

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

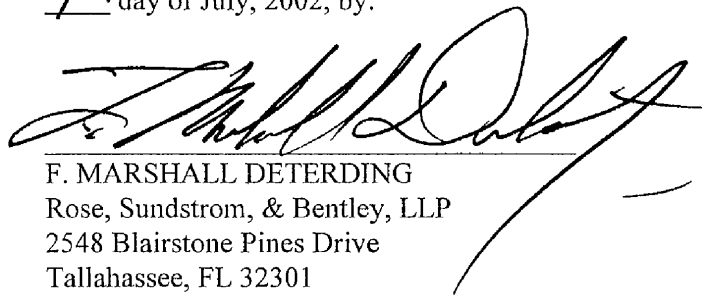
In re: Application of ALOHA
UTILITIES, INC. for an increase
in water rates for its Seven
Springs System in Pasco County,
Florida.

DOCKET NO. 010503-WU

NOTICE OF FILING AGENDA CONFERENCE TRANSCRIPT

COMES NOW, Aloha Utilities, Inc. (hereinafter "Utility" or "Aloha"), by and through its undersigned attorneys and files this Notice of Filing the Transcript of the April 2, 2002 Florida Public Service Commission agenda conference consideration of final disposition of the Application of Aloha Utilities, Inc. in the above-referenced docket.

Respectfully submitted this
13th day of July, 2002, by:



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Aloha's Notice of Filing Agenda Conference Transcript has been furnished by U.S. Mail or by Hand Delivery (*) to the following this 13th day of July, 2002:

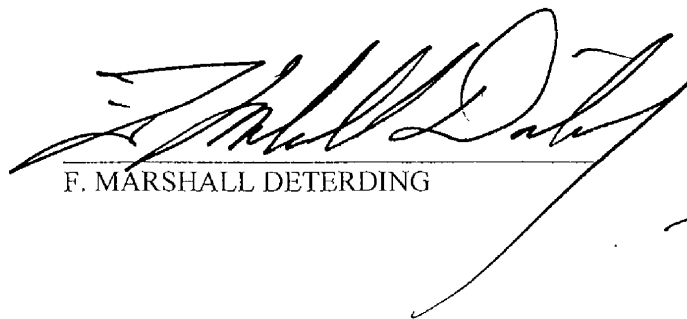
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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for
increase in water rates for
Seven Springs System in Pasco
County by Aloha Utilities, Inc.

DOCKET NO. 010503-WU

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI

PROCEEDINGS: AGENDA CONFERENCE

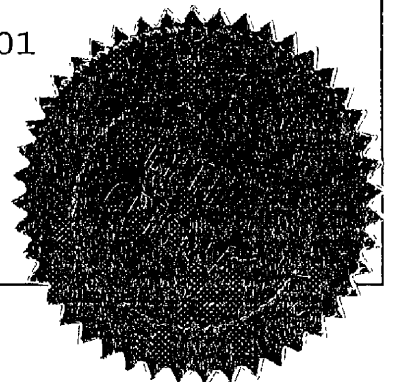
ITEM NUMBER: 11

DATE: Tuesday, April 2, 2002

PLACE: 4075 Esplanade Way, Room 148
Tallahassee, Florida

REPORTED BY: MARY ALLEN NEEL
Registered Professional Reporter

ACCURATE STENOGRAPHY REPORTERS
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TALLAHASSEE, FLORIDA 32301
(850)878-2221



PARTICIPANTS:

LORENA ESPINOZA, HAROLD McLEAN, TRICIA MERCHANT,
CONNIE KUMMER, and MARSHALL WILLIS, FPSC Staff.

1 CHAIRMAN JABER: Commissioners, that takes
2 us to Item 11, and that is a panel, Jaber, Baez,
3 and Palecki.

4 MS. MERCHANT: Commissioners, Item 11 is
5 staff's post-hearing recommendation addressing
6 Aloha Utilities' application for rate increase
7 for its Seven Springs Water System.

8 Staff has two mathematical corrections that
9 we need to make to our revenue requirement
10 calculation that we submitted to you this
11 morning.

12 The first correction is to Issue No. 7, and
13 it deals with the cost of equity. We used an
14 incorrect formula for the leverage graph. It
15 was just a simple mathematical error, and that
16 affects the recommendation paragraph.

17 The second adjustment was a correction to
18 Issue 11, which deals with salaries. And that
19 does not affect the recommendation paragraph.
20 It was just a mathematical error made in the
21 schedules. We increased the adjustment instead
22 of decreasing the adjustment, so it was a simple
23 -- we left out a minus.

24 These corrections result in a revised
25 revenue requirement of 1,932,341, and this is a

1 decrease to test year revenues of a negative
2 2.36%. Our original staff recommendation
3 resulted in a slight revenue increase of 0.34%.

4 There are several fallout issues that are
5 impacted by this that we can go through and
6 identify when we go item by item, if you wish.
7 And at this point, Ms. Espinoza has a comment to
8 make.

9 CHAIRMAN JABER: Do you have a comment to
10 make?

11 MS. ESPINOZA: Not at this time.

12 CHAIRMAN JABER: Okay. Ms. Merchant, help
13 me understand the nature of the mathematical
14 error in terms of revenue dollars. If I
15 understood the schedule correctly, there was a
16 bottom line recommendation to increase revenues
17 by \$6,648. What does your mathematical
18 correction do to revenues now?

19 MS. MERCHANT: It results in a decrease of
20 revenues from test year revenues of 46,799. So
21 instead of an increase of 6,648, it's a decrease
22 of 46,799.

23 CHAIRMAN JABER: Okay. In the schedules
24 your staff just handed out, I'll be able to see
25 how that flowed through?

1 MS. MERCHANT: The schedules that we just
2 passed out are the resulting numbers, the new
3 accounting schedules with the corrected numbers
4 in them.

5 CHAIRMAN JABER: All right. And you wanted
6 to be able to walk us through specific
7 adjustments? Is that what you just asked for?

8 MS. MERCHANT: No. I was going to say that
9 we could go issue by issue if you prefer, and
10 then we could tell you which issues -- all the
11 other issues that are impacted by this are
12 fallout issues, working capital, rate base, test
13 year net operating income. I didn't want to go
14 through each issue at this point unless you
15 wanted us to. We're certainly prepared to if we
16 need to.

17 CHAIRMAN JABER: Commissioners, do you have
18 a preference?

19 COMMISSIONER PALECKI: It's not necessary
20 for me that we go through this issue by issue.
21 I have a question on one particular issue.

22 CHAIRMAN JABER: Go ahead, Commissioner
23 Palecki. Let's ask questions.

24 COMMISSIONER PALECKI: My question is on
25 rate design. And I would like to ask

1 Ms. Kummer, on our two-tier rate design, would
2 it be possible to make the first tier a lower
3 amount so that people that can serve would save
4 more, and then make the second tier higher so it
5 would have somewhat of a more conservation
6 effect and cause those who are the greater users
7 to adjust their usage characteristics?

8 MS. KUMMER: The problem we run into,
9 Commissioner Palecki, is revenue stability,
10 because the bulk of the usage -- 68% of the
11 gallons sold are in the first block. And if you
12 set that rate too low, you jeopardize the
13 company's ability to meet its revenue
14 requirements. Even if you load up the higher
15 blocks, it can't make up for the loss in
16 revenues in the first block.

17 COMMISSIONER PALECKI: And this is
18 something, since -- if we go along with the
19 staff recommendation that would require Aloha to
20 add additional infrastructure, at the time that
21 that additional infrastructure gets included in
22 rate base in the next rate case, at that time do
23 you believe we would be able to do a little bit
24 more with regard to conservation rates to make
25 it quite a bit more of an incentive for

1 customers to adjust their usage?

2 MS. KUMMER: Yes, sir. That's certainly
3 our intent. If you will recall staff witness
4 Stallcup's testimony, the preliminary rates
5 provided in his testimony showed a three-tier
6 rate with larger differences between the tiers.
7 It's just that when you're doing what is
8 essentially revenue neutral restructuring, you
9 have limits with concerns about revenue
10 stability, that you can't really make the tiers
11 as meaningful as you would like. But certainly
12 if we get a larger dollar amount to work with,
13 we could design a more aggressive inclining
14 block rate.

15 COMMISSIONER PALECKI: I would certainly
16 like to see us move in that direction. I'm just
17 concerned that the conservation rate as it
18 currently stands might provide a small amount of
19 incentive to a customer. But I really think,
20 especially for the future, there needs to be a
21 greater incentive in order to get real --
22 customers really to adjust their usage.

23 MS. KUMMER: Yes. We realize that this is
24 a very small differential, a 25% differential
25 between the tiers, but we felt that it was

1 important to make at least a first step in that
2 direction.

3 COMMISSIONER PALECKI: Thank you.

4 CHAIRMAN JABER: It seems the whole idea of
5 implementing at this point an inclining block
6 rate structure for this utility, a conservation
7 rate structure, in the long term actually gets
8 the Water Management District where it wants to
9 be. Recognizing their testimony in terms of
10 that area and limiting -- actually understanding
11 the limitations on the aquifer in that area, it
12 seems like a more realistic long-term solution
13 is to implement a conservation rate structure
14 for this company.

15 MS. KUMMER: It is. This is something the
16 Water Management Districts have wanted for a
17 good while.

18 We in fact made two changes in the rate
19 structure of this utility. We moved some of the
20 dollars out of the fixed rate, the base
21 facilities charge, into the gallonage charge to
22 send a stronger price signal to customers that
23 it's related to their usage. And if the billing
24 changes are made that are discussed in another
25 issue, the customers will have a better -- will

1 have more ability to look at their usage and see
2 how the usage impacts the bottom line of their
3 bill.

4 CHAIRMAN JABER: Commissioners,
5 philosophically, I don't really have a question.

6 In analyzing what the Water Management
7 District testified to with respect to the
8 purchase from Pasco County in bulk, I really
9 looked at that as a Band-Aid, as a solution that
10 didn't necessarily help customers as it relates
11 to the black water situation, but perhaps it
12 helps -- it helps the Water Management District
13 in the sense that allowing the purchase from
14 Pasco County doesn't -- it resolves Aloha
15 exceeding its water use permit. You know, it
16 helps with regard to the violation that Aloha
17 was in.

18 But in thinking big picture, long term,
19 what's in the best interest of the customer, a
20 conservation rate structure, I think, from a
21 public interest standpoint, gets the entire
22 state where it needs to be, number one. And
23 number two, it doesn't have us imposing a
24 Band-Aid on a solution related to quality of
25 service.

1 I mean, there wasn't testimony in the
2 record suggesting that the purchase of water
3 from Pasco County would somehow assist in the
4 black water situation. Correct me if I'm wrong,
5 but I went back and read the transcript, and I
6 didn't see it. I thought actually the testimony
7 was to the contrary. People were real quick to
8 say, "We can't guarantee that this will be a
9 solution to the black water problem."

10 I'm looking for confirmation.

11 MR. WILLIS: You're correct, Commissioner.

12 CHAIRMAN JABER: Okay. Commissioner
13 Palecki, did you have any other questions?

14 COMMISSIONER PALECKI: Well, I just wanted
15 to point out that on that issue, I agree with
16 you completely, and I believe it would be unfair
17 to require Aloha's captive ratepayers to bear
18 the additional expenses of purchasing water from
19 Pasco County.

20 These dollars would not be used to the
21 benefit of Aloha's ratepayers. If those dollars
22 were going specifically towards the long overdue
23 infrastructure to serve Aloha's long-term water
24 needs, then I could support that additional
25 dollar amount in rates. But they would not.

1 They would simply go to Pasco County.

2 I would also like to state that this
3 decision, if we go with the staff
4 recommendation, should not be construed as the
5 Commission not supporting the Water Management
6 District's overall goals to achieve greater
7 conservation of Florida's precious water
8 resources. We certainly support those goals.
9 And I would also want to note that we continue
10 to expect Aloha to comply with all requirements
11 of the Water Management District.

12 CHAIRMAN JABER: Staff, I had a couple of
13 questions about one of the exhibits. The PSC
14 management audit team actually a couple of years
15 ago did, at our request, I believe -- it was out
16 of the previous docket. We asked our management
17 team to go in there and assess the quality of
18 service related to the consumer relations part.

19 And as I recall, that report came back with
20 a positive. It recommended that Aloha did not
21 have an issue with customer relations, and I
22 didn't see you all distinguish that exhibit.
23 Could you do that for me right now?

24 MS. MERCHANT: Yes, Commissioner. That
25 audit report, PSC management audit report was

1 attached to Mr. Nixon's rebuttal testimony. It
2 was identified as Exhibit RCN-9 of Composite
3 Exhibit No. 24. And staff did consider this
4 document in our recommendation, but we
5 regrettably did not include that in our
6 analysis, in the written version.

7 But the PSC management audit stated it
8 performed a customer satisfaction survey, and it
9 was based on a one-week snapshot, and it was for
10 all service requests during that one-week
11 period. There were 37 customers sampled out of
12 a total of 209 customers that requested service
13 or requested -- requested service items during
14 that week. And on page 20 of that report, the
15 management audit staff stated that while staff's
16 survey sample size falls short of being
17 statistically valid, staff believes that some
18 generalizations can be made. And they went on
19 to indicate that Aloha's customers were
20 generally satisfied with the service, the
21 timeliness of response, and overall handling of
22 customer requests.

23 And staff agrees that the report does state
24 that Aloha's service had improved during that
25 period, but we don't believe that the results of

1 the survey were representative of the customer
2 base as a whole, especially since the sample
3 size was not statistically valid, as the report
4 stated itself. And further, we think that the
5 sworn testimony of Aloha's customers in this
6 docket is more compelling, and thus more
7 reliable, in assessing the customer service
8 provided by Aloha. And basically, that's our
9 position regarding that evidence in the record.

10 CHAIRMAN JABER: Okay. And my last
11 question, Commissioners, relates to the change
12 that Ms. Merchant made to revenues as a result
13 of the mathematical correction. And I think,
14 Mr. McLean, this is really a legal question. I
15 don't know how to accomplish this legally.

16 But it seems not consistent to say we're
17 taking the company to the minimum of the ROE and
18 yet do a revenue decrease. Is there a way --
19 does the Commission have the discretion to say
20 revenues should at least stay where they are?

21 MR. MCLEAN: Yes, ma'am. I think that if
22 you find -- as I understand the latest version
23 of that revenue requirement, there is to be a
24 slight decrease. I think it's well within your
25 discretion to forgo that change, given the

1 inconvenience to the customers and so forth that
2 might come with it. But --

3 CHAIRMAN JABER: And let me tell you why
4 I'm concerned, because I want to put it in
5 perspective. If we do a rate decrease, I'm
6 concerned about sending the wrong incentive to
7 the customers. If with the left hand we're
8 trying to impose a conservation rate structure,
9 sending an accurate price signal to the
10 customer, the more you use, the more you're
11 going to pay, then a rate decrease seems
12 inconsistent with that.

13 MR. MCLEAN: Yes, ma'am.

14 CHAIRMAN JABER: So I want to keep --

15 MR. MCLEAN: To the legal issue, if you
16 determine that -- if you believe that it's an
17 immaterial change, I believe that you can forgo
18 it. I believe that is well within your
19 discretion to do.

20 COMMISSIONER BAEZ: I have -- first of all,
21 I want to commend the staff. This is as
22 thorough a recommendation as I've seen.

23 I do have just a couple of questions,
24 because I want the record to be clear, or at
25 least clear in my mind. And I'm referring to

1 page 20 of the recommendation. In the middle of
2 the page, you address Aloha's lack of
3 proactiveness, and it says here Aloha should
4 have been more proactive in their pursuit of a
5 solution, I guess referring specifically to the
6 black water problem.

7 what is the basis -- I guess I'm at a loss
8 as to whether the staff is making a lack of
9 proactivity based on something, based on some
10 standard that we had previously set. What are
11 we comparing that lack of proactivity to? My
12 concern being that while it's obvious that there
13 was a lack of proactivity, what are we basing
14 that on? Do we have a sound basis for making
15 that determination?

16 MR. WILLIS: Commissioner, let me try and
17 address that. The lack of proactivity is based
18 on the lack of the company aggressively taking
19 care of the hydrogen sulfide problem within
20 their system.

21 Granted, we understand that it's not a
22 violation of any DEP standard. But if you look
23 at surrounding utilities, we have in the record
24 that, you know, Pasco County has taken care of
25 that problem through removal of hydrogen sulfide

1 and adjustment of the pH level. We have also in
2 the record support that New Port Richey, I
3 believe, is one of the surrounding cities who
4 has taken care of the problem.

5 This problem has been in existence for
6 quite a while. If you go back to the many cases
7 we've had, we've had ongoing testimony from
8 customers from the very first point that the
9 black water problem came up. And it is staff's
10 belief that the company has not aggressively
11 pursued the removal of hydrogen sulfide. Yes,
12 they have gone forward with a pilot project.
13 They have done some things, but we do not
14 believe they have been very proactive by
15 aggressively addressing the problem that we
16 believe the customers want addressed within
17 their system.

18 COMMISSIONER BAEZ: So in your mind, is it
19 -- do you have clear objective standards by
20 which you're making this determination? I'm not
21 arguing -- understand, I'm not objecting to the
22 determination. I think that they have been less
23 than aggressive, much less than aggressive.
24 However, you know, I recognize that this is a
25 regulatory process, and, you know, most

1 companies only do things when they're required
2 to by the government. It's a sad fact.

3 But I want to make sure in my mind that the
4 staff is clear, and therefore give me comfort
5 that we have some objective standards by which
6 we can make this determination, they haven't --
7 they've not moved as fast or as aggressively as
8 perhaps New Port Richey, perhaps Pasco County,
9 and that the alternatives that were employed in
10 those particular cases are available or could
11 have been pursued in this case as well.

12 I don't want to create a house of cards
13 somehow in which we're basing what seems to me
14 one of the criteria for some of the -- can I say
15 penalties? I know that that's not what we're
16 doing here, but some of the corrections or
17 adjustments that the staff is recommending. I
18 want to be sure that we're on solid footing
19 here.

20 MR. WILLIS: Well, Commissioner, let me
21 just go a little further than that. The problem
22 that we're addressing here just isn't the lack
23 of attention to the hydrogen sulfide problem.
24 The problem goes even more than that. It goes
25 into the fact that the company knew since 1996,

1 in fact, 1994, they were exceeding their
2 consumptive use permit. That's one of the
3 problems that hasn't been addressed. They knew
4 they were exceeding it. They came back in line
5 in 1995. 1996, they have been exceeding their
6 withdrawal permit since that point in time.
7 Here we are --

8 COMMISSIONER BAEZ: Well -- I'm sorry. I
9 didn't mean to interrupt.

10 MR. WILLIS: Here we are now in 2002, and
11 we are now in a rate case in which the company
12 was attempting to address that problem by
13 purchasing water from Pasco County.

14 COMMISSIONER BAEZ: Well, and I guess,
15 Mr. Willis, that's -- in that instance, I mean,
16 the fact that there is a violation on the
17 consumptive use permit, the fact that they've
18 been, in essence, by their own decision
19 overpumping and creating a violation and placed
20 themselves in violation, no matter what the
21 excuse may have been, obviously, it wasn't
22 enough for the staff. And as one vote on the
23 panel, it wasn't enough for me. But, see, that
24 -- there's a clear violation. I mean, we've got
25 something that's verifiable. We've got an

1 objective standard, for lack of a better word,
2 to --

3 CHAIRMAN JABER: And it's in the record.

4 COMMISSIONER BAEZ: And it's in the
5 record. And I guess my concern is that, you .
6 know, saying they should have done better -- and
7 I agree. I'm in complete agreement that they
8 should have done better. But that doesn't quite
9 carry the substance of, you know, pointing up a
10 consumption violation, things of that sort.

11 MS. MERCHANT: Commissioner, I want to add
12 one point, something you said a few minutes ago,
13 that most utilities don't do anything until
14 they're at a point ordered by a governmental
15 entity. I disagree with that, respectfully.

16 I think that the majority of the utilities,
17 especially the larger utilities that we deal
18 with, they are taking proactive approaches.
19 When they see a problem with their customers,
20 they're going to go out there, and they're going
21 to invest some money, spend it, make the
22 improvement, and then they're going to come in
23 and file for rate relief. They're not going to
24 just go spend the money and then, you know, not
25 get the rate relief, but they're going to time

1 their rate relief so that it's at the same time.
2 And there are a lot of utilities that do that.

3 COMMISSIONER BAEZ: And I agree with you.
4 And let no one misunderstand my comment. I
5 didn't mean to imply that that's a bad thing. I
6 mean, I think, you know, companies responding to
7 regulatory requirements as a matter of course, I
8 think that's really the standard. I mean, are
9 you doing what we're requiring you to do? It's
10 sad that some companies don't decide of their
11 own accord to go above and beyond their
12 obligations.

13 But in my mind, the only thing that we can
14 -- that we have authority to enforce are in fact
15 our regulations and our requirements where
16 they've been set. And I want to make sure that
17 somehow that all folds into that philosophy when
18 we make a statement that they should have been
19 proactive. Otherwise, to me it's wishful
20 thinking, and I have a -- and it's not that I
21 don't think it's necessary, but I'm concerned
22 about what kind of footing our order ultimately
23 is going to be on this issue.

24 CHAIRMAN JABER: Commissioner, you're
25 asking for that clarification. You want a

1 representation by staff that based upon the
2 evidence in the record --

3 COMMISSIONER BAEZ: Yes.

4 CHAIRMAN JABER: -- you believe that the
5 company should have been proactive, and you've
6 said a couple of things there. My recollection
7 is there was testimony all over the place that
8 the company slowed down on the pilot project
9 when they found out about the MIEX program, when
10 they found out what the Water Management
11 District was suggesting that they do with
12 respect to purchasing water from Pasco County.

13 Those are the kind of things that
14 Commissioner Baez wants to hear you say, based
15 on the evidence in the record, the company
16 should have been more proactive.

17 MR. WILLIS: That's very true.

18 COMMISSIONER BAEZ: And that's enough for
19 me. I think the things that you've brought up,
20 the facts that you've brought up are enough to
21 give me comfort. And I guess I needed to hear
22 from you all as to what your thinking on it was,
23 because from reading the recommendation, a fine
24 recommendation, but on that point, it seemed to
25 me it was a little light and just taking for

1 granted something which we all, I'm sure, feel
2 without actually saying, "And this is the reason
3 that we don't think that they've been
4 proactive."

5 MR. WILLIS: That's exactly correct. I'm
6 sorry. I misunderstood where you were coming
7 from in your question. But the Chairman is
8 perfectly correct. There was a lot of evidence
9 in the record, and we believe from the evidence
10 in the record that we can make this statement.

11 CHAIRMAN JABER: Okay. Well, that needs to
12 be in the order. Assuming --

13 COMMISSIONER BAEZ: If we can clear that
14 up --

15 CHAIRMAN JABER: -- the Commissioners
16 agree, in the order, you need to articulate, you
17 know, in bullet form or whatever, clear points,
18 the basis for which that statement is formed,
19 because what we just articulated is the basis of
20 why I, again, as one vote, believe they should
21 have been more proactive.

22 MR. WILLIS: We can do that, Commissioner.

23 CHAIRMAN JABER: Okay.

24 COMMISSIONER BAEZ: Thank you.

25 COMMISSIONER PALECKI: I agree. I think

1 it's so important to have that articulated in
2 the order in order to allow the Court of Appeal
3 to have an accurate idea of what we based our
4 order upon.

5 And I guess I have one further question
6 from legal staff, and that is, the record
7 includes all of the testimony from the customer
8 hearing, is that not correct, and all that
9 testimony is given weight just like any other
10 testimony that's in the record?

11 MS. ESPINOZA: I believe that the customers
12 that testified at the service hearing portion is
13 in the record, and it would be considered if
14 this order were to be appealed.

15 COMMISSIONER PALECKI: And it will be part
16 of the record on appeal that goes to the Court
17 of Appeal; correct?

18 MS. ESPINOZA: Yes.

19 COMMISSIONER PALECKI: Thank you.

20 I wanted to ask technical staff a question
21 that relates to the question that Chairman Jaber
22 asked legal staff, and that deals with forgoing
23 the rate decrease. If we decided that that was
24 an insignificant amount and decided that we
25 wanted to forgo that, do you have any comment or

1 opinion on that issue?

2 MR. WILLIS: Well, Commissioner, I have no
3 problem with that whatsoever. As far as
4 technical staff goes, it would probably be
5 better on the customers, considering the fact
6 that we are in our recommendation basically
7 telling the company they need to go forward and
8 spend some money and remove the hydrogen sulfide
9 by constructing plant. When that happens,
10 you'll be going to a much higher inclining block
11 rate. I mean, that would be the plan of action
12 for the next rate case. And I don't think you
13 would probably be sending the appropriate
14 signals to go in now and reduce rates and then
15 have them go up again later on. I think the
16 idea of having the two-tier rate structure at
17 this point is to send the right signals.

18 MS. MERCHANT: I think what we're looking
19 at here is about a \$44,000, \$45,000 difference
20 in expenses. We could make an assumption that
21 some of the items in Issue 2 could be allowed to
22 recover costs associated with those customer
23 service improvements if you so desired. I mean,
24 that's the difference that we're dealing with
25 here right now, about 45,000.

1 COMMISSIONER BAEZ: Can we tie -- that
2 would have been one of my questions. I mean,
3 can we tie -- if we do forgo the decrease in
4 revenue requirement, can we earmark those
5 forgone revenues? I mean, is that something
6 that will be appropriate or even possible to do?

7 MS. MERCHANT: I think that's certainly
8 reasonable. And from a revenue requirement
9 standpoint, that makes me feel much more
10 comfortable, because we're setting -- we
11 calculate a revenue requirement based on the
12 evidence in the record, and we set rates based
13 on that revenue requirement. So if we allow an
14 expense to be added into that revenue
15 requirement, then we can legitimately say,
16 "That's the revenue requirement; therefore,
17 these are the rates," and go forward from there.

18 CHAIRMAN JABER: You've accounted for it.

19 MS. MERCHANT: Yes, we have accounted for
20 it.

21 CHAIRMAN JABER: That's not like a
22 regulatory asset, but it's some sort -- this is
23 an accounting thing, isn't it?

24 MS. MERCHANT: It is an accounting thing.

25 MR. WILLIS: It's an accounting thing.

1 COMMISSIONER BAEZ: Oh, woe is me.

2 MS. MERCHANT: It's an expense item you add
3 back in. And certainly there are a lot of items
4 included in Issue 2 that -- we did not include
5 any expense for the solutions for the customer
6 service things.

7 CHAIRMAN JABER: Well, I want staff to be
8 comfortable from an accounting standpoint.
9 Here's the big picture concern that I have that
10 I want you all to accommodate legally and
11 mathematically. You don't want to affect
12 negatively the viability of the company such
13 that it creates other problems for the
14 consumer. You know, we have to keep that in
15 mind, that the viability of the company is
16 critical to improving quality of service. And I
17 don't want to -- and I'm not talking about the
18 reduction of ROE or anything like that. I don't
19 want to penalize the company such that it
20 actually penalizes the consumer at the end of
21 the day.

22 We're looking for a way to send the right
23 price signals from a conservation standpoint.
24 We're looking to maintain the revenue stability
25 of the company for the purpose of ensuring

1 adequate quality of service for the consumer.
2 And absolutely I want to keep rates where they
3 need to be to maintain that price signal related
4 to conservation. So how we get there, Tricia,
5 is what I need you all to tell us.

6 MS. MERCHANT: I've just looked at Issue 2,
7 and if you look at page 35, if you just look at
8 the billing improvements, understandably, to
9 change their bill, it will cost money. We don't
10 know in the record what it will cost. But
11 certainly I would guess with the combination of
12 a billing improvement to detail out the
13 information we would like for them to do on the
14 bill, plus the website maintenance, certainly
15 those two items alone, I think that the \$46,000
16 on an annual basis would be --

17 COMMISSIONER BAEZ: Could make up that.

18 MS. MERCHANT: Yes.

19 COMMISSIONER BAEZ: And given the fact that
20 we've made adjustments downward on other items,
21 I would feel comfortable, if it were possible,
22 to actually have those \$46,000 properly tied to
23 some of the plans that we're -- that are
24 suggested that may be implemented ultimately.

25 CHAIRMAN JABER: Maybe the motion to make

1 or the decision is, the five measures that staff
2 recommends be implemented related to improving
3 the consumer service aspect gets appropriately
4 tied to the \$46,000 difference in revenues.

5 COMMISSIONER BAEZ: I think that would be
6 what --

7 MR. WILLIS: Commissioners, we can earmark
8 that for those specific items and have it
9 included that way.

10 CHAIRMAN JABER: Okay.

11 MR. WILLIS: We can address it properly.
12 There's no problem.

13 CHAIRMAN JABER: Commissioners, should we
14 take it issue by issue, or is somebody ready to
15 make a --

16 MS. MERCHANT: Let me make one real quick
17 question. I think that that \$46,000 number
18 might -- if you want to go back to the revenue
19 requirement in the recommendation itself -- is
20 that where you want to go, or do you want to go
21 to test year revenues? It depends on -- I mean,
22 we're not talking a big difference here. We're
23 talking about \$6,000. But whichever choice, we
24 could make that expense adjustment. The \$46,000
25 brought them back to a zero increase. The

1 revenue requirement originally in the staff's
2 recommendation was a 6,000 and change increase.

3 MS. KUMMER: And the rates shown in the
4 recommendation incorporate that \$6,600 increase.
5 If you take that out -- we did some quick
6 preliminary runs this morning to see what would
7 happen if you did that. It does change -- if
8 you keep the same rate structure, the two-tier
9 with the 25% differential, it looks like, based
10 on preliminary numbers, the base facilities
11 charge would go down, which would help address
12 Commissioner Palecki's problem for the low-use
13 customers. The first tier would be 4 cents
14 higher per thousand gallons. But again, the
15 reduction in base facilities more than offsets
16 the increase in the gallonage. But they will
17 change.

18 Also, the amount of dollars recovered in
19 the base facilities charge of necessity must
20 also fall, so they're only going to be getting
21 slightly over 25% rather than the 28% that we
22 recommended.

23 They're not big changes, but I wanted to
24 make sure that you were aware of that.

25 MS. MERCHANT: So it depends on whether you

1 want to stick with the revenue requirement and
2 the rates included in this recommendation, or do
3 you want us to go to a zero increase.

4 COMMISSIONER BAEZ: Well, I think part of
5 Chairman Jaber's discussion was to maintain it
6 at zero.

7 CHAIRMAN JABER: Zero, exactly.

8 MS. MERCHANT: Okay.

9 COMMISSIONER BAEZ: So you'll back into --

10 CHAIRMAN JABER: Status quo.

11 MS. MERCHANT: Okay.

12 CHAIRMAN JABER: And zero is status quo.

13 MS. MERCHANT: Yes.

14 COMMISSIONER BAEZ: Chairman Jaber, I don't
15 need to go issue by issue. I think Commissioner
16 Palecki was --

17 COMMISSIONER PALECKI: I think I can make a
18 motion.

19 CHAIRMAN JABER: Go ahead.

20 COMMISSIONER PALECKI: That would be to
21 move staff's recommendation on all issues,
22 except we forgo the decrease in revenue
23 requirements so that we see zero increase and we
24 maintain the status quo on revenue requirements,
25 that we --

1 CHAIRMAN JABER: Commissioner Palecki, can
2 I clarify? Staff, now, zero revenues, as part
3 of Commissioner Palecki's motion, doesn't change
4 your interim rate refund issue?

5 MS. MERCHANT: It will change it slightly
6 as a fallout number.

7 CHAIRMAN JABER: Okay. But there will be a
8 refund of interim rates?

9 MS. MERCHANT: Yes, yes. In either one of
10 these scenarios, there still was a refund.

11 COMMISSIONER PALECKI: And that the small
12 amount of difference we have between the
13 original staff recommendation, which I believe
14 is a \$44,000 to \$45,000 difference, be tied to
15 the five customer service measures that have
16 been recommended by staff. And that would be my
17 motion.

18 COMMISSIONER BAEZ: And I would second.

19 CHAIRMAN JABER: There has been a motion
20 and a second. All those in favor say "aye."
21 Aye.

22 COMMISSIONER PALECKI: Aye.

23 COMMISSIONER BAEZ: Aye.

24 CHAIRMAN JABER: Show Item 11 approved
25 unanimously with the modifications that we just

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made.

Go ahead, Tricia.

MS. MERCHANT: And then we have several
fallout issues, so that there's --

COMMISSIONER PALECKI: Perhaps I need to
amend my motion that taking that revenue, that
my motion would then, as far as fallout on the
other issues and the rate design issues, would
include those fallout differences.

MS. MERCHANT: Thank you.

COMMISSIONER BAEZ: Second.

CHAIRMAN JABER: So clarified.

Thank you, staff. It was a very thorough,
clear recommendation. I appreciate your hard
work.

(Conclusion of consideration of Item 11.)

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CERTIFICATE OF REPORTER


STATE OF FLORIDA)

COUNTY OF LEON)

I, MARY ALLEN NEEL, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter transcribed under my supervision; and that the foregoing pages numbered 1 through 32 are a true and correct transcription of my stenographic notes.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, or relative or employee of such attorney or counsel, or financially interested in the action.

DATED THIS 9th day of April, 2002.



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