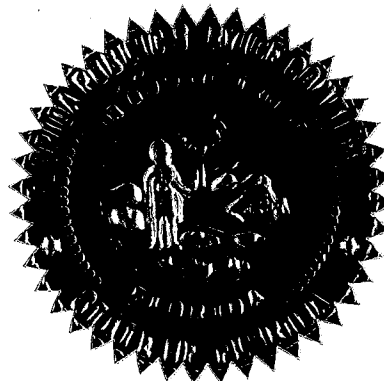


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050563-WU

In the Matter of:

APPLICATION FOR INCREASE IN WATER  
RATES IN POLK COUNTY BY PARK WATER  
COMPANY INC.



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PROCEEDINGS:           AGENDA CONFERENCE  
                              ITEM NO. 13

BEFORE:                   CHAIRMAN LISA POLAK EDGAR  
                              COMMISSIONER J. TERRY DEASON  
                              COMMISSIONER ISILIO ARRIAGA  
                              COMMISSIONER MATTHEW M. CARTER, II  
                              COMMISSIONER KATRINA J. TEW

DATE:                     Tuesday, November 21, 2006

PLACE:                    Betty Easley Conference Center  
                              Room 148  
                              4075 Esplanade Way  
                              Tallahassee, Florida

REPORTED BY:            LINDA BOLES, CRR, RPR  
                              Official Commission Reporter  
                              (850) 413-6734

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION

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FPSC-COMMISSION CLERK

1 PARTICIPATING:

2 RALPH JAEGER, ESQUIRE, General Counsel's Office;  
3 JENNIE LINGO and JAY REVELL, representing the Florida Public  
4 Service Commission Staff.

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

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2 CHAIRMAN EDGAR: Commissioners, that will bring us to  
3 our final item on our agenda for today, which is Item 13. As  
4 you know, Item 13 does have a number of issues contained within  
5 it, so I'll ask our staff to give us an overview. And I know  
6 we have an oral modification on one of those issues, so we can  
7 do that as well. And then if there's a desire to identify  
8 specific issues for further discussion, we can do that.

9 MR. REVELL: Commissioners, my name is Jay Revell  
10 with staff. Item 13 is staff's recommendation on a requested  
11 rate increase by Park Water Company. Staff is recommending  
12 that the rate increase be implemented in two phases, Phase I  
13 and Phase II.

14 And staff does, in fact, have an oral modification to  
15 Issue 14, Page 25.

16 On the first line of the staff recommendation  
17 paragraph, the number "18,175" should read "18,375." And in  
18 the second line, "4,544" should read "4,594." That is the only  
19 issue that is affected, and the correct adjustment has been  
20 made to the adjustment schedule and it is reflected in the  
21 rates. So it is in effect a typographical error.

22 And Mr. Tony Staiano of the utility was planning on  
23 attending today, but due to a family matter is unable to  
24 attend. But he did want to pass on his regrets and asked us to  
25 just indicate that to the Commission.

1 Staff is available to answer any questions you may  
2 have.

3 CHAIRMAN EDGAR: Okay. Thank you. And I do know, my  
4 understanding from staff is that the owner has worked closely  
5 with our staff on all of these issues, and my understanding as  
6 well is that we do not have any customers who have come to  
7 address this or have requested time today.

8 Commissioners, are there specific issues that you  
9 would like to delve into with more detail?

10 COMMISSIONER CARTER: Just one.

11 CHAIRMAN EDGAR: Commissioner Carter.

12 COMMISSIONER CARTER: Just one general question,  
13 Madam Chairman.

14 Of course, I don't see any customers here. Is there  
15 any input that was given to you guys from customers in this  
16 case?

17 MR. REVELL: There were some customers at a customer  
18 meeting that had problems with their water; very few compared  
19 to some of the other cases. There were a number of customers  
20 who indicated that when they tried to go by the company office  
21 and pay their bill or inquire, that no one was available. That  
22 was the primary things. The quality of service has been  
23 considered satisfactory.

24 COMMISSIONER CARTER: Madam Chairman.

25 Did you provide this information to the owners, the

1 utility itself?

2 MR. REVELL: Yes. In fact, it's written up in the  
3 staff recommendation.

4 COMMISSIONER CARTER: What number is that?

5 MR. REVELL: Okay. That's --

6 CHAIRMAN EDGAR: There's a discussion of --

7 MR. REVELL: Issue 1 is quality of service.

8 CHAIRMAN EDGAR: -- quality of service in Issue 1.

9 And I know it's also discussed in an item that one of the  
10 things that this company is doing is applied for an SRF, state  
11 revolving loan fund, DEP low interest loan in order to make  
12 some upgrades to the system. So that would be an ongoing  
13 process.

14 MR. JAEGER: Six or seven customers did attend -- I  
15 mean, did sign up to receive staff's recommendation, and one of  
16 those was the president of a homeowners' association, and we  
17 sent the staff recommendation to those customers. And then  
18 there was another homeowners, or park president that got a copy  
19 of the recommendation also.

20 COMMISSIONER CARTER: So they've been informed of  
21 everything.

22 MR. JAEGER: Yes.

23 COMMISSIONER CARTER: And no comments -- excuse me,  
24 Madam Chairman.

25 And no comments or disagreement or anything like that

1 from either of the presidents?

2 MR. JAEGER: Well, I'm not sure that they're happy  
3 with the second phase with the 90 percent increase. And so  
4 they were a little bit worried about the size of that increase  
5 and how it's coming all at once. And that was the one reason  
6 we tried to go to Phase II to try to give them a small step up  
7 and then give them time to get ready for this Phase II when all  
8 the lines are replaced.

9 COMMISSIONER CARTER: Okay. So the net effect, the  
10 net effect per customer per month is going to be?

11 MS. LINGO: Good morning, Commissioner. This is  
12 Jenny Lingo for staff.

13 If you compare the rates prior to filing, that is  
14 before the interim rates took effect all the way to Phase II,  
15 for a 5/8th inch meter customer, we're estimating that based on  
16 a -- the base facility charge will go up 81 percent. And then  
17 average residential consumption is around 3,000 gallons. So  
18 for that residential customer, the rates would go up  
19 114 percent.

20 COMMISSIONER CARTER: How much is that in American  
21 money?

22 MS. LINGO: Sir, that's \$12.41 from their current  
23 bill. Their current bill is about \$11.35, and their bill would  
24 go up to \$24.26.

25 COMMISSIONER CARTER: So it's about -- we're talking

1 about maybe 10, 11 bucks?

2 MS. LINGO: It's an increase of almost \$13.

3 COMMISSIONER CARTER: Almost \$13.

4 MS. LINGO: Yes, sir.

5 COMMISSIONER CARTER: And how long -- it's a  
6 permanent increase?

7 MR. REVELL: No. What our intentions are is at the  
8 completion of the construction project, which is anticipated to  
9 be sometime around February of 2008, Phase II rates would go  
10 into effect. And that would be approximately 75 percent over  
11 the increase that's placed into effect for Phase 1. But it  
12 would only go into effect if DEP has signed off on the  
13 construction project and the PSC has also looked at the project  
14 and approved what was done in the projects.

15 MS. LINGO: And, Commissioner, the, the increases  
16 that I gave you were in anticipation of post-Phase II.

17 COMMISSIONER CARTER: Okay.

18 MS. LINGO: To avoid any confusion there. I saw you  
19 look puzzled.

20 COMMISSIONER CARTER: Yeah. You saw where I was  
21 going.

22 MS. LINGO: Yes, sir, I sure did.

23 COMMISSIONER CARTER: Thank you so kindly.

24 Thank you, Madam Chairman. I have no further  
25 questions.

1 CHAIRMAN EDGAR: Thank you.

2 COMMISSIONER CARTER: Madam Chairman, at the  
3 appropriate time after further discussion I'll move staff.

4 CHAIRMAN EDGAR: Okay. Commissioners, are there  
5 further questions either in general or on any specific issue  
6 contained herein?

7 Commissioner Arriaga.

8 COMMISSIONER ARRIAGA: This is an educational  
9 question.

10 Ms. Lingo, good morning.

11 MS. LINGO: Good morning, sir.

12 COMMISSIONER ARRIAGA: I missed you yesterday during  
13 our meeting with staff.

14 MS. LINGO: And I missed you as well.

15 (Laughter.)

16 COMMISSIONER ARRIAGA: Thank you. Actually they did  
17 a good job trying to, you know, explain the things you do. But  
18 nobody can do it as good as you, so I'm going to ask you now.

19 MS. LINGO: You flatter me, sir. Thank you.

20 COMMISSIONER ARRIAGA: Rate structure, and I know  
21 that's one of your expertise. When I look at your  
22 recommendation on rate structure, for residential class you  
23 recommend that we maintain the four-tier inclining block rate,  
24 block rate structure.

25 MS. LINGO: Yes, sir. That's correct.



1           COMMISSIONER ARRIAGA: For general service and  
2 multiresidential you keep the base facility charge.

3           MS. LINGO: Yes, sir.

4           COMMISSIONER ARRIAGA: Would you refresh my  
5 recollection as to the difference between both, and why are you  
6 applying a different rate structure to the different classes?

7           MS. LINGO: Sir, typically an inclining block rate  
8 structure is designed for homogenous types of customers so that  
9 whenever we're designing the usage blocks, we're able to have  
10 with some reasonable level of certainty that we are not unduly  
11 penalizing a larger customer simply for being a large customer.

12           In fact, sir, that's one reason why the general,  
13 general service customers and multiservice, multiresidential  
14 customers are not subject to the inclining block rate  
15 structure. They're typically subject to the uniform gallonage  
16 charge rate structure. Because we don't have any idea without  
17 doing a specific customer-by-customer analysis of what their  
18 individual demand patterns are of what their specific amounts  
19 of nondiscretionary consumption would be and, therefore, how we  
20 would design each of the blocks. So we're able to do that with  
21 the residential customers and not with the general service  
22 customers.

23           With the base facility charge, since it is based on  
24 meter equivalency, the base facility charge starts out with a  
25 charge for a single residential customer or an equivalent

1 residential connection and then is factored up based on the  
2 potential demand that can flow through that meter. So despite  
3 a general service customer being a large meter customer or a  
4 small meter customer, the fixed costs are going to be evenly  
5 recovered, if you will, because the charges for those customers  
6 will be either higher or lower depending on the size of their  
7 meter.

8 COMMISSIONER ARRIAGA: May I continue?

9 But when you apply BFC, the base facility charge,  
10 aren't you promoting consumption of water?

11 MS. LINGO: The base facility charge, sir, is only a  
12 portion of the rate structure, and that is the portion that is  
13 designed to recover the fixed cost of the rate.

14 The other portion of the rate structure is going to  
15 be the gallonage charge. So applying the base facility charge,  
16 we applied the base facility charge to all customers. It is  
17 the gallonage charge that we use as a tool to either promote  
18 consumption or, in the alternative, to insure that we do not  
19 unfairly target customers, for example, for simply being large  
20 customers like a large general service customer, for example.  
21 And I hope that answered your question.

22 COMMISSIONER ARRIAGA: Yeah. Yeah. Fine.

23 MS. LINGO: Thank you, sir.

24 COMMISSIONER ARRIAGA: Thank you so much. Thank you.

25 CHAIRMAN EDGAR: Commissioners, other questions?

1 COMMISSIONER CARTER: Madam Chair?

2 CHAIRMAN EDGAR: Commissioner Carter.

3 COMMISSIONER CARTER: In my motion to move staff I  
4 would move this recommendation with all issues in toto.

5 CHAIRMAN EDGAR: Thank you. Commissioners, second?

6 COMMISSIONER DEASON: Second.

7 CHAIRMAN EDGAR: There is a motion and a second. Any  
8 further discussion? Seeing none, all in favor, say aye.

9 (Unanimous affirmative vote.)

10 Opposed? Show the motion adopted. Thank you.

11 Commissioners, that concludes our business for today  
12 and we are adjourned.

13 (Agenda Conference adjourned at 10:28 a.m.)

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STATE OF FLORIDA )  
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COUNTY OF LEON )

CERTIFICATE OF REPORTER

I, LINDA BOLES, CRR, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 2<sup>nd</sup> DAY OF NOVEMBER, 2006.

Linda Boles  
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