 with well tests taken on August 4, 1999 and also to discuss  
16 the issue of the cost of this proceeding to date and the need  
17 for rate relief related for those costs.

18 Q. Please discuss the issue of the cost of this proceeding and  
19 needed rate relief.

20 A. This water quality investigation has been ongoing for almost  
21 four years. It originally was an outgrowth of the reuse case  
22 (Docket #950615-SU). The customers suggested in that  
23 proceeding, that they did not feel the Utility should receive  
24 a rate increase related to the required installation of reuse  
25 facilities until their water quality concerns were addressed.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS-REPORTING

1 The water quality investigation will have lasted over 4 years  
2 when it is completed next Spring, and the Utility has expended  
3 substantial monies in responding to the issues raised therein.  
4 These costs have included, but are not limited to, an  
5 engineering study of water treatment alternatives, a customer  
6 survey, on-site visits by individual Commissioners, and  
7 continuing water quality testing and cooperation with the PSC  
8 and DEP staff. During the reuse case, the Commission noted  
9 that much of the money spent should be considered related to  
10 water quality issues and should be recovered in a water  
11 related proceeding, rather than considered in the reuse case  
12 itself. During a recent investigation by the Commission into  
13 the overall operations of the Utility and its achieved rates  
14 of return, the Commission determined that this Seven Springs  
15 Water System was earning almost exactly at the midpoint of its  
16 allowed rate of return.

17 In that same case the Commission ruled that this proceeding  
18 should be considered once the case reached its conclusion.  
19 That is what we are requesting here. I have attached hereto  
20 as **Exhibit "SGW-1"** to my testimony an up-to-date analysis of  
21 the cost of this proceeding that Aloha has incurred, and an  
22 estimate of the cost to complete this case. Those costs  
23 should be considered in this case, and rates set to recover  
24 these costs, as opposed to requiring the Utility file a  
25 separate proceeding for such recovery. Failure by the

1 Commission to grant rates to cover those costs can only cost  
2 more in the long run, which costs will ultimately be borne by  
3 the customers. Aloha is certainly entitled to recover the  
4 costs expended in this proceeding. Utilizing a format similar  
5 to an index rate adjustment, and amortizing these costs over  
6 a four year period, Aloha needs an increase of \_\_\_\_% in water  
7 rates in order to recover such costs. We are hereby asking  
8 that the Commission provide the Utility with the needed rate  
9 relief to cover the costs expended by Aloha, in the Final  
10 Order in this proceeding.

11 Q. Have you prepared an analysis of the in-house costs incurred  
12 by Aloha and expect it to be incurred in the future?

13 A. Yes, I have updated the information that we supplied to the  
14 staff several months ago, including all the actual costs and  
15 estimates to complete that have actually been incurred by  
16 Aloha. I am also enclosing the basis for those calculations  
17 as **Exhibit "SGW-2"**.

18 Q. What comments do you wish to provide in response to Mr.  
19 Bidy's allegation that there was some tampering with the  
20 water quality sampling that occurred on August 4, 1999.

21 A. First of all, I want to note that we at Aloha, and I  
22 personally, am extremely offended by Mr. Bidy's allegation.  
23 He seems to take very lightly his decision to cast aspersions  
24 upon the integrity and professionalism of Aloha and its  
25 employees, rather than seeking to find the truth or the more

1 obvious answers, such as an error at the testing lab. You  
2 would think a professional such as Mr. Bidy would want to do  
3 further investigation before making such a groundless  
4 allegation. Based upon my reading of his deposition, and the  
5 questions posed to determine whether he considered any  
6 additional evidence in making his allegations, it is obvious  
7 that he cared much more about casting aspersions than finding  
8 solutions to the complaints of some customers. By his own  
9 admission, he intentionally ignored a huge body of evidence  
10 that would have lead any reasonable person to a totally  
11 different conclusion than was rendered by Mr. Bidy. He  
12 clearly was looking for an excuse to attack Aloha Utilities,  
13 rather than a solution to the problem.

14 Q. For the record, did you or any employee of Aloha Utilities, or  
15 any other person, tamper with the wells or with anything  
16 related to the testing of the Utility's wells on August 4,  
17 1999.

18 A. No. Neither I, nor any of Aloha's employees, consultants or  
19 agents did or were instructed to attempt to do anything other  
20 than to assist in ensuring that Public Counsel obtained  
21 accurate samples of the water produced by Aloha in both raw  
22 and treated form. Why in the world would we agree to the  
23 testing, only to attempt to ensure that the test results were  
24 "obviously inaccurate?" We told Mr. Bidy that the water  
25 contained sulfides and sulfates and yet he is now alleging

1 that we did something to eliminate those elements from the  
2 water. He is also suggesting that we somehow doctored only  
3 his samples, and not ours (since our samples showed  
4 substantially different results than his). As such, he is  
5 accusing not only Aloha of fraud, but the outside testing lab,  
6 Short Environmental Laboratories, of "doctoring" their test  
7 results. He is also alleging that someone manipulated the  
8 samples, not only of the treated water, but also of the raw  
9 water coming directly out of the wells. This is not only a  
10 physical impossibility, but serves no purpose for Aloha and  
11 makes no sense whatsoever. I can emphatically state that no  
12 one working for Aloha, its agents or employees, attempted in  
13 any way to do anything but cooperate and try to ensure that  
14 Public Counsel obtained accurate samples of the Utility's raw  
15 and treated water at each of the well sites. It is absurd to  
16 suggest otherwise.

17 Q. Mr. Bidy proposes utilization of pressure filters to remove  
18 Hydrogen Sulfide in his testimony. Do you have any experience  
19 with that type of treatment?

20 A. No. While I am not an engineer, I have been in the water  
21 treatment utility business for twenty-four years and never in  
22 my life have I heard of utilization of pressure filters for  
23 the removal of Hydrogen Sulfide in any system. Based on my  
24 review of Mr. Bidy's deposition, neither has he. It should  
25 be noticed that Pinellas County, which has a very large system

1 adjacent to us, and has the same source of water as we do, has  
2 recently gone to packed tower aeration just as we have  
3 proposed in order to deal with Hydrogen Sulfide. Pasco County  
4 uses tray aeration, but again this is a use of aeration for  
5 removal of the Hydrogen Sulfide. Tray aeration is not a  
6 viable option for us for several reasons. We provided to the  
7 staff earlier in this docket the Pinellas County Study  
8 performed on their system to address the same basic water  
9 quality concerns discussed in this docket. After an extensive  
10 and costly study, Pinellas County determined that the only  
11 reasonable method to obtain the desired results was through  
12 the use of packed tower aeration as proposed by Aloha in our  
13 June, 1997 study as prepared by Mr. Porter. Their study and  
14 analysis came out at almost exactly the same time as Mr.  
15 Porter's study and both reached the same conclusion. Pinellas  
16 County has since constructed the system and it should be at or  
17 near completion now. To the extent there is any utility in  
18 our area that is attempting to remove Hydrogen Sulfide from  
19 its water, it is doing so by the use of tray or packed tower  
20 aeration, just as we have proposed, and which is the industry  
21 norm.

22 Q. Do you have any further testimony to provide at this time?

23 A. No, I do not. I believe that this addresses the two main  
24 issues that I wanted to touch upon. However, I am open to  
25 answering any questions that the Commission may have

1 concerning the operations of the Utility to the extent they  
2 are not better suited for answers by Mr. Porter.

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Calculation of Rate Increase Needed for Cost Recovery

TOTAL

Water Quality Case Fees and Costs

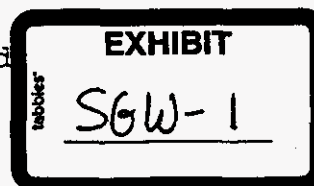
1.	Specifically identified legal costs per Order No. PSC-97-0280-FOF-WS		\$4,875.00
2.	80% of hearing costs per Order No. PSC-97-0280-FOF-WS		
	a. Accounting	3,136.00	
	b. Legal	27,804.00	
	c. Engineering	<u>9,110.00</u>	
	Total Pre 11/1/96		40,050.00

3. Actual and Estimated After 11/1/96

	<u>Actual</u>	<u>Estimated</u>	
Accounting	\$ 9,149.00	\$ 4,970.00	\$ 14,119.00
Engineering	66,213.01	31,130.00	97,343.01
Legal	164,641.00	80,700.00	245,341.00
In-House Costs	13,731.98	11,968.75	25,700.75
Total Actual and Estimated for All			427,429
Amortized Over Four Years ÷ 4			106,857
Gross-Up for Regulatory Assessment Fees ÷ .955			111,892
Gross Annual Revenues for 1998 Per Order No.			<u>1,563,072</u>

Percentage Increase in Water Rates Needed

.7158%



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ALOHA UTILITIES, INC.  
Docket No. 960545-WS

WATER QUALITY INVESTIGATION

Summary of Fees and Costs Incurred

1.	Specifically identified legal costs per Order No. PSC-97-0280-FOF-WS		\$4,875.00
2.	80% of hearing costs per Order No. PSC-97-0280-FOF-WS		
	a. Accounting	3,136.00	
	b. Legal	27,804.00	
	c. Engineering	<u>9,110.00</u>	
	Total Pre 11/1/96		40,050.00
3.	Actual costs incurred from 11/1/96 through 09/30/99		
	a. Accounting	9,149.00	
	b. Legal	164,641.01	
	c. Engineering	<u>66,213.01</u>	
	Total 11/1/96 - 09/30/99		240,003.00
4.	Estimate of cost to complete water quality case		
	a. Accounting	4,970.00	
	b. Legal	80,700.00	
	c. Engineering	<u>31,130.00</u>	
	Total Estimated to Complete		<u>\$116,800.00</u>
Total Actual & Estimated Costs of the Water Quality Investigation			<u>\$401,728.00</u>

Aloha Utilities Estimated Cost to Complete in Water Quality Docket

Description	Quantity	Unit Price	Total
Notices	2	\$5,100.00	\$5,100.00
Postage	2	2,950.00	2,950.00
Travel to Tallahassee	3	900.00	900.00
Lodging	3	300.00	300.00
Testing event 8/4/99	1	935.00	935.00
Testing event 10/6/99	1	805.00	805.00
Testing event 10/6/99	1	978.75	978.75
Total		<u>\$11,968.75</u>	

Cost of Docket prior to March 1998

Survey Costs	\$5,508.21
Travel Costs	1,349.43
Notices	2,095.06
Postage	3,794.03
Hall Rental	750.00
Custodial Costs	150.00
News publication	85.25
Total	<u>\$13,731.98</u>

Total Estimated Cost to Complete \$25,700.73

