

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 110257-WS

APPLICATION FOR INCREASE IN
WATER AND WASTEWATER RATES IN
SEMINOLE COUNTY BY SANLANDO
UTILITIES CORPORATION.

PROCEEDINGS: COMMISSION CONFERENCE
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN RONALD A. BRISÉ
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Thursday, January 24, 2013

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

REPORTED BY: LINDA BOLES, CRR, RPR
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COMMISSION
CLERK

P R O C E E D I N G S

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CHAIRMAN BRISÉ: Moving on to Item Number 5.

MR. MOURING: Commissioners, Item 5 is staff's recommendation on final rates for Sanlando Utilities, Inc. Staff does have an oral modification for this item.

Staff would like to insert a paragraph after the discussion of legal consultant fees on page 27. The additional paragraph should be as follows: A subheading, accountant, accounting -- accounting consultant fees, and it should read, in its revised rate case expense schedule, Sanlando requested total accounting consulting fees of \$85,375. The estimate to complete the rate case included 19 hours at a composite hourly rate of \$158. This estimate was revised to reflect the additional accounting support that was necessary to complete this PAA rate case.

Based on the documentation provided by the utility, staff believes the appropriate amount of accounting consulting fees is \$85,375. And staff notes that the inclusion of this verbiage does not affect staff's recommendation -- recommended revenue requirement.

And with us this morning from the Office of

1 Public Counsel we have Mr. Steve Reilly, and from the
2 utility, Mr. Marty Friedman. We're here to address the
3 Commission.

4 **CHAIRMAN BRISÉ:** Okay. Thank you.

5 Commissioners? Okay. Commissioner Brown.

6 **COMMISSIONER BROWN:** Thank you. I have just
7 one question on Issue 15, if we could jump to that,
8 regarding the appropriate rate structure.

9 Ms. Lingo, we talked about this, but I'm not
10 necessarily comfortable with the recommended rate
11 structure. Can you please elaborate how you got to the
12 \$750,000 transfer from wastewater to water and why
13 you're recommending the, the recommended rate structure
14 and the rates?

15 **MS. LINGO:** Yes, Commissioner, I'll be happy
16 to.

17 Good morning, Commissioners. This is Jenny
18 Lingo for staff. Since this is not the first or second
19 rate case for Sanlando to come before the Commission in
20 the last six years or so, I went back and looked, began
21 to track average consumption prior to the 2006 rate
22 case.

23 In the 2006 rate case proper the average
24 consumption was 19,500 gallons per month. In this rate
25 case during the test year the average consumption was

1 18,500 gallons per month. So even as a result of the
2 2006 and 2009 rate cases, there's been virtually no
3 appreciable change in the reduction in average
4 residential consumption per customer.

5 In the last rate case, Commissioner, we
6 recommended allocating over \$500,000 from the --

7 **COMMISSIONER BROWN:** Over or 500?

8 **MS. LINGO:** It was slightly greater than
9 500,000. Looking at the order, it was \$540,000. It was
10 the entire wastewater increase associated with the
11 water -- wastewater system increase in the last case be
12 shifted over.

13 But reallocating all of that in the last case
14 still resulted in virtually no change in residential
15 average consumption per customer.

16 That gave us pause in terms of continuing to
17 recommend an approximate \$500,000 reallocation for fear
18 that we would not be able to move the needle any at all
19 in terms of average residential consumption.

20 So working with the revenue requirement folks,
21 we were comfortable with saying that at least \$750,000
22 in wastewater system revenue requirement were associated
23 with the reuse system. So that was the recommended
24 amount that I transferred -- I'm recommending be
25 reallocated from the wastewater system to the water

1 system in order to better design a more conservation-
2 oriented rate structure, and that all of the increase be
3 allocated to the gallonage charge, holding the current
4 base facility charge constant.

5 Comparing rate structures that resulted from
6 our recommended version versus our alternative,
7 Alternative 1 and Alternative 2, and if you're
8 interested in looking those, at those, at those, the
9 comparison table is on page 35 of the recommendation.

10 **COMMISSIONER BROWN:** And really I want to
11 focus more on Alternative 1. I know the last two rate
12 cases, as you've said, we've shifted about approximately
13 500,000. But shifting it -- you know, as regulators, we
14 also like to keep prices low, and these are affordable
15 rates. And I think when you go to the recommended rate
16 structure that is the higher rate. Those are higher
17 rates.

18 **MS. LINGO:** Those are higher rates than
19 Alternative --

20 **COMMISSIONER BROWN:** 1 and Alternative 2.

21 **MS. LINGO:** Yes, ma'am. Our recommended rate
22 structure, yes, ma'am, absolutely. And it does result
23 in a -- whenever you reallocate from wastewater to
24 water, you giveth and you taketh away.

25 So that \$750,000, while being reallocated to

1 the water system, it also results, will have a direct
2 result in decreasing the wastewater rates. So while we
3 increased rates for one, we decreased rates for the
4 other.

5 If you compare, for example, Alternative 1 to
6 staff's recommendation, if you go with Alternative 1,
7 you're able to decrease our recommended average bill by
8 \$1.16, but you would be giving 87 cents of that back on
9 the wastewater side.

10 **COMMISSIONER BROWN:** The wastewater, right.

11 **MS. LINGO:** Also, if you look at Alternative
12 2, while you're able to reduce the average residential
13 bill by \$2.32, you're actually giving \$1.67 of that back
14 on the wastewater side. So the net effect of that is 65
15 cents.

16 **COMMISSIONER BROWN:** But even if we shift to
17 the 625,000 versus what the status quo is of 500
18 approximately that the utility is currently operating
19 under, then it still is going to send appropriate price
20 signals while keeping rates low.

21 **MS. LINGO:** Yes, ma'am, that's correct. But
22 what happens -- two major things happen. The first
23 major thing is that you cut by 25% the amount of gallons
24 that we're hoping to repress. The more gallons we can
25 repress, the more conservation oriented we can make the

1 rate structure, and also the more gallons we repress,
2 the lower it, the lower the recommended revenue
3 requirement. Because there are associated variable cost
4 changes that would, reductions in purchase power,
5 chemicals, and regulatory assessment fees that would
6 result.

7 **COMMISSIONER BROWN:** Thank you.

8 Commissioners, I just think that the Alternative 1 is a
9 better option for us. And I appreciate Ms. Lingo's
10 approach, and I appreciate your thorough analysis in
11 providing us options. I don't know if any of you have
12 an opinion on this one way or the other, but I think
13 that going with Alternative 1 we will send the
14 appropriate price signals. And then when the utility
15 comes in for the next rate case, if, if -- we, we can
16 consider possibly what the recommended rate structure is
17 at that time.

18 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

19 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

20 I want to follow up on some of Commissioner
21 Brown's questions, Ms. Lingo.

22 **MS. LINGO:** Yes.

23 **COMMISSIONER BALBIS:** The -- you mentioned the
24 \$750,000 associated with the reclaimed water system.

25 **MS. LINGO:** Yes.

1 **COMMISSIONER BALBIS:** And -- but the reclaimed
2 water system, there's going to be a pipeline, a reuse
3 main that's going to the City of Apopka; is that
4 correct?

5 **MS. LINGO:** Yes.

6 **COMMISSIONER BALBIS:** Okay. And is there any
7 revenue associated with that, or are they just giving
8 the water to the City of Apopka?

9 **MS. LINGO:** Right now there's no charge to
10 that. I could be wrong. If Mr., if Mr. Friedman knows
11 any different.

12 **MR. FRIEDMAN:** That's correct.

13 **COMMISSIONER BALBIS:** I guess my concern is
14 that, you know, normally if you're going to transfer the
15 cost of the reuse system onto the water system, it makes
16 sense because the customers would have access to that
17 reclaimed water, whether it be for irrigation, et
18 cetera. And if there are costs associated with the
19 reuse system where the customers aren't benefiting,
20 they're just giving it to another entity, I have
21 concerns about transferring those costs.

22 I don't think we have too much of an option in
23 this case, but -- and maybe that's a question for
24 Mr. Friedman as far as were there any discussions with
25 the City of Apopka on selling reuse water to the City of

1 Apopka?

2 **MR. FRIEDMAN:** I'm going to let Mr. Flynn, who
3 was involved in those negotiations, discuss that.
4 Mr. Flynn is the Regional Director for Utilities, Inc.,
5 and part of his responsibilities is the Sanlando system.

6 **MR. FLYNN:** Commissioner, the discussions with
7 the City of Apopka on this matter basically ended up
8 with the City had no interest in, in purchasing water,
9 reuse water from Sanlando. Sanlando's drive to
10 construct the reuse main was driven by regulatory
11 requirements to reduce its discharge into the surface
12 water, Sweet Water Creek, and also to reduce nutrient
13 loading in the Wekiva River Basin per the Wekiva River
14 Protection Act. This is the most economical methodology
15 to reliably remove that discharge volume from the
16 environment.

17 And so even though we looked at alternatives,
18 whether it was nutrient removal, equipment, or the
19 establishment of some reuse infrastructure within the
20 Sanlando service area, the cost to do so was much
21 greater and the likelihood of reliably disposing of that
22 on a daily basis was unlikely.

23 And so consequently we proposed and agreed
24 with the terms of the agreement to essentially provide
25 that volume to the City of Apopka in an effort to reduce

1 the overall environmental impact of their groundwater
2 withdrawals. By reducing that withdrawal amount on a
3 routine basis a significant amount, the environment is
4 benefiting and the customers as a whole would benefit.

5 **MS. LINGO:** And, Commissioner Balbis, an
6 ancillary point to that, the reallocation, the greater
7 the dollar amount of reallocation, the more we are able
8 to create a difference in average price that the
9 customer would be looking at at average consumption for
10 using potable water at average consumption versus using,
11 say, 10,000 gallons for indoor usage and then using the
12 remainder, switching over to reuse. The greater that
13 differential is, the greater we can provide some
14 incentive to customers to go ahead and start taking
15 reuse in their residential area, thereby extending the
16 water supply. Because this area isn't just a water
17 resource caution area, it's a priority area.

18 So the, the Water Management District is
19 concerned that current sources are not going to be able
20 to fully supply the future anticipated need. So to the
21 extent we can also work with them to create as much
22 incentive as possible for customers to go ahead and take
23 the, the residential reuse that would be readily
24 available to them at a much lesser price, that we were
25 also working toward that goal.

1 **COMMISSIONER BALBIS:** Okay. Thank you. And,
2 and just to confirm, so one option would have been the,
3 a denitrification treatment system to reduce the
4 nitrogen levels, and the costs associated with that was
5 less than the reuse main; is that correct?

6 **MR. FLYNN:** Well, there was, there was two
7 pieces. One is the nutrient issue that you just
8 mentioned to reduce the nitrogen loading on the Wekiva
9 River Basin.

10 But the second thing that's critical is that
11 the DEP reduced our disposal, permit disposal amount by
12 70% from the previous operating permit. And by doing
13 so, it limits, on a going-forward basis, the means to
14 discharge effluent when irrigation demand is less, less
15 than normal. So it would put us basically in position
16 to be in violation of a DEP operating permit in a
17 predictable fashion, which is not attractive at all.

18 **COMMISSIONER BALBIS:** Okay. I'm just
19 surprised that, similar to the regulatory pressure that
20 you're feeling from DEP, I would assume that the City of
21 Apopka was receiving the same, similar pressure from the
22 Water Management District in reducing their groundwater
23 withdrawals. So they would be looking at different
24 alternative water supply options and compare that to a
25 price for the reuse water that they would be paying you.

1 So, you know, I just do have some concern that, you
2 know, the customers are paying for the treatment of this
3 resource and they're pumping it off for someone else's
4 benefit and not receiving any revenue for that, but --

5 **MR. FLYNN:** I'll mention that the bridge
6 between the two is the third agency that regulates us,
7 which is the Water Management District, because they're
8 funding 40% of the construction costs of this reuse
9 main.

10 **COMMISSIONER BALBIS:** Right.

11 **MR. FLYNN:** And therefore there's a
12 significant reduction in impact to the customers and to
13 the City of Apopka. So it promotes the resolution of
14 this issue in a way that's beneficial to all parties.

15 **COMMISSIONER BALBIS:** Okay. Well, those are
16 the questions I had. And as far as the different rate
17 structure, I mean, I'm in agreement with Commissioner
18 Brown concerning the shifting issue, and Alternative 1
19 seems the lesser -- I don't want to use the word
20 evils -- but I think it's probably the, the best option.
21 But I look forward to comments from other Commissioners.

22 **CHAIRMAN BRISÉ:** Okay. Thank you. We're
23 going to go ahead and go back to Issue 1 and begin to go
24 through the issues. And if we feel inclined to make a
25 motion on, on groups of issues, feel free to do so.

1 Commissioner Edgar.

2 **COMMISSIONER EDGAR:** Thank you. Mr. Chairman,
3 before we go through the issues individually, if it
4 would be all right, I'd like to ask both the utility and
5 OPC if they have any specific issues that they would
6 like to address, just so I have that flagged.

7 **CHAIRMAN BRISÉ:** Sure. Okay.

8 **MR. FRIEDMAN:** Yes, thank you.

9 Commissioners, my name is Martin Friedman with
10 the law firm of Sundstrom, Friedman & Fumero, and we
11 represent Sanlando Utilities. And as I said earlier,
12 with me is Mr. Patrick Flynn, who's a regional director.

13 And the only issue that, that we want to
14 address is Issue Number 11, which is the arbitrary
15 reduction by the staff in the total salaries to, to
16 Sanlando. And I want to make a brief introductory
17 remark, and then I'm going to turn it over to Mr. Flynn
18 to address more specifically, since he's the guy in the
19 trenches.

20 And as, as it, as I understand it, what the
21 staff has done in this staff recommendation is they went
22 back to the last rate case in 2008 and said we're going
23 to use the same salary level that we used in 2008 but
24 we're going to increase it for the indexing amount,
25 which kind of basically says we get the same amount that

1 the utility got in 2008.

2 What you have to do, however, is look at 2008
3 because 2008 in fact was a benchmarking of the prior
4 case. And what they did in that case was they looked at
5 the, at the, I think it was the 2005 rate case, just
6 arbitrarily benchmarked that salary in, in 2008, and
7 then we perpetuated that problem by, by basically
8 benchmarking it to the current date.

9 So in the last three rate cases dating back
10 ten years there's been no real evaluation of the
11 employees, you know, with that rate. It's always been
12 an arbitrary benchmark. And while benchmarking has its
13 place in the regulatory process, it should not be a
14 substitute for a careful analysis of the particular
15 expense.

16 And I want to, if I might quote from an order
17 by former Commissioner Diane Kiesling, who is now a
18 hearing officer in Charlotte County who addressed this
19 benchmarking issue in a case late last year
20 appropriately, and she concluded, A benchmarking
21 analysis provides an arbitrary result that relieves a
22 regulatory body from having to evaluate the
23 reasonableness of actual expenses in the test year. And
24 that's not what benchmarking -- and she's correct.
25 Benchmarking is not intended to be a substitute for

1 ratemaking. What it is intended to do is to be a
2 guideline that you look at and say if something is
3 higher or lower than benchmarking, let's look at it and
4 see why it is. Let's maybe, maybe evaluate it.

5 It's not to arbitrarily say we're going to
6 take an expense and arbitrarily benchmark it. That's
7 not the appropriate regulatory use of benchmarking. And
8 I would suggest to you that that's what's been being
9 done here in the last ten years, and that salaries have
10 never had a real evaluation in the last ten years. And
11 we think that if, if you did so in this case, that you
12 would find that the expense, salary expenses that are
13 included in the filing are all reasonable, appropriate,
14 and necessary expenses.

15 And if I could ask Mr. Flynn to further
16 address this issue. Thank you.

17 **MR. FLYNN:** I would also point out that the
18 language that the staff rec states that, quote, the
19 tumultuous state of the economy, and considering how
20 recent the utility's last rate case was, staff believes
21 that any pay increase at this time should not be borne
22 by the ratepayers, unquote.

23 So it strikes me that the phrase "tumultuous
24 state of the economy" is the same phrase used in
25 numerous, previous rate cases without any explanation.

1 It doesn't seem to be a regulatory phrase that has any
2 basis in fact. There's no analysis behind it. It's not
3 clear at what level of the economy that arbitrarily are
4 no longer tumultuous and, therefore, the staff might
5 recommend approval of a future increase in salary and
6 wages, expenses that is reflected in this rate case.
7 That's, that's one point.

8 The second point is there's no analysis, as
9 Mr. Friedman said, that identifies what's behind our
10 current salary and wages expenses beyond what was
11 provided by the utility.

12 The -- and, in fact, the utility's workload
13 changes year to year. Regulatory impact to our industry
14 impacts the workforce. It requires us to recruit and
15 retain top quality individuals in the, in the
16 competitive marketplace for those same sort of fine
17 operators and individuals with that particular skill
18 set. It is difficult to do that. We have openings
19 we're having a tough time filling, which indicates to me
20 operators of a, of a good quality are not in abundance.
21 Even though the economy may not be rolling along at a
22 high rate, there's still a lack of adequate numbers of
23 qualified, certified operators to fill openings.

24 So to reduce the opportunity to retain or
25 recruit good quality people is a concern because that's

1 one of the purposes of this referenced 3% pool of, of
2 increases to reward high performing individuals
3 appropriately to retain them for our, our, our
4 operational needs. And that's not reflected anywhere in
5 the write-up that I can see. Thank you.

6 **MR. FRIEDMAN:** Let me also clarify something
7 that Mr. Flynn said, and that is that when he talks
8 about this 3% and you look at the staff recommendation,
9 it sounds like it's a 3% across-the-board increase that
10 everybody gets no matter how good, bad, or indifferent
11 your, your productivity has been, and that's not true.

12 The 3% is a pool of money that is given to
13 employees based upon performance. So it's not just an
14 arbitrary 3% for everybody. It's a, it's a pot of money
15 that is performance-based bonuses or performance-based
16 salary increases. Thank you.

17 **CHAIRMAN BRISÉ:** OPC.

18 **MR. FRIEDMAN:** We would like an opportunity to
19 respond to any issues that, that Public Counsel may
20 raise as well. Thank you.

21 **MR. REILLY:** Steve Reilly with the Office of
22 Public Counsel. Also here is Denise Vandiver.

23 Our office did not request to speak on this
24 item. We did understand Utilities, Inc. had some
25 questions, so we're appearing with the hope of listening

1 to staff's response to Utilities, Inc. and then offering
2 any additional comments we might share to aid in your
3 deliberation.

4 But since we are here, I guess I would add a
5 matter that is always dear to our heart and a great
6 concern to us is rate case expense, and so this gives me
7 an opportunity to share a few comments at the
8 appropriate time on that issue.

9 So I'd stand down at this point on salaries,
10 and maybe be available to offer a few things, or
11 Ms. Vandiver, when the time comes on rate case expense.

12 **CHAIRMAN BRISÉ:** All right.

13 **MR. REILLY:** Thank you.

14 **CHAIRMAN BRISÉ:** Thank you.

15 Commissioner Brown.

16 **COMMISSIONER BROWN:** Mr. Chairman, can I
17 follow up with staff on, on what Mr. Friedman raised at
18 this time?

19 **CHAIRMAN BRISÉ:** Sure.

20 **COMMISSIONER BROWN:** Your analysis of the
21 salaries and expenses in the MFRs, was it -- can you
22 explain how you got to, other than what is provided in
23 the recommendation, did you just go back from the last
24 rate case and index it, or did you review what was
25 included in the MFRs?

1 **MR. MOURING:** Well, what was included in the
2 MFRs were the 3% merit-based increases that
3 Mr. Friedman discussed as well as a small portion
4 related to new positions.

5 What staff looked at was looking back at
6 recent prior Commission orders where determining that
7 the economy is still not where it needs to be, that it's
8 difficult to grant any salary increases at this time,
9 but also noting that the price index adjustments that
10 the utility was granted are designed to capture
11 inflationary cost increases. And we made -- and what we
12 did is exactly as, as you described; we took last, the
13 last rate case amount and indexed it up based on the
14 indexes that were already approved by the Commission in
15 this case.

16 **COMMISSIONER BROWN:** And we have done that for
17 the past two rate cases, exactly that?

18 **MR. MOURING:** That is correct.

19 **COMMISSIONER BROWN:** Okay. That's all.

20 **CHAIRMAN BRISÉ:** All right. Thank you.

21 Commissioner Graham.

22 **COMMISSIONER GRAHAM:** Thank you, Mr. Chairman.

23 I guess my question is to -- and I appreciate
24 staff's position. That's been pretty much this board's
25 position for as long as I've been on it just because of

1 the way the economy has been.

2 I guess my question is to Mr. Friedman or
3 Mr. Flynn, you said that even though -- you said that it
4 wasn't just the last rate case, it was the rate case
5 prior to that that everything has been staying
6 relatively flat, is that correct, as far as the
7 salaries?

8 **MR. FLYNN:** I'm sorry. Would you repeat that,
9 please?

10 **COMMISSIONER GRAHAM:** Mr. Friedman mentioned
11 earlier that this is keeping your salaries relatively
12 flat, and the last rate case, which was '05, is that
13 what I heard?

14 **MR. FRIEDMAN:** Yeah. I didn't use the, I
15 didn't use the word "flat." What they did was they took
16 the, the rate, the salary number expense amount for a
17 2005 rate case, I believe, and basically have just done
18 a benchmarking or an indexing to the current date.

19 **COMMISSIONER GRAHAM:** I guess --

20 **MR. FRIEDMAN:** So it's not flat because
21 obviously it did increase by the, by the inflation. But
22 as far as any real analysis of the underlying number,
23 there hasn't been any. It's just been an indexing from
24 that two rate cases ago till today.

25 **COMMISSIONER GRAHAM:** I guess my question is

1 have you guys looked into, to see what the industry rate
2 is, like if your employees are being underpaid
3 currently, and do you have any data that illustrates
4 that?

5 **MR. FLYNN:** I do not have data to present to
6 you today that would answer that question in detail.

7 My belief is that we are competitive and must
8 remain competitive in the industry in order to attract
9 and retain employees to fill openings or to reflect
10 promotions or turnover that occurs for other reasons.
11 So I can't really answer in detail any specific analysis
12 to present to you today.

13 **COMMISSIONER GRAHAM:** Okay. Thank you. Thank
14 you, Mr. Chairman.

15 **CHAIRMAN BRISÉ:** No problem.

16 Commissioner Balbis.

17 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
18 And I assume we're going to continue our discussion on
19 Issue 11 or jump around.

20 I have a question for staff concerning the 3%
21 merit-based increase. Did the utility provide any
22 documentation on what is included in the determination
23 of the merit-based increase for employees?

24 **MR. MOURING:** As, as Mr. Flynn just stated,
25 no, there was no market-based study performed, not

1 provided to staff with this with their, in their MFRs.
2 And, you know, Marty likes to throw out the word
3 "arbitrary." Staff has, has not seen anything in there,
4 given the state of the economy, that would be able to
5 justify these 3% pro forma increases, salary increases,
6 if that answers your question.

7 **COMMISSIONER BALBIS:** No, it does. And, you
8 know, it's the utility's burden to justify their costs.
9 So was there any information in their MFRs or otherwise
10 that justified a 3% increase and how customers would
11 benefit from that?

12 **MR. MOURING:** No, sir.

13 **COMMISSIONER BALBIS:** Okay. Thank you.

14 **MR. FRIEDMAN:** Mr. Balbis, if I might
15 interject on that, Commissioner, is that, is that, you
16 know, the way the process works is that the utility
17 files a lot of information. I mean, the MFRs are, you
18 know, just, just pages and pages and pages of raw data.

19 The way a utility finds out whether or not the
20 staff has any concerns about a particular number in that
21 vast documentation is to ask the utility. And the staff
22 has never asked the utility, please explain your basis
23 for a merit-based increase, why you did it, what are the
24 standards? So if nobody ever asks, how do we know that
25 it's an issue? And obviously we can't anticipate in our

1 filing what we think -- we're not soothsayers. We can't
2 guess what issues the staff was going to take concern
3 with.

4 If they -- historically the process has been
5 that if the staff has a concern, they express that
6 concern and allow the utility an opportunity to, to
7 justify whatever that expense may be. And that process,
8 no reason why that process wouldn't carry through today.
9 And there's been nobody ever asking for us to explain
10 the methodology by which this utility allocates that
11 merit-based increase.

12 **COMMISSIONER BALBIS:** So, Mr. -- if I could
13 respond to that. So, Mr. Friedman, is your position
14 that it is not the utility's burden to provide
15 justification but it's the staff's burden to ask
16 questions?

17 **MR. FRIEDMAN:** No. We do; we provide
18 justification for every number we have. You know, all
19 of those expenses are real numbers. Those are real
20 expenses. I mean, there's everything out there. I
21 mean, you could look at, you know, how much money they
22 spend on, on postage stamps. You know, how -- you know,
23 the number is a raw number. Do we need to provide with
24 the MFRs justification for what we spend on postage
25 stamps? That's not -- it's a, it's a real number. And

1 unless somebody says, hey, explain to us -- this number
2 doesn't look right, this number doesn't feel right, this
3 number doesn't taste right. Would you, you know,
4 explain it to us? Until we do that, we can't anticipate
5 that every number in the MFRs is going to require an
6 explanation. It's just -- it would be incomprehensible
7 to have to do that.

8 **COMMISSIONER BALBIS:** Mr. Friedman, have you
9 watched this Commission's deliberations when it, when
10 it's associated with incentive programs or salary
11 increases for other rate cases?

12 **MR. FRIEDMAN:** I've been doing this for 38
13 years.

14 **COMMISSIONER BALBIS:** Okay.

15 **MR. FRIEDMAN:** So, yes.

16 **COMMISSIONER BALBIS:** Have you seen the level
17 of detail that we get into in determining if an
18 incentive package or any salary or increase is in the
19 benefit of the ratepayers?

20 **MR. FRIEDMAN:** You know, over the last 38
21 years that's changed a lot. It changes a lot. The
22 analysis that the staff puts into -- this benchmarking
23 of salaries is something that's come about in about the
24 last ten years, you know, where they just arbitrarily
25 say we're going to benchmark it. You know, no

1 explanation you can give us as to why you needed an
2 extra employee or why you need -- why the environmental
3 regulatory requirements changed and you need somebody
4 else. We're just going to benchmark it.

5 You know, back in the old days --

6 **COMMISSIONER BALBIS:** Mr. Friedman,
7 Mr. Friedman, I appreciate that. But, you know, it's my
8 position, and I assume the rest of the Commission's
9 position, and I believe the statutes and the rules, is
10 that it's the utility's burden to justify their costs.
11 And staff has just answered that there was no
12 justification for the 3% increase that was provided.
13 And it's the utility's burden, and with that, I don't
14 have any questions.

15 **CHAIRMAN BRISÉ:** Commissioner Graham.

16 **COMMISSIONER GRAHAM:** Actually Commissioner
17 Balbis just said exactly what I was going to say.

18 **CHAIRMAN BRISÉ:** All right. Thank you.

19 Back to Issue 1. Okay. And we're ready to
20 entertain motions on an issue or a group of issues and
21 then discuss the issues as we go through.

22 I see three lights. I think the first light
23 was Commissioner Graham, but -- okay. Commissioner
24 Brown was the second light I saw, so Commissioner Brown.
25 Commissioner Brown.

1 **COMMISSIONER BROWN:** I was just going to make
2 a motion on Issues 1 and 2 and move staff recommendation
3 on those issues.

4 **CHAIRMAN BRISÉ:** Okay. There's a motion on
5 Issues 1 and 2.

6 **COMMISSIONER EDGAR:** Second.

7 **CHAIRMAN BRISÉ:** Okay. It's been moved and
8 seconded. Any further discussion on Issues 1 and 2?
9 Commissioner Balbis.

10 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
11 Just a quick comment on Issue 1. We have had
12 different cases with water utilities where there's been
13 a lot of concern about quality of service, and I think
14 that this utility is a good example of being responsive
15 to customer complaints, and I think we should recognize
16 that when we do spend a lot of time chastising, if you
17 will, other companies. So I just want to applaud the
18 utility on their quality of service and their response
19 to customers.

20 **CHAIRMAN BRISÉ:** All right. Great.

21 So we have a motion on Issues 1 and 2. All in
22 favor, say aye.

23 (Vote taken.)

24 Okay. Moving on to Issue 3. Commissioner
25 Graham.

1 **COMMISSIONER GRAHAM:** Thank you, Mr. Chairman.
2 I was going to move staff approval on Issues 3 through
3 14, unless somebody had any concerns about those.

4 **CHAIRMAN BRISÉ:** Okay. Let's give everyone a
5 second to synthesize that.

6 Did you want to speak, Mr. Reilly?

7 **MR. REILLY:** Well, we were going to speak to
8 the issue of rate case expense. We don't have to. You
9 know, we, we were going to just basically lament that
10 the considerable increase in rate case expense that's
11 been experienced with this utility just since the last
12 rate case, which I think the approved rate case expense
13 was around \$193,000, even after a number of adjustments
14 made by staff it's up to \$235,000 a short, you know, two
15 years later.

16 But we don't -- other than one relatively
17 immaterial mistake of \$9,000, we don't really have a
18 specific recommendation other than just, you know,
19 bringing it to the Commission's attention. We can do
20 that. It's really the pleasure of the Commission if
21 they want to make that one small change. It basically
22 was a, a small item that was in the legal expenses that
23 also shows up as a filing fee. So it was kind of double
24 counted. It's not going to be material in a
25 \$1.1 million rate increase. But, I mean, other than

1 that tidbit, it was just a matter of, you know, being
2 very concerned about some of the practices of Utilities,
3 Inc. concerning how they handle rate cases.

4 These will be issues that the Commission will
5 be looking at in the generic Utilities, Inc. docket.
6 So, you know, I guess I'm at the pleasure of the
7 Commission whether they want to hear a few minutes of
8 comments or whether they just want to move on.

9 **CHAIRMAN BRISÉ:** Sure. Sure. Thank you. And
10 that would be Issue Number 13.

11 **MR. REILLY:** Thirteen.

12 **CHAIRMAN BRISÉ:** Okay. Commissioner Graham.

13 **COMMISSIONER GRAHAM:** I change my motion to
14 approve Issues 3 through 13 -- I'm sorry -- 3 through
15 12.

16 **COMMISSIONER EDGAR:** Second.

17 **CHAIRMAN BRISÉ:** Okay. It's been moved and
18 seconded. Any further discussion?

19 Okay. Seeing none, all in favor, say aye.

20 (Vote taken.)

21 Okay. So we've just approved Items 3 through
22 12.

23 Okay. Now we're on Item Number 13.

24 Mr. Reilly.

25 **MR. REILLY:** Thank you very much. Again, I

1 guess I'll yield to Denise Vandiver to discuss some of
2 these -- the one specific issue, and then the general
3 overriding issue which we are concerned about that might
4 be contributing to the ever increasing amount of rate
5 case expense that ratepayers have to bear. Thank you.

6 **CHAIRMAN BRISÉ:** Okay.

7 **MR. VANDIVER:** Good morning, Commissioners.
8 Pages 27 through 30 of the staff recommendation address
9 rate case expense, and we note that rate case expense
10 has increased by 22% over the last case and that case
11 was just two years before this current case.

12 Even with the adjustments made there's a
13 significant increase in the two-year period and we
14 believe that it's attributed quite a bit to accounting
15 consulting fees.

16 There were two issues, as Mr. Reilly said.
17 One was the \$9,000, and it is very immaterial and
18 probably would not affect the actual final rates. But
19 it was included as a filing fee on a list of items in
20 the recommendation, but it was also included in the
21 actual legal expenses that were provided up above.

22 The more significant portion is the increase
23 in accounting fees. This has gone up \$38,000 over the
24 last case, or 82% over the last case. There has been --
25 even though the staff made an oral modification and said

1 they reviewed it, I did not see any justification for
2 why that amount has gone up so significantly over the
3 past case.

4 Part of our concern is a broader issue that is
5 being considered in the generic docket. We're concerned
6 about the amount of time that is spent on the
7 Commission-ordered adjustments.

8 Just as an example, in the last case when the
9 utility filed its response to the adjustments that were
10 ordered it filed 33 pages of adjustments with over
11 700 line items of entries. I analyzed those entries, I
12 went through each one of them, and they showed entries
13 going into an account, coming out of the same account,
14 and going back into the same account.

15 I also looked at some of the history of some
16 of the accounts. And, for instance, I saw \$4 million
17 going, for a six-year period going into one account and
18 being moved three times in a six-year period from
19 different accounts.

20 The Commission-ordered adjustments that the
21 utility said they made adjusted CIAC, there was no
22 adjustment to CIAC by the Commission in the last order.
23 The utility said, well, it was for the prior order.
24 Well, if it wasn't in the prior order, why was it being
25 made at this point? It just seems like there's a lot of

1 compounding, extra complexity to these things. We
2 believe that there's a -- we have a concern that it's
3 causing additional time for your staff and analysts and
4 auditors to have to trace each of these multiple
5 entries. It certainly causes us a lot of extra time.
6 And it, and it causes us concern about if it's causing
7 additional rate case expense because then the
8 consultants are having to spend extra time tracing it
9 from the general ledger to the annual report and
10 reconciling it to the MFRs.

11 Other than that, I did not see any other
12 reason why the accounting fees should have increased so
13 much over the last two years.

14 **CHAIRMAN BRISÉ:** Okay. Commissioner Graham.

15 **COMMISSIONER GRAHAM:** Yeah. I'd just like to
16 hear from the --

17 **CHAIRMAN BRISÉ:** Mr. Friedman.

18 **COMMISSIONER GRAHAM:** -- Mr. Friedman and from
19 staff.

20 **MR. FRIEDMAN:** Thank you. Again, it's Martin
21 Friedman for Sanlando Utilities.

22 Well, the \$9,000 filing fee, I don't know
23 whether it's included in there twice or not. When I
24 provide my rate case expense schedule to the staff, I
25 deduct that amount out of that number. So if they

1 looked at my total number at the bottom of my rate case
2 expense exhibit, it does not include the filing fee, nor
3 does it include the, the, the time spent to correct the
4 MFR deficiencies, which has traditionally been taken out
5 by the staff. So when I file my rate case expense
6 exhibit, it nets out both of those things. So it
7 shouldn't have been double accounted for.

8 Secondly, on Ms. Vandiver's comments about
9 the, the Commission-ordered adjustment time, you know, I
10 would note that, that this Commission has denied the
11 utility any in-house accounting and rate case expense
12 fees, and that's where the time, effort, and energy for
13 providing those Commission-ordered adjustments would
14 come from that in-house time, and you have denied them
15 any rate case expense for that.

16 So I think that to the extent that there's any
17 undue rate case expense as a result of that, that it is
18 incorporated in your denial of the in-house rate case
19 expense. Thank you.

20 **MR. MOURING:** Well, I would, I would add to
21 that that staff did look at all of the, the invoices
22 provided, the support documentation provided for the
23 consulting accounting services, and it would appear that
24 the utility has relied on the outside consultants more
25 than the in-house employees.

1 But the bottom line is this is a large,
2 complex system, and this filing has, is very
3 complicated. Staff did not see anything in there that
4 jumped out as being imprudent or unnecessary, and as
5 such that's why staff is not recommending an adjustment
6 for the consulting fees.

7 And I would note, I would comment on the
8 filing fee. I don't have the, the information right in
9 front of me. That may be an inadvertent oversight by
10 staff. That would be about \$2,250 out of an \$8 million
11 revenue requirement every year. So it wouldn't be
12 terribly material. But that -- I don't know off the top
13 of my head. That may be an inadvertent oversight by
14 staff on the \$9,000 filing fee.

15 **CHAIRMAN BRISÉ:** I have a question
16 concerning -- you mentioned it's extremely complex. So
17 in essence you're talking about systemically their
18 system and what their processes are?

19 **MR. MOURING:** Just the amount of work that
20 needs to go into preparing the books and records for --
21 to generate the MFR schedules to file for a Class A
22 utility like this, there's a lot of work that goes into
23 that.

24 **CHAIRMAN BRISÉ:** Okay. And so they are using
25 outside consultants. And is it accurate that they are

1 using outside consultants because somehow we've ordered
2 them not to use in-house?

3 **MR. MOURING:** Well, we have not ordered them
4 to not use their own people. What has happened is
5 they're paid a salary, and as part of their duties and
6 responsibilities they're supposed to conduct rate case,
7 conduct rate cases.

8 **CHAIRMAN BRISÉ:** Right.

9 **MR. MOURING:** And so staff has disallowed
10 recovery of it through rate case expense. And, again,
11 it would --

12 **CHAIRMAN BRISÉ:** I mean, which makes sense.

13 **MR. MOURING:** Yes.

14 **CHAIRMAN BRISÉ:** I mean, if it's, if it's --
15 you work for the company and the company is coming
16 before the Commission for a rate case, then part of your
17 job is to help prepare for the rate case. I mean, that,
18 that sounds reasonable to me.

19 But my, my question is does it make sense to
20 then move to a system that most of that work is done
21 externally while it could be, money could be saved if it
22 was done internally?

23 **MR. MOURING:** And maybe Marty or Patrick can
24 respond to this. But it may have just been an issue of
25 resources available. They have always utilized outside

1 consultants in addition to supplement their in-house
2 employees, at least as far as I can remember.

3 But, again, I just would note that staff has,
4 did look at all of these in terms of the work provided,
5 the scope and skill of the work. Staff did not see
6 anything that was out of line.

7 **CHAIRMAN BRISÉ:** Okay. Mr. Friedman.

8 **MR. FRIEDMAN:** Yeah. You know, my, my
9 experience here in Florida is, and I could be wrong, but
10 I don't remember any utility other than maybe -- well,
11 of course staff says it doesn't use any, but any, any
12 utility using in-house people to file, file rate cases.

13 I mean, I can think of lots of reasons why it
14 doesn't make sense to do that. But traditionally
15 utilities have used outside people and they use their
16 in-house people, because they've got rate cases not just
17 going on in Florida, they've got rate cases going on all
18 over the country. And then these in-house people act as
19 the support people for those various consultants they
20 have on the outside, and that's a process that's been in
21 place for, for as long as I can remember and, and nobody
22 has ever questioned its prudence.

23 But you could, you could -- I don't think it'd
24 take a lot of thought to realize what it would take in
25 in-house people to, to handle the rate cases, and then

1 also to handle what do you do if you've got all this
2 in-house staff and then you don't file a rate case one
3 year? You've got a whole bunch of people, you've either
4 got to fire them and hire them back or you've got to
5 have them sit there and twiddle their thumbs.

6 So, you know, although that evaluation hasn't
7 been made, this has been an arrangement that's worked
8 out well that seems to have been prudent for, for many
9 years.

10 **CHAIRMAN BRISÉ:** Okay.

11 **MR. VANDIVER:** Commissioners, I, I don't mean
12 to disagree, but I would like to point to the schedule
13 on page 27 that shows the actual rate case expense and
14 additional estimated by the utility.

15 And if you notice, the company was estimating
16 \$106,000 of in-house fees. In the last case they had
17 \$72,000. So they were already spending more in-house
18 and still asking for the additional 22% in outside
19 consultants.

20 **CHAIRMAN BRISÉ:** Okay.

21 **MR. FRIEDMAN:** I mean, you denied all the
22 in-house. So whether that number is 106 or 78 really is
23 irrelevant. It doesn't have any impact on the rates
24 that the customers are going to pay. And y'all have
25 traditionally done that in the past, at least in the

1 last half a dozen or so years you've denied in-house
2 rate case expense, and I presume you'll continue to do
3 so in the future.

4 **MR. VANDIVER:** I was just addressing the fact
5 that there was a comment made about the accounting
6 consultants were being used more than the in-house, and
7 it looks to me like they were using more of both.

8 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

9 **COMMISSIONER BALBIS:** Thank you. I want to
10 get to the potential double counting of the \$9,000. And
11 although it doesn't amount to a lot in a case this size,
12 but, you know, all of these costs do add up, is there a
13 way, you know, depending on where we go with this issue,
14 that staff can confirm that the 9,000 was or wasn't
15 double counted? And we can give, you know,
16 administrative authority to staff to correct it.

17 **MR. MOURING:** I would have to go back and look
18 at Mr. Friedman's invoices to see if it was -- typically
19 Mr. Friedman pays those fees and he's reimbursed by the
20 utility. I would have to see if that occurred in this
21 case and then we also included it, if it's in both the
22 legal fee's number and as a separate line item as the
23 filing fee. I don't have that with me. I'm not sure
24 how, how we would proceed with that.

25 **MR. VANDIVER:** And, Commissioners, I'd agree,

1 it probably would affect rates in the zero -- I mean, it
2 probably won't, so.

3 **MS. KLANCKE:** Just to put a fine point on
4 that, if you were to make a motion with respect to that
5 particular issue and include in that motion the
6 administrative authority to provide to staff the ability
7 to review to ensure that any double counting of that
8 \$9,000 filing fee could be line itemed, we -- that would
9 result in the conclusion that you're contemplating.

10 **COMMISSIONER BALBIS:** Okay. Thank you. And I
11 do appreciate OPC's comments that the accounting fees
12 have gone up. I think the bigger issue was the
13 potential double collection of the in-house staff and
14 staff has made those adjustments. So I recognize those
15 costs have gone up, but, you know, perhaps with the
16 separate general docket or any legislation that comes
17 out of Commissioner Brown's Water Study Committee, it
18 can be addressed at that point. But I'm ready to make a
19 motion, if anyone else is ready.

20 **CHAIRMAN BRISÉ:** Before we go there, I don't
21 know if Commissioner Graham has a question.

22 **COMMISSIONER GRAHAM:** No. I was going to make
23 a motion.

24 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis,
25 go ahead and make a motion.

1 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
2 I move staff's recommendation on Issue 13, while giving
3 them the administrative authority to make the \$9,000
4 adjustment, if warranted.

5 **COMMISSIONER BROWN:** Second.

6 **CHAIRMAN BRISÉ:** Okay. It's been moved and
7 seconded. Any further discussion?

8 Okay. Seeing none, all in favor, say aye.

9 (Vote taken.)

10 Okay. Now we are on Issue Number 14, and we
11 can entertain a motion or --

12 **COMMISSIONER BROWN:** Mr. Chairman, I'd move
13 Issue 14 as prepared by staff.

14 **CHAIRMAN BRISÉ:** Okay.

15 **COMMISSIONER GRAHAM:** Second.

16 **MR. MOURING:** I'm sorry. If I could, I would
17 note that if, if that \$9,000 filing fee was double,
18 double counted, that would change this number.

19 **COMMISSIONER BROWN:** With administrative
20 authority.

21 **MR. MOURING:** Yes.

22 **COMMISSIONER BROWN:** I'd move staff
23 recommendation with administrative authority to make any
24 corrections.

25 **CHAIRMAN BRISÉ:** Okay.

1 **COMMISSIONER BALBIS:** Second.

2 **CHAIRMAN BRISÉ:** Okay. It's been moved and
3 seconded. All in favor, say aye.

4 (Vote taken.)

5 Okay. Now we are on Item Number 15, but we're
6 ready to entertain motions that would move that along as
7 well.

8 Commissioner Graham.

9 **COMMISSIONER GRAHAM:** Yes, Mr. Chairman.

10 I just want to clarify, my assumption was
11 Commissioner Balbis's motion on 13 was it was going to
12 follow forward for anything that's going to change on
13 any of those other things that were going to come
14 through. So rather than having to say that each and
15 every time, I believe that's what I understood his
16 motion as being. Thank you.

17 **CHAIRMAN BRISÉ:** Yes. Okay. We're on Item
18 Number 15.

19 Commissioner Brown.

20 **COMMISSIONER BROWN:** I would move staff
21 recommendation with Alternative 1.

22 **CHAIRMAN BRISÉ:** Okay.

23 **COMMISSIONER BALBIS:** Second.

24 **CHAIRMAN BRISÉ:** It's been moved and seconded.
25 Any further discussion?

1 Commissioner Graham.

2 **COMMISSIONER GRAHAM:** I guess I have a little
3 concern, nothing that I'm going to get crazy about, but
4 I understand where staff is coming from where they're
5 trying to, I guess they're trying to use this as some
6 sort of leverage to encourage people to go to using more
7 of the reuse water that's out there.

8 I mean, my understanding from this case,
9 you're talking about the City of Altamonte Springs has
10 been decreasing over the years the amount of reuse water
11 they're using. And if you have that reuse water that's
12 there and available, what's going to be the incentive
13 to, I can't say force people, but have people starting
14 to use more of the reuse water instead of just using all
15 the fresh water, especially in the area where it's such
16 a limited resource?

17 **MS. LINGO:** Commissioner, the, the most direct
18 answer would be the more we can allocate in terms of
19 water revenue requirement dollars, the greater incentive
20 we can create in terms of pricing the residential water
21 consumption rate design at an aggressive enough level so
22 that the reuse option becomes more and more attractive
23 with every 1,000 gallons they use.

24 Alternative 1 does provide, still provides
25 incentive to go to reuse, although at a lesser amount

1 than our staff-recommended version. But still the
2 incentive exists.

3 **COMMISSIONER GRAHAM:** Mr. Chairman, if I
4 could.

5 **CHAIRMAN BRISÉ:** Sure. Go right ahead.

6 **COMMISSIONER GRAHAM:** I mean, I don't want to
7 get into start tweaking all this stuff, but I like the
8 idea of, especially when you get to the higher
9 gallonage, that it does force them to start looking at,
10 you know, where exactly you're spending you're -- where
11 exactly you're putting this water. I mean, why are we
12 putting potable water to water people's grass when
13 there's reuse water that's readily available or that can
14 be readily available? It's not there yet, my
15 understanding, but that doesn't mean that the incentive
16 just can't be there for us to start pumping that reuse
17 water around. Is that correct, Mr. Flynn?

18 **MR. FLYNN:** Let me clarify. Sanlando's reuse
19 water is provided at no cost to its commercial reuse
20 customers currently; has been for many years. We only
21 have about 100 residential reuse customers out of the
22 10,000 water and sewer customers in Sanlando. There is
23 very little infrastructure for delivery of reuse to
24 residential customers. The majority of the volume, and
25 by virtue of the fact that there is a lot of volume

1 generated every day with no adequate storage to hold
2 water for future demand over a long time period, we are
3 using our commercial customers, and the City of Apopka
4 is now going to be the next one, to make sure that we
5 have the means to dispose adequately of this large
6 volume on a daily basis.

7 The inference that the price signal would
8 force people to consider using reuse as an alternative
9 really doesn't apply to Sanlando in this case. It's not
10 there for the vast majority of the customers. The
11 infrastructure was not constructed for that purpose.

12 **COMMISSIONER GRAHAM:** What's the reason for
13 the decrease in the reuse in Altamonte Springs?

14 **MR. FLYNN:** Primarily the City of Altamonte
15 Springs and Sanlando and Seminole County are the three
16 entities that have point discharges into the Wekiva
17 River Basin, and all are facing to varying degrees the
18 same impetus from DEP to get out of the river altogether
19 to the extent they can. And so in that regard, the City
20 of Altamonte has undergone capital investment or
21 management changes in how they use their own resources,
22 which are significant, to better meet their demand.

23 They have more storage capacity. They have
24 reshuffled their irrigation schedule. So instead of
25 allowing their city customers to use water, reuse water

1 two days a week, only four days of the week being used
2 for that purpose, now it's six days. They distribute
3 the demand, and therefore they have a better success
4 rate at using their own resources on a daily basis, and
5 therefore not using our reuse as a supplement to their
6 own resources. So essentially they're better managing
7 their resource, which impacted our ability to dispose of
8 our effluent through them.

9 **COMMISSIONER GRAHAM:** Okay. Thank you.

10 **CHAIRMAN BRISÉ:** Commissioner Balbis.

11 **COMMISSIONER BALBIS:** Thank you. And just a
12 follow-up on Commissioner Graham's questions.

13 And I just want to confirm with staff,
14 Alternative 1 still has the recommended rate factors of
15 1, 1.5, and 2; is that correct?

16 **MS. LINGO:** Yes, sir. That's correct.

17 **COMMISSIONER BALBIS:** Okay. Because you
18 mentioned that since the last rate case when these
19 inclining rate block structures were in place there
20 wasn't a reduction in consumption.

21 How does Sanlando's customers, how does their
22 usage compare to other water utilities within the
23 St. Johns Water Management District?

24 **MS. LINGO:** Their average residential
25 consumption is not quite double what we would expect

1 from other residential customers in the St. Johns area.

2 Sanlando, they've traditionally had a large
3 customer base, traditionally had very low rates. Their
4 consumption has traditionally been much greater than we
5 would typically see.

6 **COMMISSIONER BALBIS:** Okay. And I guess the
7 question might be for Mr. Flynn. Do you feel that
8 having those factors and with the rate increase will
9 influence consumption, or do you think that's very
10 little discretionary use and the usage will remain the
11 same?

12 **MR. FLYNN:** I think there's some merit in what
13 Ms. Lingo has identified in her approach. I think it's
14 the case that at some point there will be a response to
15 the price signal sent by the Commission through the
16 tariff process.

17 The majority of the customers in Sanlando are
18 in neighborhoods that are -- with fully developed
19 vegetation. Many of the lawns are in communities that
20 have St. Augustine grass as a standard grass material,
21 heavily irrigated as a standard practice. The average
22 customer is probably middle to upper level of income and
23 can afford rates at the current structure. But I would
24 think they would at some point be responsive, as I've
25 seen in other of our operating companies that also have

1 tiered rates that have gone up, there's been quite a bit
2 of repression that has occurred as a consequence.

3 **COMMISSIONER BALBIS:** Okay. Thank you.
4 That's all I had.

5 **CHAIRMAN BRISÉ:** Okay. Ready to entertain a
6 motion.

7 **COMMISSIONER GRAHAM:** I think there's a motion
8 on the floor.

9 **CHAIRMAN BRISÉ:** There is a motion on the
10 floor. Okay. Have we seconded it?

11 **COMMISSIONER BALBIS:** Yes.

12 **CHAIRMAN BRISÉ:** You seconded it, Commissioner
13 Balbis.

14 Any further discussion? Okay. Seeing none,
15 all in favor, say aye.

16 (Vote taken.)

17 All right.

18 **COMMISSIONER EDGAR:** Opposed.

19 **CHAIRMAN BRISÉ:** Opposed?

20 **COMMISSIONER EDGAR:** (Nods affirmatively.)

21 **CHAIRMAN BRISÉ:** Okay. Moving on to Item
22 Number 16.

23 **MS. LINGO:** Commissioners, the amount of
24 repression that staff would recommend in Issue 16 of
25 149 million gallons was based upon our primary

1 recommendation, primary recommendation. This number
2 would be reduced as a fallout because of the revenue
3 requirement changes that have been discussed.

4 We request administrative authority to flow
5 that number through, changing the revenue requirements
6 because of repressed expenses, and then flow that also
7 through to Issue 17, changing the revenue requirements
8 from rates.

9 **CHAIRMAN BRISÉ:** Okay. Commissioners?

10 Commissioner Graham.

11 **COMMISSIONER GRAHAM:** My question, I guess, is
12 to OPC to see if there's any other issues that they plan
13 to speak to.

14 **MR. REILLY:** No, Commissioner.

15 **COMMISSIONER GRAHAM:** Then I'd like to make a
16 motion to approve staff recommendation on all the
17 remaining issues.

18 **COMMISSIONER EDGAR:** Second.

19 **CHAIRMAN BRISÉ:** Okay. There's a motion.
20 It's been moved, it's been seconded. Any further
21 discussion?

22 Okay. All in favor, say aye.

23 (Vote taken.)

24 Okay. So we have approved Items 16 through
25 21.

1 **COMMISSIONER EDGAR:** Mr. Chairman, I would
2 just note that if there do need to be any technical
3 adjustments based on the change on Item 15, that the
4 staff would have the authority to do so.

5 **CHAIRMAN BRISÉ:** All right. That those will
6 flow through.

7 Commissioner Graham.

8 **COMMISSIONER GRAHAM:** Thank you, Mr. Chair.

9 I just want to make it a point to thank OPC
10 for their work on Issue Number 13. I didn't think there
11 was anything egregious at this time, but, you know, that
12 doesn't mean as we go forward that it may be more
13 significant numbers and something we may have to do
14 something different. But I do appreciate the fact that
15 you went over and above board, and I'd like to see if
16 there is that \$9,000 that is there or if there's just
17 something that was just kind of missed. But I do
18 appreciate your time and your effort. Thank you.

19 **MR. REILLY:** Thank you.

20 **CHAIRMAN BRISÉ:** All right. Thank you. And
21 with that we're going to adjourn.

22 (Commission Conference adjourned.)
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STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
COUNTY OF LEON)

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

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

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

DATED THIS 31st day of January, 2013.

Linda Boles
LINDA BOLES, RPR, CRR
FPSC Official Commission Reporter
(850) 413-6734