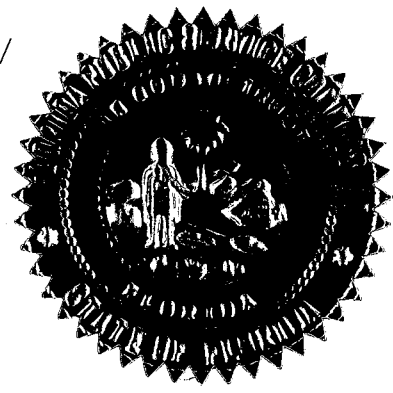


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060256-SU

In the Matter of:

APPLICATION FOR INCREASE IN WASTEWATER
RATES IN SEMINOLE COUNTY BY ALAFAYA
UTILITIES, INC.



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PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 8

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

DATE: Tuesday, January 23, 2007

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

REPORTED BY: JANE FAUROT, RPR
Official Commission Reporter
(850)413-6732

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION 00965 JAN 30 2007

FPSC-COMMISSION CLERK

1 PARTICIPATING:

2 MARTIN FRIEDMAN, ESQUIRE, FRANK SEIDMAN, and JOHN
3 WILLIAMS, representing Alafaya Utilities, Inc.

4 STEPHEN C. REILLY, ESQUIRE, and TRICIA MERCHANT,
5 representing the Citizens of the State of Florida.

6 RALPH JAEGER, ESQUIRE, BART FLETCHER and RICHARD
7 REDEMANN, representing the Florida Public Service Commission
8 Staff.

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P R O C E E D I N G S

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2 CHAIRMAN EDGAR: We will be on Item 8.

3 MR. FLETCHER: Commissioners, Item 8 is staff's
4 recommendation on a final rate request from Alafaya Utilities,
5 Inc. Alafaya is a Class A wastewater-only utility in Seminole
6 County. Again, representatives for OPC and the utility are
7 here to address the Commission, and staff is available to
8 answer any questions you may have.

9 CHAIRMAN EDGAR: Thank you. And I would like to
10 proceed in a similar manner on this item. And so, Mr.
11 Friedman, we will start with you. I'll ask you to help us
12 point out by number the specific issues that you would like to
13 address. Mr. Reilly and Ms. Merchant, then to you with the
14 same request, and then we will look to staff for comments, and
15 then we will have discussion.

16 With the addition of, Mr. Friedman, if you want to
17 respond to a comment made by Mr. Reilly, I will allow that, as
18 well. And so, Mr. Friedman, we are ready when you are ready.

19 MR. FRIEDMAN: Thank you, Commissioners.

20 My name is Martin Friedman with the law firm of Rose,
21 Sundstrom, and Bentley. We represent Alafaya Utilities. With
22 me, also, is Mr. Frank Seidman and Mr. John Williams
23 representing the Utility.

24 The first issue that I want to address, again, Issue
25 14, is the salaries issue, and I won't belabor that with any

1 additional argument, but would kind of reiterate what argument
2 I made with regard to the prior staff recommendation.

3 Another comment that I have is on Issue 28, which is
4 the show cause for allegedly not booking the adjustments from
5 the last rate case. Here's what happened. And they did drop
6 the ball, I mean, there is no doubt about it. The ball was
7 dropped, but it wasn't completely dropped. It was a fumble,
8 but they really didn't lose the fumble. And here's what
9 happens. Certain of the staff people, the regulatory
10 accounting staff people make adjustments as required by the PSC
11 order, and then that information goes to other staff people who
12 actually input that into the particular books of that company.

13 In this case, we verified with the staff that
14 prepared the adjustments that the adjustments had been made,
15 and we confirmed back to the Commission in the appropriate time
16 after the last rate case that that had been done. The problem
17 was -- and this occurred on a couple of these rates cases, not
18 all of them. Some of them the adjustments got made completely,
19 and on some of them, for some reason, the ball got dropped.
20 This was one that the ball got dropped on and adjustments did
21 not get made.

22 The company has taken appropriate action to make sure
23 that doesn't happen again. The employee who was in charge of
24 that is no longer working with the company, and the company has
25 been assured that the new person whose responsibility it will

1 be to make sure that that occurs understands the importance of
2 making sure that that information that they get from the
3 regulatory staff ends up in the books and records of the
4 company. And so I would suggest to you that the company has
5 made the appropriate response to the mistake, acted upon it
6 expeditiously, and would just suggest that no further action is
7 necessary for them to get the point.

8 The last issue I want to just mention, and I
9 understand from talking with Mr. Fletcher of the staff that
10 maybe the company had not gotten a lot -- had not gotten to
11 them the information that we have now regarding the pro forma
12 adjustments. One of them was the digester, and that is Issue
13 4. There were a number of pro forma additions. The digester
14 was one, and the staff included some amount for that, but the
15 amount they included was substantially less, maybe about half
16 of what the actual project cost is.

17 And at this point it seemed, when talking to Mr.
18 Fletcher, that maybe there was some miscommunication between
19 the company and him that we might not have gotten him what
20 information that he needed. That notwithstanding, we believe
21 that the appropriate amount should be the amount that's
22 included in these contracts that we have that I can provide to
23 the staff which shows what those actual expenses of that
24 digester is going to be. And that is substantial. I mean
25 these digesters are very expensive. Luckily in this case, by

1 making this digester repair it makes a substantial decrease in
2 certain operating expenses. So it is a capital improvement
3 that has substantial benefit in reducing operating expenses,
4 too. Thank you.

5 CHAIRMAN EDGAR: Thank you.

6 Mr. Reilly.

7 MR. REILLY: Basically, we would support, you know,
8 the staff's adjustment again, you know, in Issue 14 concerning
9 the salaries and the staff's recommendation on Issue 28 show
10 cause. We otherwise support pretty much the staff's
11 recommendations on the adjustments they have made to pro forma
12 plant additions. We do have, however, one exception we would
13 make on Issue 4. I'm going to address that issue with the
14 Commission as well as Issue 5, which is what is the appropriate
15 used and useful percentage for the wastewater treatment plant.

16 As to Issue 6, I will yield, once again, to Tricia
17 Merchant just to make a few follow-up comments on the working
18 capital issue.

19 Concerning Issue 4, the one that we do take exception
20 to, it relates to the pro forma plant addition, the \$180,000
21 for the meter replacement to the approximately 1200 existing
22 reuse customers. We don't take exception to the recommendation
23 that this be done, it's just that the recommendation provides
24 that this process of replacing the meters will occur all during
25 the year 2007 to be completed by the end of 2007. And we

1 believe that because the metering project is phased in during
2 the entire year, it would be more appropriate to include a
3 13-month average of the \$180,000 investment in reuse meters to
4 be added to rate base instead of the full 2007 end of the year
5 investment.

6 It's important to note that this is a capital
7 investment that is being made and finished a full two years
8 outside the test year, and we think that using that 13-month
9 average would be a little more fair to the customers.

10 On the larger issue, Issue 5, the used and useful
11 percentage of the wastewater plant, I would address the
12 Commissioners' attention to the recommendation on Page 67.
13 It's Attachment A, and that's a real easy to follow graphic of
14 the whole issue of wastewater treatment and it really
15 highlights what the differences are.

16 Essentially, there is no real difference of opinion
17 between the utility, staff, or OPC as it relates to the
18 demand-side of the equation. The average annual daily flow of
19 1,216,000 together with the growth factor produces the
20 numerator of the equation. The whole question relates to the
21 permitted capacity, what should be considered the capacity in
22 the used and useful equation. Even though the wastewater plant
23 capacity is stated as 1.535, the reason why it is is that, in
24 fact, there are two 1.2 million-gallon trains of wastewater
25 treatment capacity. So actually the true capacity of the

1 wastewater plant is 2.4 million gallons.

2 The reason why staff and the utility used the
3 1.5 million gallons is that there is a limiting factor. The
4 disposal, the effluent disposal is limited, the capacity of
5 that is limited to 1.535. And so, what has happened, of
6 course, the Commission and its staff has used the rule that
7 says compare the permitted capacity of the plant to the --
8 stated on the same basis as the permitted capacity is on the
9 annual average daily flow to produce the percentage.

10 However, what we would point out to the Commission is
11 the rule also provides for two exceptions, and we would ask you
12 to consider those exceptions. That when determining the amount
13 of used and useful amount the Commission should consider
14 whether the permitted capacity differs from the designed
15 capacity, and that's in the rule. And, number two, whether
16 there are differences between the actual capacities of the
17 individual components of the wastewater treatment plant and the
18 permitted capacity of the plant.

19 We believe Alafaya presents a clear example of both
20 of the factors that should be considered when determining the
21 used and useful of this plant. Clearly, Alafaya's actual
22 capacity of 2.4 million gallons is considerably greater than
23 the effluent disposal limitation, and clearly there is a
24 mismatch or difference between the actual capacities of the
25 individual components of the wastewater treatment plant and the

1 permitted capacity of the plant.

2 The customers have made an investment in this unused
3 865,000 gallons of capacity, and we believe it should be
4 considered in the used and useful percentage. We believe this
5 investment should be removed, and this plant should be removed
6 from the used and useful -- with the used and useful
7 adjustment.

8 We understand -- also there were some other reasons
9 why staff has recommended that you can look at only this
10 limited disposal capacity in the permitted. They say that
11 DEP's redundancy requirements pursuant to DEP Rule 62-610 and
12 the Environmental Protection Agency's reliability Class 1
13 (phonetic) requirements for a utility that disposes of effluent
14 through public access irrigation also requires that you rate it
15 at the lower capacity.

16 In response to this statement we did a little
17 research yesterday. We spoke to Doctor David York, who is the
18 state water resource coordinator for DEP, and he shared with me
19 and made mention of the specific rules that his division
20 addresses this question. It is 62-610.4621, Florida
21 Administrative Code, which references another rule,
22 62-610.300(1)(c), which further represents another manual. And
23 I have them all here, and they are way beyond the scope of this
24 process, but suffice it to say when I described the situation
25 he basically represented to me that certainly that to meet

1 Class 1 reliability and redundancy requirements does not
2 require you to use this higher capacity. The statement by the
3 utility that all of the 2.4 million gallons of capacity is
4 needed to fulfill DEP's redundancy requirements and Class 1
5 reliability requirements is not true.

6 We also, I had our consultant talk to Tricia Williams
7 (phonetic), of DEP's Central District Office in Orlando. She
8 confirmed that the second 1.2 million-gallon per day treatment
9 facility does not provide redundancy or Class 1 reliability for
10 the first 1.2 million-gallon train. It's our understanding,
11 essentially, that these two trains have within them and their
12 associated appurtenances sufficient redundancy and reliability
13 built in to meet the DEP standards.

14 We believe that there are no redundancy or
15 reliability Class 1 obstacles for Alafaya to increase the
16 permitted capacity of their wastewater treatment plant as it
17 increases disposal capacity. So, as time progresses, and
18 capacity disposal capacity is increased, in fact, the permitted
19 capacity according to DEP will be increased correspondingly.
20 And, in fact, that's essentially where we are. There is a
21 pro forma adjustment right now that the customers are paying
22 for to have a 20-inch reuse main added to add capacity.

23 Also, will soon be constructed an additional
24 1.5 million gallon reuse ground storage facility. So the
25 utility is well on the way to greatly increasing its wastewater

1 disposal capabilities. As those capabilities are expanded the
2 permitted capacity will increase.

3 So we argue that it is not a legitimate basis to say
4 you must consider all of this -- that you cannot consider this
5 additional capacity in the used and useful calculation. We
6 believe that the rule should be applied using those two
7 exceptions to give credence to the fact that this excess
8 capacity is still there that the customers have paid for, and
9 we need to get some recognition in the used and useful
10 percentage.

11 I would yield to Ms. Merchant, unless you have a
12 question.

13 CHAIRMAN EDGAR: No. Thank you.

14 Ms. Merchant.

15 MS. MERCHANT: Good morning, again. I'm going to
16 talk about Issue 6, which is the working capital calculation.
17 I'm just going to add a few more comments from what I had
18 before. I wanted to respond to one of staff's arguments that
19 we were requesting the Commission waive a rule. That's not
20 what we are requesting at all. I recognize that there is a
21 rule, and certainly I agree with the balance sheet approach.
22 The problem in all of these cases that are Class A utilities
23 using the balance sheet approach for Utilities, Inc. is that
24 the balance sheet is not representative. That's what I'm
25 saying. I'm saying default to the formula approach.

1 And if you look at the specifics for Alafaya, they
2 have about \$2.8 million in revenues, test year revenues. They
3 have \$2 million in O&M expenses. They only have \$8,000 on a
4 13-month average basis of accounts payable. That is a very
5 small amount for a company that has on an annual basis \$2
6 million in O&M expenses. And if you add in the taxes and other
7 income then it is even higher.

8 So the numbers just don't match. And what I'm saying
9 is that the numbers -- I'm not saying there is any
10 inappropriate accounting, I'm just saying that for a regulatory
11 basis, not all the numbers are flowing through. You know that
12 rate case expense is paid for by Water Service Corporation.
13 None of the accounts payable associated with rate case expense
14 is not being flowed down through the accounts payable. I don't
15 believe that at all.

16 Secondly, if you look at the balance sheet approach
17 for the company compared to the formula approach, the test year
18 numbers, there is about \$100,000 difference before you even get
19 into staff's adjustment. If you add in staff's adjustment,
20 that raises the difference to \$300,000 between staff's
21 recommended balance sheet approach and the formula approach.
22 Those just happen to be the magnitude of the numbers.

23 If you don't agree with that philosophy, I have
24 another philosophy I want to add in, and it has to do with
25 staff's adjustment for deferred rate case expense. In the

1 past, the Commission has added in rate case expense as a
2 pro forma adjustment and that is standard practice. The two
3 cases that staff quotes in its recommendation for regulatory
4 practice on adding in rate case expense happen to be projected
5 test years. This company does not have a projected test year.

6 And what we have done in other cases in the past when
7 there hasn't been a projected test year, and I don't know that
8 it was precisely defined as projected versus historical, but
9 the Commission has instead of allowing the remaining
10 unamortized balance at year one to be added to working capital,
11 they have taken the average unamortized balance of rate case
12 expense over the four-year period. So, essentially, they have
13 added into rate base 50 percent of the rate case expense, the
14 unamortized rate case expense.

15 So to recognize that in year one they have
16 three-quarters, in year two they have half, in year three they
17 have one quarter, and in year four they have zero left to be
18 unamortized. So that's how the theory that the Commission has
19 used in the past in small water and wastewater companies has
20 been used to put in the average unamortized balance of working
21 capital into the balance sheet approach. So that methodology
22 has also been employed.

23 My primary recommendation is to go back to the
24 formula method because it hasn't been -- because I don't
25 believe the numbers are reliable and haven't been flowed down.

1 But a secondary recommendation would be that instead of adding
2 in the full amount of unamortized rate case expense, and also
3 the other miscellaneous deferred debits, is that you take the
4 average unamortized balance over the life of the rate case
5 expense. Thank you.

6 CHAIRMAN EDGAR: Thank you, Ms. Merchant.

7 Mr. Friedman, do you have any additional comment on
8 any of the points raised by OPC?

9 Do you want to hear from staff first?

10 MR. FRIEDMAN: Yes, please.

11 CHAIRMAN EDGAR: Mr. Fletcher.

12 MR. FLETCHER: Yes, Commissioners. To address the
13 utility's points on Issue 4 regarding the digester contract, we
14 did see the contract this morning and it is signed. It was
15 signed in '06, and the amount of it was \$1,495,612. Since
16 there is a signed contract, given that support documentation,
17 we will agree to that amount based on that documentation.

18 Let's see. The salary issue. Again, based on the
19 support documentation that was provided for the salaries, we
20 still stand by the historical recommendation for a 4.51 percent
21 increase over the historical salaries. With regard to Issue
22 28, I will defer to Ralph Jaeger regarding our comment.

23 CHAIRMAN EDGAR: Okay. And before you do, I'm sorry,
24 Mr. Fletcher, I was still thinking through Item 4. So I
25 apologize. Could you repeat your comment or recommendation

1 regarding the salaries issues on Issue 14.

2 MR. FLETCHER: It would be to recommend that for the
3 digester it would be \$1,495,612 for plant. And, again, we
4 would have to use the retirement factor, using the
5 Handy-Whitman that's in the recommendation in order to
6 calculate the fallout for the retirement, and then also the
7 corresponding accumulated appreciation expenses would change.

8 MR. JAEGER: Chairman, before we move forward, there
9 was some question about an expense of \$300,000. Was this the
10 digester? Is there going to be an expense for --

11 MR. FLETCHER: Right. But that will not change, that
12 O&M expense. There isn't a corresponding adjustment for O&M
13 expenses because of the sludge concentrations is going to be a
14 higher concentration. It's going to reduce the volume in the
15 sludge hauling, but that will not change. It's still 300,000.

16 CHAIRMAN EDGAR: Okay.

17 MR. JAEGER: Do you want me to address the show cause
18 issue?

19 CHAIRMAN EDGAR: Yes, please.

20 MR. JAEGER: Yes. There are two show cause issues.
21 I think Mr. Friedman just addressed the one dealing with the
22 books and records. And this utility opened a docket, or we in
23 2004 because of the problems with Utilities, Inc. making
24 adjustments from orders in accordance with the NARUC Uniform
25 System of Accounts. And we entered into a settlement agreement

1 whereby they agreed what they would do, and they would make
2 these adjustments, and they would go back and review all orders
3 in 2003 and 2004 and make the necessary adjustments.

4 We now have ten Utilities, Inc. dockets, rate case
5 dockets open, and in seven they seem to be okay. But in three,
6 as Mr. Friedman said, they did drop the ball. In Wedgefield
7 and Cypress Lakes we were recommending prior that there be a
8 \$3,000 fine for this failure to adjust their books, and we
9 think that fine is appropriate here in Alafaya, and that it is
10 consistent with what we have done in the past. And recognizing
11 that we have had this problem before and it was addressed and
12 they did drop the ball again, we stand by the \$3,000.

13 CHAIRMAN EDGAR: Mr. Fletcher.

14 MR. FLETCHER: Yes, Commissioners. To address OPC's
15 concern on Issue 4 regarding the reuse meters, Staff has
16 indicated in the recommendation, we cite Section 367.0817(3),
17 which states that all prudent costs of a reuse project shall be
18 recovered in rates. Now, the Commission -- as a result of that
19 statute, we found that 100 percent of the reuse facilities are
20 100 percent, reuse facilities should be considered 100 percent.
21 And, in that light, we think that the full cost of these meters
22 should be reflected in the rates.

23 And another point to that is we are recommending, and
24 if the Commission approves we are ordering the utility to do
25 this. That is another supported basis that we think the full

1 cost should be allowed. And this is also consist with some
2 prior cases where utilities have had a meter replacement
3 program that was not completed yet, and those costs were also
4 added at the full cost.

5 That case was actually Placid Lakes Utility. They
6 had initially filed a 2000 rate case, and after that rate case
7 they didn't have all the support for their meter replacement,
8 and they came back in for a limited proceeding. And in that
9 limited proceeding the full cost was recognized. And we think
10 it is consistent with that case and also consistent with the
11 reuse statute that all the costs should be fully recovered
12 through rates.

13 And with regard to Issue 6, the working capital,
14 again, as Mr. Revell stated in Mid-County, our auditors were
15 sent out. We audited the working capital, the accounts that
16 make up the working capital allowance under the balance sheet
17 approach. And staff believes that it is still representative
18 and it is consistent with Commission practice and the rule.
19 And then, I guess, Issue 5 I will refer to Mr. Revell.

20 Forgive me. The rate case amortization. I'm sorry.
21 Ms. Merchant had also mentioned that regarding the 13-month
22 average. I will say that that is consistent, the unamortized
23 balance that we reflected in Issue 6 for working capital is
24 consistent with the 13-month average balance that the
25 Commission used for prior cases for Class A. One was the

1 Public Utility of Florida case where we used the 13-month
2 average unamortized balance, and also for the Aloha
3 1999 wastewater rate case. We used the rule that you have to
4 use the 13-month average balance, and it's consistent with
5 those cases, as well.

6 MR. REDEMANN: Issue 5, used and useful. Let me
7 explain a little bit. Yes, the utility has two twin 1.2
8 million gallon per day plants. The site for that is very
9 limited. The utility could have built smaller plants, but
10 probably in this rate case then we would be looking at having
11 them build more plants because they would have to replace the
12 smaller plants. So it was a good idea that they built the two
13 larger plants because the site is very limited.

14 For Class 1 reliability you need to have duplicative
15 facilities, so they would need two identical plants. With
16 respect to the capacity of the system, just recently on
17 September 19th, 2005, they rerated the system capacity at
18 1.535 million gallons per day. It's the same capacity that we
19 used in the prior rate case, in Docket 020408. The capacity
20 actually had gone down slightly, but they put it back at the
21 same capacity.

22 I spent a considerable amount of time talking to
23 Tricia Williams' supervisor, Denise Judy, and asked her why
24 they didn't increase the capacity because the disposal seemed
25 to have increased slightly. And, basically, over the past 10

1 to 20 years the utility has had problems getting rid of their
2 effluent, so until they can show consistent usage with the
3 reuse system they were not going to change the capacity of the
4 system.

5 The only way to dispose of the effluent right now is
6 the one million gallon per day ponds and through the reuse
7 system. Currently they can filter a million gallons per day,
8 but depending on the flow they may not actually even get a
9 million gallons per day of disposal through the reuse system.
10 It just depends on the flow.

11 The DEP could increase the capacity, and we don't
12 have a problem if they do increase the capacity, but basically
13 right now the 1.535 million gallons per day is what the
14 capacity of the system is. In order to dispose of more
15 effluent they could build, or send the effluent to another
16 pond, but that cost is not reflected in these rates. Or they
17 could -- probably another pond would be the only way that we
18 would agree to increase the capacity of the system, because
19 there is simply no other way to dispose of the effluent.

20 CHAIRMAN EDGAR: Thank you.

21 Any further comments from staff at this time? No.

22 Mr. Friedman.

23 MR. FRIEDMAN: I'm going to ask Mr. Seidman to
24 address the used and useful issue, and that is the only issue
25 we will address.

1 CHAIRMAN EDGAR: Okay.

2 MR. SEIDMAN: I don't have much to offer on this. I
3 agree with what Mr. Redemann said in their conclusions. I
4 would like to -- I understand the research that Mr. Reilly did,
5 and I don't know the premise which he proposed to Doctor York,
6 but the component backup requirements of the EPA rule
7 specifically says that the treatment system shall be designed
8 such with the largest flow unit out of service the hydraulic
9 capacity with the remaining units shall be sufficient to handle
10 the peak wastewater flows.

11 These two units that make up the 2.4 million-gallon
12 plant are 1.2 million gallons each. The peak flows every month
13 of the test year exceeded that amount. I think the plant is
14 close to adequate, not quite, but I think that has to be taken
15 into consideration.

16 When we are doing used and useful, we are required to
17 base it on the permitted capacity. But, in addition, in this
18 case, as we pointed out, the plant had to be built not just to
19 meet the average annual daily flows, but to meet the Class 1
20 reliability.

21 And just one comment on this. I think Mr. Reilly
22 mentioned that we are building a 1.5 million gallon reuse tank.
23 That will have no impact on meeting this Class 1 reliability.
24 That tank holds reuse quality water. And what we are looking
25 for in the plant is to maintain reuse quality water, to produce

1 reuse quality water. If the plant is down, it does not produce
2 reuse quality water or cannot go in that tank.

3 I would just like to mention one other thing, if I
4 could, with regard to the working capital issue, and that is
5 just a historical perspective. Utilities, Inc. has been
6 providing service through its utilities in Florida for several
7 decades. They have been submitting rate cases over that
8 several decades, and they have followed the rules with regard
9 to working capital in all of those cases. To suddenly now
10 discover that there is some alleged anomaly in the balance
11 sheets that makes the working capital approach invalid, I think
12 is too little too late, and we ought to stick with the rules.
13 And if the rules are going to change, we ought to know about
14 them beforehand, not after the case is filed. Thank you.

15 CHAIRMAN EDGAR: Commissioners, questions?

16 Commissioner Tew.

17 COMMISSIONER TEW: I have one for Mr. Fletcher. On
18 Issue 4, about the digester contract that you were talking
19 about, and you gave us the new figure. How does that change
20 what we have before us on Issue 4? I just want to make sure
21 I'm clear. I understand that you just received the contract
22 today, right?

23 MR. FLETCHER: Yes. He provided the signed contract.
24 We have that, and that would change the amount of plant. If
25 you look on Page 19, it would change the \$466,525 amount. We

1 will replace that with using the contract amount of 1,495,612.
2 And, again, we have to apply a retirement adjustment using the
3 Handy-Whitman Index on that amount. And so it's basically
4 going to change that figure. It will increase the plant, and
5 then, of course, the corresponding accumulated depreciation
6 will have to be calculated and then the depreciation expense,
7 and it will all flow through the revenue requirement
8 calculation.

9 COMMISSIONER TEW: So if we approve your
10 recommendation, as modified here, there will be fallout
11 adjustments similar to what we did earlier?

12 MR. FLETCHER: Yes, Commissioner.

13 COMMISSIONER TEW: Okay.

14 COMMISSIONER CARTER: Madam Chairman.

15 CHAIRMAN EDGAR: Commissioner Carter.

16 COMMISSIONER CARTER: After listening to staff and
17 the parties and having reviewed the record, if I'm in order I
18 would move staff recommendation on Issue 8 in toto.

19 CHAIRMAN EDGAR: Including the adjustment to Issue
20 4 as just recommended by our staff?

21 COMMISSIONER CARTER: Yes, ma'am.

22 CHAIRMAN EDGAR: Okay. Commissioner Carter, you are
23 in order.

24 Commissioner Tew, any further questions or
25 discussion?

1 COMMISSIONER TEW: I can second.

2 CHAIRMAN EDGAR: Okay. Then all in favor of the
3 motion say aye.

4 (Unanimous affirmative vote.)

5 CHAIRMAN EDGAR: Opposed? Show it adopted. Thank
6 you. And we will be on --

7 MR. JAEGER: Chairman, I'm sorry, I didn't hear what
8 he said. I wanted to make sure, we are adding the digester and
9 then the fallout adjustments, is that --

10 CHAIRMAN EDGAR: The fallout adjustments, yes, sir.

11 MR. JAEGER: Thank you.

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STATE OF FLORIDA)

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COUNTY OF LEON)

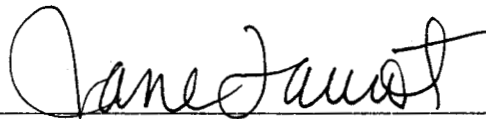
CERTIFICATE OF REPORTER

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk and Administrative Services, 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' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 30th day of January, 2007.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732