

1 APPEARANCES:

2 MARTIN S. FRIEDMAN, ESQUIRE, JOHN WILLIAMS and FRANK
3 SEIDMAN, appearing on behalf of Cypress Lakes Utilities, Inc.

4 STEPHEN C. REILLY, ESQUIRE, and TRICIA MERCHANT,
5 Office of Public Counsel, appearing on behalf of the Citizens
6 of Florida.

7 RICHARD HOLZSCHUH and ROBERT HALLEEN, appearing on
8 behalf of the Cypress Lakes Homeowners Association.

9 JAY REVELL, JENNIE LINGO, TROY RENDELL and GERALD
10 EDWARDS, appearing on behalf of the Commission 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 go back on the record. And
3 we concluded before the lunch break at Item 25, so we will
4 begin with Item 25 and we'll ask staff to introduce for us.

5 MR. REVELL: Okay. Good afternoon, Commissioners.
6 My name is Jay Revell with staff. Item 25 is staff's
7 recommendation on final water and wastewater rates for Cypress
8 Lakes Utilities, Inc. Cypress Lakes is a Class B water and
9 wastewater utility in Polk County. With us today is
10 Mr. Richard Holzschuh and Mr. Robert Halleen representing the
11 Cypress Lakes Homeowners Association, Mr. Steve Reilly and Ms.
12 Tricia Merchant with the Office of Public Counsel, and
13 Mr. Marty Friedman representing the utility. And with that,
14 we're ready to answer any of your questions.

15 CHAIRMAN EDGAR: Okay. Let's start off, I think,
16 by -- Mr. Reilly, would you like to speak, and then let's
17 recognize the customers that have traveled?

18 MR. REILLY: Richard Holzschuh and Robert Halleen are
19 here today and I think they wanted -- they had prepared remarks
20 they'd like to share with the Commission. Our role would be
21 kind of to follow up behind them and maybe do some support
22 comments after they make their comments.

23 CHAIRMAN EDGAR: Okay. And then, Mr. Friedman, we'll
24 hear from our staff and from you as well.

25 MR. FRIEDMAN: Yes. Most of my comments will be in

1 response to the customer and OPC comments. I do have
2 John Williams and Frank Seidman here who may be making
3 presentations. I know Frank will and John may also as issues
4 arise.

5 CHAIRMAN EDGAR: Okay. All right. Thank you. Then
6 I think -- Commissioners, do you each have a copy? Okay.
7 Staff has given us a copy of some written information that you
8 provided, so we each have that. And thank you for coming and
9 we'd like to hear from you.

10 MR. HOLZSCHUH: Okay. First let me say that you'll
11 have to excuse my reading some of this, but senior age does
12 something to your memory and so it's basically better to read.

13 CHAIRMAN EDGAR: That's fine.

14 MR. HOLZSCHUH: Honorable Public Service Commission
15 Board, we thank you for the opportunity of attending this
16 meeting and submitting our presentation. I will be the first
17 one to make the first part of our presentation, and Bob
18 Halleen, my partner, will do the second part. We're both
19 directors of the Cypress Lakes Homeowners Association, and
20 we're assigned to this project to try to convince you to have
21 the public utility show cause in some, in some various areas,
22 this all leading, hopefully, to a concerned evaluation of the
23 issues of the Commission approving our request that any rate
24 increase for public -- or Utilities, Incorporated, at Cypress
25 Lakes be put on hold for one year, the utility be required to

1 raise its standards of quality and accounting to a higher
2 level. Again, on behalf of the Cypress Lakes Homeowners
3 Association, the board of directors and our membership and all
4 of the residents of Cypress Lakes, we thank you for the
5 opportunity to present our case.

6 My portion is to make you aware of the physical
7 aspects that we're concerned with: Water quality, the purity
8 of it, the odor of it, the pressure of it, questionable monthly
9 reading procedures. Mr. Halleen will cover all the procedures
10 and discrepancies associated with the filing.

11 In 2003 we came before you and went away realizing we
12 were not well prepared. We have learned from that experience.
13 However, many of the current issues are not dissimilar from
14 2003 when the Commission fined the utility \$3,000 for
15 noncompliance to your request. The fine was then rescinded and
16 a reason was never given why. The only change that we now have
17 since that year is that we've added four new sections to the
18 community and there are now 177 more homes than there were at
19 that time, for a total of 1,361 at present. It's a senior
20 community in Lake County, over 2,600 residents, mostly all
21 voters, and certain considerations are priorities: Health
22 concerns, supply of services, correct computation of water
23 usage, the cost of living and the aesthetics of the community
24 in which they live. All of this having been said, our
25 community is not being supplied with an acceptable product, nor

1 are its metering operations properly accounted for, the
2 physical and filing standards are inadequate, and we do not
3 believe an increase in rates is warranted at this time.

4 Why do we make this claim? Major health concerns,
5 the water quality. I have in front of me some samples which
6 you are welcome to try to drink from or take a smell of or take
7 a look at, which I would strongly recommend that none of you do
8 because they are not pleasant. But they are indicative of what
9 the water supply is like in the community in which we live.
10 There's a bottle right there that was drawn this morning, and
11 you'll see the particles that are in it. It's not uncommon
12 throughout our whole community to have that happening. That
13 bottle there has an odor which I wouldn't suggest you put too
14 close to your nose. But that's pretty common through the back
15 sections of our community. So we have some major health
16 concerns with respect to that. We've had a number of people
17 just recently complaining about the fact that they're getting a
18 burning sensation in their throat, and we've got a couple of
19 physicians going to be looking at some of those people to see
20 if, in fact, we can relate any of that to what the water
21 authority is, the utility is supplying us.

22 The chlorine counts within the park are far below
23 what we -- what is the term, marginally --

24 MR. HALLEEN: Satisfied.

25 MR. HOLZSCHUH: -- marginally satisfactory, which is

1 used in this filing.

2 Yesterday I took -- again, had the people there
3 taking readings on our chlorine. The chlorine is zero at the
4 back end of our community. Now, again, as I mentioned earlier,
5 back in 2003 we had this similar problem and the people from
6 the utility said, well, about the only way that we can solve
7 that is we need to put in a booster station within the
8 community for chlorine. As of this moment that has never been
9 done. It has been addressed a couple of times but it has never
10 been featured or ever been taken care of or thought of. We've
11 had measurements taken by the Monroe -- by the Polk County
12 Health Authority, and I had an independent outfit come in and
13 do the water testing two or three weeks ago, and, again, we're
14 finding that the further we get away from the plant, we're down
15 to zero with chlorine. And, in fact, I live very close to the
16 plant in my own home and the chlorine level there is below what
17 the recommended level should be. But zero certainly isn't
18 what's recommended. So that's, that's the first part of it.

19 Again, the water is pumped a considerable distance in
20 the park. And the design of the system is bad because there's
21 several dead ends on it, and I'll cover that very quickly. I
22 know you people have a big agenda and I'm going to try to get
23 some of this -- by the way, any of the statements that I make
24 at this present time in my presentation, should you have any
25 doubt about any of it, these two books are all written proof of

1 this from 380 surveys that we took throughout the park and
2 many, many more samples than what I brought with me today. So
3 it isn't just that we're talking.

4 Again, they further agree that a pumping station was
5 needed. It was never done. Odor, I have the samples there.
6 Discoloration of appliances and icemakers and commodes and
7 sinks. I believe in the package that we supplied you, not
8 certainly the most glorious thing to look at, but there's a
9 commode picture in there, and that shows what's indicative of a
10 number of the homes in our community that require these people
11 to almost on a daily basis clear this discoloration out. Ice
12 cube makers, ice is discolored and brown. I tried to figure
13 out how to bring a tray of ice cubes but it was too warm even
14 today. But -- and clogged filters. There's just a whole
15 series of problems that we're having.

16 Now most recently we've had two occasions of it and
17 it looks like we're going to end up with some more and we have
18 no explanation from that and neither did the water authority
19 when I asked, or the utility when I asked them, we're finding
20 sand in our water. And what's happening here is -- and how it
21 was discovered, General Electric came in to fix a couple of, or
22 repair a couple of washers and dryers and that kind of thing in
23 the community and the systems were plugged up with sand. And
24 it's not sand that's coming out of clothes going into the
25 machine, it's through the water coming into the machine. And,

1 again, we have verification of that should it be needed. We
2 get a great deal of pressure variations within the community.
3 The supply of services -- it's difficult to get someone to come
4 to your home to observe a problem. We have a number of people
5 who've called into the water utility and asked that something
6 be done and they say, well, that's just the nature of your
7 water system at Cypress Lakes.

8 Once in a while one of them comes out. Now when they
9 do come out, there's nothing done in a majority of the cases.
10 Phoning the utility to question a considerable water usage
11 billing is always quite interesting because I have two
12 standards now when people call me as one of the board of
13 directors and they say, "I just talked to the water utility and
14 guess what they told me." There's two standards: Number one,
15 "You've got a leak," and secondly, "Your neighbor is stealing
16 your water." Okay? Now not only are those cute, but yesterday
17 we had a third one. A gentleman came out from the utility and
18 said, "The lawn people who use your hose for the lawn are
19 taking a drink out of it and leaving it open." Now, you know,
20 folks, this is a community of grown people. These things just
21 don't happen. We're getting -- this is the kind of reactions
22 that we get from the utility.

23 We have, and I will show you within these records and
24 we'll talk about it a bit, many, many questionable readings of
25 meters. We don't exactly know how all of this happens, we

1 don't know whether they're averaging or what they're doing, but
2 we have on several occasions now within the last two or three
3 months followed the people around who do the meter reading.
4 They have not met, read every house in our community in the
5 last five months.

6 Now I'll tell you how you figure that out and I'll
7 tell you exactly how impossible and it will make sense to you.
8 If you go through our community, and there's 750 -- there's two
9 meters setting alongside of each other, so you've got
10 1,500 houses to read, so there's two setting alongside of each
11 other. They read two at a time. That's 750 meters. There's
12 two women that read two days a month at the end of the month.
13 If you go through all of the mathematics of that, they would
14 work 17.4 hours per day each one of them for the two days to
15 read all the meters in the community, and I think we all know
16 they don't work that many hours. So it's just, it's just not
17 possible that we're getting meter readings on all the meters,
18 and because of that we're getting some crazy, crazy readings
19 and we're getting some crazy bills.

20 And I'd like to just cover one of these bills for
21 you, if I might, and it's in your package. The Snells
22 (phonetic), who, again, are residents of our park -- and what
23 did I do with my sheet, Bob? Have you got yours? Here it is.
24 I've got it. No, wait a minute. I don't. Just before that.
25 Okay. There it is. What the heck happened to that one? I'm

1 sorry. I thought I had it right in front of me. But Mr. and
2 Ms. Snell -- there it is, I got it, Bob -- live on Mulligan
3 Drive, which is about halfway back in the community. They had
4 a bill from 12/4 to 1/5 for \$381.60. That was 59,400 gallons
5 of water in 32 days. Now if you divide that out, you would
6 have to run two gallons of water per minute for 24 hours for
7 the month in order to get that many gallons. They are on
8 automatic pay with Cypress Lakes Utility. They called -- we
9 called and said, "Look it, there's something wrong with this."
10 "Well, you've got a leak or your neighbor is stealing your
11 water." So these people went through the expense of hiring an
12 outside outfit, Richard Moore Plumbing, you'll see a receipt
13 for his bill in there, who checked under their house, checked
14 all of the plumbing in the house and outside and found not a
15 single leak. In confronting the utility they said, "Well,
16 that's too bad. You'll just have to pay the bill." And that's
17 exactly what's been done at this point. In addition to the
18 fact that I think Cypress Lakes Utilities owes them some money,
19 I think they could have handled things certainly a lot better
20 than they did.

21 We have heard from -- the other utility excuse that
22 has been given us is, "Well, you don't think they're reading
23 every meter, but they have automatic equipment that when they
24 ride by they can just point it towards the meter and they get
25 their reading." I will tell you unequivocally, Commissioners,

1 that is not true. That's just a lie. There isn't a single
2 meter in our community that has a digital readout sender on it
3 that you can do that with. They don't have them. We don't
4 have them in our community. Lakeland Electric does on our
5 electric system, but there are none on our water. So that's
6 just another lie that comes out of this thing.

7 Auto reading devices are not allowed and we
8 believe -- so we believe that somehow or another in this thing
9 some type of customer averaging exists. Now there's two bad
10 issues in that. Number one, I unfortunately, and I'm not
11 crying on anyone's sleeve, but unfortunately had open heart
12 surgery this past summer and we were not there for three
13 months. During those three months -- I had installed two years
14 ago because of issues with water a locking system put on my
15 water system at the house and I have one neighbor next-door who
16 has a key. That was never unlocked for either water into the
17 house or water that would be used to water the lawn or anything
18 else, and I got charged 6,000 gallons one month, 5,200 the
19 second month and 6,600 the third month, and I have the bills to
20 show you that. The water was off. What -- you know.

21 There's just -- the point we're trying to make here
22 is that we just don't feel that the people of Cypress Lakes are
23 getting the right information, they're not being treated
24 properly by the utility. We don't feel the quality of service,
25 the quality of the product warrants anything but the fact that

1 we want to see them required to bring their standards up. I
2 don't think marginally satisfactory works when you want to talk
3 about increases in rates for your system within the park.

4 We're sorry if our neighbors steal some of the water,
5 but we don't think that happens either. We're all pretty good,
6 honest people.

7 From an aesthetic standpoint -- and I'm getting to
8 the end of this. I'm sure you're happy to hear that. You will
9 see a picture in there, and I have a whole series of pictures
10 here, and I could take a picture of all of them in the park
11 because they're all the same. The actual hydrants within the
12 community from an aesthetic standpoint have not been touched in
13 four years, four to five years. They are in terrible
14 condition. One of the pictures that you have with you is
15 indicative of the rest of the pictures that I have. One of the
16 residents, just to show you some of these things that happened,
17 one of the residents a month ago called the utility and said,
18 "The hydrant in front of my house looks terrible." And they
19 said, "Okay. We'll take care of it." They came over and they
20 painted the side that faces his house of the hydrant and left
21 the other side unpainted. Now this is not quality from, from a
22 utility and we don't feel it is either. It's the
23 responsibility of the utility, we've looked into that, and we
24 know that it's there as a requirement.

25 Now excessive flushing, some of the water readings,

1 and Bob will cover that part of it in his presentation, but we
2 have statements from the utility showing where the maximum that
3 they pumped in one day was five hours. We have actually a
4 video that was taken by one of our people in the community and
5 it's got a timer on the video where it went for 24 hours and
6 never stopped. And that's happened in many locations in the
7 park. Again, all I'm making a point here is that these records
8 are being falsified from what we can tell.

9 Okay. We have enlisted the support of a well-known
10 writer for The Ledger newspaper and he's expressed a
11 willingness to publish our concerns in his weekly magazine or
12 weekly newsletter, which will reach many of the surrounding
13 communities and voters. I mention that only because of the
14 fact that we just feel something has to be done. And if we
15 can't enlist your help to do something with this, we, we just
16 are at a loss except for the fact that we know we can't afford
17 a lawsuit, so we're going to have to go to some kind of a
18 higher power.

19 Now I did include in your packets a letter that was
20 written by me to Charlie Crist. And he's a person people or a
21 people person. I guess I got that backwards. And if it ever
22 comes to that point -- we feel that that's maybe where we have
23 to go because in 2002 we were not successful with anything.
24 We're hoping sitting here today that we will be.

25 For my part of it that's really all I have except to

1 thank you. And if you have any questions of me, I'll be glad
2 to present -- or be glad to try to answer them for you. And
3 Bob will present our findings, which I feel you will find
4 interesting and further validate our request for a one-year
5 delay on rate increases from Utilities, Incorporated, while the
6 Commission monitors the utility's procedures. Thank you. Now
7 Mr. Halleen.

8 CHAIRMAN EDGAR: Thank you, Mr. Holzschuh. Mr. -- is
9 it Halleen?

10 MR. HALLEEN: Yes. Halleen. Dick Holzschuh outlined
11 many of our concerns with the product quality and service. My
12 comments will focus on the filings and the staff's
13 recommendations.

14 As Dick indicated, this has been a learning
15 experience for us. We have read in detail the many documents
16 and answers to questions your staff provided and it's on that
17 basis that I've predicated my remarks.

18 First, we reviewed the processes and procedures
19 associated with the filing. Each year the utility files with
20 the Public Service Commission an annual report except in the
21 test year. Then it appears that the annual report for that
22 year is the filing except that the cost of that filing is borne
23 by the customer as the filing cost is billed to the customer
24 over four years.

25 Now when we look at the annual report, the data that

1 we see in there is identical to what's in the filing. And if
2 the annual report were the basis of the rate case, we would see
3 no particular problem. Because when the staff appears to look
4 at the, at the filing, they ask the same questions you would
5 ask from the annual report relative to the distribution of
6 allocations, the debt, et cetera. It's -- that data is
7 available to them and it leads to the same questions that they
8 ask and inquiry in the filing. So we feel that a continuation
9 of just annual reports and then at a particular time where the
10 utility feels it needs a rate increase, the basis for that rate
11 increase ought to be in the filing.

12 It was very interesting that one of the comments to
13 an inquiry from the Office of Public Counsel that we were sent
14 from the utility was to the extent, and I quote, requiring
15 responses from the utility to requests to which citizens
16 already have information only increases the amount of rate case
17 expense that customers of the utility must bear.

18 But let's examine that inquiry in a response. First,
19 the inquiry was not a result of a customer question. It was
20 proposed by the Office of the Public Counsel in advance of any
21 discussion with the customer. In other words, we didn't offer
22 him a suggestion, we didn't send him a letter or anything,
23 which suggests to us that any inquiry by the Public Service
24 Commission staff, the Office of Public Counsel or any inquiry
25 by a customer ultimately goes into the added cost of the rate

1 case. For example, the interim rate structure and the audit
2 are all completed before the customer is even notified that a
3 rate increase is pending. In other words, after all of that
4 action is done, you then come and tell us, yes, we've granted a
5 certain interim rate increase and it's part -- and it's not the
6 staff's fault. I don't blame that on the staff. That's the
7 procedure. The procedure says, given a filing, the staff must
8 respond with an interim rate within a certain period of time.
9 And the staff, when you get, as they did this year, nine rate
10 cases in one box and get a limited amount of time, have to do
11 just what they did. They can't come out and have open meetings
12 and find out what the feeling of the customer is, so they come
13 to you with an interim rate increase which you approve based on
14 the revenue and rate of return considerations you have.

15 So we feel that any question that comes before the
16 notification to the customer and which the customer then bears
17 a charge for in the rate case is, is not really fair to the
18 customer because he's had no input to it. He may have agreed
19 to a rate increase without any rate filing. Because we
20 recognize -- I mean, these are rational people -- that the
21 utility needs to make money and it needs to run an efficient
22 operation, we feel. And if that's being done, then it should
23 be granted its rate increase and it doesn't have to ask for
24 \$100,000 to get a rate increase that has to be borne over four
25 years by a customer. So at \$25,000 a year and you have 1,200

1 customers, it doesn't take much to do the mathematics.

2 Now let's also consider that same inquiry because
3 what was the inquiry that Public Counsel asked? Public Counsel
4 said, "Please explain the other uses in the 2006 report of
5 3,695,000 gallons of water in the test year. Give the details
6 of these waters by date."

7 Okay. What is the significance of that item? Well,
8 if you look at how the utility's rate is determined, there's a
9 certain amount of total water that is pumped, there's a certain
10 amount of total water that is sold, there's a certain amount of
11 water that is used to run such operations as utilities and fire
12 fighting and so on, and then all the rest is lumped into what
13 is called unaccounted for. And the Public Service Commission
14 staff has taken the position that that should not exceed
15 10 percent of the pumped water. In other words, that's what
16 might be leaked or unaccounted, truly unaccounted for.

17 So if you look at this utility, it pumps in the
18 year -- pumps 66,000 gallons of water or 66 million gallons of
19 water in the year 2005, the test year. The unaccounted water
20 then cannot exceed really 6 million gallons. But by putting
21 into other uses this 3,600,000 it does not get counted in the
22 unaccounted for because, quote, it's being accounted, it's used
23 for, quote, flushing and other uses.

24 Now if you look back, and we only had the 2001 rate
25 case and the 2002 annual report, but in both of those years the

1 other uses did not exceed 800 and some thousand. One year it
2 was 500 and some thousand, the other year it was
3 800,000 gallons. So, in other words, all of the sudden in
4 2005, the test case year, this other usage went up by a factor
5 of five times. And that's what the inquiry was and I think
6 that was a legitimate inquiry. Had we tripped over -- at first
7 we would have asked the staff to make the same inquiry. Well,
8 Public Counsel made that inquiry and we think that is a
9 legitimate inquiry. It's not information that the citizens
10 had. It's certainly not information the staff had except that
11 they hadn't decided to ask the question yet. So our question
12 is if, if that was excess water used for flushing, then why was
13 it charged to the customer? Because what they were doing is
14 really flushing for the fact that the park added four sections
15 and they were cleaning the systems and making it, trying to
16 make the quality of the water come up. So why wasn't that
17 water charged to the developer and not to the customer?

18 Okay. So we, when we looked at their records, it was
19 very interesting because there was also a discrepancy between
20 the month of September readings on the monthly reports and what
21 was published. The published figure had 1.271 millions of
22 gallons for other usage. The records for the month showed that
23 .138 million gallons or over a 1,100,000 gallons were not on
24 the record.

25 Now staff has gone back and, as we'll note that later

1 in the presentation, they did make a correction for that
2 1.1 million and added that into the unaccounted for. So we got
3 some relief from that. But the point is that there was that
4 excessive amount of flushing that, quote, does not go into
5 unaccounted for but becomes a charge that figures into the
6 revenue. And I think this will be more important as we go
7 through the presentation.

8 But as we said in there, there is no encouragement to
9 the utility to improve its operation. There is no
10 encouragement whatsoever for them to have an efficient
11 operation.

12 Consider the staff's recommendation that you adopted
13 in 2003 for the last rate case. And if you look at that,
14 you'll find that you accepted a revenue of 200 -- and that's
15 one of the charts in there -- \$237,000 was to be the water
16 revenue. And as a result of that, if we look at the current
17 filing, you'll see that the revenue on Schedule B1 was
18 \$245,000, slightly more for the test year than what you had
19 projected. But if you look at, at what they're asking, the
20 rate of return was not 9.23 percent in there but only
21 4.47 percent, and the obvious cause of the deficiency is, as
22 you would expect, increased expenses. So I've highlighted for
23 you on one of the subsequent, on the subsequent chart just some
24 of the expenses.

25 For example, salaries in the 2001 filing were

1 \$107,000 and in the 2005 filing they're \$151,000. That's on
2 the next page after -- and the point is that's -- well, it
3 shouldn't have been unexpected because remember when I said you
4 made the decision? You made the decision in 2003. When we
5 walked out of this office in 2003 we were handed by the staff
6 the 2002 report, which showed, as I've shown here, that already
7 the salary expenses were \$143,000. So you approved a rate
8 increase for the utility that was meaningless. They could --
9 unless they found a way to drop their 2002 expenses down to
10 \$107,000, they were not going to get the return that they
11 wanted and they would obviously be back in in a short time for
12 a rate increase, a rate increase of a marginal nature that they
13 did get in 2004 and 2005.

14 Material is another one that I put down there that
15 has a similar characteristic, although it went from a
16 nonallocated \$40,000 now to an allocated thing. We have a real
17 problem with allocated expenses. We have no way whatsoever of
18 tracking allocated expenses or knowing how they, they go. The
19 utility told us point blankly that they added in their filing
20 four people or they had four people associated with wastewater
21 and water operations. They do not. The maximum they've had is
22 three, and that's been given to us by the utility manager
23 there. And, in fact, in the Public Counsel filing there is a
24 note that in 2005 one of the men did not -- was -- had resigned
25 and was, quote, not replaced. It's interesting. We don't know

1 what miscellaneous expenses are and how you allocate
2 miscellaneous expenses, but it's quite obvious they went from
3 \$16,000 to \$27,000 in the space of four years. Now if you look
4 at the allocation charts in the filing that's for office
5 supplies and, and -- but we're having a great deal of
6 difficulty understanding how it can double almost in four
7 years.

8 We looked at one other nonallocated expense, the
9 following chart, which is sludge removal. And it would appear
10 that the utility has changed the wastewater process because the
11 amount of sludge or the water treated went up less than
12 10 percent, less than 4 million gallons, yet the cost of
13 removing the sludge went up 300 percent from \$17,000 to
14 \$57,000. We don't know why. But it would appear that either
15 they created more sludge and had to take more away -- but if
16 you look at the pattern of expenses as we did, it's all over
17 the map. So we don't understand how, when you look at the rate
18 at which they treated it in the filing, the sludge removal
19 varies as dramatically as it has. So, yeah, so we feel that --
20 and we have never received an answer. We -- if you look --
21 Dick and I took it upon ourselves this time after your staff
22 was down to write them a letter every week outlining things
23 that we found. One of the letters does contain the thing that
24 we looked at on sludge. To this date we have not received an
25 answer on why it went up 300 percent.

1 Okay. Now let's go to the second part of my
2 presentation, which is the -- on the standpoint -- there is no
3 formal procedure for staff, for customer review of staff
4 recommendations. In other words, they make the recommendations
5 before we ever see them. Okay? For example, and I'll use two
6 examples, number one, they revise the rate structure, okay,
7 without any customer input. And the second chart after that
8 shows what the impact is on us. If you look at the wastewater
9 cutoff, they changed the wastewater cutoff from 8,000 gallons
10 down to 6,000 gallons, and they have a one-liner in their
11 report that simply says, we did this as follows, and I quote,
12 they did it for nondiscretionary -- oh, "Based on staff's
13 analysis of residential wastewater billing data and estimated
14 nondiscretionary consumption per household per month, staff
15 believes it is appropriate to lower the cap to 6,000 gallons
16 per month." That's the extent of the comment in the
17 recommendation.

18 I just put a chart together that if you look at it
19 from the standpoint we have 15,000 bills that are put out,
20 okay, 2,500 of them are zero bills -- 15,000 bills. 2,500 of
21 them would have no impact, that change. 10,300 of them will be
22 higher because the staff did not change the revenue that they
23 want to recover from the billing. 2,300 of them, 1,400 and
24 900, will be lower. That's fine. But how do we explain to
25 two-thirds of the people that they have to pay more so that

1 one-third of the people can pay less?

2 Now we took a survey, as Dick just mentioned, of 350
3 people in there that responded to it and told us what their
4 discretionary and nondiscretionary uses were. Had the staff
5 had this interest in lowering it and talked to us, we said,
6 okay, let's share the data and see if whatever data you use for
7 nondiscretionary matches whatever data we use, and it may be a
8 valid point. We're not arguing that they shouldn't have cut
9 it. We're just saying that if you do things without letting
10 the customer have some input, what you're creating is a bad
11 situation for the customer because we've got to explain to them
12 why we're up here accepting the staff's recommendation for
13 two-thirds of them to pay a higher bill than they should.

14 We've had a -- the second one is we've had a small
15 running battle with the staff over whether 2005 is an
16 appropriate test year. And when staff was down there we
17 pointed out to them that in the year 2005, the test year, there
18 was a significant increase in rainfall in Lakeland as measured
19 by -- at the Lakeland airport and reported by the Lakeland
20 Ledger to the extent that there was 66 inches of rain in 2005
21 against an average of 49. This was a published piece of paper
22 we handed to the staff. The answer that we got back from staff
23 was, "We get it from a different source that we have a
24 subscription to, and they said the average was 53 and they had
25 56 inches for the rainfall in Lakeland." Not where they took

1 it, not when they took it; whereas, the data that we gave them
2 said this is what the Lakeland Ledger published and it's right
3 there, it's taken at the Lakeland Linder Airport at 4:30 in the
4 afternoon every day, and it's a part of the national reporting
5 that's in their paper for all of the cities in Florida. Now we
6 don't have a way of going through and finding out where the
7 55 and 53 came from, okay, so we felt that that was a
8 legitimate question to ask the staff. And not just to tell us,
9 well, go find out from these people why they only say there was
10 56 and the Lakeland Ledger says 66. Because it does make a
11 difference.

12 And we think there's other data that supports that
13 because if you turn the sheet over to the next page, you'll
14 find that, as I said, in 2005 the filing shows, and that's the
15 first column, the total pumped water was 66,278,000 gallons of
16 water. Can you find that number on that sheet? Okay. If you
17 look in 2006, you will see how much water was pumped through
18 October. 70,900,000 gallons. So, in other words, in ten
19 months they pumped 4 million gallons more. Well, what was the
20 rainfall in 2006? If you go back to the previous thing, you'll
21 find that it was below the average by 8 percent. So quite --
22 so one of the uses may have been for the nondiscretionary or
23 the discretionary use of water year-round. So, in other words,
24 there is an increase in water.

25 But as Mr. Holzschuh said, if you look at the rest of

1 the data in there, during the year there's also a significant
2 amount of increase from April, May and June compared to the
3 previous year because there are more people. In the two years
4 from 2004 to 2006, at the end we've added 177 homes. Their
5 records already show in the, in the filing that they added as
6 many between 2004 and 2005 as they did in the previous three
7 years. So there is a growth increase. It's not accounted for
8 in the way you do your revenue calculations because you
9 calculate on the basis of the 2005 water rate.

10 Now it's very interesting if you look then at the
11 next columns, two columns. Those are the other uses we talked
12 about. Okay? And the other use for 2005 has the corrected
13 amount for September of .138 instead of, as the filing says,
14 1.271. So that's why it is down 2.6 from the 3.9. You will
15 note that in 2006, all right, the other uses are down to 1.67.
16 So if you stop and think, the revenue must be fantastic because
17 if they're only allowed 10 percent for leakage or for
18 unaccounted for, that would be 7 million, and 1.6 million, so
19 less than 10 million can be subtracted off the 70 million, so
20 they should be getting revenue from over \$60 million -- for
21 60 million gallons. I bet you a dollar to anything you want to
22 put up that that isn't what their revenue figures will show.
23 Because if you look at the data records for that month, for the
24 month of October, there was never a flushing that was greater
25 than five hours. But as Mr. Holzschuh said, we have people all

1 over the community that told staff when they were there that
2 this flushing was 24/7 on some hydrants.

3 So we're saying, you know, we have a dilemma. We
4 don't throw rocks at staff. We're throwing rocks at the
5 utility because we don't think their data that they submitted
6 to base the rate recommendations on makes sense, and that
7 staff, because of the procedures they have to follow, are not
8 allowed to, to assess growth either in the revenue -- in other
9 words, was there really 60 million gallons of water sold? That
10 would be a 25 percent increase in the amount. And if it was,
11 that would dramatically affect the revenue, the tariff for, for
12 after 2005. So I don't blame staff. They did what they were
13 supposed to. Okay? But I blame whoever sets the procedure
14 that says they can't look outside the box. They can't look at
15 2004 and 2005 and see if they have an impact. So they'll --
16 their only option is what? In 2006 when they look at the
17 annual report and say you made more money than we promised that
18 you would make, you have to return it. Well, I can guarantee
19 you that when 2006 comes out, the rate of return will not
20 exceed 8.4 percent and it will not exceed 6 percent probably
21 because the expenses will be up.

22 If you look at the things that could be done, why,
23 for example, in the pro forma additions do we pay for painting
24 the tanks? We get charged in the rate case \$5,000 for the next
25 five years for painting the tanks. My belief from my business

1 experience is that that's a maintenance item. You do have to
2 paint the tanks, you do have to coat the tanks. That's what
3 you have maintenance accounts for. Why, why are we being added
4 into our rate structure? Why does the income tax double that's
5 in the rate calculations? If I raise my income by 40 percent
6 and my income tax doubles, I sure would talk to the government.

7 So our concern, as I point out to you, is that we
8 think there needs to be some changes to the procedure. There
9 needs to be some documented follow-up of the customer input,
10 not just Issue 1 out of 27 issues that says it's marginally
11 satisfactory of the quality of the product. That's where the
12 people are concerned. That's -- their concern is that the
13 product is not what they expect. They're not griping about the
14 rate they're paying for water. They expect that they will pay
15 for water. They suffer now with electric bills because, what,
16 Lakeland Electric decided to sell power without a fuel cost
17 adjustment in it. They have lost \$35 million a year in revenue
18 that they cannot give to the City because of that. But the
19 people look at that and say, well, we've got to pay for part of
20 it, we put those people in office and that's the decision they
21 made.

22 And the same way here. We, we feel that the
23 customers have some input. 350 people came to the meeting and
24 20 some of them talked to them and made presentations. And
25 there's never been -- none of them have had any follow-up. I'm

1 sure they all will get a letter like I did after the last rate
2 case thanking me for coming, but no answers to the questions
3 that they may have asked. And basically there's no
4 communication link really within the staff between the customer
5 affairs department who gets the complaints and the rate setting
6 group, the regulatory group. We made the comment to them, you
7 know, that one of our most vocal critics, a writer for
8 The Ledger, was one of these people that got one of the bills
9 that had been going on, Mr. Bonafeld (phonetic), where he had
10 been billed between \$30 and \$40 all year before and after it
11 and he got a bill for \$205 while he was in the hospital. He's
12 been very -- I would have expected by now, since I've seen the
13 letters he got back and the last letter from customer affairs
14 said, well, the utility will come out and, and validate your
15 meter but it'll cost you \$20 and you have to write a written
16 request.

17 So the bottom line of ours is we feel there is a real
18 quality problem with the product. We feel that there is a
19 quality problem with the procedure. Both of those need to be
20 adjusted. How they're adjusted, that's your requirements and
21 the staff's requirements. We, we would be the first to say we
22 don't want to get into arguing whether this allocation or that
23 allocation is right. We have no way of knowing it. But we
24 just look at it and say, hey, the answers aren't coming out
25 that two and two are four.

1 Well, thank you very much for the opportunity to
2 share with you some of this data, and hopefully that we will
3 see improved procedure and improved quality and then maybe a
4 rate increase.

5 MR. HOLZSCHUH: And at that point, again, thank you.
6 I would repeat that we would hope that you would give some
7 consideration, although perhaps probably not very realistic and
8 we're honest enough to admit that, but some consideration be
9 given to the possibility that a moratorium of some type be put
10 on this rate increase until some of these things that we have
11 mentioned particularly on the quality side have been corrected
12 to the satisfaction of ourselves and yourselves, I guess.
13 Thank you again for your time.

14 CHAIRMAN EDGAR: Thank you, gentlemen, both of you.
15 Thank you for coming and thank you for all the work and
16 preparation that you have done. And you mentioned getting a
17 letter thanking you for your participation. Well, we thank you
18 again sincerely for your participation. You've laid out a lot
19 of issues. We're going to try to respond with our staff and
20 try to get you some answers to the questions you've raised.
21 And I, as I know my colleagues do, take very much to heart the
22 concerns that you've raised also about our process and
23 procedures, which we think generally do a good job of getting
24 accurate information and analysis, but we fully recognize that
25 there always can be improvement, and we certainly strive for

1 that as well.

2 So I think I'm going to next ask OPC to help us kind
3 of go through some of the concerns that you have raised and see
4 if they have additional issues and/or comment, and then I'm
5 going to look to our staff to help us kind of work our way
6 through some of these issues. And, of course, we will hear
7 from the company as well. So Mr. Reilly.

8 MR. REILLY: Thank you. I'd like to offer a few
9 comments in further support of the customers' concern about the
10 quality of service issue, number one. Also, I'll yield to
11 Tricia Merchant to talk about Issue 21 because we have some
12 suggestions on rate structure, and also Issue 24, miscellaneous
13 service charges, as well as an additional issue which is going
14 to be a recommendation that we're making concerning
15 establishment of a service availability charge for this
16 utility.

17 But first I'd like to talk about quality of service.
18 Obviously as the customers spoke, there were 350 people at the
19 customer meeting, there were 632 recorded complaints dealing
20 with a wide range of issues that have gone, been gone into, the
21 meter reading, billing problems, poor customer relations. I
22 guess the most serious and the one that was talked about the
23 most is the excessive flushing and the low chlorine residual
24 which resulted in this warning letter that was sent to the
25 company as late as October of 2006. And then the company, as

1 the record reflects, was involved in a very aggressive chlorine
2 introduction program, an aggressive flushing program to try to
3 deal with the low chlorine residual problem.

4 We would -- I think the main thing we would offer to
5 this whole problem is that it's our view the excessive flushing
6 and low chlorine residual is really not the problem. It's
7 actually a symptom of a Band-Aid solution to the true problem.
8 The true problem, in fact you'll see it in the staff
9 recommendation, in some of the material but you have to kind of
10 look for it, there is an admission in there by the company that
11 the quality of their water is deteriorating over time. That,
12 in fact, there is increasing quantities of hydrogen sulfide
13 coming into the water. And as that hydrogen sulfide -- and it
14 doesn't just come in in a steady rate. It's more often for it
15 to come in in little waves and you'll have concentrations at
16 times and then it'll back away and then it'll come back up
17 again. But the overall chart indicates a, a steady decreasing
18 quality of water and an increasing of hydrogen sulfide. And
19 what we believe is happening is that the hydrogen sulfide,
20 there's oxidation between the hydrogen sulfide and the chlorine
21 and what's happening is your hydrogen sulfide is using up your
22 chlorine. And so there's this constant struggling to deal with
23 the varying and increasing problem of hydrogen sulfide.

24 And I think by recognizing the true problem, we can
25 work our way possibly to a solution and find an answer to a lot

1 of these quality of service problems. Because if you look at
2 the problems, they're classic hydrogen sulfide symptoms.
3 They're bad odor, bad color, bad taste, discoloration of the
4 toilets, clogged filters. I mean, these are just all classic
5 hydrogen sulfide symptoms. And I think the company is trying
6 to deal with it but I don't think they're dealing with it very
7 well, and as a result the customers are experiencing a lot of
8 poor quality service.

9 And what I was going to recommend to the Commission,
10 if, in fact, the Commission was not prepared to go as far as
11 delaying this entire rate increase, is to give some recognition
12 to all this multitude of problems and also to provide a small
13 incentive to the utility to actually face up to the problem of
14 hydrogen sulfide and put a time period on there. And what I'm
15 going to recommend to you, what the Public Counsel recommends
16 as an alternative to suspending the proposed rate increase is
17 to do a 100-basis-point reduction of the return on equity.
18 It's a modest acknowledgment that the company -- that the
19 customers are, in fact, not receiving their full service, and
20 also just put a year time limit on that, that this basis point
21 adjustment is being made for one year as an encouragement to
22 the utility to face up to the, to what we believe is a black
23 water problem and to come up with an economical solution to the
24 problem.

25 This flushing millions of gallons of water and all

1 and having really just a single chlorine booster, you know,
2 from the water source is probably not getting the job done.
3 And you'll see those water logs, water records; there was a
4 tremendous bunch of pumping around October. And I suspect that
5 this was their getting the warning letter taken care of and
6 paying the \$1,200 and getting this little problem behind them
7 so staff could write in the recommendation, warning letter
8 taken care of, low residual taken care of, we're going to move
9 on and forget about this. But this problem is not going away.
10 The hydrogen sulfide, assuming if the trend continues, is going
11 to potentially continue to get worse. So I think this is an
12 opportunity for the staff and the Commission to use this PAA
13 order to possibly give a slight recognition that perhaps the
14 quality of service is not too, is not what it should be with
15 the 100-basis-point reduction, but also with a time certain to
16 go out and address what is the underlying problem.

17 Obviously the solutions to this problem -- there's no
18 free lunch. There's always a cost associated with solving any
19 problem. If you get a problem as severe as Aloha, you know,
20 which is the poster child of black water, we had to go all the
21 way to, you know, a rather elaborate ionization process and a
22 fairly expensive process. I don't suggest that Cypress Lakes
23 is nearly that bad yet, and so it might well be that the most
24 economical solution is just a properly placed chlorine pump
25 station that could boost the situation and help reduce this

1 whole cycle. Again, that's something I think that's for the
2 company to decide. But we're here trying to acknowledge the
3 serious problem and give the Commission an opportunity to do an
4 alternative recommendation on, on what they can do about the
5 quality of service, and I think it will provide an incentive
6 and also encourage the company to go out and perhaps address
7 the real problem.

8 With that said, may I yield to Ms. Merchant to raise
9 several issues which I think staff is aware of and we might
10 make some progress on that.

11 CHAIRMAN EDGAR: Okay. Ms. Merchant, let's see.
12 Just for my keeping track, 21 and 24, it looks like I'm missing
13 one.

14 MS. MERCHANT: And I relabeled one 24A, because it
15 would fit right there. It would be back in the rate structure
16 issue. The first one deals with Issue 21.

17 Good afternoon, Commissioners. The first one is the
18 wastewater gallonage cap. Normally, the Office of Public
19 Counsel does not get involved in rate structure issues, but
20 this is one that was a change in staff's recommendation. It
21 wasn't requested by the utility. The customers -- staff had
22 originally said that the customers had wanted this change from
23 the 8,000-gallon cap to the 6,000-gallon cap based on their
24 customer service meeting, but after we spoke with the customers
25 this week and last, they are opposed to it as you heard

1 Mr. Halleen say earlier.

2 And when the cap is lowered, absent any other rate
3 increase, it charges the lower consuming customers more and the
4 higher consuming customers less. And we believe that that is
5 inconsistent with the proposed water rate structure, which it
6 is an inclining block rate structure. You want to charge the
7 ones that use more water a higher rate.

8 And also this is no revenue impact to the utility, so
9 really the utility is not opposed to it. We just believe that
10 if it is not broken you don't need to fix it. So if we could
11 leave that part of the issue the way that the company had it in
12 their filing, we believe that was appropriate.

13 The second issue that I have is on Issue 24, and that
14 deals with miscellaneous service charge revenues. The staff
15 has recommended increasing the miscellaneous service charges,
16 and we don't disagree with that at all, but what we believe
17 should be done is to recognize the increase in revenues in the
18 rate case revenue requirement calculations. And we have
19 calculated the impact of increasing the miscellaneous service
20 charges as a \$1,500 increase to water revenues and a \$2,200
21 increase in wastewater revenues, and staff didn't make that
22 change in their recommendation. I believe they originally
23 didn't think it was as material of an impact as it was. So we
24 believe that would be reasonable to correct in the staff
25 recommendation.

1 Now, Issue 24A deals with the service availability
2 charges, which is not an issue in the rate case. Currently,
3 the company only gets contributions-in-aid-of-construction for
4 contributed plant. So when the lines come in as planned, the
5 lines come in as CIAC and there is zero rate base impact. So
6 it doesn't really impact the case at all. They have only a
7 water meter installation charge, which is very minimal. There
8 is no plant capacity charge for water or wastewater, and that
9 is almost unheard of today.

10 In the last rate case it was not addressed. I was
11 actually with staff at the time of the last rate case. I don't
12 have any documentation to support this, but I remember the
13 company saying there wasn't a whole lot of growth, so let's
14 don't go through that issue. But growth has happened. And the
15 current CIAC ratios are real low for this company. It's about
16 23 percent for water and 34 percent for wastewater, which is
17 really low. The minimum amount of CIAC, the guideline rates
18 are the dollar amount of lines that you have, and that is
19 essentially the minimum. So whatever investment you have in
20 lines is what the guideline level of CIAC should be. So if you
21 have a million dollars in lines, you should have a million
22 dollars in CIAC. That is just a visualization there.

23 The maximum is 75 percent, so you can see how high it
24 goes, and here we are at 23 percent and 34 percent, which is
25 less than what the investment in lines is for both water and

1 wastewater. This also doesn't impact the utility. It provides
2 increased funding, another source of funding. It doesn't
3 actually impact the current rate case, but it can offset future
4 plant investment costs. It will give the company a source of
5 funding if they need to make some water improvement plant
6 investments or if they need to make some wastewater plant
7 improvements. It will provide that funding in the future so
8 they don't have to come back to the ratepayers again for
9 another rate increase.

10 So we propose that the Commission implement a \$1,500
11 charge for water plant capacity and a \$1,500 charge for
12 wastewater plant capacity. This is not based on any scientific
13 calculation. I'm sure if you went through the standard
14 calculation that we would go through it would be extremely high
15 for water and wastewater because the ratios are so low. But,
16 recognizing -- and those CIAC charges are pretty much in the
17 ballpark of what other companies charge, also.

18 But the other thing we would like to propose is that
19 the company be required to go ahead and implement the increased
20 CIAC charge at this time subject to refund so that they can
21 file a tariff filing in the future, and if the charge is too
22 high or too low it will be subject to refund and true-up at the
23 point in time when they finalize their service availability
24 application.

25 And that concludes my comments.

1 CHAIRMAN EDGAR: Mr. Reilly.

2 MR. REILLY: One minor supplement. We are
3 anticipating some pretty good growth soon. So if by
4 implementing this now could, in fact, offer some funds to
5 address the problem that I spoke of, and also keep from being
6 back here too quickly with another rate case.

7 MS. MERCHANT: I was going to tell you the revenue
8 impact of my numbers. It's about \$675,000 of increased funds,
9 using those two amounts that we have recommended, for the
10 number of customers that they propose in their used and useful
11 calculation over the next five years. So that's a significant
12 amount of money that the utility would get this money for
13 future plant investment.

14 CHAIRMAN EDGAR: Okay. And, Ms. Merchant, retell us
15 again the actual charges that you were recommending.

16 MS. MERCHANT: It was 1,500 for water and 1,500 for
17 wastewater, and that is a plant capacity charge.

18 CHAIRMAN EDGAR: Hang on. Okay. Mr. Halleen.

19 MR. HALLEEN: Two comments. Number one, there is
20 significant growth still planned. In other words, the
21 developer of this community has under development right now an
22 additional 120 lots in what its referred to in the filing as
23 Phase 12. In addition, he is making approximately \$3.5 million
24 worth of improvements to various parts of the facility in terms
25 of another pool, things to aid the residents. In return he has

1 asked for the residents to allow him to increase the prospectus
2 by another 170. So, fundamentally, in the next five to ten
3 years we will again see another 300 unit growth in that, which
4 obviously is going to require a plant increase.

5 And, we would -- it has become, what we call in the
6 Polk County area, an impact fee discussion. And the local
7 commissioners are constantly battling the -- because it's one
8 of the fastest growing counties in Florida, they are constantly
9 trying to get the revenue to do what needs to be done to get
10 the infrastructures. And we think that same thing needs to be
11 done in the park, because obviously the water situation is not
12 going to get better without some expenditure.

13 CHAIRMAN EDGAR: Thank you. And, Mr. Holzschuh, I
14 think you wanted to make an additional comment earlier?

15 MR. HOLZSCHUH: (Inaudible.)

16 CHAIRMAN EDGAR: Okay. I'm going to look to our
17 staff to, as I said earlier, kind of walk us through. But
18 before I do that --

19 MR. FRIEDMAN: Chairman Edgar, could I make comments
20 real quickly?

21 CHAIRMAN EDGAR: Oh, Mr. Friedman, I thought you
22 wanted to go after the staff, but certainly if you would like
23 to make comments now you may.

24 MR. FRIEDMAN: It might be easier for me to go -- I
25 mean, certainly for me remembering what was said, it will be a

1 lot easy easier. When you get my age it sometimes --

2 CHAIRMAN EDGAR: I'm trying to keep track of it, as
3 well. That's fine, Mr. Friedman, you're recognized.

4 MR. FRIEDMAN: I'm going to make some comments while
5 Mr. Seidman comes up. I'm going to start with the comments
6 that Public Counsel made, because they were brief. The issue
7 of the test year revenue for miscellaneous service charges, I
8 didn't see how they calculated that so, philosophically, I
9 don't think there is a problem with it, it is just how to
10 verify that they calculated it in a manner that we deem would
11 be appropriate is my only concern about that. And those are
12 de minimis amounts.

13 The wastewater cap issue, as Ms. Merchant mentioned,
14 is not one that usually the utility is concerned about. And I
15 would only comment that I think that the staff's goal was one
16 of water conservation in reducing the gallonage cap to just
17 that that the customer needed for inside uses. So I think the
18 goal that the staff had is the correct one, but as a matter of
19 policy, as long as the revenue proofs out, the utility really
20 is not concerned about the rate structure.

21 The CIAC issue, I have a couple of comments about
22 that. And I'm not sure I understood exactly the way that
23 Ms. Merchant articulated it would be implemented, but the first
24 is that they keep mentioning this 120-acre addition to the
25 park. In fact, that acreage isn't part of the park now. It's

1 not within the utility's service area. And so although we do
2 expect that it will be, and we will be filing an application in
3 the near future for that purpose, it isn't part of the service
4 area now, that phase that they talked about, and I think it
5 would be presumptuous to presume that it is and will be.

6 The second issue is one of I'm concerned about the
7 notice to the developer who is doing that. We have gone
8 through this process for five months, six months, without any
9 notice that this developer was going to have this imposed on
10 him, and as was mentioned, \$3,000 times 120 units is not an
11 insubstantial amount of money. And certainly, in all fairness,
12 you would expect that developer to have been put on notice that
13 this may occur. And, you know, like the customers complain
14 about not being able to participate in the process, this
15 developer should have had an opportunity to participate in this
16 decision that has a substantial financial impact on the
17 developer.

18 Otherwise, the utility typically wouldn't complain
19 about a service availability charge. I'm just kind of raising
20 the issue about fairness because the developer is not here to
21 do it themselves. I also don't understand the process.
22 Ms. Merchant said \$1,500 for water and \$1,500 for sewer, and
23 then she said we'll do it on an interim basis and do some
24 true-up later, and I don't understand what that meant. I mean,
25 if she just meant impose a \$1,500 fee now, that I understand.

1 And if that's what the Commission decides to do, and you
2 believe that it is fair to do in light of the fact that those
3 120 lots are not in the service area, and the fact that the
4 developer has not been notified, then, you know, do what you
5 do. But I'm concerned about it creating some other obligation
6 that we have to come back in the future and do some true-up,
7 and she said either refund or collect more. And I'm concerned
8 about some unknown unarticulated process in the future.

9 If it's put these charges in effect now, it's done
10 and over with, that's one thing. If it's let's come up with
11 some procedure and leave it open, it may go up or down in the
12 future, I philosophically have some concerns about that,
13 because it hasn't been articulated as to how to do it. And as
14 either Ms. Merchant or Mr. Reilly mentioned, if you really
15 tried to make this to get it to 75 percent, these lots, whoever
16 those lots are to be developed would pay such a high service
17 availability charge that it would make it undevelopable. And
18 so, the \$1,500 water and \$1,500 sewer, the impact fee that the
19 Public Counsel recommends is not really trying to get us to
20 that amount, so I don't know what true-up is necessary.

21 CHAIRMAN EDGAR: Mr. Halleen, did you have --

22 MR. HALLEEN: I would like to ask Mr. Friedman a
23 question. The 120 lots that were talked about are already
24 approved and the ground is being worked and all. That's Phase
25 12, which you have said you have the capacity to service, I

1 believe. That's in the filing. That is the 120 that we're
2 talking.

3 MR. FRIEDMAN: The point I made -- and I don't
4 dispute that they may be in the park and they may be permitted.
5 My point is they are not in the service area. And if you all
6 want to say, well, they are not the service area, it doesn't
7 matter, that would be contrary to what I have seen the
8 Commission do in the past on service outside the service area.
9 My only point was they are not in the service area for what
10 that is worth.

11 CHAIRMAN EDGAR: Okay.

12 MR. FRIEDMAN: And I don't think there is any dispute
13 on that with anybody.

14 CHAIRMAN EDGAR: Mr. Reilly.

15 MR. REILLY: A couple of quick -- I think that this
16 would be handled as we have a recommendation coming to the
17 Commission perhaps in the next agenda on Aloha on a settlement
18 on just such a thing, a service availability charge increase.
19 And I think it has been staff -- and Legal staff can advise you
20 better on this, but I think this is just a stipulation between
21 the parties, and obviously there are developers in the Aloha
22 area that are going to be impacted, and I think they are going
23 to issue it, if I'm not mistaken, as a PAA, and a developer
24 whose substantial interests are affected by that proposed
25 tariff, that they will have a point of entry to protest that if

1 I'm not mistaken.

2 And I do agree with Mr. Friedman's comments that
3 there will probably not be a need of a true-up. I think we
4 have really tried to recommend a figure that was reasonable and
5 consistent with what other people are charging, and it was not
6 an attempt to, you know, get us to the Commission's rule on
7 service availability. So, I think it's going to be a number
8 that we are going to put out there, people are going to argue
9 if, in fact, there is a protest; if not, it will go right into
10 effect. But I think the argument she did make is let's try to
11 at least get our flag in the hill and be collecting it subject
12 to refund so that we don't lose a big development coming in and
13 not have that money available to help keep future rate cases
14 from coming.

15 CHAIRMAN EDGAR: Mr. Holzschuh.

16 MR. HOLZSCHUH: Chairman Edgar, may I just ask one
17 question? I'm at a loss here as to what the definition of the
18 service area would be.

19 CHAIRMAN EDGAR: Mr. Friedman, would you like to take
20 a crack at that?

21 MR. FRIEDMAN: The service area is the area, the
22 description of the property that the Public Service Commission
23 has granted authority by an order to be served with water and
24 sewer by this utility. And apparently, as I understand it,
25 this phase of the development was not in the original

1 development plan of the developer of this area. And you may
2 know more about that than I do, but I can tell you that that
3 area that those 120 lots are located is not within the legal
4 description of the property that has been certificated to the
5 utility. That's my only point.

6 MR. HALLEEN: That's fine. So we can go back and ask
7 the developer that question.

8 MR. FRIEDMAN: And if you take that action, certainly
9 the developer needs to be put on notice that the PAA is out
10 there so that they will have the right, like anybody else, to
11 protest it, should they so desire. But we don't have a problem
12 implementing it on an interim basis, I was just concerned that
13 we were going to have to make some filing at some point to
14 substantiate a rate, and that's not what we want to do.

15 CHAIRMAN EDGAR: I understand.

16 MR. FRIEDMAN: The other comments that I want to
17 raise, and keep in mind this is a water and sewer utility, and
18 I think if you have heard the comments today, I haven't heard
19 any complaints about the wastewater system. Nobody has
20 complained that the plant smells or that there is backups in
21 the lift stations or that sort of thing. So I think that
22 suggesting that the utility not get a rate increase for a year
23 because of quality of service problems, when admittedly -- or
24 at least we haven't as of this time heard any quality of
25 service issues with regard to the wastewater system, I

1 certainly think would be inappropriate and would be overkill.

2 The health concerns, the water quality being provided
3 by Cypress Lakes meets all the primary standards. The only
4 blips have been the two instances in 2006 that Mr. Reilly
5 mentioned. Not the test year, but happened in 2006 when the
6 chlorine residual was below the requirement. The utility
7 resolved that issue. The Department of Health has that
8 jurisdiction in Polk County, not DEP, and so they resolved that
9 issue. It was done with what they call a short form consent
10 order with the health department acknowledging that the payment
11 of the civil penalties by you does not constitute admission of
12 liability. So the utility paid the penalty as a practical
13 solution to a problem and not with the admission that it was
14 doing anything wrong.

15 And I don't think that I have heard anything, other
16 than the comments that Mr. Reilly made about these two blips,
17 of any health-related problems. There are problems with the
18 taste and smell and odor, secondary standards that do occur on
19 occasion that these customers have complained about. And there
20 are, I guess, like anything else, as Mr. Reilly said, anything
21 can be fixed for a price, and that is something that could be
22 looked at in the future to see if that is a solution that the
23 customers and the Public Service Commission thinks is worth --
24 if the fix is worth the cost.

25 But to suggest that the quality of service of this

1 utility is such that their rate of return should be reduced for
2 100 basis points for a 12-month time period I don't think is
3 justified by what you heard today. The utility turns in
4 customer complaint data to the staff and the staff analyzes
5 that customer complaint data. Now, as a matter of fact, the
6 customers said when you call in about your meter they tell you
7 that you have to have it in writing and they want a \$20
8 deposit. Well, that's what your rules say has to do done. To
9 get a meter test you give them a \$20 deposit. If the meter is
10 running wrong, they get their money back. If the meter is
11 accurate, the utility keeps the \$20. If the meter turns out to
12 be inaccurate, then they get the \$20 back. But that's your
13 rules. So, when they think that that is something that the
14 utility is demanding that they do that is unreasonable, they
15 are just doing what you have told them to do in your rules.

16 I find it interesting that the customers on the one
17 hand would say that the unaccounted for uses of water are
18 overstated, and then at the same time saying but they are
19 flushing all the time. I mean, it seemed to me that their
20 testimony that they are flushing all the time certainly
21 substantiates the fact that the other uses of water are going
22 to be very large. And, as was, I think, insinuated, the
23 flushing is required to maintain the chlorine residual in the
24 far points of the system, and that is probably particularly
25 true in the times of the year when there is not a full customer

1 contingency where water is being drawn throughout the system
2 because chlorine dissipates over time.

3 As far as the approval process for the interim rates
4 is concerned, as long as I have been doing this for 25 years we
5 have had that same process, and the statute says you have got
6 to do it in 60 days, and that's what you do. And that process
7 just doesn't, unfortunately, allow an opportunity to get
8 customer input before that occurs. But that's the process we
9 have had for all of these years and it seems to have worked
10 well for the past 25 years.

11 As far as the issue of the Lakeland Ledger reporting
12 that the rainfall is something different than what the staff
13 got from the official sources, you know, I don't think -- I
14 don't believe everything I read in the newspaper. I have read
15 the staff's analysis of the rainfall data which is taken from
16 recognized data stations, and it's certainly -- I would put
17 credence to that information over what I read in the Lakeland
18 Ledger that doesn't have any support other than the Lakeland
19 Ledger said it. And I don't think that's sufficient to support
20 any contention that the test year was not representative.

21 And I'm going to turn it over to Mr. Seidman to make
22 some comments. Thank you very much.

23 MR. SEIDMAN: Thank you, Commissioners. I'm only
24 going to address one issue and that's the chlorine issue.
25 Just, sort of, to bring you up-to-date on what has transpired

1 since last October when the consent order came out. First of
2 all, I would like to agree with Mr. Reilly with his basic
3 description of the problem there. I think he hit it on the
4 head. The problem with the chlorine residuals is one of
5 hydrogen sulfide. I don't think it is to the extent of the
6 problems at Aloha which has a full black water problem which
7 deals with other problems with the water beside hydrogen
8 sulfide. But what we have here in Cypress Lakes is we have
9 service for the water provided by two wells, okay. One of the
10 wells has real good quality order. The other is higher in
11 hydrogen sulfide. They each have their own chlorine feed pump
12 associated with them. And the one with the sulfide problem
13 requires a much higher rate of chlorine injection in order to
14 deal with the sulfides. The other one is fine.

15 What the utility had been doing over the past years,
16 and which I think the results are evident from the complaints
17 of the customers, they had been alternating the pumps in
18 meeting the demand of the system. To exercise both of the well
19 pumps, they would one work pump for several hours, the other
20 pump for several hours, and go back and forth. As a result of
21 that, some of the time they are getting the water from the good
22 well and other times they are getting it from the well with
23 hydrogen sulfide. That may account for what Mr. Reilly
24 describes as this problem coming in waves. So that was
25 something that exacerbated the problem of having sulfides in

1 the water. Which, by the way, I think you all know is pretty
2 common in Central Florida.

3 The other problem was the chlorine feed pump on the
4 second well which has the sulfide problems couldn't keep up
5 with the demand for chlorine because the hydrogen sulfide was
6 basically using it up so quickly. And that's why you are
7 getting the zero or lower than .2 parts per million readings of
8 chlorine residual. So what the utility did in October was to
9 go ahead and do two things. One is they decided to use the
10 first well, the better well, on a continuing basis for demand
11 and use the other one as backup. So that gave more time when
12 there was better water flowing through the system. And the
13 other thing they did was to increase the size of the chlorine
14 pump, chlorine feed pump on that second well so we could keep
15 up with the demand for chlorine caused by the sulfide problem.

16 As a result of that, the water quality all around
17 should be better, and the amount of flushing should have
18 decreased substantially since that time. And that's where we
19 stand with it. We think that that has solved the problem
20 pretty much. As far as anything additional to be done with
21 regard to improving it over the long run, if necessary, that
22 would take additional investment, and it is investment for
23 quality of service that is a problem from the customer's
24 viewpoint, but not from a health viewpoint as Mr. Friedman
25 pointed out. So it would require additional investment by the

1 company to meet what I would characterize as esthetic quality
2 problems rather than safety problems or adequacy problems with
3 regard to meeting DEP standards. And that can be done. But,
4 as people have said, it has a price associated with it.

5 I don't know that it has to be anything as drastic as
6 ionization. It could be handle by adding an aerator and pumps
7 for the aerator and storage for the aerator and handling it
8 that way. Although that has its side issues of you may get a
9 smell in the air because an aerator takes the sulfides out by
10 making it gaseous. But that is a solution over the long run,
11 but the company has not done anything yet to investigate that
12 because it is not a first order concern with regard to meeting
13 DEP requirements, and that's where we stand with that.

14 CHAIRMAN EDGAR: Okay. Thank you. I'm going to look
15 to our staff now to help us walk through some of the issues and
16 concerns that have been raised. I'm thinking that maybe we
17 save Issue 1, I expect there may be some questions and
18 discussions on that, and would ask that we address some of the
19 concerns that have been raised on the remaining issues first,
20 and then come back to Issue 1.

21 MR. REVELL: Staff is prepared to answer your
22 questions. On the four main questions raised by OPC, there
23 will be four different individuals addressing these questions.
24 And I think you would want to move to 21, the water rate
25 structure first, and that would be Ms. Lingo.

1 CHAIRMAN EDGAR: Ms. Lingo.

2 MS. LINGO: Good afternoon, Commissioners. This is
3 Jennie Lingo for staff.

4 Commissioners, Issue 21 is located on Pages 37 and 38
5 of the recommendation. Specifically with regard to the
6 wastewater gallonage cap, it was stated that staff altered the
7 wastewater gallonage cap with no input from the customers, and
8 I would like to take some issue with that in that we were
9 specifically requested at the customer meeting to look at
10 whether the wastewater cap should be adjusted downward. But
11 this is something we do in every case. Based on our analysis,
12 we do believe it should be adjusted downward.

13 Before I get to the customers' handout, if I could
14 address, please, some of the remarks made by Ms. Merchant
15 regarding the gallonage cap. She stated that a customer with
16 low consumption would receive, actually, an increase changing
17 the cap from eight to 6,000 gallons, and it is her belief that
18 that would be actually counter or contrary to conservation rate
19 structure. Moving the cap from eight to 6,000 gallons is not
20 relative to a conservation rate structure, but whether or not
21 the percentage of water that is purchased by the customers that
22 is returned to the wastewater system looks like it makes sense.

23 Right now, Commissioners, at the 8,000-gallon cap,
24 94 percent of all billable gallons of water get returned to the
25 wastewater system. And that's very high considering the type

1 of customer base we have, considering the fact that all of
2 these customers have yards, so there are some irrigation
3 requirements. Obviously some customers are going to irrigate
4 more than others, but to think that almost all of the water a
5 customer purchases gets returned to the wastewater system, we
6 believe is illogical.

7 Moving the cap down to 6,000 gallons, we get the
8 consolidated factor down to 89 percent, which moves us closer
9 to the typical target that we try to look for or set at of
10 80 percent, which is an industry standard, and something that
11 the Commission has long followed.

12 Now, Commissioners, if I could please direct your
13 attention to some of the comments made by the customers. If
14 you could go to the handout entitled filing and procedure
15 issues, specifically the page entitled wastewater cutoff, where
16 the customers outline the total number of bills and the number
17 of bills that would receive increases and decreases under our
18 proposed rate structure. Looking at --

19 CHAIRMAN EDGAR: Ms. Lingo, just a second. We want
20 to make sure that we have the right --

21 MS. LINGO: I apologize.

22 CHAIRMAN EDGAR: That's okay. The right -- okay.
23 Thank you.

24 MS. LINGO: In the middle column where they outline
25 the total number of bills that would receive increases and

1 decreases under our recommended rate structure, the number of
2 bills at zero usage and the -- the number of bills at zero
3 usage would be about 16 percent. So, 16 percent of the
4 customers would receive no increase or decrease because we have
5 kept the base facility charge the same using the two rate
6 structures. Where they show over 10,000 bills receiving an
7 increase, and approximately 2,400 bills receiving a decrease of
8 some sort, we would like to point out, Commissioners, that
9 looking at the absolute numbers does not tell the whole story.

10 In absolute numbers, there is a greater number of
11 bills that will receive a higher bill under our recommended
12 rate structure, but we would also urge you to look at the
13 magnitude of the changes because we believe that tells an
14 equally important story. For those customers who would receive
15 some sort of price increase under our recommended rate
16 structure, that increase would range from 28 cents to \$1.68.
17 The \$1.68 would be the maximum increase the customer would
18 receive on any monthly bill based on our recommended rate
19 structure.

20 However, Commissioners, if the customer is currently
21 billed at 8,000 gallons or more, and we reduce the cap down to
22 six, the price decrease that they would receive is \$8.76. So,
23 Commissioners, looking at it another way, it would take more
24 than five months of bills at even the maximum increase of \$1.68
25 to offset the almost nine dollar decrease that they would get

1 from lowering the cap from eight to six.

2 So, again, we would urge you not to just look at the
3 number of bills and say that 68 percent of the bills would be
4 at a higher rate. They would be at a higher rate, however, the
5 magnitude of those increases is very, very small compared to
6 the decreases that the other bills would receive.

7 And, Commissioners, we would also just point out that
8 changing the cap from 8K gal to 6K gal, it does not change -- I
9 believe Mr. Halleen made reference to perhaps changing the
10 revenues that would be generated changing the cap from eight to
11 six. And the revenue requirements for wastewater would remain
12 the same whether the cap is at eight or at six, the question is
13 just how you slice that revenue requirement pie.

14 And if there are no questions from the Commissioners
15 regarding Issue 21 --

16 CHAIRMAN EDGAR: Commissioners, any questions on the
17 discussion thus far on Issue 21? No? Maybe, hang on.

18 Commissioner McMurrian.

19 COMMISSIONER McMURRIAN: Thank you.

20 Ms. Lingo, I just want to make sure I understand.
21 The 6,000 to 8,000 gallons, a customer who would result in
22 paying higher for the zero to 6,000 gallons might also pay the
23 lower amount for the 6,000 to 8,000 gallons just depending on
24 usage. It's not that some customers fall into this category
25 and other customers fall into that one. It may be a customer

1 falls into one tier and pays a certain amount and then the
2 second tier and then pays --

3 MS. LINGO: Yes, ma'am. I apologize. And that is a
4 terrific point to make. A customer's usage is not necessarily
5 going to be the same every month. Some months they may be
6 below the cap, some months they may be at or above the cap.
7 What we would urge the customers and the Commissioners to do is
8 try to look at it on a total overall basis keeping in mind
9 exactly what you said, Commissioner McMurrrian, in that
10 depending on usage it's going to depend on whether you receive
11 a price increase or a price decrease. And that ties into what
12 I said about you would need more than five months of even the
13 greatest increase to offset the decrease that you would receive
14 in another given month.

15 COMMISSIONER McMURRIAN: And this isn't contrary to
16 conservation policy even though at the higher tiers you're
17 getting a lower rate?

18 MS. LINGO: It really, Commissioner, is to more
19 reflect whether or not it makes sense, the amount of water that
20 the customer is using is being returned to the wastewater
21 system.

22 COMMISSIONER McMURRIAN: That's all. Thanks.

23 CHAIRMAN EDGAR: Okay.

24 MS. LINGO: Thank you, Commissioners.

25 If I could now move to Issue -- I believe it's Issue

1 18, the rainfall issue. Commissioners, that's located own
2 Pages 33 and 34 of the recommendation.

3 Commissioners, as the customers have indicated, they
4 disagree with the calculated average rainfall that we use to
5 compare to the 2005 test year to determine whether or not 2005
6 is appropriate or not because of abnormal rainfall. As the
7 customers have discussed, they used data out of the Lakeland
8 Ledger, which indicates an average rainfall of 49.1 inches. If
9 you look at Table 1 at the bottom of Page 33, it would sort of
10 walk you through the process as to how we came up with what we
11 came up with in our recommendation. We don't know how many
12 years worth of data went into the Lakeland Ledger's number of
13 49.1. We think we have some idea of how they arrived at that
14 number.

15 If you look at just the Lakeland 1 reporting station
16 and ask for a query of, you know, give me Lakeland's average
17 rainfall, it's going to give you 49.1 inches. But the problem
18 is that Lakeland station went off-line in 1995. So we don't
19 believe using the -- we call it Lakeland 1 station only is
20 appropriate because obviously we are now in 2007.

21 If you combine data from Lakeland's two reporting
22 stations, one went off-line and then they brought another one
23 on-line, if you combine that data and do a 30-year average, the
24 30-year average, the most recent 30-year average preceding the
25 test year is 53 inches, not 49 inches, which is within

1 6 percent of the test year reported rainfall of 56 inches.

2 Again, Commissioners, we don't know where or how the
3 Lakeland Ledger obtains its data. We subscribe to a
4 subscription service that's an arm of NOAA, and we subscribe to
5 that service, Commissioners, because of the quality of the data
6 and the confidence we have in that data. And we would ask you,
7 Commissioners, that based on our data analysis that you would
8 approve staff's recommendation in Issue 18 that 2005 was not
9 abnormally wet and that 2005 is, therefore, an appropriate test
10 year.

11 CHAIRMAN EDGAR: Okay. Next issue.

12 MR. REVELL: The next issue that we would like to
13 address has to do with miscellaneous service charges. Public
14 Counsel has indicated that they're concerned with the lack of a
15 recommendation in staff's rec to impute extra test year
16 revenues because of our increase in miscellaneous service
17 charges. When we originally made the calculation, we were
18 relying on a data request from the utility. That data request
19 indicated that the total impact for both water and wastewater
20 would be \$58.

21 We have done some further research into the matter
22 and have contacted utility personnel in the Chicago area before
23 agenda today, and they went through and reviewed the data that
24 had been committed to us back in October and they indicated
25 that they had not included initial connections in their data.

1 So relying on the utility data, we recommended -- or did not
2 make a recommendation to make an adjustment. However, based on
3 the new information, we are not opposed to accepting Public
4 Counsel's suggestion of \$1,500 for water and 2,200 for
5 wastewater.

6 CHAIRMAN EDGAR: Commissioners, any questions on the
7 discussion on Issue 24?

8 MR. FRIEDMAN: Would this be an appropriate time for
9 us to make a comment on that? Because I know that Mr. Seidman
10 and Ms. Merchant had been talking about it, so Ms. Merchant has
11 been explaining how she calculated it and what assumptions she
12 used. And so I think it might be appropriate for that to be
13 explained and to realize that there are certain assumptions
14 that were made that it could be way off or could not be way
15 off. And so while we don't disagree that an adjustment might
16 be necessary, I think we might disagree as to the magnitude of
17 the adjustment.

18 CHAIRMAN EDGAR: Okay. Mr. Seidman or Ms. Merchant,
19 briefly. We do have a lot to cover, so if you can do it
20 briefly.

21 MR. SEIDMAN: Ms. Merchant and I were talking,
22 because I made a calculation, she made a calculation and came
23 up with different numbers. We were comparing how we did it.
24 Both of them are based on assumptions. We worked off the MFRs,
25 which does have, I believe, the correct amount of dollars

1 booked for miscellaneous revenues. And what Ms. Merchant's did
2 is they made an assumption that -- there were two charges that
3 were increased, one for normal service trips and one for
4 after-hour trips. The normal service trip rate was increased
5 by 40 percent. The after-hours service charge was increased by
6 180 percent.

7 We had assumed that all of the visits were normal
8 hours. They assumed that 25 percent of the visits were after
9 hours. As a result, basically her calculation comes out about
10 double what mine does. Hers is about 4,000 some odd dollars
11 for both water and sewer, mine is close to probably 16 or
12 \$1,700 for both water and sewer. All I can do is offer that to
13 staff, and what they want to do with it, but neither of us have
14 information as to what percentage of trips were made on normal
15 hours and after hours.

16 CHAIRMAN EDGAR: Okay. Mr. Reilly, did you want to
17 make -- no.

18 Okay, Commissioners. Commissioner Carter, did you
19 have a question or comment?

20 COMMISSIONER CARTER: I lost my train of thought.

21 CHAIRMAN EDGAR: We can come back if we need to.

22 Okay. To staff, additional -- Mr. Rendell.

23 MR. RENDELL: Commissioners, Troy Rendell on behalf
24 of Commission staff. I would like to address the service
25 availability charges.

1 CHAIRMAN EDGAR: Is that we are calling 24A?

2 MR. RENDELL: 24A, the new issue that was raised by
3 OPC. Staff is not opposed to the implementation of a service
4 availability charge if the customers as represented by OPC wish
5 to have a charge and the utility is not opposed to it. I do
6 want to make a couple of points. One is that it was noticed,
7 it is standard language in all notices that go out and in the
8 initial notice as well as the customer notice, the customer
9 meeting notice that although a utility may not be requesting a
10 change in service availability charge, the Commission may
11 review and adjust the service available charge. That is
12 standard language which is included in all noticing.

13 As far as how the procedures would be from here, I
14 believe the charges would be issued in a PAA order. The
15 tariffs would not be approved until the notice has been
16 approved by the Commission staff. That notice will be issued
17 to all persons who've submitted a written request for service
18 within the last 12 months of the date of this decision. There
19 is an entry point, the developers or affected parties may
20 protest the PAA order at that time. Those charges could go
21 into effect, subject to refund, pending the completion of a
22 hearing process. That is standard of how the service
23 availability charges are implemented in rate cases. So, we are
24 not opposed to that methodology.

25 We do not agree that they should come in with a

1 subsequent service availability filing. Based on our analysis,
2 the charges would be somewhere between \$1,500 for water and
3 over 4,000 for wastewater just to bring them to the minimum
4 level of service availability. If there is a concern that the
5 utility may reach the maximum or exceed the maximum, then we
6 would support them subsequently coming in, but they are never
7 going to reach that minimum. They are almost fully built out.

8 So, we would support the charges espoused by OPC, but
9 we would not support a subsequent filing which would add costs
10 to that fee. So, we are in support of that charge.

11 CHAIRMAN EDGAR: Thank you, Mr. Rendell.

12 We have discussed now to respond to the concerns that
13 were raised in Issues 21, 18, 24, and our new 24A. We are
14 going to come back to Issue 1 here in a moment, but before we
15 do, were there other issues raised in the comments from the
16 consumers, or from OPC, or the company that staff would like to
17 respond to or address at this time?

18 MR. REVELL: I would like to address the issue of the
19 sludge expense that was mentioned. That is a contract that was
20 bid out by the utility. We analyzed the charges of 14 cents
21 a gallon, and the total dollars that the utility expensed for
22 the year, and those expenses were specifically looked at by our
23 auditors in the audit traced to the general ledger.

24 We believe the utility's charges are correct based on
25 the gallonages that were hauled and also the hazardous

1 materials involved, the difficulty in finding areas to dump the
2 waste, treat the waste. It was a very large increase, but we
3 feel like, based on consultations with our engineering staff,
4 that the increase, as unfortunate as it is, is an appropriate
5 charge.

6 CHAIRMAN EDGAR: Okay.

7 MR. EDWARDS: Commissioners, Gerald Edwards with
8 staff.

9 CHAIRMAN EDGAR: Yes, sir.

10 MR. EDWARDS: I would like to address the issue about
11 the employee. The utility had stated that they were going to
12 employ a new employee, and we asked that subsequently in a data
13 request and they stated that the employee would start December
14 the 1st, 2006, but actually the employee started January 1st,
15 2007. So they did hire a new employee.

16 CHAIRMAN EDGAR: And I'm looking and not seeing it
17 jump out at me, so I'm going to ask staff. Can you identify
18 for me by number the issue that includes the salary
19 computations?

20 MR. REVELL: That's Issue 16.

21 CHAIRMAN EDGAR: Thank you. Here it is right in
22 front of me, Issue 16. Thank you.

23 We also have had some discussion from all, really,
24 who have participated except perhaps staff yet, and this ties
25 to Issue 1, but also I believe to Issue 11. OPC has made the

1 suggestion of a reduction in basis points, I believe, related
2 to some of the service quality concerns that have been raised.

3 I note that the staff recommendation in Issue 1 is a
4 finding of marginal, and I guess before I ask staff to speak to
5 that, Commissioners, any other questions or comments before we
6 do that? Commissioner Carter.

7 COMMISSIONER CARTER: Are we going now to Issue 1?

8 CHAIRMAN EDGAR: I was, but we can hold off.

9 COMMISSIONER CARTER: I do have some questions.

10 CHAIRMAN EDGAR: All right. Then we are on Issue 1,
11 and as you respond or help us respond and address that, if you
12 would, also speak to the recommendation raised by OPC related
13 to Issue 11.

14 MR. REVELL: Issue 1 will be addressed by Mr. Edwards
15 of staff.

16 MR. EDWARDS: Gerald Edwards of staff.

17 Commissioners, the quality of service is based on
18 three factors. One, quality of product. According to DEP and
19 the Polk County Health Department it is within standards. The
20 condition of the plant, according to those same governmental
21 bodies that have jurisdiction for compliance and enforcement,
22 the quality of the condition of the plant is satisfactory. The
23 third component was the utility's ability to satisfy the
24 customers, and you have heard from them.

25 Staff takes the customer meeting and also the

1 customer input, those are invaluable components that we really
2 relish. And at this customer meeting we went out and we talked
3 to customers prior to the meeting, during the meeting, and
4 after the meeting. We went out to several customer homes, and
5 we saw filters and we saw a lot of different things. While we
6 were at the meeting we even sampled the water at the club and
7 we found no problems with it.

8 Now, when the customers speak of problems that they
9 have concerning chlorine residual, it's noted and it's
10 documented that the utility was found by the Polk County Health
11 Department of out of compliance on four different occasions in
12 one month. And they fined them for that. Since then, as the
13 utility have stated, they added another chlorine pump and they
14 started doing more aggressive flushing. At that point in time,
15 on three occasions in November, the Polk County Health
16 Department inspectors were back out there, and on all three
17 occasions they were satisfactory.

18 Polk County Health Department personnel told me the
19 last time they were out there was November 16th, 2006, and they
20 see them at this time as being in compliance. And that is
21 based pretty much on what our analysis are based on for quality
22 of service being marginal because the condition of the plant
23 and the quality of the product according to the governing
24 bodies are satisfactory. Customer service, not satisfactory
25 according to the customers.

1 One issue that we want to take that the customers had
2 stated and it was about other water usage. We were aware from
3 the customers, that's why I said their information is
4 invaluable, that they were doing a large amount of flushing.
5 The next day after the customer meeting I was there and they
6 were flushing. I went out to the flushing points. I had the
7 operator take chlorine residual tests, and at four focal points
8 they were in compliance at all four points that residual was
9 taken.

10 Other water usage. Other water usage is used in
11 calculating the used and useful for water. And we don't just
12 take these numbers out of the MFRs for granted. On October
13 26th, 2006, we asked them to provide documentation for this
14 other water usage. This was long before OPC had asked for this
15 information. And when we received it, we reviewed it, and we
16 questioned one of the inputs, and that was for the month of
17 September 2005, because they had stated in the MFRs that it was
18 1.231 million gallons, but they only provided documentation for
19 138,000. And at that time staff made an adjustment in our
20 calculations, which we also informed the customers in a letter
21 that we had made this adjustment. And, therefore, that is why
22 the used and useful calculation is not being questioned.

23 MR. RENDELL: Commissioners, if I might add, we take
24 customer comments very seriously at these customer meetings as
25 well as throughout the process. I personally conducted all the

1 customer meetings in all the Utilities, Inc. cases. I met with
2 Mr. Halleen and Mr. Holzschuh prior to the customer meetings,
3 spent the afternoon with them. We went over the process.
4 Although they believe it's flawed, we went over how the process
5 works.

6 I personally committed to them that we would make
7 every attempt possible to respond to their weekly letters,
8 which we have done so. We have responded, I believe, in a
9 timely manner to each and every one of their letters throughout
10 the process. We went above what we normally do in rate cases
11 trying to keep them informed since I made that commitment to
12 them. It resulted -- comments received at the customer meeting
13 resulted in several data requests, subsequent to which we sent
14 out. We asked the utility about the possibility of a chlorine
15 booster station. That was brought up at the customer meeting.
16 We asked them about the flushing. We actually got the flushing
17 records.

18 Staff is very concerned about the flushing. We do
19 not like the thought of a valuable resource being wasted
20 through flushing. We asked them about the chlorine booster
21 station. The utility indicated that they had not done the
22 analysis, but they believe that with adding the new phase it
23 should solve the problem.

24 From what I'm hearing today and what we recently
25 learned is that the new phase is not in the service area. So,

1 we have continued concerns about that. We have notified both
2 the Polk County Health Department as well as the Water
3 Management District we believe that further analysis should be
4 done, and we would support the utility coming back to us and
5 providing that analysis. Not only on the distribution system
6 and the chlorine residual, but as well as the hydrogen sulfide
7 that came out today. If there is a concern on the part of the
8 utility, and they indicated to staff which we indicated in the
9 staff analysis that further analysis should be done, then we
10 would support that further analysis.

11 We don't believe at this point in time it justifies a
12 reduction in return on equity. Based on our analysis and with
13 the follow-up work that we have done and the analysis that we
14 put into it is the utility is actively working on the problems.
15 They acknowledge the problems, they are trying to find
16 solutions. They worked with the Polk County Health Department.
17 We have reviewed all the complaints. There was over 600
18 complaints received by the utility, not the Commission. Those
19 complaints were acted upon by the utility. They have resolved
20 them.

21 There was only one complaint filed at the Consumer
22 Affairs, which was filed in December of 2006. I reviewed the
23 responses, the utility followed their appropriate procedures.
24 They actually reread the meter. They did test the meter. They
25 went out and tested it at three different flow rates. They did

1 find it accurate. They offered to do a bench test under our
2 rules, so they appropriately responded to that complaint.

3 So at this point in time we don't believe it rises to
4 that level of reduction on equity. Although we remain
5 concerned about some of the analysis that they want to do and
6 we would like to be involved in that, we do not believe at this
7 point in time it rises to that level.

8 CHAIRMAN EDGAR: Thank you. Commissioner Carter, did
9 you have a question regarding Issue 1 or other?

10 COMMISSIONER CARTER: Thank you, Madam Chair. As I
11 understand it, we just went through 16, 21, 24, 24A, and in
12 that context I think that staff said that OPC's numbers as
13 pertain to Issue 24 were acceptable. Is that right? Did I
14 read that correctly?

15 MR. REVELL: Excuse me, could you repeat that again?

16 COMMISSIONER CARTER: All right.

17 CHAIRMAN EDGAR: Let me give it a shot; 21, 18, 24,
18 24A. And the question is, I think that Commission Carter was
19 asking, and I want to make sure I am correct, as well, that
20 from our discussion staff has recommended an adjustment to 24?

21 MR. REVELL: I apologize. They are correct, they are
22 acceptable.

23 COMMISSIONER CARTER: Thank you. And I think what
24 probably gives people heartburn when they see Issue 1 about --
25 when you are talking about something about water, and it says

1 marginally satisfactory, I think that's probably what gives
2 people heartburn when they see that. You know, it's like --
3 but I think your explanation makes sense in the context of the
4 quality of the utility's product, which would be the water, the
5 operating system, and dealing with the customer complaints and
6 all. And having the input from the customers and going from
7 that input that you received from the customers and using that
8 as a way to develop further data requests from the utility, I
9 can understand that.

10 But I suppose it's marginally satisfactory because of
11 the concerns of the customers more so than the quality of the
12 water itself, is that correct?

13 MR. EDWARDS: That's correct.

14 COMMISSIONER CARTER: Madam Chairman, I think that
15 I'm comfortable now in terms of knowing where I am on these
16 issues. Thank you.

17 CHAIRMAN EDGAR: Commissioner McMurrian.

18 COMMISSIONER McMURRIAN: I have some questions, and I
19 regret to tell you this, but I have some even going back to
20 some of those others issues, as well.

21 CHAIRMAN EDGAR: That's okay. That's fine.

22 COMMISSIONER McMURRIAN: But I'll start out with
23 Issue 1, where we are. Mr. Reilly made the comment that, you
24 know, this excessive flushing was a problem, and Mr. Rendell
25 has acknowledged that and says that staff believes it's a

1 problem, as well. And I understand the point you're making
2 about not reducing the ROE because of it looking like the
3 situation is improving at least as of late from what
4 Mr. Edwards had said. But what can we do going forward to try
5 to resolve the problem, or at least not leave here today and
6 everyone talk about we hope someone does something about the
7 problem?

8 I know that Mr. Seidman mentioned a few things and
9 Mr. Reilly mentioned a few things, but what is something we can
10 do without having a huge rate impact on the customers that
11 might resolve this problem? And I guess that's for Mr.
12 Rendell.

13 MR. RENDELL: Well, therein lies the problem. We
14 don't know the impact. We tried to get the information, the
15 utility said they haven't done the analysis. We asked them
16 what the cost of a booster station would be, they did not
17 provide it. So it's the unknown that is out there.

18 I believe that we could order the utility to do a
19 complete analysis of the system, the distribution system, the
20 well, the bad well that has the hydrogen sulfide problem, and
21 look at the options and what options may be available and the
22 costs of those options so that the customers are aware of what
23 the impact may be. Having participated in all of the meetings
24 with Aloha and their customer group, the customers just want to
25 know. That's loud and clear from the customer group of any of

1 these utilities, they just want to be informed of what options
2 are there, what did the utility look at, and what bottom line
3 impact it might have on their bill.

4 So we could, the Commission if it chooses, order the
5 utility to complete an analysis within a set period of time,
6 say 12 months, and present those options to staff and to OPC,
7 submit it to OPC, and let us look at what impact it may have.
8 Along with that analysis, they may want to consider, you know,
9 when are they are going to come in with the amendment to get
10 the additional 120 homes and what impact that might have. If
11 it increases demand and they have to run the bad well more,
12 that might deteriorate the quality of the product. So all of
13 these issues need to be looked at and put on the table by the
14 utility so that we can look at what possible solutions there
15 may be.

16 COMMISSIONER McMURRIAN: A follow-up on that.

17 CHAIRMAN EDGAR: Commissioner, if so, hang onto that
18 thought.

19 Commissioner Carter, did you also have a --

20 COMMISSIONER CARTER: Thank you, Madam Chairman. I
21 apologize to my colleague, but I had one of my over 50 moments.
22 You will get there one day.

23 Your question, thank you so kindly, reminded me of
24 what Mr. Reilly was talking about. The system, the symptomatic
25 problems within the system itself, and I guess, Troy, what you

1 just said kind of brought that back. Mr. Reilly's perspective
2 was it seems like there needs to be a complete evaluation of
3 the system itself. I know that later on Mr. Seidman was
4 talking about Pump A and Pump B, but it seems from the context
5 of the hydrogen sulfide, and I think you said it was
6 symptomatic of the entire system, if that is the case then
7 maybe there should be some way to instead of saying, well, you
8 know, down on Section B there's a little thing, we will go fix
9 that, and then next week there's a problem on Section C, and
10 then next week there is -- so maybe there needs to be -- and
11 thank you for that question, Commissioner -- is that maybe
12 there needs to be some kind of system-wide evaluation to see,
13 one, if it's broke, fix it; and, two, if it's not broke, and
14 just has need of greater maintenance, or repairs, or I think I
15 was trying to follow who was making the question about whether
16 it was maintenance, or repairs, or a complete overhaul, but
17 this pretty much gets to the heart of the question. I'm sorry,
18 Madam Chair, but as we were going back I kind of forget that
19 point there, but the question is what would that cost and who
20 would pay the cost?

21 MR. RENDELL: Well, I believe any utility can make a
22 prudent management decision to evaluate their system if they
23 know there's a problem. So, if it's a prudent cost, that is
24 borne by the ratepayers if the utility came in and asked for
25 recovery. As we pointed out on Page 6 of staff's

1 recommendation in the first paragraph, their response to our
2 questions were directly related to that. They were saying that
3 an engineering evaluation of the distribution system, water
4 quality and treatment options would need to be conducted before
5 an offer and response.

6 They indicated that they had not investigated the
7 value of installing this particular booster station, and
8 without having conducted an evaluation they were not able to
9 basically provide answers to our data requests.

10 So, we still remain concerned that they may not have
11 explored all the options, but I think it would be valuable in
12 this particular system. I believe that we also can offer that
13 they provide quarterly reports on the chlorine, that they are
14 maintaining the chlorine residuals so that we can assure the
15 customers, if we get another complaint, that they are
16 maintaining that chlorine residual. Because absent a rate
17 case, we don't make daily calls to the health department and
18 DEP. We do during the course of a case, but I don't want this
19 to just fade off in the sunset and the customers' questions
20 don't get answered. So we could offer that there be quarterly
21 records for a set period of time on the chlorine residual as
22 well as some thorough analysis of the system.

23 COMMISSIONER CARTER: Thank you, Madam Chairman. The
24 question that gets to me is that are we looking at parts or are
25 we looking at the total system, and I think we need to really

1 look at that and have some kind of perspective on that. One,
2 let's don't just go out and put a tremendous fee on the backs
3 of the consumers. But, secondly, there should be some
4 evaluation, just normal maintenance of the system so that you
5 know where the weaknesses and the strengths are in the system,
6 and then to say, okay, we have done a total analysis which
7 should be in the normal course of business, and say based upon
8 this we have got some parts that we got from, I don't know, we
9 bought on Army Surplus back in '42 that's not working now. You
10 know what I'm saying? And then say, well, we need to do an
11 overhaul of the whole system, or we just need to take out those
12 1942 parts.

13 MR. RENDELL: I understand, and that is a concern.
14 You don't want the utility to spend a large amount of money on
15 these analyses and then seek to recover that through the
16 customers and say we were told to do so, or we have to go this
17 option now. That was explained at the customer meeting that if
18 there is an order, like if the Commission was to order, or DEP
19 or the Health Department were to order something to be done,
20 that cost is borne by the customers. They are allowed to
21 recover their costs. Just like the tank painting that was
22 brought up. That is a prudent maintenance expense that is
23 allowed to be recovered through the customers.

24 But as long as the Office of Public Counsel, which
25 represents the customers, realize this, and I have spent a

1 considerable time with Mr. Reilly throughout the Aloha process,
2 and he understands this as well as -- if he could articulate
3 that to the customer group that any such study, the fees may be
4 recovered through the customers, then I'm comfortable with it,
5 if that's something the Office of Public Counsel wants.

6 CHAIRMAN EDGAR: Commissioner McMurrian, you did have
7 some follow-up.

8 COMMISSIONER McMURRIAN: I did, and actually one was
9 about the cost. And I understand that Mr. Rendell doesn't know
10 exactly the cost, but maybe the better follow-up is to ask the
11 two customers representatives here. They have heard what
12 Mr. Rendell said about the cost of doing a study like that, and
13 that if we order a study that those costs would be passed on
14 eventually to the customers. And I hope you understand that
15 I'm trying to get at resolving the problem. I think that is
16 ultimately where we want to get. And we could reduce ROE and
17 that sort of thing, but I don't know that that would fix the
18 problem. You still would probably have to do a study and try
19 to figure out how to address the flushing problems, or at least
20 that seems to be the case.

21 I know that you don't want a rate increase, but
22 what -- and I know that you have also -- maybe I should amend
23 that, because you have been fair and said that you do believe
24 that utilities sometimes need a rate increase to perform
25 certain functions on behalf of the customers. But what is your

1 take on the Commission requiring a study along the lines that
2 we have been discussing?

3 MR. HOLZSCHUH: May I take that first? And I just
4 have two other quick things I would like to add to that. Your
5 question reminds me of sitting here in 2002 and 2003 when we
6 talked about this very same thing and about the fact that there
7 needed to be an evaluation because it was felt by the utility
8 people that they should put a pumping station in to facilitate
9 the problem with the odor and the problem with the taste and
10 the water.

11 So we are sitting here again today pleading to you
12 people that we agree, and I agree with Mr. Carter's statements
13 absolutely. It is time something was done, and I think what
14 has happened in the past on this is that not enough pressure
15 has been put on the utility to ante up, or whatever the correct
16 pronunciation would be, to get some of this done. If nothing
17 more than just to evaluate the cost of it and then come back
18 and say to the consumer, look, we are going to have to do all
19 of these things, and this is what it is going to represent, and
20 we will amortize it over three years, or whatever that
21 situation might be.

22 But you are absolutely right that this has to be done
23 and it has to be fixed. And I don't think that none of the
24 people in our community are naive enough not to think that
25 there are going to be some costs involved. I don't know if

1 that totally answers your question, but the other two things
2 that I would just like to address quickly, if I might.

3 CHAIRMAN EDGAR: You may.

4 MR. HOLZSCHUH: And I don't want this to get into an
5 argument of contests, but I'm taking exception to two things.
6 Mr. Edwards said that at the meeting that they were at that
7 there was no discussion about the quality of the water, and I
8 beg to differ with that because we had 20 or 22 people who came
9 up and expressed their views. And one of them had a sample of
10 a bottle of water with him that was absolutely unbearable to
11 smell or to taste. So, I'm not sure if he happened to be out
12 of the room when that happened or what, but that was a part of
13 the presentation of one of our people at that meeting. And
14 with Troy Rendell there, too.

15 Now, the other one is Mr. Rendell made the comment
16 about the chlorine issue, and that because of these 122 homes
17 that are not in the service area. The quality problems that we
18 are talking about and the quality problems that I have brought
19 to you today have absolutely nothing to do with this piece of
20 property and whether or not it is or not in the service area.
21 I'm talking about what we currently have that is bad.

22 Now, the obvious addition to that would be that if it
23 is bad now and we add another 122, absolutely it's probably
24 going to be worse unless the utility does something. Thank you
25 for the extra time. I appreciate that.

1 CHAIRMAN EDGAR: Thank you. And I do note that in
2 the written recommendation before us it does say that at the
3 customer meeting concerns were expressed about water quality,
4 and so that is our understanding from what is before us. Hold
5 on just a moment.

6 Commissioner Carter.

7 COMMISSIONER CARTER: Thank you, Madam Chairman, for
8 your indulgence. I was going to ask, I guess, either staff or
9 the company, when they took this plant over, was it a new
10 plant, did they build it from the ground up, or what's the age
11 of the plant?

12 CHAIRMAN EDGAR: Mr. Friedman or Mr. Seidman, can you
13 help with the response to Commissioner Carter's question?

14 MR. SEIDMAN: I don't know offhand the age of the
15 plant. However, the original plant was put in by the
16 developer, I believe, wasn't it? Yes. So that at least we
17 know, but I don't know how it is.

18 With regard to the water system, it is really, you
19 know, inconsequential. Because all the water system is
20 composed of is two wells and chlorination pumps, and a
21 hydro-pneumatic tank, so the age of it really doesn't affect
22 anything.

23 COMMISSIONER CARTER: I disagree with you.

24 MR. SEIDMAN: Okay. It's not the first time someone
25 disagreed with me.

1 COMMISSIONER CARTER: And age of the plant does
2 matter, it does make a difference. That's why we are here.
3 One is that how do you ascertain whether the problems are
4 maintenance or whether the problems are, you know, parts that
5 have outlived their utility. So it does make a difference. So
6 the other thing is that if you buy a brand new car, and you get
7 a service warranty with it, the manufacturer gives you a
8 warranty. Ten years down the road, I mean, you can still ride
9 on it, but it may rattle a little bit. You may need to get a
10 brake job. You know, you maybe even need to get a paint job
11 here in Florida. So it does matter.

12 And the question is when the company purchased this
13 was this a standing facility, did they build it from the ground
14 up? You say you don't know when they bought it, but you say
15 you know when the development started. Well, if it was built
16 during the original development, what year was the development
17 built?

18 MR. HALLEEN: The original development was the
19 mid-'80s, so it is approximately 20 years old. The basic plant
20 was built from the ground up because the developer had to put
21 in the plant because the City of Lakeland would not extend its
22 water and sewer mains out to his development. So at the last
23 minute they reneged on it and he built this plant at that time.

24 COMMISSIONER CARTER: If I may, Madam Chairman.

25 CHAIRMAN EDGAR: You may.

1 COMMISSIONER CARTER: So the plant was built in the
2 mid-'80s.

3 MR. HOLZSCHUH: 1997 was the year that the utility
4 took over.

5 COMMISSIONER CARTER: It was built in the '80s and
6 the utility took it over in --

7 MR. HOLZSCHUH: 1997.

8 COMMISSIONER CARTER: -- 1997, and do we know whether
9 or not there has been a major overall since then?

10 MR. SEIDMAN: There is no plant there, Commissioner.
11 It is two well pumps and two chemical feeds. There's no
12 treatment plant.

13 COMMISSIONER CARTER: There is a motor on the pump,
14 is there not?

15 MR. SEIDMAN: That's true.

16 COMMISSIONER CARTER: The same motor?

17 MR. SEIDMAN: Yes, if the motors have gone out, they
18 would have been replaced.

19 COMMISSIONER CARTER: The pipes or the pump, right?
20 Is it the same pipes?

21 MR. FRIEDMAN: But the taste and smell problems that
22 we have got are not because of the pumps, they're because of
23 the source of the water is the problem. It has been the same
24 source since they started, and that's what the problem is is
25 the source of the water. One of those wells has a bad source

1 of water. It's not because of the pumps aren't pumping it fast
2 enough, that's not the problem. And like Mr. Seidman said, all
3 it does is pump and chlorinate. There is no real -- that's not
4 the problem.

5 And that is what I think the suggestion is is to sit
6 down and once and for all try to figure out a way to cure the
7 problem, what that cost is, and let the Commission, the OPC,
8 and the customers decide whether the fix is worth the cost. I
9 think that's kind of where you are heading with your discussion
10 on the quality of service. But as far as the system, it has
11 been operated and it has been maintained satisfactorily since
12 it was built and certainly since it was taken over by the
13 current utility.

14 COMMISSIONER CARTER: My only concern is we need to
15 stop playing with the yo-yo. A couple of years ago, we went
16 down this road. Here we are again in the same place. So we
17 need to find out, we really need to find out. I mean, the
18 customers are here saying if there are some legitimate costs,
19 we understand that, they should be paid. But if you say, well,
20 today we will just put a Band-aid on it and don't worry about
21 that, you know, we will deal with it later. Well, if we fix it
22 now -- it's like the guy said with the old Fram filters, you
23 pay me now or you pay me later. You pay me later, you've got
24 to pay more. So if we know that the problem is the source of
25 the water, let's deal with the source. But let's deal with the

1 system, too. Do you know what I'm saying? I mean, if that is
2 a problem, the source of the water, if we can't treat the
3 water, we need to find another source. Something needs to be
4 done, don't you think?

5 MR. SEIDMAN: Looking for another source is something
6 to look at, but also putting in a treatment plant is also
7 something to look at. Those are possible solutions that might
8 come out of a study.

9 COMMISSIONER CARTER: But the thing of it is as long
10 as we -- you know, the five blind men trying to describe what
11 the elephant looked like, and each one of them has a different
12 part of his anatomy, we end up not really communicating.

13 I think fundamentally is that we need to find out --
14 Mr. Reilly, you're right, if we know what the problem is, the
15 hydrogen sulfide, that's what you said, right? And we know
16 that there is a problem with the source, and you say that there
17 is no problem with the system, the system is perfect and all
18 like that, then we need to have an evaluation, a complete
19 evaluation and then present that to the customers and say,
20 look, in order to have a state of the art world class drinkable
21 water, not marginally satisfactory water, but water that is
22 clear -- I wouldn't drink any of that stuff you had in the
23 bottles, by the way. I wouldn't. But to have that in such a
24 manner to where people can enjoy the quality of life, that is
25 what we are known for in Florida, is our idealic paradise.

1 So my thing is that we're spinning our wheels. Let's
2 find out what it is. Let's don't go out and just jack up the
3 rates, but let's do a complete system-wide evaluation, find out
4 what needs to be repaired, what doesn't need to be repaired.
5 If there is another source, then what is the source. What
6 would that cost before we start -- and do a complete
7 system-wide evaluation including a cost evaluation and present
8 that to the customers, and present a system. Say, look, we
9 know we need everything from soup to nuts. We can get by with
10 soup for five years. We can buy the nuts later. But at least
11 have some kind of system to that.

12 Madam Chairman, I don't want to get excited here, but
13 it just seems to me that from -- what was it, two years ago we
14 were on this deal here, is that right? Two years ago and here
15 we are two years later. Are we going to come back in '08?

16 MR. HOLZSCHUH: Put parameters on it.

17 COMMISSIONER CARTER: It is time to fish. We have
18 cut enough bait, it's time to fish.

19 CHAIRMAN EDGAR: Mr. Halleen, I believe you had some
20 additional comments.

21 MR. HALLEEN: I only wanted to make one comment. I
22 think your comments are very direct to the point, and one
23 additional thing is there has to be a time frame put on it by
24 the Commission. In other words, we don't want to come back in
25 2008 and start the discussion over again. If it can be done

1 within a year, or six months, or three months, the staff and
2 the utility needs to sit down and get together and give you a
3 recommendation as to how long it's going to take to get an
4 acceptable answer or a series of options. And we are more than
5 willing to sit down and listen to the two of them give us their
6 story.

7 This is the background that we suggested for a
8 moratorium on it because we were trying to force something to
9 get done. If the moratorium was only for two weeks it would
10 help. Before you leave Issue 1 sometime, I don't want to bring
11 it in at this time, I have another part of Issue 1 that I want
12 to make sure -- it doesn't seem to be getting addressed.

13 CHAIRMAN EDGAR: Okay. Well, we are going to bring
14 this in for a landing here shortly, but I will come back to you
15 for that.

16 Commissioner McMurrin, did you have some additional
17 comment or question?

18 COMMISSIONER McMURRIAN: I did. A little bit more on
19 Issue 1. I'll start off by saying it feels like deja vu all
20 over again to me. I don't want to be back in 2008. I don't
21 want to be back in 2010, and I think we have been in that
22 posture before. Maybe in a more serious water quality concern
23 perhaps, but I think it is time to do something about it. And
24 I will also say I regret that we are in the posture of having
25 to order this being done.

1 I really think that in cases like this whenever staff
2 asks a question, as they pointed out here on the top of Page 6,
3 I think it would have been appropriate for the utility to say
4 that we are going to conduct an engineering evaluation, and we
5 are going to start looking at options for how to address this
6 situation going forward rather than us having this very long
7 discussion about how and whether to require the utility to do
8 it. But that's just my personal opinion. But, again, we have
9 been down that road before. But I think that it's time to go
10 ahead and require the utility to do that. I had some questions
11 also on some of the other issue, but if we want to talk more
12 about Issue 1 before I move on to those, then that's fine.

13 CHAIRMAN EDGAR: Okay, Commissioner. Mr. Halleen,
14 this is your time.

15 MR. HALLEEN: The one issue that if you look in Issue
16 6 that doesn't seem to be getting any attention is the billing
17 question, and we have these abnormal bills. And we, when the
18 customer open meeting was held, addressed to the staff the
19 question of why a billing by the utility listed in the filing
20 to the single family residents on the small meter was able to
21 bill that customer for 887,000 gallons of water in one month.
22 We said that's impossible.

23 Finally, at the end of this discussion, we received a
24 letter this week from Mr. Rendell which said the utility backed
25 off of that, and said, oh, no, that should have been only

1 5,000. Now, unfortunately, if you look at Issue 6 in the
2 thing, they didn't take that 882,000 gallons of water that
3 previously was listed as billed and moved it into the
4 unaccounted. And while we asked on the first one, there is a
5 significant number of billings of single family residents that
6 are well out of line with what these people could do, and we
7 don't have an answer to it. We don't know who they are billed
8 to. We asked them, all right, who was this billed to, and we
9 still don't know who the person was that it was billed to. But
10 we have had a number of bills, the one of Mr. Snell (phonetic)
11 and one of Mr. Bonafell (phonetic), and another customer,
12 Mr. Holzschuh bill themselves where they have had abnormal
13 billings for times that they either have not there and they
14 have gotten the big thing. It may be tied in with averaging
15 bills or estimating, but the billing practices seems to be a
16 problem.

17 And I would like to suggest that at least for the
18 next three months the utility tells us when the bill readers
19 are coming so we will have people go with them to make sure the
20 meters are at least read. And then the people in the
21 residence, if they are having concerns can go out and check the
22 thing. But we never know when they are coming, and if we did
23 we could simply make sure that the meters are read.

24 We think that that is part of the problem, is that
25 some of the meters are not being read, and as a result the

1 bills become abnormal. I know I have gotten -- my bills
2 normally run about six to 8,000 gallons, but I've got bills
3 that go up to 12. And I say, well, they finally read the
4 meter.

5 CHAIRMAN EDGAR: Mr. Halleen, I believe was correct
6 that initially in their presentation they did raise concerns
7 and questions about billing and meter reading practices.

8 Mr. Rendell, can you speak to any of those concerns?

9 MR. RENDELL: Yes, Commissioners. We have looked at
10 the complaints that were filed in the MFRs. We have looked at
11 the Consumer Affairs, one complaint, there has only been one
12 complaint, Mr. Bonafell. And based on their analysis and what
13 the utility did, we believe they followed the proper procedure.

14 Now, although the customer may not be satisfied, the
15 utility actually has safeguards in place that if an abnormal
16 reading appears they will send someone out and reread the
17 meter. That occurred in Mr. Bonafell's complaint. They
18 actually went out and tested the meter. The meter is 100
19 percent correct. There were no leaks detected. The engineer
20 went out and looked at the -- the utility engineer went out and
21 looked at the area.

22 So I can't give an answer where the water is going, I
23 can just look at the data provided by the utility and they are
24 testing the meters, the meters are accurate, and they are
25 following the proper meter readings. So I can't give an answer

1 to satisfy the customers of where the water may be going past
2 the meter, I can just attest to what the utility has done in
3 the instances of all the customer complaints. Of the
4 600-and-some-odd complaints received at the utility, not one of
5 them made it to the Public Service Commission. There was not
6 one filed. The only one we have on record was filed in
7 December of 2006. When you look at the complaints, the utility
8 did go out and evaluate and investigate each one of those
9 complaints.

10 CHAIRMAN EDGAR: Thank you. Okay.

11 At this point what I think I would like to do is,
12 Commissioner McMurrian, give you the opportunity to ask and
13 have answered the additional questions you have, and then,
14 Commissioners, let's see where we are and where we need to go.

15 COMMISSIONER McMURRIAN: Thank you. First of all, up
16 to that last one, Mr. Rendell, have we ever -- what have we
17 done when we have had similar complaints about meters not being
18 read? I mean, have we taken some kind of action to make sure
19 that the meters are being read? I know that you said that we
20 didn't know what's happening to that water, but as far as just
21 the task of reading meters. And I guess maybe as a side
22 question to that, what is the requirement for how often meters
23 are supposed to be physically read by the company?

24 MR. RENDELL: Depending on the billing cycle. If
25 they have a monthly cycle, or bi-monthly, or quarterly, they

1 are to read the meter around the same date each period. So
2 around the same date of the month. Now, we do give lenience.
3 Within three to five days realizing if it was rain, or if
4 someone gets sick, they should read about the same time each
5 and every month.

6 To my knowledge, I don't recall any requirement being
7 placed on the utility by the Commission of when the meter
8 readers are going to be in the area, because that could vary.
9 I do know that we investigate complaints filed at the
10 Commission. We are investigating one currently where
11 Mr. Edwards has actually went down to the area, looked at the
12 meters, compared the meter readings to the meter reading cards.
13 They are required to keep meter reading cards, the data, the
14 billing consumption on record for up to two years. We could,
15 you know, the only way to look at that is to actually go out
16 and look at the meters to see if the readings correspond to the
17 meter reading cards.

18 As part of the investigation on the Consumer Affairs
19 on the one complaint, they asked if any of them had been
20 estimated. The utility indicated that no, there were no
21 estimates, that those were actually readings. So, to my
22 knowledge, I don't know of any order I could point to that
23 addresses meter reading data.

24 CHAIRMAN EDGAR: Mr. Rendell, bear with us just a
25 moment. We have got some -- and everyone else, too, please.

1 We have got some technical difficulties related to the storm,
2 so give us just a minute. We are not breaking, we are just
3 stopping for a moment.

4 (Pause.)

5 CHAIRMAN EDGAR: Okay. It had kind of been one of
6 those days. We are going to catch our breath for a second.
7 Okay.

8 Commissioner McMurrin, we were on questions and
9 answers, and I know that Mr. Rendell was responding to your
10 question about Commission practice and policy regarding billing
11 and metering inquiries and practices. And if you need to ask
12 it again, you may, or go from there. I'll leave it to you.

13 COMMISSIONER McMURRIAN: I didn't catch the very end
14 part, but, Mr. Rendell, is there anything that you would
15 suggest that we should do? Whether it is sending someone out
16 to compare the cards that you spoke of to the billing data, is
17 there anything that we should do to make sure that these meters
18 are being read other than what we have done already?

19 MR. RENDELL: Absent sending one of our auditors in
20 or one of our engineers in and do a sample test of the meter
21 readings, I'm not aware of any other requirement. We could go
22 in and do a sample test of the meter readings during the year.
23 We could, you know, if we need to go around with the meter
24 readings. That may not solve the problem. You know, if they
25 are going around with the meter reading and they are actually

1 reading the meter, well, obviously we can verify it. But if we
2 are trying to determine if the meters are being read accurately
3 and if the meters are accurate, I believe that all indications
4 are in this particular system these meters are accurate and
5 they have been tested. But absent that, I don't know of any
6 other solution.

7 COMMISSIONER McMURRIAN: Okay. I will move on from
8 that, but I would suggest perhaps that when we are down in that
9 area anyway for a customer meeting or something that maybe we
10 could do some samples to check up on that. I'm not sure that,
11 you know, to send someone down to check a large sample --
12 again, I don't know if that is cost-effective or not. But,
13 perhaps it's something we should just look at going forward and
14 see if there is some way to address that.

15 MR. RENDELL: Sure.

16 COMMISSIONER McMURRIAN: The other question I had was
17 another follow-up about the four people versus the three and
18 how someone had resigned and hadn't been replaced. And I think
19 we talked about this a little bit in our meeting the other day,
20 but how many people do they need? Should there be -- and I'm
21 not sure who should answer this question, but should there be
22 four, even though they currently have got three and they are
23 trying to hire a fourth?

24 MR. EDWARDS: I beg your pardon?

25 COMMISSIONER McMURRIAN: I was asking about the

1 number of employees that the utility needs. I know that the
2 customers had mentioned that they don't have four people and
3 you all had followed up on that, too, and said that they hadn't
4 hired the fourth, or a replacement for the fourth person as of
5 December, but they were in January. But I just wanted to talk
6 about a little bit about how many people they need to operate
7 their system properly.

8 MR. EDWARDS: Well, DEP doesn't -- in any of the
9 documentation I have seen, DEP doesn't mandate that you have to
10 you have a number of operators. It is that you have to have a
11 qualified certified operator there for a number of hours of the
12 day. In this case they have to have an operator for the
13 wastewater treatment plant for six hours for seven days and
14 also for the water treatment plant have to have one operator on
15 hand for half an hour per day per six days, and you have to
16 have weekend visits for both.

17 What they had been doing, the operator -- they have
18 one operator there on hand at Cypress Lakes and the alternate
19 operator was coming over from Labrador, was doing weekends.
20 And they had another person that was kind of looking over
21 during the weekend. And one of the biggest problems that the
22 operator at the Cypress Lakes plant was saying that he was the
23 only one there. He had six hours a day that he had to man the
24 plant, wastewater treatment plant, a half an hour a day that he
25 has to man the water treatment plant, but he also has to go

1 around to evaluate the lift stations, do the line flushing, and
2 address the 632 complaints for the meter readings.

3 COMMISSIONER McMURRIAN: So are we confident now that
4 we have the correct number of employees accounted for in this
5 rate case?

6 MR. EDWARDS: We are confident that the amount of
7 people that they said in their allocation will be there.

8 COMMISSIONER McMURRIAN: That's all.

9 CHAIRMAN EDGAR: Mr. Holzschuh.

10 MR. HOLZSCHUH: I hate to prolong this, and I know
11 you don't want us to, but I have to address that question of
12 yours, Commissioner. As recently as yesterday, I was at the --
13 what we respectively call the poop plant, and talked to
14 Mr. Shasta (phonetic), who is the gentleman who runs the plant
15 over there. And my question to him was exactly the same
16 question that you just asked. And we have looked through these
17 records and tried to figure it out ourselves. I said, well,
18 Dave, how many people are here every day? And he said, well,
19 I'm the only one here, and I am actually not here completely
20 full-time, he said, because I'm responsible for another plant.
21 And it was the one that Mr. Edwards just mentioned the name of
22 and I forgot --

23 CHAIRMAN EDGAR: Labrador.

24 MR. HOLZSCHUH: Right. And he said, well, on
25 occasion if we have some problems, he said, I'll bring people

1 in from the other plants. He said, so I could have two or
2 three people in here once in awhile, but the majority of the
3 time I'm the only one here. And then we looked at this
4 business about the trucks. There are supposed to be two trucks
5 there that we are paying for, or that are part of the expenses
6 for this thing. And I said where is the other truck? And he
7 said, well, I don't have another truck here. He said this is
8 the truck I use, and the other truck is traveling with the
9 people that are working at Labrador and other places. And I
10 said, well, who fills in for you? And he said, well, his name
11 is Don Hamilton. And as Mr. Edgar referred to, he works two
12 days a week. So, how we get the three or four employees that
13 are supposedly full-time employees, I would be interested in
14 seeing an absolute answer on that myself.

15 MR. RENDELL: Commissioners, if I might.

16 CHAIRMAN EDGAR: Mr. Rendell.

17 MR. RENDELL: From what I have been told, there are a
18 total of nine employees, seven of which are allocated. They
19 are regional directors. They oversee all the different service
20 areas and different utilities which are owned by Utilities,
21 Inc. Of the nine positions, there are two that directly work
22 at Cypress Lakes, one works full-time, and these are two
23 operators, and the other works 95 percent of the time at
24 Cypress Lakes and five percent at Labrador. So there are other
25 allocated employees that do come to the area that oversee the

1 operators, but there is two direct operators that work
2 specifically for Cypress Lakes.

3 I do want to come back to one point that Doctor
4 Halleen had made, and it had to do with Issue 6. That at the
5 customer meeting in the afternoon it was asked about a very
6 high bill of over 800,000 gallons. Subsequent to that, staff
7 had meetings with the utility and it had to do with all the
8 dockets that were in place. Immediately after that meeting,
9 the utility discovered there were errors in its billing data,
10 that they had not taken into consideration rereads, temporary
11 disconnects, and so they actually submitted new data on
12 November 29th of 2006 which contained CDs which had that
13 adjusted consumption data in it. That was taken into
14 consideration when we set rates.

15 I believe Doctor Halleen may be correct that we did
16 not take that into consideration for unaccounted for water. It
17 does raise it slightly. It goes from 12.62 percent to
18 13.95 percent, so the excessive amount goes from 2.62 up to
19 3.95. It will have a very small impact on the revenue
20 requirement, but we can make that administratively when we
21 issue the order. It's going to be a very minor change to the
22 revenue requirement.

23 CHAIRMAN EDGAR: Commissioner McMurrin, did you have
24 other questions?

25 COMMISSIONER McMURRIAN: No, that was all.

1 CHAIRMAN EDGAR: Are you sure, because this is your
2 time?

3 COMMISSIONER McMURRIAN: I reviewed them and decided
4 that --

5 CHAIRMAN EDGAR: Mr. Halleen.

6 MR. HALLEEN: One comment to Mr. Rendell. The change
7 from 12.6 to 13.9 was for the reduction in the flushing.
8 Nothing was done for the 887,000 gallons that you took out for
9 the billing error. Can you supply us with a copy of the
10 revised billings, because we used it for checking your
11 calculations, and the current calculations checked very well
12 with the billing that's in the filing?

13 MR. RENDELL: Well, the 12.62 did include the
14 adjustment for the flushing. That has already been taken into
15 consideration in staff's recommendation.

16 MR. HALLEEN: But the 12.62 is the basic filing. The
17 12.62 is the basic filing, and it went up to 13.9 as a result
18 of the flushing change.

19 CHAIRMAN EDGAR: Mr. Rendell.

20 MR. RENDELL: I would just like to clarify the
21 13.96 was a result of adjusting for the \$800,000 billing
22 adjustment.

23 CHAIRMAN EDGAR: Okay. Ms. Lingo.

24 MS. LINGO: Thank you, Madam Chairman.

25 And to the extent the revenue requirement would

1 result in any change in rates, we would ask that we be given
2 administrative authority to make that fallout change.

3 CHAIRMAN EDGAR: Okay. And that is actually probably
4 a good lead into what I was just about to ask of staff as a
5 whole, and I'm not sure who wants to take the lead here, so I
6 will look to you as a group to figure that out.

7 We have talked about a couple of different
8 adjustments that staff has told us here in our discussion this
9 afternoon that they, you, would recommend to the recommendation
10 that is before us. And as, Ms. Lingo, you have said, I would
11 expect there would may be some fallout from that. So what I'm
12 going to ask you to do is help us kind of recap that. We have
13 talked about an adjustment to -- hold on -- to 24 by adding
14 24A, and I know that I am missing at least one and maybe two.
15 So, I guess that is where I would like to start right now is
16 ask you briefly to summarize the adjustments that the staff
17 would be recommending today as a result of our discussion in
18 addition to or on top of the recommendation that is written and
19 before us.

20 MR. REVELL: I believe the first one is probably
21 miscellaneous service charges and we would have no objection to
22 a \$1,500 adjustment for water and a \$2,200 adjustment for
23 wastewater.

24 CHAIRMAN EDGAR: And that is Issue 24.

25 MR. RENDELL: It is a fallout of -- it is in Issue

1 13. It is a fallout of Issue 24.

2 CHAIRMAN EDGAR: Okay. So adjustments, 1,500 and
3 2,200 to Issue 24 with the fallout adjustments to Issue 13 is
4 the recommendation this afternoon. Do I have that correct?

5 MR. REVELL: That's correct.

6 CHAIRMAN EDGAR: Okay. Other adjustments. Is that a
7 no or is that a we are looking at it?

8 MR. RENDELL: There would be an adjustment to Issue
9 6 to recognize the unaccounted for water should be
10 13.95 percent with excessive being 3.95 percent. And we will
11 make the fallout adjustment to the appropriate chemicals and
12 purchased power expense.

13 CHAIRMAN EDGAR: Okay. Other?

14 MR. RENDELL: It would be 24A, the new issue, that we
15 would not be opposed to Office of Public Counsel's position to
16 increase service availability by 1,500 plant capacity charge
17 for water and 1,500 plant capacity for wastewater. That would
18 be issued as PAA. The utility should file tariffs immediately
19 so we could review those and a proposed notice so that we could
20 approve those at the issuance of the PAA.

21 CHAIRMAN EDGAR: Okay. Commissioners, we have also
22 had discussion about the -- significant discussion about many
23 issues raised related to Issue 1, quality of service, and we
24 also have discussed steps that can or should be taken perhaps
25 to look at the metering practices, and also at looking at the

1 system as a whole, and additional review and steps to look at
2 quality issues on a going-forward basis for the system as a
3 whole? Have I got that right?

4 Okay. Are there other points at this time? And I am
5 getting to the point of trying to wrap this all together and
6 looking to each of you for assistance and for comments and
7 direction that you want to give.

8 Commissioner Carter.

9 COMMISSIONER CARTER: Madam Chair, just a
10 continuation of what you were just saying about the
11 system-wide. Also in that discussion we said that there should
12 be a time certain, make this a time is of the essence. And I
13 think with that you have covered pretty much everything that we
14 had discussion on, d everything that there were any questions
15 or concerns raised by the parties as well as staff.

16 CHAIRMAN EDGAR: Thank you.

17 Commissioner McMurrin, do you have --

18 COMMISSIONER McMURRIAN: I guess we just need to
19 decide the time certain.

20 CHAIRMAN EDGAR: And I think I'll look to staff for a
21 recommendation. Obviously, as has been discussed, we know
22 there that there are concerns. We have heard it from the
23 utility, we have heard it from OPC, we have heard it from the
24 consumer representative. As Commissioner McMurrin expressed
25 for all of us, all of us up here and all of us in the room, the

1 frustration that we have had with perhaps other dockets in the
2 past where we kind of hear the same issues over and over, and
3 we go around and round. And that is not pointing fingers, it's
4 just a frustration that develops as we all try to work our way
5 through problem solving sometimes.

6 So realizing that we would like to contribute to
7 solutions, as always in a thoughtful yet due haste manner, Mr.
8 Rendell, do you have a recommendation there as to time or to
9 staff as a whole?

10 MR. RENDELL: I would recommend -- unless there is a
11 strong objection from the utility -- nine months from the date
12 of the consummating word, with the recognition that if that
13 time could not be met the utility would come back before the
14 Commission and ask for a waiver with sufficient reasons of why
15 they cannot meet the nine months.

16 CHAIRMAN EDGAR: Thank you, Mr. Rendell.

17 I'm going to look to the company. Mr. Friedman, do
18 you have a comment on that recommendation from our staff?

19 MR. FRIEDMAN: I don't, but I'm not the one that is
20 going to have to put together the report. So keeping in mind
21 the admonition that Mr. Rendell mentioned that if we have a
22 problem to bring it back with specific reasons for it, it seems
23 like to me it is a seasonal type of environment down there. I
24 don't know what effect the seasonality has in doing this
25 analysis, so I'm just not qualified to say that. If we put

1 nine months with the option that if we have got a good reason
2 why it ought to be, if we need to go through a full season or
3 get customers back out there, then we can talk about that.

4 CHAIRMAN EDGAR: Thank you, Mr. Friedman. Mr.
5 Rendell.

6 MR. RENDELL: I would submit that they should be
7 required to not only submit the report to the Commission but
8 also to the Office of Public Counsel as well as the homeowners
9 association.

10 CHAIRMAN EDGAR: An excellent suggestion. Thank you.
11 Commissioner Carter.

12 COMMISSIONER CARTER: Madam Chairman, I would move
13 the staff recommendations with the adjustments that we have
14 made here today, including the time frames on this case issue,
15 Docket Number 060257-WS.

16 CHAIRMAN EDGAR: Thank you. And that would be Issues
17 1 through 29.

18 COMMISSIONER CARTER: Yes, ma'am.

19 CHAIRMAN EDGAR: Commissioner McMurrin.

20 COMMISSIONER McMURRIAN: I can second.

21 CHAIRMAN EDGAR: Okay. Again, we have had ample
22 discussion, and I am comfortable and clear. Are there
23 questions from staff that need to be clarified before I call a
24 vote?

25 MR. REILLY: I guess the only clarification that

1 includes Issue 24A.

2 CHAIRMAN EDGAR: That includes Issue 24A that we have
3 had so numbered here in your discussion this afternoon. Okay.
4 Then all in favor of the motion say aye.

5 (Unanimous affirmative vote.)

6 CHAIRMAN EDGAR: Opposed? Show the motion adopted.
7 Thank you to our staff. Thank you, Mr. Holzschuh and Mr.
8 Halleen, for your participation and for your persistence.

9 And, Ms. Lingo, did you have a --

10 MS. LINGO: No, ma'am. I just said thank you.

11 CHAIRMAN EDGAR: Thank you, as always.

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1 STATE OF FLORIDA)
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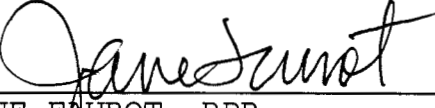
4 WE, JANE FAUROT, RPR, and LINDA BOLES, RPR, CRR,
 5 Official Commission Reporters, do hereby certify that the
 6 foregoing proceeding was heard at the time and place herein
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8 IT IS FURTHER CERTIFIED that we stenographically
 9 reported the said proceedings; that the same has been
 10 transcribed under our direct supervision; and that this
 11 transcript constitutes a true transcription of our notes of
 12 said proceedings.


13 WE FURTHER CERTIFY that we are not a relative,
 14 employee, attorney or counsel of any of the parties, nor are we
 15 a relative or employee of any of the parties' attorneys or
 16 counsel connected with the action, nor are we financially
 17 interested in the action.

18 DATED THIS 20th day of February, 2007.

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