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October 14, 2013

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COMMISSION
CLERK

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Re: Docket 130155-WU; Peoples Water Service Company of Florida, Inc.; Application for Limited Proceeding Increase in Water Rates in Escambia County
Our File No. 31007.08

Dear Ms. Cole:

I am in receipt of the Office of Public Counsel's October 9, 2013 letter directed to you concerning rate case expense in the above-referenced docket. I am writing this letter in order to provide you and the members of the staff with the responses of the Utility to the concerns raised in Public Counsel's letter.

The Office of Public Counsel's letter compares total rate case expense in this case to the rate case expense approved in the last full rate case for the Utility, which shows the total cost of this proceeding at less than ½ of the last rate case. We believe this in fact demonstrates that the Utility has been able to employ the limited proceeding and in house accounting services to save substantially on total rate case expense to deal with the revenue shortfall.

The Utility sought to utilize a limited proceeding in this instance in order to attempt to save money on rate case expense. However, both of these cases required minimum filing requirements and almost exactly the same legal services to be provided in order to reach a PAA order from the Commission. The Utility utilized in house accounting services in order to attempt to save on the cost of rate case expense in this proceeding (and we believe has accomplished that goal by reducing the most expensive part of the initial filing of a full rate case and to a great extent the cost of filing a limited proceeding). As would be expected when not utilizing as much in the way of professional outside accounting services, the Utility relies a bit more on advice from its legal counsel and as such it can be expected in those circumstances that legal expenses would be slightly higher than otherwise might be anticipated were an outside accounting consultant utilized.

The Office of Public Counsel next takes issue with the amount of legal and accounting fees incurred by the Utility in 2012, apparently because this case was not filed until May of 2013. As the Office of Public Counsel is well aware, this is a very unusual type of a limited proceeding. As such, this case required not only analysis from the Utility, its accounting consultants and its legal consultants, but also meetings with the Commission staff (at which Public Counsel was represented) and several additional conversations with the Commission staff in order to prepare to file this application in the format which was ultimately utilized. All of this had to occur well in advance of filing the application in order to minimize delays and additional costs being incurred if the case were not filed in a manner which the staff and the Public Counsel agreed were appropriate under the circumstances. Contrary to the assertion by Public Counsel, the expenses incurred by the Utility for its outside accounting and legal assistance in 2012 had nothing to do with a "review of the level of revenue, expenses and earnings each year and investigating the options to maximize earnings". We would agree those are normal, direct annual operating cost of a Utility; however, the expenses incurred and charged to rate case

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expense in this proceeding were in the nature of preparing a request for rate relief and not a simple review of earnings.

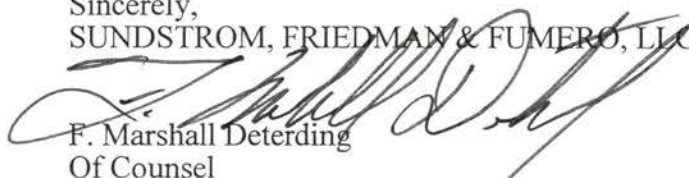
Finally, the Office of Public Counsel's letter takes exception to estimated legal fees to complete this case and specifically points to the "16 hours included to prepare and file a settlement agreement". It should be noted first of all that there are not 16 hours indicated on the estimate to prepare and file a settlement agreement. The third item of the estimate to complete shows an estimate of four hours to prepare and file a settlement agreement. In addition, the Utility was instructed by staff to work with the Office of Public Counsel on a proposal for a settlement agreement. The Utility prepared the underlying documents necessary for a settlement agreement, including preparation of revised schedules of all costs and billing determinants, organizing all schedules, calculation of proposed final rates and presentation of them to the Public Counsel as the underlying basis for settlement discussions. The attorney then had to work with not only the Utility but also with the Office of Public Counsel, prepare for and attend a meeting with the staff and then prepare this response to the Office of Public Counsel's desire to comment on rate case expenses. None of those costs were or could have been anticipated at the time of preparation of the estimate and should be approximately equal to the costs estimated for the negotiation and preparation of the settlement agreement and submission of the settlement agreement to the Commission staff.

As is always the case in estimating rate case expenses to completion, factors and circumstances change and the work required to process the case changes, but the Utility should not be penalized simply because the actions it was required to undertake under the circumstances differed from those that they assumed would occur as a result of direction from the Commission staff. Therefore, the Utility believes that its estimate to complete is a fair and reasonable one under the circumstances and most of the items contained therein are very similar to those required in any limited proceeding.

I trust that the information provided herein adequately responds to the issues raised by the Office of Public Counsel concerning rate case expense. We are appreciative of OPC's willingness to work with the Utility on this case so as to keep costs to a minimum.

If the staff has any questions or any concerns with the rate case expense, actual or estimated, as submitted by the Utility, the Utility would be more than happy to provide a very expeditious response to those concerns.

Sincerely,
SUNDSTROM, FRIEDMAN & FUMERO, LLC



F. Marshall Deterding
Of Counsel

FMD/brf

cc: Steve Reilly, Esquire
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