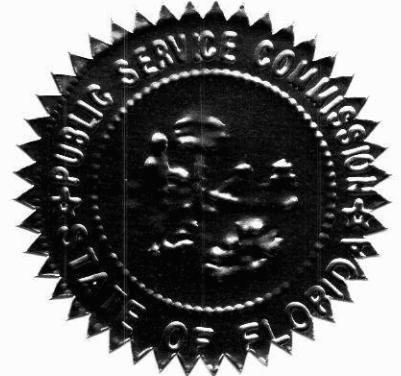


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070548-WS

In the Matter of:

APPLICATION FOR CERTIFICATES TO  
PROVIDE WATER AND WASTEWATER SERVICE  
IN MARION COUNTY BY CENTURY -  
FAIRFIELD VILLAGE, LTD.



PROCEEDINGS: AGENDA CONFERENCE  
ITEM NO. 8

BEFORE: CHAIRMAN MATTHEW M. CARTER, II  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER KATRINA J. McMURRIAN  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, May 6, 2008

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

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

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FLORIDA PUBLIC SERVICE COMMISSION

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PARTICIPATING:

LEN TABOR, representing Century - Fairfield Village,  
Ltd.

BART RICH, representing the Homeowners Association.

LISA BENNETT, ESQUIRE, PATTY DANIEL and STAN RIEGER,  
representing the Florida Public Service Commission Staff.

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

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**CHAIRMAN CARTER:** Staff, you're recognized to introduce Item 8, and after that point -- after you introduce Item 8, I want to get the names of the people that are on the line that will be talking to us. You're recognized.

**MR. RIEGER:** Good morning, Commissioners. I'm Stan Rieger with Commission staff.

Staff's recommendation for Item 8 is regarding initial water and wastewater rates for Century-Fairfield Village in Marion County. In addition, the recommendation includes issues concerning show cause for charging for service prior to Commission approval and a requirement to refund those revenues, which include approximately \$7,000.

With us today by phone, hopefully, are Mr. Bart Rich of the local homeowners association down there at Century-Fairfield Village, and Len Tabor, representing the utility.

We may proceed, Commissioners.

**CHAIRMAN CARTER:** Okay. Good morning, Mr. -- is it Mr. Rich?

**MR. RICH:** Good morning.

**CHAIRMAN CARTER:** And, Ms. Tabor (sic), good morning.

**MR. TABOR:** Good morning, sir.

**CHAIRMAN CARTER:** All right. We are now -- it did sound like it, doesn't it? You did say that was Ms -- Mr. Rich

1 and Ms. Tabor.

2 **MR. RIEGER:** Mr. Tabor.

3 **CHAIRMAN CARTER:** Mr. Tabor.

4 **MR. RIEGER:** Yes.

5 **CHAIRMAN CARTER:** Okay. All right. Good. I've got  
6 to work on my hearing this morning.

7 Commissioners, before we get into our questions, why  
8 don't we just listen, hear from the public, and then we'll go  
9 from there.

10 Mr. Rich, you're recognized, sir.

11 **MR. RICH:** Thank you.

12 This is Mr. Rich from the homeowners association in  
13 Fairfield Village, and I just want to make a couple of comments  
14 on the Public Service Commission recommendation.

15 The residents here -- well, first of all, the  
16 residents in this community, like a lot of manufacturing  
17 communities, are all retired. Some probably doing better than  
18 others, but certainly a number of them are on limited income.  
19 And, you know, in addition to the things that are going on now,  
20 they are faced with an annual increase in the rent every single  
21 year, which probably runs between 10 and \$15 a month. It keeps  
22 going up on a continual basis.

23 **CHAIRMAN CARTER:** One second, Mr. Rich. Hang on one  
24 second.

25 Chris, can we get some more volume?

1           **MR. RICH:** It's probably me, because I talk soft.

2           **CHAIRMAN CARTER:** Okay. You're recognized, Mr. Rich.  
3 Continue, please.

4           **MR. RICH:** Okay. Like I say, they are faced with an  
5 annual increase on a particular -- a rental increase on an  
6 annual basis here. And one of the things that I wanted to  
7 bring up was there was an overusage in 2007, and the owners  
8 implemented a gallonage usage so that the first 7,000 gallons  
9 were free, and then there was a cost implemented after the  
10 first 7,000 gallons. The PUC's recommendations are different  
11 than that, so I was wondering if they might take into  
12 consideration the precedent that had been set with the  
13 7,000 gallons. That was the first thing that I wanted to bring  
14 up.

15                   The second thing that I wanted to bring up was on  
16 Page 17 of the recommendation there are water charges and  
17 wastewater charges. And if you have the paper in front of you,  
18 the basic facility charge for water is \$5, and down below, the  
19 basic facility charge for wastewater is \$8.50, and then there  
20 is cost associated with the usage after that.

21                   The point that I want to make and some of the  
22 questions that I have got is we have a number of people in the  
23 park that go away for probably half a year or somewhere around  
24 that amount of time, and when they do that, they leave their  
25 sprinklers on. And they have a water charge, but they really

1 don't have a wastewater charge. So on the recommendation it  
2 states \$5 for the water charge, and 8.50 for the wastewater  
3 charge, but in reality these people who don't have any  
4 wastewater charge during that period of time, the cost would be  
5 a 13.50 base facility charge instead of \$5. So I thought that  
6 was kind of misleading. And I know when I talked to Patti  
7 Daniel that she said that they had taken that into  
8 consideration, I'm not sure how much, but she said they had  
9 taken that into consideration when they made up the rates.

10 But when I was talking to her, the point that I  
11 wanted to make is that any way you look at it, it says that the  
12 base facility charge and the additional costs that are  
13 associated with just water usage. The base facility charge in  
14 this case is \$5, but in reality it is not \$5; it is 13.50. And  
15 the other charges are also added to that.

16 So, although she compensated, and although I  
17 understand some of the things that she was saying, I just  
18 wanted to bring it to people's attention that particularly for  
19 these people, that even though it says base facility charge of  
20 \$5, it really is not 5, it is 13.50. So I just wanted to bring  
21 that to people's attention, and maybe have that taken into  
22 consideration when they make a decision on these things. And  
23 that's it for me.

24 **CHAIRMAN CARTER:** Thank you very much, Mr. Rich.

25 Mr. Tabor.

1           **MR. TABOR:** Yes, sir.

2           **CHAIRMAN CARTER:** You're recognized.

3           **MR. TABOR:** Well, sir, the only issue that the  
4 utility has that I represent is the refund of the monies that  
5 was collected. The reason this money was collected was to try  
6 to get the particular people that was abusing the water usage  
7 to come into compliance. And we went several -- we did several  
8 options during this time from 2006. It started about -- we  
9 started reading meters -- after we retrofit meters in Phase 1,  
10 approximately 100 meters, we read them and sent out information  
11 bills to people so that they would know what water they were  
12 using.

13                       Then we sent them a letter -- and we sent them  
14 informational bills I know in January, February, and March,  
15 just to let them know to see if we could get the water usage  
16 down, because the Southwest Water Management District had  
17 penalized Century-Fairfield over \$18,000. That was reduced to  
18 8,200. Approximately 7,100 was collected. Only from the  
19 abusers, not from all the people, the \$7,000 that was give to  
20 them.

21                       Commissioners, what I really want you to please  
22 understand is we tried everything. We had Southwest Water  
23 Management District come up and do conservation talks with the  
24 people. We were trying. After the meters were installed, we  
25 did go around -- and I was part of it, because I am a licensed

1 operator for the state of Florida. We went around to talk to  
2 everyone and tried to help them set their underground  
3 sprinklers, even when they were leaving, to conserve water. We  
4 found a lot of leaks that were repaired. All of this was  
5 funded and absorbed by Century-Fairfield.

6 My only objections to any of this is the refund of  
7 that money is just -- you know, it's an insult, in my opinion,  
8 of what we were trying to accomplish for several years before  
9 any monies was even collected. And it wasn't collected as  
10 water usage, it was collected as penalties, because we were  
11 under the gun at Southwest Water Management District. That's  
12 my only comment, Commissioners.

13 **CHAIRMAN CARTER:** Thank you very much, Mr. Tabor.  
14 Commissioners, we are now into our questioning phase.  
15 Commissioner Edgar, you're recognized.

16 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.  
17 I'd like to ask staff to address the issue that was  
18 just raised a moment ago by the utility representative  
19 regarding the proposed refunds, the usage fee versus penalty.  
20 And if you could discuss that in a little more detail for me.

21 **MS. DANIEL:** I'll be happy to. I'm Patti Daniel on  
22 behalf of Commission staff.

23 It's my understanding that when the water management  
24 district began to work with the company, they tried several  
25 ways to educate the customers about how to conserve water. And



1 at one point, as Mr. Tabor mentioned, the company was fined by  
2 the water management district. The fine was originally, I  
3 think, maybe \$16,000 and was reduced down to about \$8,000, and  
4 that is a fine that the company had to pay.

5 The rates that the company proposed when they filed  
6 this original certificate application, and Mr. Tabor can  
7 correct me if I'm wrong, this company owns other mobile home  
8 parks, some of which are not jurisdictional, and this is a rate  
9 structure that they had used in other mobile home parks, that  
10 being to give some of the gallons away and then to charge for  
11 an excess. I don't know exactly why they came up with that  
12 7,000-gallon benchmark, but once they began to communicate that  
13 to the customers, it seemed to be a comfort zone for the  
14 customers that the first 7,000 gallons was free.

15 As far as whether that was a break for water or a  
16 penalty, you can characterize it any way you want to. It was  
17 based on meter readings, and so that is what they were charging  
18 during the period of May through September. They did file this  
19 application in July of '07, and at that time we told them it  
20 was not okay to be charging without prior Commission approval,  
21 and so they immediately stopped.

22 Mr. Tabor has worked with other utilities that are  
23 regulated by the Commission, so he does understand. He  
24 misunderstood for this system and thought just charging for  
25 that excess was going to be okay without Commission approval.

1 It was not, and they did stop.

2           When staff looked at addressing rates for this  
3 company, we looked at quite a number of rate structures. For  
4 original certificate utilities, bear in mind that we don't go  
5 in and do audits and so forth. This is not a company that is  
6 set up with the NARUC system of accounts, but they gave us the  
7 best information they could as far as what their costs of  
8 operating the water and wastewater facilities there are. They  
9 do have their own well and treatment facilities and wastewater  
10 treatment plant.

11           We looked at the base facility charge and gallonage  
12 charge rate structure. The base facility charge, as you know,  
13 is to help with that seasonal issue. There are certain fixed  
14 costs that the company must recover their expenses for, even  
15 when those residents are not there. And that's one of  
16 Mr. Rich's concerns is the seasonal customers. They have that  
17 irrigation system running when they are not there. I think  
18 historically that was a part of the problem with the water  
19 management district, and that has been remedied to a large  
20 extent. We have seen since those meters were installed the  
21 usage was cut in half by the customers. They were immediately  
22 sensitized to the fact that conservation was an important issue  
23 to them.

24           I don't know the exact number of customers that had  
25 to pay for water during that short period of time when they did

1 collect, but it was a small percentage of the customers,  
2 because they were getting that first 7,000 gallons free. But a  
3 few customers had some severe leaks. They were reading meters  
4 on a quarterly basis, and I saw at least a couple of bills that  
5 had 100,000 gallons over a three-month period. And they  
6 discovered that there were leaks, and they were able to remedy  
7 those kinds of situations. So that has resolved itself, and I  
8 think they're in good shape as far as the water management  
9 district is concerned.

10           So we looked at a base facility charge that would  
11 reflect about -- I believe it was about 40 percent of the water  
12 revenues, a little bit higher for the wastewater revenues for  
13 those fixed costs. The gallonage charges because the customers  
14 were inclined to that 7,000-gallon break point, I had  
15 originally looked at a break point of 5,000 gallons. And when  
16 we went to the customer meeting and discussed that, having  
17 heard from several customers, I readjusted those rates for the  
18 staff recommendation to reflect their request that  
19 7,000 gallons be included. So the rates that staff has  
20 recommended reflect that.

21           I've talked to the customers, to Mr. Rich a little  
22 bit about the possibility of an irrigation meter to take care  
23 of their concern about having to pay for wastewater on top of  
24 water when they are not there. The company has to earn its  
25 revenue requirement, and it's based on meter readings. So you

1 can put in an irrigation meter, but, honestly, for these  
2 customers I don't really know that that is a cost-effective  
3 remedy for them.

4 Let me see -- did I leave anything out? How did I  
5 do? I rambled there for a minute. I'm sorry.

6 **COMMISSIONER EDGAR:** That's fine. Thank you.

7 **CHAIRMAN CARTER:** You're recognized.

8 **COMMISSIONER EDGAR:** All very helpful. But just kind  
9 of narrowing down for the moment a little more specifically on  
10 Issue 2 that is before us. Just so I'm sure I understand the  
11 staff recommendation that customers that paid a water service  
12 charge between May of '07 to September of '07, the staff  
13 recommendation is that that money be refunded as a credit  
14 because those charges were not authorized through the PSC  
15 statutory rule process.

16 **MS. DANIEL:** Right. The company was not previously  
17 charging for water service or wastewater service because they  
18 included the costs of those services in the monthly lot rent  
19 for these customers. Once they charged, they became  
20 jurisdictional, no longer exempt and regulated. And utilities  
21 are not allowed to charge without prior Commission approval.  
22 Thus, when we discovered the \$7,000, that staff recommendation  
23 that that be refunded.

24 **COMMISSIONER EDGAR:** Okay. Thank you. And then if I  
25 may.

1           **CHAIRMAN CARTER:** You're recognized.

2           **COMMISSIONER EDGAR:** Thank you. Mr. Tabor?

3           **MR. TABOR:** Yes, ma'am.

4           **COMMISSIONER EDGAR:** Just to follow up, then, on some  
5 of the comments that you made a few moments ago. You were  
6 expressing some concern on behalf of the utility about the  
7 staff recommendation in Issue 2, specifically with the refunds.

8           **MR. TABOR:** Yes, ma'am.

9           **COMMISSIONER EDGAR:** Could you speak to your response  
10 to the staff discussion that the reason they are recommending  
11 the refunds is because the utility was not authorized under  
12 Florida law to charge at that point in time?

13           **MR. TABOR:** Yes. I'm familiar with the Public  
14 Service Commission. I do work for utilities that are  
15 regulated. Since this was just a penalty charge and not a  
16 water charge, I didn't feel that we were in violation. And,  
17 unfortunately, ignorance of the law is no excuse. And I'm not  
18 trying to make excuses, and I did propose that to staff when I  
19 talked to them, to Ms. Daniel and Mr. Rieger, and I expressed  
20 my concerns about that.

21           That is the only concern I have is we did not just  
22 run out here and start charging these people to circumvent the  
23 law. We were not trying to do that. We were trying to stop  
24 the fine. And Mr. Rich is on the phone, he knows that I worked  
25 with the people out there -- I'm a contractor for the utility

1 -- and we tried to help them. Some of them did not want help,  
2 but most did. And that's the reason I feel, you know, that we  
3 should not -- it didn't even cover the fine. And if we had  
4 not -- if we had not tried to educate them, if we had not  
5 worked for months and just went in and started charging and we  
6 were in violation, then I think we should -- we should be  
7 penalized. But under the conditions, I don't feel -- I feel  
8 that's a penalty that we should not have to bear, and that's my  
9 opinion.

10 **COMMISSIONER EDGAR:** Thank you, Mr. Tabor. I  
11 appreciate that further discussion, and I would add that it  
12 does sound like from the information before us and what we have  
13 heard today that there was a joint cooperative effort to move  
14 forward, and I certainly appreciate that.

15 Thank you, Mr. Chairman.

16 **CHAIRMAN CARTER:** Thank you.

17 Commissioner Skop, you're recognized.

18 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

19 I think quite few good points have been raised. At  
20 least I have kind of written down three of them. With respect  
21 to, I guess, the refund that is proposed and listening to  
22 Mr. Tabor, I guess he -- correct me if I'm wrong, but I believe  
23 he stated he was a utility operator, and he has gone out and  
24 tried to facilitate the conservation measures. But by  
25 collecting the penalty charge, if you will, I guess he has run

1 afoul of Commission rules and state law.

2 I guess with the refund, you know, certainly there's  
3 a benefit to the consumer on refunding it back to the people  
4 that had to pay it. However, I think Mr. Tabor raised an  
5 interesting point to the extent that, you know, it was intended  
6 as a penalty to send the appropriate signal to have the  
7 consumers conserve water so they would not be in violation of  
8 the water use permit from SWFWMD.

9 So I was kind of wondering perhaps if there might be  
10 some sort of alternate disposition with respect to the proposed  
11 refund amount to the extent that maybe in lieu of a show cause  
12 it would be intended as a penalty and maybe either go back to  
13 the consumer would be one option, another option might be to  
14 have it go to the general revenue fund or some other  
15 appropriate thing. But I thought that that discussion was a  
16 little bit interesting to the extent that the concern that was  
17 raised by Mr. Tabor, to the extent that it was intended as a  
18 conservation measure, although it ran afoul of statutory and  
19 Commission rules, puts an interesting twist on it. So it's  
20 almost do you reward those that paid the penalty by giving it  
21 back to them for their lack of conservation, or do you do  
22 something else in the alternative.

23 Secondly, I thought that the discussion with respect  
24 to the base facility charge in terms of what staff recommended  
25 versus the utility proposed was somewhat interesting to the

1 extent that I believe that it was stated that many of the  
2 residents aren't there the majority of the year. You know,  
3 that could have some pro-consumer benefit, I would think,  
4 depending on what rate structure was appropriately chosen.

5           And then, finally, you know, I had a concern about  
6 the ROE in relation to the amount currently -- you know, the  
7 cost of capital is 100 percent debt which is at the face rate  
8 of the debt instruments. However, on a forward-going basis if  
9 the utility issued equity, it would be at a range of  
10 12.01 percent, plus or minus 100 basis points. And I just  
11 wanted to get staff to briefly elaborate upon that in light of  
12 some of the discussion that we have had recently before the  
13 Commission.

14           Thank you.

15           **MS. DANIEL:** Do you want me to start with the refund  
16 and penalty issue? Commissioner, as far as an alternative of  
17 what to do with the refund, giving it to the general revenue  
18 fund, I believe the Commission may have addressed something  
19 like that in the past. I'm not exactly sure.

20           **MS. HELTON:** Well, let me just say that I don't  
21 view --

22           **CHAIRMAN CARTER:** Ms. Helton, identify yourself.

23           **MS. HELTON:** I'm sorry. This is Mary Anne Helton  
24 with the Commission legal staff.

25           I don't view the penalty that the utility has been



1 charging or calling a penalty as a penalty. I believe that  
2 Ms. Daniel said that it was based on the meter readings. And  
3 you can call it a penalty, but I believe it was really a rate  
4 and it was a rate that the company wasn't authorized to charge.

5           You could show cause the utility for that and fine  
6 them, although staff has recommended here that there are  
7 mitigating circumstances. But I think our consistent treatment  
8 has been that if a customer pays more than it should have been  
9 and there is a refund, that the refund should go back to the  
10 customer who overpaid.

11           One option that I do see, and I think that the  
12 Commission has done in the past, if there have been customers  
13 that overpaid, that money has been put into a fund for  
14 conservation efforts. So that is an alternative that I think  
15 is perhaps viable.

16           **COMMISSIONER SKOP:** Thank you.

17           **CHAIRMAN CARTER:** You're recognized.

18           **MS. DANIEL:** With respect to the base facility  
19 charge, Commissioner Skop, I wasn't clear where you were going  
20 with that as far as the customers being seasonal. The base  
21 facility charge is designed to help the company recover its  
22 fixed operating costs when customers weren't there, and that is  
23 consistent Commission treatment. I wasn't clear if you were  
24 looking for an alternative there.

25           **COMMISSIONER SKOP:** I just think that the -- you

1 know, I recognize the staff proposed rates are designed, in  
2 fact, to accomplish that. I just wonder if any consideration  
3 was given to the argument that was raised about the seasonality  
4 of the residents to the extent that, you know, if they were not  
5 there and they were seasonal they wouldn't have to pay that  
6 base facility charge, which in comparison to the no charge as  
7 it currently is, if I'm reading the chart correctly on, I  
8 believe, Page 17, versus the staff recommended rates, certainly  
9 those people that are seasonal would benefit by keeping the  
10 existing or the utility proposed rates as opposed to the staff  
11 recommended rates and just be billed based on their  
12 consumption, both on the water and wastewater.

13 So, I mean, I guess where I was getting at was any  
14 consideration -- I recognize that the staff recommended rates  
15 are typically consistent and consistently applied, but I did  
16 think that the issue raised about the seasonality perhaps had  
17 some implications or ramifications in terms of what's in the  
18 best interest of both the utility and the consumer. So I just  
19 wanted a little bit of elaboration on that.

20 **MS. DANIEL:** We did take a look at that. That is why  
21 the base facility charge is as low as it is. That \$5 for water  
22 base facility charge and 8.50 for wastewater, relatively  
23 speaking, is very low. It represents about 40 percent of the  
24 revenues. If you don't collect it in the base facility charge  
25 you have got to increase the gallonage charge to make up the

1 difference. And that's more of a conservation incentive, but  
2 if you are dealing with people who are on a fixed income, it is  
3 better that they have, in my opinion, that modest fixed amount  
4 every month, and then they can control their usage and control  
5 their resulting bills.

6 **COMMISSIONER SKOP:** Thank you for the clarification  
7 on that point.

8 **MS. DANIEL:** As far as the ROE, the company is  
9 currently 100 percent funded debt, and I really don't expect  
10 that to change for any reason. This is just as a matter of  
11 practice to get that ROE out there in case they do come in for  
12 a rate case in the event that they did have some equity  
13 investment that would be addressed.

14 **COMMISSIONER SKOP:** Okay. And in response to that on  
15 the ROE, I mean, at least at that authorized return of equity  
16 typically on the wastewater, water and wastewater, is that  
17 typically higher than what a utility -- an electric utility  
18 would see?

19 **MS. DANIEL:** That's set by the Commission in a  
20 leverage graph annually.

21 **COMMISSIONER SKOP:** Okay. All right. Because, at  
22 least to me, that would be an attractive rate. So, I mean, I  
23 could possibly see, you know, a change in capital structure  
24 under which it would drive additional costs if that ever came  
25 to fruition. But I just wanted to get some clarification on

1 that.

2 Thank you.

3 **MS. DANIEL:** Yes, sir. And that ROE is updated  
4 annually. The next update will be in June of this year.

5 **COMMISSIONER SKOP:** Thank you. Thank you.

6 **CHAIRMAN CARTER:** Thank you, Commissioner.

7 Commissioner Argenziano, you're recognized.

8 **COMMISSIONER ARGENZIANO:** Thank you. Just a couple  
9 of questions, and some are for my own understanding. But I  
10 guess the 7,000 gallons, was that built into the lot rent where  
11 that was free?

12 **MS. DANIEL:** Everything was free in the past.  
13 Historically these customers have not paid, did not have meters  
14 for water service. It was just included in the lot rent.

15 **COMMISSIONER ARGENZIANO:** Okay. Isn't that a  
16 contractual agreement then between them?

17 **MS. DANIEL:** It is. And once the Commission approves  
18 these rates, I have talked to the homeowners association  
19 officers and the utility, they actually have a meeting set up  
20 for tomorrow where they are going to begin the dialogue of  
21 let's go back and take a look at the lot rent and see if that  
22 is going to be adjusted, and if so, by how much. And that is  
23 the Department of Business and Professional Regulation. They  
24 will have to address those issues.

25 **COMMISSIONER ARGENZIANO:** Right. I just didn't know

1 if that was being addressed.

2 **MS. DANIEL:** It is.

3 **COMMISSIONER ARGENZIANO:** And since it was a  
4 contractual issue, I didn't know how we were going to deal with  
5 that if there was a contract --

6 **MS. DANIEL:** We are not going to. They have a  
7 process in place to deal with that, and they have already begun  
8 those steps.

9 **COMMISSIONER ARGENZIANO:** And at what gallonage -- at  
10 what point of excessive use of gallonage, what was the  
11 gallonage when the penalty kicked in?

12 **MS. DANIEL:** 7,000. When the utility was previously  
13 charging, is that what you are asking?

14 **COMMISSIONER ARGENZIANO:** Well, when the gentleman  
15 kicked in a penalty. Do we know what --

16 **MS. DANIEL:** 7,000.

17 **COMMISSIONER ARGENZIANO:** It was at 7,000. Okay.

18 **MS. DANIEL:** And a higher rate at 12,000. Nothing up  
19 to 7,000, from 7 to 12,000 gallons I believe it was \$3 a 1,000.  
20 Anything over 12,000 gallons was \$5 a 1,000.

21 **COMMISSIONER ARGENZIANO:** And just out of curiosity,  
22 too, what was the CUP, or what is the CUP for the utility from  
23 the water management district, Mr. Tabor?

24 **MR. TABOR:** Yes. Yes.

25 **COMMISSIONER ARGENZIANO:** What is your consumptive

1 use permit from the water management district?

2 **MR. TABOR:** It is 100,000 gallons per day for ADF,  
3 average daily flow, with 110,000 maximum.

4 **COMMISSIONER ARGENZIANO:** And what was your overage?

5 **MR. TABOR:** We were running -- I don't have the  
6 graphs with me today. I had to stop -- I had to stop working  
7 in order to do this, so I don't have things in my truck. I  
8 apologize for that.

9 **COMMISSIONER ARGENZIANO:** Just a general idea of what  
10 your overage was. I would like to know what the water  
11 management district --

12 **MR. TABOR:** Fifty percent. We were over 50 percent a  
13 lot of times. We were pumping in the 200,000 gallon range. We  
14 went over 100 percent for several -- several months.

15 **COMMISSIONER ARGENZIANO:** And did you ever figure out  
16 the leakage? Because part of this -- unfortunately, you did  
17 lose your statutory exemption when you kicked in the penalty,  
18 and I think that is just a fact. But at the same time the  
19 customer, when I heard there were severe leaks, I'm not sure  
20 that's their fault at that point, and perhaps they are due a  
21 refund. But did we ever figure out, or could you determine  
22 after the leaks were corrected the loss that those leaks were  
23 actually causing?

24 **MR. TABOR:** Yes, ma'am. How we found the leaks, the  
25 leaks were not on the utility side, except for one going to the

1 club house at the swimming pool. The leaks that we found were  
2 in sprinkler systems, that when the sprinkler system would kick  
3 on, maybe one zone would not work because a line was broken,  
4 and that's why we had the big green spots in the yard that we  
5 were able to detect this. And the leaks -- but please  
6 understand, we had Florida Rural Water Association out there  
7 several times and we had leak detectors. We found only one  
8 leak on the utility side and that was going into the swimming  
9 pool in the club house area. All the other leaks we found were  
10 after the meters.

11 **COMMISSIONER ARGENZIANO:** But what I'm trying to  
12 determine is -- your overage you said was about 50 percent, and  
13 after the leaks were corrected, I'm trying to figure out if you  
14 came closer to your CUP.

15 **MR. TABOR:** We did after we started -- after we  
16 started billing the customer, for lack of a better word, and,  
17 yes, we used the meter readings like the other lady stated --

18 **COMMISSIONER ARGENZIANO:** I got that part, Mr. Tabor.  
19 What I'm trying to figure out is what was your savings? Forget  
20 conservation, because that kicks in, of course. But, do you  
21 know -- is there any kind of understanding on what the leakage  
22 actually was, what gallonage?

23 **MR. TABOR:** Oh, the leakage. The leakage  
24 participated in about 50,000 gallons a day.

25 **COMMISSIONER ARGENZIANO:** Okay. So that was really

1 your overage.

2           **MR. TABOR:** Well, that was a lot of the overage.  
3 When the people realized that they had leaks, you know, we got  
4 calls -- and Mr. Rich is on the line, and he can verify  
5 everything I'm saying -- they would call, I would go out, and  
6 we would go actually on the property. I would go with the  
7 maintenance people of Century-Fairfield, and we would look at  
8 their sprinkler systems. And we helped them fix them so that  
9 the leakage would go away.

10           **COMMISSIONER ARGENZIANO:** Sure. And that's  
11 wonderful.

12           **MR. TABOR:** And that did help tremendously. I'm not  
13 trying to mislead you, ma'am, in any way. That helped  
14 tremendously. That probably saved us 50,000 gallons a day.  
15 We dropped from like 200,000, 180,000 into below the 100,000.

16           **COMMISSIONER ARGENZIANO:** Okay. Well, that's what I  
17 was getting to. The leakage was the problem. It wasn't the  
18 customer just deciding to -- well, maybe I'm sure they -- and  
19 they kicked in with conservation also once they were made aware  
20 of that. And now, of course, since there will be rates I'm  
21 sure that will change that. But to me now that answers the  
22 question. It was really leakage, and it is not really the  
23 customers' fault in a sense, but -- and I'm glad that's fixed,  
24 because I think that solves a lot of the problems.

25           And, Mr. Rich, if I can ask you. I was trying to



1 recall what you said earlier. Your main concern is now the  
2 increase in rates?

3           **MR. RICH:** Well, I have a couple of concerns. First  
4 of all, the exempt status. I don't understand everything as  
5 well as the other people, obviously, because I'm not involved  
6 as much as they are. But as far as I can understand, the CRF  
7 exempt status was caused when they started charging, which,  
8 obviously, is no fault of the people in the village, other than  
9 the fact that I agree 100 percent that there needed to be some  
10 control for overusage.

11           And as near as I can understand from everything, the  
12 whole purpose of all of this was to control the usage. When  
13 they implemented the 7,000 gallons -- I don't have all the  
14 figures, but as near as I can understand from listening to  
15 everybody, the control was there. The 7,000 gallons did it.  
16 And so that the control that they were looking for was there by  
17 implementing the 7,000 gallons. And that seemed to be the  
18 intent of everything there.

19           So, the concern was, one, that the 7,000 gallons  
20 really did the job, and now they are going to be charged a base  
21 rate plus any usage over 1,000 gallons, which is really,  
22 obviously, a minimum amount. You know, they are certainly  
23 going to use more than that. So there is going to be a charge  
24 now, you know, far greater than there was before, particularly  
25 if they went over 7,000 gallons. It would be really steep,

1 probably in the vicinity of 30 to \$50, I would imagine. I'm  
2 just guessing.

3 But what they were getting for free before, to  
4 control usage is now they are being penalized for it, because  
5 it really, and particularly where it was mentioned that some of  
6 the usage was not there, you know, it wasn't their fault, you  
7 know. So the overusage wasn't as great, you know. That was  
8 basically the concern.

9 **COMMISSIONER ARGENZIANO:** Okay. Staff, to that  
10 point, if the leakage brought them back down to their prior  
11 usage or back down to under or where the CUP is, why are we  
12 implementing rates if they have agreements within, you know,  
13 the 7,000 in their lot rentals? I'm trying to figure out -- I  
14 know we want them to conserve, but if they are back down to  
15 where the water management district was flagged, I guess, I  
16 don't know what we're doing.

17 **MS. DANIEL:** Commissioners, I suppose if the utility  
18 wanted to withdraw their application and not request a  
19 certificate -- well, the certificate has already been  
20 authorized, and request that we cancel the certificate and that  
21 they not charge, that's certainly one option. If they are  
22 going to charge, however, we need to set them up like we do all  
23 original certificates with appropriate rates.

24 **COMMISSIONER ARGENZIANO:** Okay. So then it's really  
25 not that they are overusing anymore. That has gone away. That

1 is the point I wanted to make. We are not implementing rates  
2 because of overusage. If that has been corrected, then it is  
3 because the utility desires -- okay.

4 I still don't know how it comes to us if they have  
5 legal agreements, and I guess they will have to take care of  
6 that somewhere else. Okay. So the residents at this point are  
7 back down to where they should be, and you're not exceeding  
8 your CUP, is that correct, Mr. Tabor?

9 **MR. TABOR:** That is correct at this time. However,  
10 Commissioners, the water -- since we have had to stop charging  
11 our penalty or whatever you want to call it, and now that the  
12 spring has come, we have jumped from -- we are back up to  
13 almost 70,000 gallons a month. Water is starting to increase  
14 slowly. We jumped from an ADF of 52 in March to 68,000 in  
15 April. If we don't keep some kind of handle and a penalty --  
16 and, Commissioners, I disagree with you, and maybe it's my  
17 fault. I might have got off on the wrong track.

18 Back to this, it was not the customers' fault about  
19 the water usage, I must have -- I might have said something  
20 wrong. Please bear with me on this. I sometimes have trouble  
21 communicating, but I do know what I am doing.

22 **COMMISSIONER ARGENZIANO:** You're doing fine.

23 **MR. TABOR:** We went to these houses several times and  
24 asked people to let us help them adjust their sprinkler system.  
25 When you say it wasn't the customers' fault that they were

1 overpumping, yes, it was. Most of them said that we could help  
2 them. Some of them stated it was in their lot rent, they would  
3 use -- they would use as much water as they wanted to use.

4 I'm the operator, licensed operator of that system.  
5 I drove -- I have drove many times in there, and Mr. Rich can  
6 verify this, that it was pouring rain, and I would have 26  
7 sprinklers running in the rain. No one cared. Please, please;  
8 no one cared. The abusers did not care. Not everyone. The  
9 abusers that were charged did not care because it was in their  
10 lot rent. It was not the utility's fault that they would not  
11 adjust, and yet the leaks we found were on the customer side --

12 **CHAIRMAN CARTER:** Mr. Tabor, one second, please.

13 **COMMISSIONER ARGENZIANO:** I'm saying it wrong, aren't  
14 I?

15 Mr. Tabor, I understand that. I'm not accusing the  
16 utility of anything, and those people who do not care about the  
17 amount of water they use are not good stewards of our planet  
18 and our resources, so I agree with you there. What I was  
19 saying is that when there is leakage that a customer is unaware  
20 of, then it is really not their fault. They really didn't know  
21 that.

22 **MR. TABOR:** Yes, I agree with that.

23 **COMMISSIONER ARGENZIANO:** But let me ask -- let me  
24 just ask you this question. If that is the case, and you have  
25 people who just don't care about the resource, and they are

1 greedy or whatever, they are not being good stewards, why not  
2 have a conservation rate, then? Why impact those at 1,000  
3 gallons? Or maybe staff can better answer that. I'm a firm  
4 believer that you don't punish those who are using the least  
5 amount. You charge those who are using more. So those people  
6 who want to run their sprinklers during the rain, and shame on  
7 them for doing so, should be charged accordingly.

8 **MR. TABOR:** Yes, ma'am. And I was involved,  
9 Commissioner. I was involved in setting that rate, because I  
10 did not want to penalize the elderly people, and I am getting  
11 there myself. I turn 65 next month, so I am on the downhill  
12 slide, if you want to call it that. And I did not -- and I was  
13 part of this. I did not want to hurt anyone. I just wanted --  
14 I wanted the fines to go away, and that's why I'm representing  
15 Century-Fairfield.

16 I proposed these rates in the beginning. I requested  
17 a 7,000 so that no one had to pay until they hit 7,000. When  
18 they hit 7,000 -- and one person and two people can live very  
19 comfortably with 7,000 gallons of water, in my opinion, in a  
20 30-day period. So that's the reason this was done. And that  
21 is the rates that we proposed when we filed this, ma'am.

22 **COMMISSIONER ARGENZIANO:** Okay.

23 **MR. RICH:** Could I make a comment? Would it be okay  
24 if I made a comment?

25 **CHAIRMAN CARTER:** Is that Mr. Rich?

1           **MR. RICH:** Is it all right to make a comment?

2           **CHAIRMAN CARTER:** Yes, sir. You're recognized.

3           **MR. RICH:** The homeowners association -- when  
4 everything was going on in 2007, we just started it this year,  
5 so we didn't have, I don't think, the kind of control or maybe  
6 the kind of influence that we have now, I -- and I think I can  
7 speak for the homeowners -- have no sympathy for people that  
8 totally ignored what Mr. Tabor was trying to do, no sympathy at  
9 all for people that are overusing. And I think the amount of  
10 people that were doing that were minimal. And, certainly, the  
11 kind of people that said they just don't care, I wouldn't even  
12 address them at any kind of a meeting if they were to bring  
13 that up.

14                       But the concern was is that the 7,000 worked. I  
15 think it worked, and it worked very well, and there was no  
16 charge for these people. And I'm totally in favor of the  
17 7,000, and I'm totally in favor of some kind of a cost after  
18 the 7,000, because I think it helps with this kind of control  
19 that we are trying to get.

20                       So, you know, in closing, I just would try to impress  
21 upon people that the 7,000 worked, and if it is possible to go  
22 along with that, then I think the homeowners and the people  
23 here would be very pleased with that.

24                       Thank you.

25           **CHAIRMAN CARTER:** Thank you, Mr. Rich.

1 Commissioner Argenziano.

2 **COMMISSIONER ARGENZIANO:** This is for staff. Please,  
3 because I am looking at this and maybe I'm reading it wrong.  
4 At what point for water and what point for sewage does a charge  
5 kick in? At which gallonage point? I'm sorry.

6 **MS. DANIEL:** Okay. Staff's recommended rates would  
7 be \$1.30 per 1,000 for anything between zero and 7,000 gallons.  
8 Over 7,000 gallons, \$1.95 per 1,000. For wastewater it's \$2.40  
9 per 1,000 up to 7,000 gallons. No charge after that.

10 **COMMISSIONER ARGENZIANO:** And, Mr. Tabor.

11 **MR. TABOR:** Yes.

12 **COMMISSIONER ARGENZIANO:** You recommended to staff  
13 starting the charge at the 7,000?

14 **MR. TABOR:** I believe I did. Didn't I, Patti?  
15 Wasn't that in our original --

16 **MS. DANIEL:** That's correct. The utility proposed no  
17 base facility charge and no charge whatsoever for water or  
18 wastewater service for the first 7,000 gallons. For water they  
19 proposed \$3 per 1,000 for gallons between 7,000 and  
20 12,000 gallons, and \$5 per 1,000 over the 12,000 gallons.

21 **COMMISSIONER ARGENZIANO:** And the reason you did it  
22 differently was to spread the cost?

23 **MS. DANIEL:** To spread the cost out. It is  
24 Commission practice to have a base facility charge rate  
25 structure to address those seasonal issues, so that, as I

1 mentioned before, the customer recovers its fixed costs, even  
2 when some of those customers aren't there. And then I set the  
3 first block at 7,000 gallons to address the customers' concerns  
4 about that being a meaningful amount to them.

5 **COMMISSIONER ARGENZIANO:** But doing it the way that  
6 Mr. Tabor suggested, wouldn't that solve his contractual  
7 problems, also? I mean, that we're not having anything to do  
8 with, but obviously are going to be there. And doing it that  
9 way, what would the higher charge be, I guess?

10 **MS. BENNETT:** May I jump in?

11 **CHAIRMAN CARTER:** Ms. Bennett.

12 **MS. BENNETT:** The Commission -- oh, I'm sorry. This  
13 is Lisa Bennett with the General Counsel's Office. First, I  
14 wanted to point out Schedule 4 kind of shows you the difference  
15 between what the utility recommended and what the staff  
16 recommended.

17 What you're facing is really two statutes that at  
18 first glance appear to conflict, but they really don't. The  
19 Commission has exclusive jurisdiction when a utility comes in  
20 and asks for rates. And when a utility comes in and asks to  
21 charge rates, we have some established guidelines on how we set  
22 those rates. And to back off of that and set rates differently  
23 than what we normally do would interfere with our rules and  
24 statutes.

25 **COMMISSIONER ARGENZIANO:** Right. I have a hard time



1 with that one.

2           **MS. BENNETT:** And what the other statute -- Chapter  
3 723 of the Florida Statutes is the mobile home park owners, and  
4 there are rights and remedies that those mobile home park  
5 owners and the mobile homeowners themselves have. And it's my  
6 understanding from Patti Daniel's discussion are pursuing those  
7 rights. So there is really not a conflict. And we don't look  
8 at the contractual obligations, we don't have any authority to  
9 look --

10           **COMMISSIONER ARGENZIANO:** Mr. Chair, I'm not saying  
11 that. I'm well aware of that. But I still have to take that  
12 into consideration, because I'm wondering how we can even jump  
13 in when there are contracts involved. And I understand what  
14 our position is very well, but -- I'm not saying we have to fix  
15 it, but I'm looking at that as a problem that the residents and  
16 the utility are going to have to deal with. And if there is a  
17 different way of doing the rates, as the utility suggested,  
18 that may alleviate that problem, of course, out of common  
19 sense, I'm going to be asking questions about that.

20           What I have a concern with is when you tell me that  
21 because we have done it this way always we can never change it.  
22 I just don't find that acceptable. I know there's precedence,  
23 and I know that every circumstance has a different -- you know,  
24 there are different circumstances involved. I think we have  
25 dealt with some in the recent past where we have -- and I made

1 comments to the fact that I thought that more of a conservation  
2 rate should apply, rather than penalize those who use the least  
3 amount, even though I think some of the rates are very low in  
4 some of these places.

5 But in saying that, what I was, I guess, trying to  
6 find out between the differences of staff's recommendation and  
7 the utility's recommendation, and I think what I'm hearing  
8 Mr. Rich say is that he would prefer the utility's  
9 recommendation, and correct me if I'm wrong, Mr. Rich?

10 **MR. RICH:** Yes, we would prefer the 7,000 and then a  
11 penalty implemented. We would prefer the first 7,000 free like  
12 we were doing before and a penalty implemented after that.

13 **COMMISSIONER ARGENZIANO:** Okay. And, Mr. Chair, if I  
14 can.

15 **CHAIRMAN CARTER:** You're recognized.

16 **COMMISSIONER ARGENZIANO:** That's what I'm trying to  
17 figure out. If we did it the other way, what would be the  
18 ramifications? And I understand you are saying the charge is  
19 to the seasonal. I need to know what those differences are.

20 **MS. DANIEL:** I can answer that for you.

21 **COMMISSIONER ARGENZIANO:** Okay.

22 **MS. DANIEL:** Commissioner, this utility, when they  
23 set these rates, they viewed it simply as a penalty to stop  
24 that excessive usage. They, at that point, did not realize at  
25 that time that they would even be coming to the Florida Public

1 Service Commission for rates.

2           With this company, as with most companies applying  
3 for original certificates, Commissioner, they don't have a clue  
4 when they are settings up rates and rate structure. They don't  
5 know how to look at a billing analysis and determine whether  
6 the rates they propose are going to generate the revenues that  
7 they need to operate the company. And to be perfectly frank,  
8 that's what these rates represent. They were a shot in the  
9 dark back a year and a half ago for this company to quickly  
10 stop a problem, a big one.

11           But as far as original certificate rates for a  
12 company that's going to be regulated by us on a going-forward  
13 basis, if you do \$3 a 1,000 for the first 7,000 gallons up to  
14 12,000, and so forth, one day they're going to come in for a  
15 rate case, and it is going to be a major shock to those  
16 customers when they get adjusted into something that's a normal  
17 Commission-approved rate structure.

18           If you want to ease them into something, I can  
19 certainly take a look at some options, but the \$3 a 1,000 is  
20 not full cost-recovery for them. They didn't have a clue when  
21 they filed this.

22           **COMMISSIONER ARGENZIANO:** Okay. But that goes back  
23 to the original contract. If they are back to their -- they  
24 are not overusing their CUP, which, obviously, it sounds like  
25 they may come back up again. They are going to deal with that

1 problem.

2           So, Mr. Rich, in hearing that, I'd like to know your  
3 thoughts on that, because that is a very valid point that in  
4 the future you may be in greater shock than you are now.

5           **MR. RICH:** Yes. I'm not sure why that would be. The  
6 rental agreement included the water and wastewater, and that's  
7 the type of thing that most people, when they mention it, keep  
8 bringing up, and that's something that we have to negotiate  
9 with the company. But I'm not sure what's pending, but I do  
10 know that if these rates are implemented now, the cost will be  
11 between 30 and \$50 a month for these people in addition to the  
12 annual lot rent that they get increased.

13           I'm not sure what's coming, but I would hope, my  
14 goodness, that it's not going up from there, because it would  
15 be tremendous. And I guess I'm little bit puzzled in the sense  
16 that the whole purpose of everything is to conserve water, and  
17 the residents did that in this park. And, you know, the  
18 reason, you know, that the whole thing started was because of  
19 that. And, therefore, if it's under control, I guess I'm not  
20 sure why all of these rates are needed at all, other than the  
21 fact to make sure -- and, again, I'm 100 percent in favor of  
22 the kind of control that we had before -- just to make sure  
23 that these people don't overuse, because some of them will  
24 absolutely abuse it if there isn't some kind of control.

25           So I'm just hoping that, you know, that the park will

1 pick up whatever the costs are, because that's what the rental  
2 agreements say they should do. But we don't -- you know, all  
3 we can do is negotiate with them, and if they decide not to do  
4 that, then it's a long litigation thing, and they certainly  
5 have a lot more money than we do. You know, so it's a problem.

6 **COMMISSIONER ARGENZIANO:** Mr. Chair.

7 **CHAIRMAN CARTER:** Commissioner Argenziano.

8 **COMMISSIONER ARGENZIANO:** I guess what I would like  
9 to say to Mr. Rich is that, you know, even with that cost of  
10 the staff's recommendation, the increase, compared to some  
11 other places it's still relatively cheap for water and sewer.  
12 And I know you don't want to hear that, but the fact is that  
13 there no more cheap water and sewer anymore. And all I have  
14 seen in the past and probably for the future is it's going to  
15 go up and up and up. So staff makes a good point that if you  
16 wait now it could be a real shock to you not too far off in the  
17 near distant future.

18 My concern, I guess, is that it's going from nothing  
19 to \$50 possibly, and maybe I would like to see if there is a  
20 way of easing just a little bit softer into that quick jump, if  
21 there is a way of doing that. So this way if the next rate  
22 increase comes sometime soon, it won't be that much of a shock,  
23 but at least they can get adjusted to that now.

24 **CHAIRMAN CARTER:** Commissioner McMurrian, you're  
25 recognized.

1                   **COMMISSIONER McMURRIAN:** Thank you.

2                   And I don't know if this will make it worse, tying it  
3 in with our discussion we just had, and to make sure I  
4 understand it with staff. Even with the utility's proposal,  
5 the fact that they want to not charge for the first 7,000 and  
6 they want to charge, I think, \$3, and then maybe \$5 per 1,000,  
7 depending on blocks, even with that proposal, they would still  
8 be regulated by this Commission, right?

9                   **MS. DANIEL:** That's correct.

10                  **COMMISSIONER McMURRIAN:** And that's because they  
11 would now be charging for usage instead of just charging in lot  
12 rent. Presumably there is some kind of fee built in there, but  
13 it's not based on usage, and that's what makes them subject to  
14 our jurisdiction.

15                  **MS. DANIEL:** That's correct.

16                  **COMMISSIONER McMURRIAN:** Okay. So even if they were  
17 to go off and charge the way that they've proposed, we still  
18 would have to review those rates and approve them.

19                  **MS. DANIEL:** Correct.

20                  **COMMISSIONER McMURRIAN:** Okay. I guess I wanted to  
21 go back to Issue 2, as well. Mr. Tabor, I think you see the  
22 refund on Issue 2 as a penalty. And I guess if I were in your  
23 shoes I would probably view it that way, too. But I don't  
24 think that that is what the intent is. I think it's just  
25 consistent with what we usually do when we find a utility

1 that's charging outside Commission approval.

2           And maybe what we usually do isn't always fair. I'm  
3 not sure, either, and we have talked a little bit about that.  
4 Commissioners have asked some good questions. But I guess I  
5 wanted to ask staff have there been situations when we -- I  
6 know you talked about possibly putting money aside for  
7 conservation. I don't really think that's needed here, in my  
8 personal opinion, because I think the conservation is already  
9 happening based on the charges being put in place.

10           But have we ever not -- maybe that's a very broad  
11 question. But, I mean, do you recall any situation where  
12 we look at the utility's situation, and we say they were trying  
13 to do the right thing, and perhaps do something different with  
14 respect to refunding these issues -- I mean, refunding the  
15 charges?

16           **MS. DANIEL:** Yes, Commissioner, there have been many  
17 examples where we have not discovered a utility that was  
18 jurisdictional and should have been regulated by us after they  
19 had been providing service and charging for that service for  
20 many, many years. And there have been instances where we have  
21 not required a refund, simply because it would have gone back  
22 many, many years and we didn't require a refund in those  
23 instances. So we do have cases where we have not required  
24 refunds, and the idea is there was a service that was provided,  
25 a benefit accrued to the user, and they paid for that.

1                   **COMMISSIONER McMURRIAN:** I'm sorry, Chairman, is it  
2 okay?

3                   **CHAIRMAN CARTER:** You're recognized.

4                   **COMMISSIONER McMURRIAN:** In those instances, did we  
5 do something else with that money that would have been  
6 refunded, or sometimes we just didn't refund it and the utility  
7 was able to keep those revenues?

8                   **MS. DANIEL:** The latter.

9                   **COMMISSIONER McMURRIAN:** I guess I'll go ahead and  
10 ask my next question and maybe we can come back to that. On  
11 Issue 3, I wanted to ask Mr. Rich, because I was under the  
12 impression, and I think it was because of something I had read  
13 earlier, but I was under the impression, Mr. Rich, that the  
14 customers were interested in seeing a monthly rate. And I  
15 guess I have to admit that my preference is normally for  
16 monthly rates, because I think it sends better price signals  
17 and people keep up with their water usage and all a lot better  
18 that way.

19                   But, Mr. Rich, I wanted to hear from you on that.  
20 Did you have a preference, or do you think that the other  
21 homeowners in Fairfield Village have a preference with respect  
22 to monthly or quarterly rates?

23                   **MR. RICH:** I talked to the board about that, and one  
24 of the concerns was that, you know, if these rates continue as  
25 suggested that the quarterly bill might be \$100 or somewhere in



1 that vicinity, and we felt that that would be quite a large  
2 amount for some people to come up with all at once. So we felt  
3 it might ease the pain a little bit, if you will, by having a  
4 monthly bill instead, you know. But that was kind of as a last  
5 resort thing, because the first thing was to try and do away  
6 with them completely. But if there was going to be one, that  
7 we wanted to try to ease it as much as we could.

8 **COMMISSIONER McMURRIAN:** Thank you, Mr. Rich.

9 I wanted to follow up with staff on that. And just  
10 explain, of course, we have an obligation to set rates that are  
11 fair, just, and reasonable, and that's to the utility and to  
12 the ratepayers. If we were to change to monthly rates with  
13 respect to Issue 3, would the rates still be fair, just, and  
14 reasonable and compensatory to the utility, as well?

15 **MS. DANIEL:** Commissioner, I believe so. These are  
16 not expenses or rate base that were audited by staff. As with  
17 all original certificates, they come in -- often our original  
18 certificates are completely projected, and we're just looking  
19 at estimates. In this case, it's the best information that the  
20 company could give us. And as far as the additional cost for  
21 monthly versus quarterly billing, I didn't learn about the  
22 customers' concern until the latter part of last week on that.

23 There would be an additional cost. I don't know that  
24 it would be excessive, and it is certainly something that the  
25 company could, you know, come back in for to deal with on a

1 going-forward basis if they found that the costs that they have  
2 otherwise given us -- you know, if these rates didn't recover  
3 all of those costs.

4 **CHAIRMAN CARTER:** You're recognized.

5 **COMMISSIONER McMURRIAN:** Mr. Chairman, I guess one  
6 more question just to be fair. I probably should have asked  
7 Mr. Tabor for his thoughts on that. I know that he has  
8 requested a quarterly basis, but I wonder if he could give us  
9 some insight as to how much difference that would make to his  
10 company for them to bill on a monthly basis instead.

11 Mr. Tabor.

12 **MR. TABOR:** Yes, ma'am. The cost would be naturally  
13 one-third difference when the bills go out. Let's just use an  
14 example, that it costs \$3 a bill to send out the bill; you  
15 times that by 300 homes, and you have got \$900. If you divide  
16 that by 3, you have got \$300. It would be -- it would be a  
17 one-third savings, and that's why that was requested to staff  
18 in this was so that we could keep the rates down just as low as  
19 possible, yet be able to meet the Department of Environmental  
20 Protection and the Southwest Water -- our CUP permit, and our  
21 regulations with all the new costs that are being incurred that  
22 I'm sure everyone there is aware of. That is the only reason  
23 was it was a one-third difference in the quarterly rates. I  
24 hope I explained that correctly.

25 **COMMISSIONER McMURRIAN:** And I guess one follow-up,

1 Mr. Tabor. Do you feel like that if staff's proposal were  
2 adopted, and these rates were put into effect, do you feel like  
3 that you would lose money if we were to adopt a monthly billing  
4 basis? I mean, do you feel like these rates would adequately  
5 cover that extra expense in billing on a monthly basis?  
6 Because I do realize you would have more expense billing  
7 monthly, and I do appreciate that you are trying to keep the  
8 costs down. I also think that customers aren't necessarily  
9 excited about being billed on a quarterly basis, at least I'm  
10 not. I guess when I pay my insurance on a six-month basis it's  
11 not exactly fun. That's just my preference, but I also think  
12 that it sends a better price signal.

13 **MR. TABOR:** That is totally up to the Commission how  
14 you want it. And I do want to -- I do want to say this. I  
15 want to compliment staff on the record for all the help they  
16 have been. Yes, we could not provide everything they needed,  
17 and Ms. Daniel, Mr. Rieger, and Ms. Johnson, they have been  
18 fantastic to help us. And I want you to know that they have  
19 done the best they could with what they have had to work with,  
20 and that is a fact.

21 And if you want to go monthly, definitely we will,  
22 but I believe Mr. Rich and the -- they are having their meeting  
23 tomorrow. I am probably going to be on a conference call with  
24 the meeting. I can't be there. And we certainly have some  
25 issues that are private issues that we're going to work out,

1 and I feel confident that all of this is going to be worked  
2 out. And I do not want to put any hardship on -- please, I  
3 don't want this to ever happen, I don't want to put a hardship  
4 on a retiree. That is not what we are trying to do. That is  
5 not the way we should live.

6 **CHAIRMAN CARTER:** Thank you.

7 Commissioner Argenziano, then Commissioner Skop, then  
8 we will get into debate.

9 **COMMISSIONER ARGENZIANO:** I just want to thank  
10 Mr. Tabor for expressing that, because we know that. We have  
11 no doubt that you feel genuinely about not putting a hardship  
12 on our seniors and our retirees, and I appreciate that very  
13 much, and appreciate the fact that you acknowledged our staff  
14 because they do a wonderful job.

15 My only suggestion is, Mr. Chair, if we could -- if  
16 there is a possibility of just lessening the impact, and I know  
17 it's difficult, and I know you went through a lot, but maybe we  
18 can lessen the impact. With the knowledge, Mr. Rich, and you  
19 might want to take this to your meeting tomorrow night, that  
20 water is getting more expensive and there will probably be  
21 another rate case before you know it. So, understand that that  
22 could be coming. But I would just like to ease that burden to  
23 those retirees as much as possible at this point.

24 Thank you.

25 **MR. RICH:** Could I ask a question?

1           **CHAIRMAN CARTER:** A short one.

2           **MR. RICH:** Okay. That's a deal.

3           The company, the utility, has to request a permit  
4 from you guys to charge the residents. And I guess if they  
5 weren't granted that permit, there would still be a charge, but  
6 they would have to absorb the charge. Is it possible that when  
7 they are granted a permit that it could be, I guess, kind of a  
8 limited permit; whereas, because, you know, in the agreements  
9 here when they rent, all of that was included in the rental  
10 agreements. Is it possible they could be granted, I guess, a  
11 partial permit, if you would, so that they would have to absorb  
12 some of the cost instead of all these current costs and future  
13 costs being passed on to the residents of the village?

14           **CHAIRMAN CARTER:** I'm going to allow staff to give a  
15 short answer to that.

16           You're recognized.

17           **MS. DANIEL:** It is our statutory duty to set rates  
18 that are fair, just, and compensatory.

19           **CHAIRMAN CARTER:** So the answer would be no.

20           **MS. DANIEL:** Unless the company requested less than  
21 compensatory.

22           **CHAIRMAN CARTER:** Okay.

23           **COMMISSIONER ARGENZIANO:** In other words, Mr. Rich,  
24 that's a statutory requirement. The statutes allow the  
25 companies to recover.

1           **MR. RICH:** If they weren't granted a permit, would  
2 they have to absorb all the costs that are forthcoming? If  
3 they weren't granted a permit, there would still be costs, but  
4 they wouldn't be able to pass them along?

5           **CHAIRMAN CARTER:** No. You won't be able to get any  
6 costs that are not approved in the rate structure. Does that  
7 help you?

8           **MR. RICH:** I mean, they need a permit in order to  
9 pass along the costs to the renters here, is that correct? In  
10 order to do that they need a permit?

11           **COMMISSIONER ARGENZIANO:** Mr. Chair, if I may.

12           Staff, if I'm wrong -- but, Mr. Rich, they may not be  
13 able to do that if they are not under the jurisdiction of the  
14 PSC, but, trust me, you'll get charged one way or the other.

15           **MR. RICH:** I'm sure we will get charged direct.

16           **COMMISSIONER ARGENZIANO:** Well, of course, the  
17 company can't -- they are not going to be able -- they are not  
18 going to supply the water at an increasing cost and not  
19 recover.

20           **MR. RICH:** The only thing is in 723, I can't remember  
21 right offhand, but there is a passage in 723 that somewhat  
22 prohibits them from passing it along when it's part of the  
23 rental agreement. So it is one of the things that we are going  
24 to bring up to them tomorrow. Again, I'm not as familiar with  
25 it as everybody else is, because I don't deal in it all the

1 time.

2 **CHAIRMAN CARTER:** Ms. Bennett.

3 **MS. BENNETT:** 723 is the Mobile Home Park Owners  
4 Statute. There is a provision that allows a mobile home park  
5 to pass through charges from a governmental utility, which I  
6 would say this is part of it, without the 90 days notice.  
7 Anything that is an increase in lot rental otherwise has to  
8 have a 90-day notice. So I'm not aware of any exception to  
9 723.

10 **MR. RICH:** Yeah. We were thinking that that was --  
11 and I could be wrong -- we were thinking that was public water  
12 as opposed to having your own well. We thought there might be  
13 a difference because they own their own well.

14 **CHAIRMAN CARTER:** Thank you.

15 Commissioner Skop, you're recognized.

16 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

17 And, I think, to reflect on an excellent point that  
18 Commissioner McMurrian raised with respect to the staff  
19 recommendation for monthly billing as opposed to maybe looking  
20 at that quarterly, at least just on the number of customers a  
21 quick calculation on the mailing cost alone, the number of  
22 customers at 41 cents would be about \$120 per month.  
23 Notwithstanding, I think that the cost of the bill was  
24 mentioned.

25 But I noted on Page 8 of the staff recommendation

1 under rates and rate structures that the utility installed  
2 meters in early 2007 and has been reading the meters on a  
3 quarterly basis. So I think that, you know, there is certainly  
4 more than one way to approach this. You know, getting monthly  
5 bills would send the appropriate price signal, but to me there  
6 would be substantial cost savings perhaps involved with going  
7 the quarterly consistent with how the meters are currently  
8 being read. So I just kind of wanted to put that out there. I  
9 thought that was a good point that Commissioner McMurrin  
10 raised.

11 **CHAIRMAN CARTER:** Commissioners, we are in debate.  
12 We are in debate.

13 Any further questions, Commissioners? We are in  
14 debate. We are in debate. Any debate? Any debate?

15 Commissioner McMurrin, you're recognized.

16 **COMMISSIONER McMURRIAN:** I guess I will just respond  
17 to that. I mean, I think, Commissioner Skop, they would have  
18 to read the meters monthly also if they were going to bill  
19 monthly. And you're right, there would be additional cost.

20 Again, it's one of those preference things. I think  
21 you would save by doing it quarterly, but I also think that,  
22 especially given the history of what these customers have been  
23 paying, that perhaps paying on a monthly basis might be a  
24 little bit easier for them to sort of catch up on paying more  
25 water and wastewater bills as opposed to what they have been



1 doing, which is nothing incremental to their lot rent.

2 **CHAIRMAN CARTER:** Commissioner Argenziano.

3 **COMMISSIONER ARGENZIANO:** And I'm not sure what the  
4 will of the Commission is on the suggestion of trying to come  
5 in a little softer on the current new rates. If there's  
6 support for that, that's what I would move to do.

7 **CHAIRMAN CARTER:** Commissioners, there has been a  
8 suggestion about the rates. Let me do this. Let me ask staff  
9 if they could kind of address that issue for us and give us a  
10 background on that.

11 You're recognized.

12 **MS. DANIEL:** May I get some clarification? Are you  
13 talking about reducing the revenue requirement or changing the  
14 rate structure? Those are the two ways.

15 **COMMISSIONER ARGENZIANO:** Well, whatever way would  
16 make it softer. First, the initial impact of having rates when  
17 you had none before to make it a little easier, a little less,  
18 or change the structure to those who are using more.

19 **MS. DANIEL:** First, let me just remind you that,  
20 hopefully, their lot rent is going to be reduced to some  
21 degree. So that's going to help soften the blow.

22 **COMMISSIONER ARGENZIANO:** But that is not in my hands  
23 today.

24 **MS. DANIEL:** That's not -- I know. I know. I can  
25 relook at the rate structure. I can come up with a break at

1 3,000 gallons. It will make the rate over 3,000 go up more,  
2 and I think these customers -- about 85 percent of the bills  
3 were 7,000 gallons or less. Sixty percent of the bills were  
4 3,000 or less -- sixty percent of the bills were 5,000 or less.  
5 So I can do some breaks in there, but all that does, if you  
6 keep the revenue neutral, is shift the gallonage charge upward.

7 **COMMISSIONER ARGENZIANO:** But, I guess, Mr. Chair,  
8 I'm still having a problem with if they are back down to 5,000,  
9 most of them are sticking to that original, up to 7,000 you get  
10 free. I don't know why we're going to sock it to them at this  
11 point anyway until they go above and beyond what they are, you  
12 know, contractually agreed to now.

13 **MS. DANIEL:** Well, if you want me to just look at a  
14 new rate structure, and I haven't done this yet, I looked at  
15 several alternatives, but, I can arbitrarily -- that's not a  
16 good term.

17 **CHAIRMAN CARTER:** Right. Don't say those words.

18 **MS. DANIEL:** I can really reduce the gallonage charge  
19 up to 7,000 and make it something very modest, a dollar or  
20 less, and recover the rest of the revenue requirement from  
21 gallons over 7,000. Would that --

22 **COMMISSIONER ARGENZIANO:** I'd love that.

23 **MR. TABOR:** I love it, too, Patti. I love it, too,  
24 Patti.

25 **COMMISSIONER ARGENZIANO:** I didn't hear that.

1           **CHAIRMAN CARTER:** That was Mr. Rich, I think.

2           **MS. DANIEL:** Okay.

3           **MR. RICH:** I said I'd love it, too.

4           **COMMISSIONER ARGENZIANO:** Okay.

5           **MS. DANIEL:** How about if I leave the base charges  
6 where they are, the gallonage charge make it a dollar for water  
7 for the first 7,000 gallons, and I will get back to you on what  
8 that gallonage charge would be.

9           **COMMISSIONER ARGENZIANO:** I feel like I'm at an  
10 auction.

11           **MS. DANIEL:** Wastewater, do you want me to take a  
12 look at that, as well? Leave the base charge at 8.50, bring  
13 the gallonage charge for the first 7,000 --

14           **DR. BANE:** Commissioners, could we --

15           (Simultaneous conversation.)

16           **CHAIRMAN CARTER:** One second. Dr. Bane.

17           **COMMISSIONER EDGAR:** Mr. Chairman, I'm sorry, may I  
18 please --

19           **CHAIRMAN CARTER:** You're recognized.

20           **COMMISSIONER EDGAR:** Thank you. I apologize,  
21 Dr. Bane.

22           Just a couple of brief comments. I would have some  
23 discomfort with altering the revenue requirement today.  
24 Looking at the impact, and as Commissioner Argenziano has  
25 described as a softer impact, I don't know if there is maybe

1 even an interim two-step process. I don't know if that would  
2 be a possibility, but I am beginning to feel that A word a  
3 little bit, and I recognize the intent, and I think that it's a  
4 good one. I also recognize the need for the revenue  
5 requirement, and, again, would compliment the customers, and  
6 the utility, and our staff, and the good intent of the water  
7 management district, as well. It really does seem like  
8 everybody is trying to work together, and that is not always  
9 what we see and hear when we gather in this room.

10           So perhaps noting that there is not a critical date  
11 listed in the item before us, you know, maybe from the  
12 discussion to ask staff to go back and bring forward an  
13 alternative or two, or options along the lines that have been  
14 discussed. And I don't know how long that would take, but  
15 either at the next agenda or the one after that. And I just  
16 wanted to throw that out for Dr. Bane to comment on, as well.

17           And thank you, Mr. Chairman, for recognizing me.

18           **CHAIRMAN CARTER:** Okay. Dr. Bane, before you comment  
19 on -- don't lose your train of thought, but before you comment  
20 on what Commissioner Edgar said, let me hear what you were  
21 thinking initially, and then you can comment on that.

22           **DR. BANE:** I was just going to ask if we could take a  
23 brief break and let staff look at what the alternatives are and  
24 present those to the Commissioners. I think staff have already  
25 laid out some alternatives that you all don't have before you.

1 But if there's time, and Lisa has said there is no time line,  
2 as Commissioner Edgar said. The other alternative is to just  
3 wait and bring it back to another agenda.

4 I just wanted an opportunity for staff to sit back  
5 and lay out what the alternatives are and present those to you,  
6 because, as Commissioner Edgar just said, I would have called  
7 it a phase-in, but you could keep the same rates and then phase  
8 them in over time, which would soften it initially. But,  
9 apparently, staff have looked at other alternatives, as well.  
10 I just didn't want to have the Commissioners trying to make a  
11 decision without having all the options before them.

12 **CHAIRMAN CARTER:** Commissioner Argenziano.

13 **COMMISSIONER ARGENZIANO:** And I guess where I'm  
14 coming from, as obvious, where I'm coming from is trying to  
15 soften the impact from having not to pay, you know, they're  
16 paying within their lot fee, but not having that bill. And I  
17 guess what I am looking for is a basis to change the status  
18 quo.

19 Now, if the people were still an overage of water,  
20 using an overage, and they were in violation of their CUP,  
21 well, I would say, well, there's a basis. And even though the  
22 utility indicates that the gallonage is going up, it is not up  
23 above the CUP yet. So, to me, I don't find a basis to even do  
24 that. So the softer the impact the more likely I would be to  
25 say, yes, I understand. But at this point until, they are not

1 in compliance anymore, why are -- you know, I wouldn't even  
2 want to change the status quo. So that's where I'm coming  
3 from.

4 **CHAIRMAN CARTER:** Commissioner Skop, you're  
5 recognized.

6 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

7 And I apologize because sometimes I can't always hear  
8 very well down here in the corner.

9 **CHAIRMAN CARTER:** We do that on purpose. (Laughter.)

10 **COMMISSIONER SKOP:** Probably.

11 I think what I heard, and I just want to ask  
12 Commissioner Argenziano to make sure I'm correct, is that if  
13 there is a change from the status quo or the need to change  
14 from the status quo to adopt rates, that I think I heard you  
15 say correctly, or I think I'm correct in saying that I thought  
16 I heard you speak to wanting to perhaps see a conservation rate  
17 structure be put in place in conjunction with an incremental or  
18 a phased-in approach to put the new rates in place. Would that  
19 be correct on both those points?

20 **CHAIRMAN CARTER:** You're recognized.

21 **COMMISSIONER ARGENZIANO:** Basically, yes, because if  
22 we are going to change the status quo by what Mr. Tabor says  
23 that the numbers are increasing and there are people there who  
24 maybe just will not pay attention to conservation, well, then,  
25 they should be the ones who have the heavier payment. I just

1 heard staff say that most people are at 5,000. So if they are  
2 there, why am I even deciding to put rates on people at a time  
3 when they have corrected the problem, unless it's a soft enough  
4 hit and a hit to those who are using it and abusing it.

5 **COMMISSIONER SKOP:** Thank you.

6 **CHAIRMAN CARTER:** Commissioner Edgar.

7 Okay. Commissioners, we've been -- I don't want to  
8 say table tennis, because I'm from South Georgia. We call it  
9 Ping-Pong. Commissioners, what's your will. Do you want to  
10 have this continued since we know there is not a statutory  
11 deadline, is it your will to continue, or should we --

12 Commissioner Edgar.

13 **COMMISSIONER EDGAR:** Mr. Chairman, if I may, just a  
14 question to staff. Is there a reason not to delay it a month  
15 or so to come back with the other options per the discussion  
16 laid out? Is there a negative effect that I'm not aware of  
17 that would happen, if that's the case, realizing that, of  
18 course, everybody wants to get this resolved and move forward.

19 **MS. DANIEL:** The company is not currently allowed to  
20 charge for service at all. So they are eating every dime of  
21 the cost until you approve rates. And even once we vote, there  
22 is the 21 days, and so forth, and so on. That having been  
23 said, I can come back later today. I can come back the next  
24 agenda.

25 **CHAIRMAN CARTER:** Commissioner Argenziano.

1           **COMMISSIONER ARGENZIANO:** Okay. Saying that, they're  
2 eating the cost that they contractually agreed to.

3           **MS. DANIEL:** Correct.

4           **COMMISSIONER ARGENZIANO:** So I don't see them eating  
5 an additional cost, since the people have peeled back on the  
6 usage of their water. And it would give, I think, the time for  
7 staff and us and the hearing that they are going to have  
8 tomorrow night with the citizens and the utility, and I think  
9 it may prudent to wait until that's all done and take it from  
10 there.

11           **COMMISSIONER EDGAR:** Mr. Chairman.

12           **CHAIRMAN CARTER:** You are recognized.

13           **COMMISSIONER EDGAR:** If you think you're ready to  
14 recognize for a motion, thank you, then I will try to put what  
15 we have kind of discussed into that form and make a motion that  
16 we request our staff to take into account the discussion that  
17 we have had, the revenue requirement, discussion about the rate  
18 needs and impacts, and come back at the next possible agenda  
19 item when that can be done with some options and further  
20 analysis for us to consider at that time.

21           **COMMISSIONER SKOP:** I'll second that.

22           **CHAIRMAN CARTER:** There is a motion and proper  
23 second.

24           Commissioners, are we all comfortable with what has  
25 been said? Staff, were you able to gather that?



1           **MS. DANIEL:** If I could get one point of  
2 clarification.

3           **CHAIRMAN CARTER:** Yes, ma'am.

4           **MS. DANIEL:** What does phased-in mean?

5           **CHAIRMAN CARTER:** Have we not -- Ms. Bennett, I think  
6 that's a term -- not necessarily a term of art, but it's  
7 something that has probably been done before.

8           **MR. DEVLIN:** Mr. Chairman, I could speak to that.  
9 Tim Devlin, Commission staff.

10          **CHAIRMAN CARTER:** Mr. Devlin.

11          **MR. DEVLIN:** We have used that term in the electric  
12 industry probably more so than in water. We might have used it  
13 in water, as well. You could have a step increase. You could  
14 have, let's say, 50 percent of the increase be implemented in,  
15 you know, 30 days, and then one year from now or whatever  
16 period of time you find reasonable where they can work out  
17 whatever issues they have with the rental agreements, let's say  
18 that's one year from now, you would implement the second phase  
19 of that rate increase.

20          **CHAIRMAN CARTER:** I think that gives us a basis,  
21 Commissioners. Wouldn't you think that gives us a basis for --  
22 Commissioner McMurrian, you're recognized.

23          **COMMISSIONER McMURRIAN:** I didn't mean to interrupt  
24 you, Chairman.

25          **CHAIRMAN CARTER:** No, no.

1                   **COMMISSIONER McMURRIAN:** I was just -- I didn't  
2 understand that we were necessarily calling for a phase-in  
3 approach, either. I think that would be an option possibly if  
4 I understood it right. So I don't -- whether that would work  
5 or not.

6                   And I guess I did want to say one other thing. Just  
7 as one Commissioner, I feel pretty strongly there probably --  
8 there needs to be a base facility charge, I think. So if that  
9 helps, at least that's my opinion, that there should be some  
10 way of recovering, sort of, those fixed costs. And I  
11 understand what Mr. Rich said about, you know, people not being  
12 -- seasonal customers and that sort of thing, but I think we  
13 have that issue in other industries, too. And I think there is  
14 still a good reason to be charging part of the fixed costs as a  
15 monthly charge, but I'll be interested to see what staff brings  
16 back.

17                   **CHAIRMAN CARTER:** Okay. Commissioners, we want to  
18 make sure that we give staff as much information as possible.

19                   Any further -- we have a motion and a second, but any  
20 further discussion? Hearing none, all those in favor let it be  
21 known by the sign of aye.

22                   (Unanimous affirmative vote.)

23                   **CHAIRMAN CARTER:** Those opposed, like sign.

24                   Mr. Rich and Mr. Tabor, thank you for your  
25 participation.

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**MR. TABOR:** Thank you, sir.

**MR. RICH:** Thank you very much.

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STATE OF FLORIDA )

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CERTIFICATE OF REPORTER

COUNTY OF LEON )

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

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

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

DATED THIS 19th day of May, 2008.



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