

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160101-WS

APPLICATION FOR INCREASE IN
WATER AND WASTEWATER RATES IN
CHARLOTTE, HIGHLANDS, LAKE,
LEE, MARION, ORANGE, PASCO,
PINELLAS, POLK, AND SEMINOLE
COUNTIES BY UTILITIES, INC. OF
FLORIDA.

VOLUME 6

(Pages 1000 through 1133)

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS
COMMISSIONER DONALD J. POLMANN

DATE: Wednesday, May 10, 2017

TIME: Commenced at 9:03 a.m.
Concluded at 12:19 p.m.

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

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

APPEARANCES: (As heretofore noted.)

I N D E X

WITNESSES

| NAME: | PAGE NO. |
|--------------------------------------|----------|
| PATTI DANIEL | |
| Examination by Mr. Bilenky | 1005 |
| Examination by Mr. Friedman | 1054 |
| Examination by Ms. Janjic | 1074 |
| JARED DEASON | |
| Examination by Mr. Friedman | 1077 |
| Prefiled Rebuttal Testimony Inserted | 1079 |
| Examination by Ms. Christensen | 1085 |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

EXHIBITS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

| NUMBER: | | ID. | ADMTD. |
|-----------------|---|------|--------|
| 139 through 141 | | | 1075 |
| 295 | Analysis of Residential Wastewater Bill Comparison | 1033 | 1076 |
| 296 | UIF's Response to OPC's 11th Set of Interrogatories, No. 256 | 1087 | |
| 297 | UIF's Response to OPC's 11th Set of Interrogatories, No. 257 | 1088 | |
| 298 | UIF's Response to OPC's 11th Set of Interrogatories, No. 259 | 1090 | |
| 299 | UIF's Response to OPC's 11th Set of Interrogatories, No. 275 | 1091 | |
| 300 | UIF's Response to Staff's 1st Set of Interrogatories, Composite | 1092 | |
| 301 | UIF's Response to OPC's 11th Set of interrogatories, No. 264 | 1096 | |
| 302 | UIF's Response to OPC's 11th Set of Interrogatories, No. 271 | 1097 | |
| 303 | UIF's Response to OPC's 11th Set of Interrogatories, No. 276 | 1098 | |
| 304 | UIF's Response to OPC's 11th Set of Interrogatories, No. 278 | 1099 | |
| 305 | UIF's Response to OPC's 11th Set of Interrogatories, No. 268 | 1100 | |
| 306 | UIF's Response to OPC's 5th Set of Interrogatories, No. 169, and PODs, No. 49 | 1102 | |
| 307 | UIF's Response to OPC's 1st Set of Interrogatories, No. 35 | 1104 | |
| 308 | UIF's response to OPC's 4th POD, No. 44 | 1104 | |

EXHIBITS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

| NUMBER: | | ID. | ADMTD. |
|---------|--|------|--------|
| 309 | UIF's Response to staff's 1st Set of Interrogatories, No. 61 | 1104 | |
| 310 | UIF's Response to Staff's 1st Set of Interrogatories, No. 63 | 1104 | |
| 311 | UIF's Response to Staff's 1st Set of Interrogatories, No. 67 | 1105 | |
| 312 | UIF's Response to OPC's 10th Set of Interrogatories, No. 223 | 1105 | |
| 313 | Staff's Audit Report | 1107 | |
| 314 | UIF's Response to OPC's 2nd Request for Admission, No. 38 | 1111 | |
| 315 | UIF's Response to Staff's 10th Request for Production of Documents, No. 28 | 1113 | |
| 316 | UIF's Response to OPC's 12th Set of Interrogatories, No. 283 | 1114 | |
| 317 | UIF's Response to Staff's 1st Set of Interrogatories, No. 72 | 1126 | |
| 318 | UIF's Response to Staff's 14th Set of Interrogatories, No. 295 | 1129 | |

P R O C E E D I N G S

1
2 (Transcript follows in sequence from
3 Volume 5.)

4 **CHAIRMAN BROWN:** Okay. Good morning. We are
5 back on the record. And last night we ended with
6 Ms. Patti Daniel. She was still on the stand and
7 Seminole County was about to cross-examine her.

8 But before we get to Seminole County, I would
9 like to ask if there are any preliminary matters to
10 address.

11 Public Counsel, have you filed your motion for
12 reconsideration yet?

13 **MR. SAYLER:** Good morning, Madam Chair. How
14 are you doing today?

15 **CHAIRMAN BROWN:** Good.

16 **MR. SAYLER:** The answer to your question is we
17 expect to file it this morning.

18 **CHAIRMAN BROWN:** Okay. Before lunchtime?

19 **MR. SAYLER:** That is my understanding.

20 **CHAIRMAN BROWN:** Thank you.

21 All right. So, Mr. Bilenky.

22 **MR. BILENKY:** Thank you, Madam Chairman.

23 **CHAIRMAN BROWN:** I just want to state also for
24 the record that Ms. Daniel was sworn in, as you know.

25 **MR. BILENKY:** Yes. Thank you. And I thank,

1 thank the Commission for the written summary of her
2 testimony. It -- I worked late, but I was able to
3 hopefully narrow the issues down and save the Commission
4 some time, so I really appreciate that.

5 **CHAIRMAN BROWN:** Thank you.

6 **EXAMINATION**

7 **BY MR. BILENKY:**

8 **Q** Good morning, Ms. Daniel.

9 **A** Good morning.

10 **Q** You told me in an off-the-record discussion,
11 and I'm trying to confirm it for the record, that you
12 have visited all of the facilities of the utility; is
13 that correct?

14 **A** Not all the facilities, no, sir. I went to
15 all of the customer service hearings.

16 **Q** I'm sorry.

17 **A** I have not visited all of the facilities. I
18 have visited -- I went to all of the customer service
19 hearings.

20 **Q** Okay. Have you -- are you familiar with the
21 configuration, let's say, of all the water systems?
22 Have you looked at the water systems that the company
23 has and know whether they are self-supplying or
24 purchasing water?

25 **A** No.

1 Q You don't know the answer to that?

2 A Correct.

3 Q Okay. The purpose of your testimony, as I
4 understand it, is that the Commission staff and all the
5 intervenors have gone through a fairly detailed process
6 to come up with --

7 (Interruption.)

8 **CHAIRMAN BROWN:** Thank you.

9 **MR. BILENKY:** You're welcome. Before it rang,
10 I thought I better do that.

11 **BY MR. BILENKY:**

12 Q -- to come up with a number which is a revenue
13 requirement, and that's where we are. Is that correct?

14 A Correct.

15 Q And it is your function to then convert that
16 revenue requirement into rates that will, based upon a
17 lot of science and a lot of art, will recover those
18 revenues for the company from the customer; is that
19 correct?

20 A That is the Commission's decision, yes.

21 Q And the Commission will do it based upon a
22 recommendation from staff and the company's --

23 A From staff.

24 Q -- evidence as well; is that correct?

25 A Yes.

1 **Q** And is there a statute that sort of gives you
2 guidance in what you may consider in the designing of
3 rates?

4 **A** Chapter 367.081 of the *Florida Statutes* gives
5 broad guidance.

6 **Q** And you probably know the provision by heart
7 as I do because we both have looked at it for a long
8 time. Could you tell the Commission what that, the
9 magic words are, the consideration for the setting of
10 rates?

11 **A** The statute prescribes that the rates will be
12 just, reasonable, compensatory, and not unfairly
13 discriminatory.

14 **Q** Unfairly discriminatory.

15 During the case, have you -- were you
16 listening to some of the direct testimony,
17 cross-examination? I know you weren't present, but were
18 you listening to the testimony?

19 **A** Some of it.

20 **Q** Did you listen to Mr. Guastella's testimony?

21 **A** Yes.

22 **Q** Did Mr. Guastella use a term, "unduly
23 discriminatory"?

24 **A** He did.

25 **Q** Have you had an opportunity to look up what

1 unduly discriminatory means? Is it the statutory
2 requirement for rates?

3 **A** The phrase in 367.801 is "unfairly
4 discriminatory."

5 **Q** Okay. And the common meaning of unduly is
6 excessive, is that -- would that be your understanding?
7 If you don't know, you don't know.

8 **A** It seems reasonable. I have not looked it up.

9 **Q** Okay. Now also during the testimony of
10 Mr. Guastella, I asked him if one of the considerations
11 that he used in the setting of his two sets of tariffs
12 was the value of service. Do you remember that --
13 hearing that question?

14 **A** I believe so.

15 **Q** And I believe his answer was no; is that
16 correct? Is that your recollection?

17 **A** I believe so.

18 **Q** When the staff looks -- and that's a
19 provision. Is that a provision in the statute as well,
20 a consideration?

21 **A** The Commission should consider the value of
22 service, yes.

23 **Q** Is there any part of your testimony where you
24 are quantifying or identifying what criteria that you
25 use to set rates or consideration of the value of

1 service?

2 **A** No, sir.

3 **Q** Okay. Another term that we talked about was
4 the affordability. Do you recall that testimony being
5 asked?

6 **A** Not specifically, no.

7 **Q** In consideration of affordability of rates, do
8 you know how the Commission has in the past applied the
9 concept of affordability?

10 **A** I know that in Docket 080121-WS, the
11 Commission looked at rates that had been set in some
12 prior dockets to use as a benchmark for affordability.

13 **Q** Affordability is a term of art. How is it
14 applied in rate setting?

15 **A** It is not typically applied in rate setting.

16 **Q** And why is that?

17 **A** It is not one of the criteria in 367.081.

18 **Q** Okay. But as a concept, the Commission has in
19 the past used the concept of affordability for other
20 utilities like electric utilities, has it not?

21 **A** I'm not sure about that.

22 **Q** Okay. If I can refresh your memory, in
23 setting lifeline rates for electric utilities, was that
24 a consideration, affordability in the setting of
25 lifeline rates?

1 **A** I'm aware of lifeline rates in the telephone
2 industry but not in the electric industry.

3 **Q** Okay. Let's talk about the telephone
4 industry. In setting lifeline rates in the telephone
5 industry, were the considerations -- what were some of
6 the criteria that were used to look at affordability?

7 **A** I don't have specific direct knowledge of how
8 those criteria were established.

9 **Q** Okay. But that is not a part of this rate
10 case?

11 **A** Correct.

12 **Q** Okay. Good. Again, if I didn't thank you
13 personally, thank you for your summary.

14 In the first paragraph under rate design, you
15 say there are 12 different rate schedules for the
16 company's water customers, ranging from \$4.49, and these
17 are the base facility charges, to almost \$16. Can you
18 describe what is in the base facility charge just
19 generally, what types of costs are associated with that?

20 **A** There are not specific costs attributable to
21 the base facility charge. The idea behind the base
22 facility charge is that there are certain fixed costs
23 that do not vary as demand changes and that the company
24 must recover a minimum amount of revenue every month in
25 order to have revenue stability. But there are no

1 specific costs tagged to the base facility charge.

2 Q Okay. And so give me an example of a couple
3 of classes of costs that are not volumetrically
4 dependent.

5 A Depreciation, property taxes, insurance.

6 Q Are some of those costs the costs that are
7 associated with the parent company's administration of
8 those utilities, like cost of capital?

9 A They could be.

10 Q And the other component of the rate design is
11 variable cost, I believe you mentioned; is that correct?

12 A Yes.

13 Q And what is included -- let's just do it for
14 water utilities first. What is included within the
15 variable cost generally? What cost classifications?

16 A The costs most commonly discussed would be
17 chemicals and electricity.

18 Q Okay. And electricity, really, other than the
19 consumption of the electricity, the amount of
20 electricity consumed, the rates that the utility pays
21 for those are dependent upon which service area of what
22 electric utility they're in; is that correct?

23 A Yes.

24 Q Does the -- so that's a cost that can only be
25 reduced by the company by improving the electrical

1 efficiency of the utility; is that correct?

2 **A** That seems reasonable.

3 **Q** They can't -- yes, I'm sorry. I didn't mean
4 to interrupt.

5 Okay. Now the chemical charges. In
6 purchasing the chemicals, does the company, do you know,
7 have a blanket contract for the provision of the
8 chemicals utilized by the various utilities?

9 **A** I do not know.

10 **Q** Would that be a method by which the company
11 could average out, have a blanket sort of cost, and buy
12 in bulk if they were to buy all of the chemicals for all
13 of the water utilities?

14 **A** That seems reasonable.

15 **Q** And it's policy that the state has as well.
16 It has what are called piggy bank -- piggybacking
17 contracts. Are you familiar with that term?

18 **A** No, sir.

19 **Q** Okay. Now some of the water utilities, are
20 they self-supplied? In other words, do they have wells
21 and treatment facilities for the groundwater?

22 **A** All of the water systems have wells except the
23 ones that buy bulk water.

24 **Q** You got my next question. So there are some
25 of the utilities that, that purchase water for resale;

1 is that correct?

2 **A** Yes.

3 **Q** And how many of those are there?

4 **A** I know the Summertree system. I'm not -- I
5 don't recall the others.

6 **Q** But there are more than one?

7 **A** Perhaps.

8 **Q** Perhaps. Okay. Now does the Commission have
9 rate authority for the purchase of water that if the
10 cost of the purchased water goes up, the company can
11 pass that additional cost on to the customer?

12 **A** Correct.

13 **Q** And does it have -- also have authority to
14 pass on other costs that are indexed in that manner,
15 where the company has no control over the cost?

16 **A** There is a statute that prescribes what the
17 Commission is allowed to pass through.

18 **Q** Okay. And are you familiar what those costs
19 are?

20 **A** Not specifically.

21 **Q** Okay. So there are differences between the
22 various water utilities, whether they purchase water or
23 whether they self-supply, as far as the way the costs of
24 water are concerned?

25 **A** Yes.

1 **Q** And those that purchase water don't have wells
2 or those type of infrastructure; is that correct?

3 **A** Unless they have a backup well for some
4 reason.

5 **Q** Okay. Now some of the other costs that I
6 think you mentioned very briefly for the water utilities
7 that vary from facility to facility, or could vary from
8 facility to facility, you mentioned ad valorem taxes.
9 Does the rate of ad valorem taxes vary depending on
10 which county the utility has its assets in?

11 **A** I would assume so.

12 **Q** Would the cost base of each of the particular
13 water utilities vary, depending upon the different
14 levels of contributions in aid of construction that have
15 been given to the utility?

16 **A** Yes.

17 **Q** Could you, could you just briefly for the
18 record, I know the Commissioners know this, explain what
19 contributions in aid of construction are?

20 **A** Contributions in aid of construction is the
21 NARUC account to which the collection of service
22 availability charges are recorded.

23 **Q** Okay. So they are contributions made by the
24 customer for which the company does not earn rate of
25 return; is that correct?

1 **A** The company does not earn a return on
2 contributions in aid of construction. Correct.

3 **Q** And they provide, and they provide certain of
4 the facilities within the utility for the provision of
5 service; is that correct?

6 **A** I'm sorry. Could you repeat that question?

7 **Q** I don't know if I can.

8 Contributions in aid of construction generally
9 take the form of monies that were used to provide plant;
10 is that correct?

11 **A** Contributions in aid of construction are
12 monies paid by customers to the utility to reimburse the
13 utility for a portion of its investment in the assets.

14 **Q** You said it so much better than I could have.

15 So the varying levels of contributions in aid
16 of construction basically offset some of the costs that
17 have to be recovered through rates from the customer; is
18 that correct?

19 **A** They reduce the investment the utility has in
20 its assets and, therefore, the potential return on
21 investment the utility might have an opportunity to
22 recover.

23 **Q** And that varies depending upon the particular
24 utility, how much that contributions in aid of
25 construction account has in it; is that correct?

1 **A** Yes.

2 **Q** Now everything that you've said about water,
3 except for the issues of self-supply, all of the
4 different types of costs would be similar to sewer
5 utilities, wastewater treatment utilities; is that
6 correct?

7 **A** Similar.

8 **Q** There are contributions in aid of
9 construction, there are taxes associated. All of these
10 elements would also apply, to varying degrees, to
11 wastewater systems?

12 **A** Are you saying that the wastewater utilities
13 also have both fixed and variable costs? Is that your
14 question?

15 **Q** My question is that -- and it was a terrible
16 question, so let's try again.

17 There are ad valorem taxes associated for the
18 wastewater portion of the utility's service that vary
19 from utility to utility; is that correct?

20 **A** Yes.

21 **Q** That's what I was getting at. And now -- and
22 it would -- could there be contributions in aid of
23 construction for the provision of wastewater treatment?

24 **A** Yes.

25 **Q** And that would vary from utility to utility?

1 **A** Yes.

2 **Q** Now are there any -- are the -- strike that.

3 The systems provided by the company for the
4 treatment of wastewater, are they all the same? Do they
5 provide the same level of treatment for all of the
6 utilities within the company's portfolio?

7 **A** I'm not specifically familiar with the varying
8 treatment methodologies for these particular wastewater
9 systems, but in general they are the same.

10 **Q** So if I were to ask you, did all the -- you
11 wouldn't know the answer to this question probably. Do
12 they all do just secondary wastewater treatment or is it
13 tertiary wastewater treatment? You wouldn't know?

14 **A** I would not know.

15 **Q** Do you know if there's a different standard
16 for the treatment of wastewater for it to be used as
17 reclaimed water?

18 **A** There is a different standard, yes.

19 **Q** Is it higher than what it is for just general
20 treatment?

21 **A** Yes.

22 **Q** And why is that?

23 **A** If the wastewater is to be used for reclaimed
24 water for irrigation, it must meet a higher standard.

25 **Q** Okay. Is that because of the health effects

1 and what residuals may be in the water?

2 **A** Yes.

3 **Q** And the -- how many of the companies,
4 wastewater utilities -- do you know? -- provide
5 reclaimed water services to their customers?

6 **A** I don't know the exact number. I know that
7 there are at least four or five of them that do.

8 **Q** Do you know if the treatment to reclaimed
9 water standards is, is that -- would that be considered
10 an asset or a liability of the company?

11 **A** When you say assets and liabilities, I think
12 balance sheet, so I'm not sure what your question is.

13 **Q** Okay. In other words, the disposal of treated
14 wastewater by a utility if it is not being used as
15 reclaimed water is a cost to the utility, is it not?

16 **A** Yes.

17 **Q** And if the company goes the extra extent of
18 treating the wastewater to reclaimed water standards, it
19 can then sell that, that water, perhaps at a reduced
20 rate, but it could still sell it and recover some of
21 those costs; is that correct?

22 **A** In some instances Utilities, Inc. sells the
23 reclaimed water. In other instances it gives it away.

24 **Q** It gives it away. So in the cases where it
25 sells it, it's actually an asset; it has some value in

1 the market?

2 **A** It is a revenue stream.

3 **Q** Yes. And, and does the provision of reclaimed
4 water offset the demand for potable water used in
5 irrigation?

6 **A** In most instances.

7 **Q** In most instances it does?

8 **A** Yes.

9 **Q** Is that your answer?

10 **A** Yes.

11 **Q** Okay. Your voice trails off at the end, so --
12 and I'm getting to the point where my wife says I'm
13 deaf, but it's just her voice. (Laughter.) Somebody
14 said it was evolution, but I'm not sure.

15 **CHAIRMAN BROWN:** I hope she's watching.

16 **MR. BILENKY:** I have a motel room for the rest
17 of the week.

18 **BY MR. BILENKY:**

19 **Q** Okay. We're doing well.

20 Now I want to ask you a few things. Can you
21 tell -- describe for me, and I really don't know the
22 answer to this and probably shouldn't ask the question,
23 but one of the considerations in your testimony that you
24 talked about, revenue stability, is a term
25 "seasonality." Can you explain seasonality to me in

1 rates?

2 **A** Certainly. To the extent that customers are
3 not placing a demand on the system in a particular
4 month, then the utility is not recovering revenues
5 associated with those gallons sold. So revenue
6 stability is a rate design consideration that we use so
7 that if a company has a particular system that has a
8 highly seasonal customer base, we want to make sure that
9 they have a sufficient revenue stream to cover those
10 monthly costs that don't go away even when there's no
11 demand on the system, or less demand on the system.

12 **Q** Covering the fixed costs of the utility; is
13 that correct?

14 **A** Yes.

15 **Q** Now what contributes to seasonality?

16 **A** Staff looks at it in terms of how many bills
17 are showing in the billing analysis with zero gallons or
18 maybe even only a thousand gallons, that that's an
19 indicator that there was no water usage during that
20 particular month.

21 **Q** And that could be caused by what are lovingly
22 termed the presence of snowbirds in the system; is that
23 correct?

24 **A** Customers who are not using water during that
25 particular period of time.

1 **Q** And I know Commissioner Polmann is familiar
2 with another element of seasonality. Does the usage
3 vary depending upon the weather cycles?

4 **A** It can.

5 **Q** And that would occur for those utilities that
6 the customers purchase enough water above the minimum
7 that they need for household usage for irrigation
8 purposes; is that correct?

9 **A** Yes.

10 **Q** Do you know if Florida is a single peaking
11 system state, or does it have multiple peaking periods
12 during the year for wet and dry periods?

13 **A** I'm not sure I know the answer to that.

14 **Q** Okay. That's fair. Do you know about the
15 rainy season in Florida?

16 **A** It rains in the spring.

17 **Q** And it rains all summer until the fall; is
18 that correct? Winter is typically dry.

19 **A** Yes.

20 **Q** Yes. Okay. Now the other term that you use
21 in your testimony is "repression." Could you talk to me
22 about repression? Well, strike that for a moment.

23 Let's go back to seasonality. I didn't finish
24 my question there. I'm sorry.

25 As far as seasonality, are the systems that

1 the utility has, the water and sewer systems that it
2 has, are they uniform in the distribution of, as you put
3 it, zero quantity billings, or do they vary from utility
4 to utility?

5 **A** It varies from system to system.

6 **Q** And how, how broad is that variance? As far
7 as percentages, can you -- do you have a sense of that?

8 **A** In Exhibit PBD-1, I provide the percentages
9 for each system of the zero gallon bills that were
10 experienced during the test year, and those percentages
11 range from 3 percent to 38 percent.

12 **Q** So the 38 percent utility, to round it up to,
13 say, 40 percent, it's easier to say, it has --
14 40 percent of its customer base leaves for some extended
15 period of time. Is that what that's saying?

16 **A** 40 percent of the bills during the test year
17 had zero gallons.

18 **Q** Yes. And what is the utility that has the
19 3 percent?

20 **A** Sanlando.

21 **Q** So the impact of seasonality on Sanlando's
22 revenues is the lowest of any of the utilities; is that
23 correct?

24 **A** Yes.

25 **Q** So it has the most steady, predictable rates

1 of the systems?

2 **A** Yes.

3 **Q** And which one is the highest?

4 **A** They're actually --

5 **Q** Is there a tie?

6 **A** -- two with 38 percent. That would be
7 Labrador and Lake Placid.

8 **Q** Lake Placid. And for those utilities that are
9 getting roughly 40 percent of their customers leaving,
10 that has a revenue impact built into the rates so that
11 the fixed costs for that particular utility are, in
12 fact, being paid by the remaining customers in some
13 proportions. Would that be fair to say?

14 **A** If I heard your question correctly, no. Would
15 you mind repeating it?

16 **Q** I'm making these up as I go along, you know.
17 Because it has 40 percent of its billing
18 revenues basically stopped and it continues to pay the
19 fixed component for the provision of service to those
20 38 percent of its customers during the periods when the
21 bills are zero, those revenues are considered -- the
22 absence of those revenues are considered in setting the
23 rates for that utility, which are borne then by the
24 other customers; is that correct? In order to make up
25 the revenue deficiency from zero bills, the company has

1 to get the money from somewhere to continue paying those
2 fixed costs; is that correct? And you take that into
3 consideration when you initially set the rate.

4 All right. Let me try it another way. Strike
5 it.

6 The seasonality component is considered in
7 your rate design; is that correct?

8 **A** Yes.

9 **Q** And as part of the rate design, the absence
10 of -- or the presence of zero bills are considered in
11 setting the level of the rates; is that correct?

12 **A** The presence of zero gallon bills is a
13 consideration when rates are designed to determine how
14 much of the revenue should be allocated to the base
15 facility charge.

16 **Q** All right. And so for -- for that
17 particular -- those two particular utilities, the base
18 charge is increased, in effect, to compensate the
19 company for those missing bills, and they recover all of
20 their expenses from basically a different group of
21 customers. There's an internal subsidy there basically?

22 **A** I would assume that when the rates were set
23 for those two systems, that that seasonality was taken
24 into consideration when the base facility charge was
25 set.

1 **Q** Okay. And all of the rates for all of the
2 water and sewer utilities owned by the applicant here
3 and are before the Commission have rates that were
4 approved prior to this rate case; is that correct?

5 **A** Correct.

6 **Q** And it is presumed that those rates, because
7 they were approved by the Commission, the Commission
8 considered the statutory requirement that they be fair,
9 just, reasonable, and not unjustly discriminatory; is
10 that correct?

11 **A** Not unfairly discriminatory.

12 **Q** Did I say unfairly or unjustly or -- okay.
13 Unfairly. Unfairly discriminatory. You're right.

14 So if the rates were to be redesigned
15 consistent with the criteria that were used in those
16 rate cases and across the board, you allocated the
17 current increases that -- let's talk about the other
18 people that were working on this case. Those other
19 people came up with a revenue requirement, and you and I
20 are doing how we're allocating those revenues. If we
21 allocated them consistent with how all of these other
22 approved rates were allocated, it would be presumed to
23 be fair, just, reasonable, and not unfairly or
24 unjustly -- unfairly discriminatory; is that correct?

25 In other words, if we folded in the rate

1 increases exactly the way the previous rates were set,
2 they would be fair, just, reasonable, and not unfairly
3 discriminatory, in your opinion?

4 **A** Each of these systems' rates were uniquely
5 designed to reflect the customer demand and the various
6 attributes of a particular system. You're asking me if
7 folding all of that in together would result in rates
8 that are not unfairly discriminatory. And given the
9 wide variety of decisions that were made for each
10 individual system, that -- I believe you're right, but
11 there are a lot of moving pieces in rate design.

12 **Q** Sure there are. Sure there are. And I'm --
13 what I'm saying is -- let's say it another way, and I
14 know I'm going to get an asked and answered objection,
15 but let's try it anyway.

16 If we used the same system of allocation for
17 cost of service that was used in previous rate cases in
18 applying the revenue requirement that comes out of the
19 other folks at this hearing, we would follow the cost of
20 service allocations. They would be, in your opinion,
21 fair, just, reasonable, and not unfairly discriminatory.
22 Is that better?

23 **A** Unless there have been perhaps changes in the
24 demand patterns of a particular system. There are a
25 number of current issues that we would want to look at

1 as well.

2 Q Okay. Now let's talk about -- now let's get
3 to repression and elasticity. Talk to me about
4 repression. Tell me -- could you define it for me?

5 A Certainly. Customers react to changes in
6 prices. As rates go up, customers tend to reduce the
7 amount of discretionary water usage.

8 Q And is that -- would that be associated as
9 well with the block rates that the company has within
10 its rate structure? Would that have a repression
11 constituent to it?

12 A Did you say block rate?

13 Q Yes.

14 A The tiers?

15 Q The tier rate, block rates, tier rates. Let's
16 go tier rates. That's your term. Does the tier rate
17 structure have a repression component to it?

18 A Repression is typically considered in the
19 second and if there is a third or fourth tier. There is
20 a consideration of whether there would be repression at
21 those levels, yes.

22 Q Okay. And is one of the components of a tier
23 rate to bring about conservation?

24 A It can be. Prices can be set such that it
25 would send a signal to customers that the more you use,

1 the more it's going to cost.

2 Q Okay. Now how does elasticity of demand play
3 into repression?

4 A The Commission looks at historical
5 elasticities, elasticities of demand to anticipate what
6 might happen in the current case.

7 Q Okay. And I believe you have a formula that
8 you've come up with as to how much a particular
9 percentage of rate increase will cause a particular
10 percentage of consumption decline, do you not?

11 A The Commission has, over the last, oh, at
12 least ten years, looked at a 4 percent reduction in
13 usage relative to a 10 percent price increase. That is
14 a typical Commission formula.

15 Q Okay. Is -- do you have any coordination with
16 the water management districts to consider, in your rate
17 designs, the elasticity of demand?

18 A We do not currently communicate with the water
19 management districts. Years ago when we began to
20 develop the repression formula, we did work with the
21 water management districts to talk to them about their
22 experience.

23 Q Okay. And was the consideration of that, was
24 there an interlocal agreement or an intergovernmental
25 agreement between the agencies to work cooperatively to

1 bring about conservation? Do you know?

2 **A** Yes.

3 **Q** There was? And you're saying that that is not
4 currently in effect?

5 **A** It is currently in effect, but now that we
6 have it -- it's called a Memorandum of Understanding.
7 That Memorandum of Understanding was signed. It is an
8 agreement that the Commission will look at the level of
9 repression in rate cases, and we do. So we don't
10 continue to contact the water management district. We
11 just rely on that existing Memorandum of Understanding.

12 **Q** Okay. Now you use a term in your description
13 of the impacts of some of these rates: "subsidy." Could
14 you define for me what the term subsidy is?

15 **A** It's a difference -- there's a difference in
16 the amount a customer would pay with respect to a
17 standalone rate versus a consolidated rate. That's the,
18 the consideration I was using when I referred to the
19 word "subsidy."

20 **Q** Okay. And the subsidy that you look at is the
21 difference between, and I believe you have done this in
22 your testimony, we'll get to that in some of your
23 exhibits in a moment, but you looked at the amount of
24 revenues that were generated and the consolidated rate
25 above the cost of service rates that were established

1 for the individual utility separately; is that correct?

2 **A** When I prepared my exhibits, I used the
3 utility's rates based on their requested single tariff
4 revenue requirement, and I compared it to the rates in
5 the utility's MFRs that they calculated based on
6 standalone rates.

7 **Q** Okay. Now let's go back to the conservation
8 issue that -- and the tier rates to bring about
9 conservation. Would you agree that utility-wide, if the
10 company were to reduce the average actual consumption of
11 its ratepayers, it would delay the need for the addition
12 of new capacity to the system, or could delay?

13 **A** Yes.

14 **Q** And would you agree also that delaying the
15 construction of new capacity is in the best interest of
16 the ratepayer?

17 **A** Yes.

18 **Q** Now let's talk about service availability
19 charges for just one moment. Could you explain to me
20 what a service availability charge is?

21 **A** When a property is connected to a utility
22 facility for the first time, customers or the developer
23 pay a charge to connect to the system. There are a
24 number of different types of service availability
25 charges. One would be a meter installation charge;

1 another might be a main extension charge; and in some
2 instances, utilities have plant capacity charges. And
3 they are designed each to recover varying types of
4 investment.

5 **Q** So would it be fair to say that the collection
6 of service availability charges are to keep or to reduce
7 the costs to existing customers for plant that is
8 dedicated, in effect, to new customers coming on to the
9 system?

10 **A** The service availability charges reduce the
11 utility's overall investment in its system. So to that
12 extent, it reduces the amount of profit that the utility
13 might have an opportunity to recover.

14 **Q** Okay. Can I ask just a point of personal
15 privilege that -- to my questions? Could you answer
16 yes, no, and then explain, because I'm having a hard
17 time following you because of my age, I guess. So if
18 you could give me a yes or no, that would help me a lot,
19 I think.

20 **A** Yes, sir.

21 **Q** Okay. Let's go back to service availability
22 charges. Do you know whether the Commission's service
23 availability charges have ever been challenged legally?

24 **A** Yes, they have.

25 **Q** And what was the nature of the challenge, if

1 you know?

2 **A** I remember a particular challenge -- I was not
3 involved in it, but I have reviewed it a number of
4 times -- and it had to do with a developer who had
5 prepaid some service availability charges. And when it
6 came time to connect to the system, the Commission had
7 approved higher service availability charges, and the
8 developer did not want to pay that difference, the
9 increase in the service availability charges. And the
10 Commission found that the date of connection is the date
11 that you determine the appropriate service availability
12 charges. Is that where you were going?

13 **Q** Well, it got me there, yes.

14 Was it one of the considerations that it, that
15 it was challenging the service availability charge on
16 the basis that it was a subsidy?

17 **A** I think the challenge was that the developer
18 didn't want to pay the increase in the charges.

19 **Q** Okay. That's fair. I guess those cases will
20 speak for themselves. So if you know it, great;
21 otherwise, we're still great.

22 I prepared an exhibit for your consideration,
23 which I'd like to have the Commission mark at this time.

24 **CHAIRMAN BROWN:** Staff will help assist and
25 disseminate the copies that you have.

1 **MR. BILENKY:** I have an original and 20. I
2 hope that's enough.

3 **CHAIRMAN BROWN:** Okay. We are at Exhibit
4 No. 295.

5 **MR. BILENKY:** Ninety-five?

6 **CHAIRMAN BROWN:** 295.

7 **MR. BILENKY:** Excuse me.

8 **CHAIRMAN BROWN:** And the title of 295 will be
9 "Analysis of Residential Wastewater Bill Comparison."

10 (Exhibit 295 marked for identification.)

11 **MR. BILENKY:** Thank you, Chairman.

12 **CHAIRMAN BROWN:** You may proceed when you're
13 ready.

14 **BY MR. BILENKY:**

15 **Q** Ms. Daniel, have you had the opportunity to
16 review this exhibit?

17 **A** You did give it to me earlier. I glanced over
18 it. I have not recalculated any numbers, but I
19 generally understand the nature of the exhibit.

20 **Q** Okay. You don't see any glaring errors in it?

21 **A** The -- it's not glaring. The Mid-County rates
22 are bi-monthly rates, so --

23 **Q** Which one is that? I'm sorry.

24 **A** Mid-County is a bi-monthly rate. So when
25 you've calculated your bills, for a monthly bill the

1 base facility charge is in there twice. But you just
2 back out about \$16 off the Mid-County comparisons and
3 you'll be in the ballpark.

4 Q Okay. But generally they're correct but for
5 Mid-County?

6 A Yes.

7 Q Okay. Great. Now when I look at -- let's
8 start on the left under "Current Rates." I noticed that
9 the base rates vary considerably, from \$9.72 for
10 Orangewood to \$43.60 for Sandalhaven; is that correct?

11 A Correct.

12 Q And I also notice that the average customer
13 usage is about 2,000 gallons. And I noticed from your
14 testimony that you said the nondiscretionary water usage
15 the Commission looks at is about 4,000 gallons; is that
16 correct?

17 A It depends on household size. If you look at
18 the aggregate of all of the Utilities, Inc. systems,
19 about 4,000 gallons would be the aggregate, yes.

20 Q So that is, yes --

21 A Yes.

22 Q -- you used 4,000 gallons.

23 And now can we look at this and determine the
24 type of utility that we have by looking at -- or
25 generally -- the average actual billing amounts?

1 For example, we have, I think, one, two,
2 three, four -- at least five utilities that have
3 consumption volumes under 3,000 gallons. There may be
4 more, but it looks like five of them. Are these small
5 lot, mobile home type communities? Do you know?

6 **A** They, they could be, yes. It, it could also
7 simply be that there's only one person living in the
8 home, perhaps someone on a fixed income that's
9 incredibly conservative with their water usage.

10 **Q** Okay. So there wouldn't be a component of
11 irrigation in any of these, do you think?

12 **A** At that level, probably not.

13 **Q** Okay. And yet the base charges for this --
14 these particular utilities varies from -- by a factor of
15 four, in essence. Summertree, which has a very
16 conservative \$12.63 base charge, versus Sandalhaven,
17 which has a \$43; is that correct?

18 **A** Yes.

19 **Q** Now what could cause the base charges to be
20 off by a factor of four?

21 **A** I didn't review how these rates were set
22 specifically, but typically it would be because of the
23 level of seasonality of the customers. The higher the
24 seasonality, the higher the allocation of revenue to the
25 base facility charge.

1 **Q** That was the answer to the question I was
2 looking for before that I couldn't figure out how to
3 ask, so thank you. That answers it.

4 And then there are some fairly -- there are
5 three utilities that have fairly high consumptive uses.
6 I believe it's my client -- shame on them -- Mid-County,
7 and LUSI that are 10,000 gallons or more.

8 **A** Yes.

9 **Q** And what would account for those large usages?
10 What factors?

11 **A** Perhaps larger household sizes, perhaps more
12 irrigation.

13 **Q** Okay. So it's a distinction of what the
14 customers look like in those utilities; is that correct?

15 **A** Correct.

16 **Q** Okay. And looking at the variable rate, the
17 rate per thousand gallons, there's quite a diversity
18 there as well, is there not?

19 **A** Correct.

20 **Q** What could account for that diversity in the
21 variable rates?

22 **A** A number of things. The cost of treating the
23 wastewater will weigh into the total revenue
24 requirement. The amount of revenue allocated to either
25 the base facility charge or the gallonage charge will

1 weigh into the gallonage charge as well. And then the
2 actual demand those customers play -- place on the
3 system, the numbers of gallons that are used to
4 calculate the gallonage charge will factor into what
5 that final gallonage charge reflects.

6 Q Okay. And you use an average of 6,000 gallons
7 across the board as, and I believe it's -- and I can
8 remember it even for electricity. The Commission says
9 for the average customer who uses 480 kilowatts of
10 power, the bill will be. And is that what you're doing
11 here for the average customer who uses 6,000 gallons,
12 the bill would be?

13 A Are you talking about my Exhibit PBD-3?

14 Q Yes, which we transferred your numbers over
15 here from.

16 A I used 6,000 gallons because the last time the
17 Commission, in a case somewhat similar to this,
18 considered subsidies, that was the price point that the
19 Commission used as they considered what those subsidy
20 values looked like.

21 Q Okay. And which case was that?

22 A Docket 008121 and the following docket, they
23 all --

24 Q What was the name of the utility?

25 A I'm sorry?

1 Q What was the name of the utility?

2 A Aqua Utilities.

3 Q Oh, Aqua. It's amazing that you can remember
4 the case numbers. I can barely remember my phone
5 number.

6 So if you go to the next column over there,
7 you have the current rates, and you've capped them
8 basically at 6,000 consumption -- is that correct? --
9 when you look at my Exhibit 295?

10 A And which column are we on? The bill that's
11 standalone?

12 Q I'm first just asking you about the first set
13 of numbers on the current rates.

14 A Okay.

15 Q You capped the consumptive levels at 6,000; is
16 that correct?

17 A Correct.

18 Q And you came up with a bill. But, in fact, if
19 you applied your same rates to the actual consumptions,
20 you get what is in the second column; is that correct?

21 A That's correct.

22 Q And those rates do not vary quite the same
23 extent as they do for the -- using the 6,000 gallons; is
24 that right? The blue versus -- in the first group of
25 numbers under current rates versus the yellow numbers

1 under the average actual.

2 **A** That's correct. I can see that the numbers in
3 blue at the current rate, I can see 142 and \$143 for
4 some of the systems, and for the numbers in yellow using
5 the average actual demand, there is not as much
6 variability.

7 **Q** Okay. And that's because a lot of the
8 customers are sensitive to the prices and don't use as
9 much water?

10 **A** Yes.

11 **Q** Or they're part-time customers or any number
12 of reasons for the -- for those discrepancies?

13 **A** Yes.

14 **Q** Now if we look at -- if we skip the bill and
15 standalone rate columns for a moment and we go to the
16 bills at the proposed consolidated rate, do you see that
17 column?

18 **A** I do.

19 **Q** And if we compare yellow columns, the average
20 actual bill for the particular utilities against the
21 proposed bills calculated using the average actual
22 consumptions, we get the yellow column under bills that
23 have a proposed consolidated rate; is that correct?

24 **A** I believe that's correct.

25 **Q** Okay. And then if we go over to the subsidy

1 impact, which is the last column, we get the average
2 actual subsidies and the 144 percent subsidy that my
3 clients would be paying; is that correct?

4 **A** Correct.

5 **Q** Now do you know -- strike that.

6 As one of the rate setting principles of
7 utilities, what is the purpose of depreciation expense,
8 if you know?

9 **A** Depreciation expense is the recovery of a
10 portion of the cost of the asset over its useful life.

11 **Q** So each year the ratepayers, as part of their
12 rates, are paying for the depreciation, the loss in
13 useful life of that asset over the life of the asset; is
14 that correct?

15 **A** Yes.

16 **Q** So those funds are recovered by the utility as
17 against its investment in those assets; is that correct?

18 **A** Yes.

19 **MR. BILENKY:** Okay. I've just got a few more
20 questions, I think. If you'd just give me one second,
21 Madam Chairman, I'll go through here and check my list,
22 because I think I just have a few more questions.

23 **CHAIRMAN BROWN:** Okay.

24 **BY MR. BILENKY:**

25 **Q** Okay. I just have a -- just a few more

1 questions.

2 If either rate structure is implemented by the
3 Commission, if either one of them is, the rates would be
4 designed, whether it's a standalone rate or a
5 consolidated rate, if calculated correctly, should
6 produce the exact same amount of money for the company;
7 is that true?

8 **A** That's true.

9 **Q** That's what we're after.

10 Now we've heard all along about aging
11 infrastructure. Because of Sanlando is large, its
12 proportionate share of the investment is proportionally
13 large as well; is that correct?

14 **A** I believe so.

15 **Q** Do you know how much money would be generated
16 by the utility through the subsidy to Sanlando alone?
17 Do you know how many dollars the 144 percent average
18 increase above actual rate would produce?

19 **A** No, I don't.

20 **Q** If the average revenues, let's say, for
21 wastewater of Sanlando for the test year from the
22 company's filings are \$4 million, \$4,079,000, does that
23 number seem reasonable to you?

24 **A** I can look.

25 **Q** Okay. Would you do that, please?

1 **A** The company's requested revenue requirement,
2 and I know the company revised some MFRs and I just
3 printed off the original, so this could have been
4 revised, but I see \$4,600,000 as the requested revenue.

5 **Q** That would be the project -- that's the
6 revenue requirement --

7 **A** Requested.

8 **Q** -- requested. So if -- for the test, so about
9 \$4 million. So -- and that's under which rates?

10 **A** It didn't matter which rates. That's the
11 revenue they requested.

12 **Q** The -- is it -- is it not true -- well, we
13 have to go back. Let's go back to what my question was.
14 For the test year, do you -- can you draw up the actual
15 revenues for the test year for wastewater for -- that
16 would derive from the Sanlando utility?

17 **A** I'm sorry. And you're asking about wastewater
18 and I was looking at water.

19 **Q** Okay.

20 **A** During the test year, the utility's revenues
21 for wastewater were \$4 million.

22 **Q** Okay. 4,000,075, roughly?

23 **A** Correct.

24 **Q** Okay. That was my number. So if we were to
25 add a subsidy to that revenue of 144 percent, how much

1 additional revenues would the rates for Sanlando
2 generate over those of the test year?

3 **A** If you're asking me what is 144 percent of
4 \$4 million, it would add another almost \$2 million to
5 the revenue requirement.

6 **Q** \$2 million or \$5 million? We're adding
7 144 percent of \$4 million.

8 **A** It would add -- 50 percent of \$4 million is \$2
9 million.

10 **Q** No, ma'am. You're saying it's 144 percent.

11 **A** Yes.

12 **Q** So that would be \$5.8 million that would be
13 added. That's the subsidy; correct?

14 **MS. JANJIC:** I'm going to object. Testifying.

15 **CHAIRMAN BROWN:** Mr. Bilenky, you are
16 testifying. If you can restate the question. You're
17 trying to ask the witness to calculate math right now,
18 and she does not have a calculator available.

19 **MR. BILENKY:** I have one.

20 **CHAIRMAN BROWN:** Do you, Ms. --

21 **MR. BILENKY:** Do you have a calculator? I
22 have both Polish Notation and --

23 **CHAIRMAN BROWN:** Could you restate your
24 question, since --

1 **BY MR. BILENKY:**

2 **Q** Can you calculate for me what the subsidy of
3 144 percent of \$4,075,000 is?

4 **CHAIRMAN BROWN:** I know Mr. Friedman can.

5 **MR. FRIEDMAN:** There's a calculator right
6 there.

7 **CHAIRMAN BROWN:** Ms. Daniel, there's a
8 calculator right to the right.

9 **THE WITNESS:** You're suggesting that an
10 additional 144 percent of the revenue on top of the
11 \$4 million, is that what you're asking me?

12 **BY MR. BILENKY:**

13 **Q** Yes. What is the subsidies that we would be
14 paying if we had a percentage subsidy of 144 percent?
15 I'm trying to put it into dollars based upon what the
16 current revenues are.

17 **A** \$6 million.

18 **Q** \$6 million. So that's the subsidy, is
19 \$6 million.

20 **A** Yes.

21 **Q** Okay. Great. That's what I wanted to know.
22 And what is the rate base of -- attributable to the
23 wastewater system of Sanlando utility for the test year?
24 Do you know?

25 **A** About 23 million.

1 **Q** So 23 million. So if just doing -- could you
2 do the math and tell me how many years the subsidy would
3 replicate the entire rate base of Sanlando utilities for
4 wastewater?

5 **A** 6 million relative to the 23 million; is that
6 what you're asking me?

7 **Q** Yes, ma'am.

8 **A** Four years.

9 **Q** Four years. So the conclusion that we can
10 draw from that is in four years basically the company
11 would have recovered through the subsidy sufficient
12 monies to replicate the entire system. Is that a
13 reasonable assumption?

14 **A** Those are the numbers that are reflected.

15 **Q** And do you believe, as Mr. Hoy testified, that
16 they were going to do significant improvements in the
17 Sanlando utilities, that it would match \$23 million in
18 four years?

19 **A** I did not listen that closely to the testimony
20 about additional investment.

21 **Q** Okay, okay. And wouldn't the same math be
22 applicable to the subsidy for the water rates that
23 they're asking for?

24 **A** The same math, yes.

25 **Q** Okay. Now you cited in your testimony, I

1 believe, at page 5 to a case, and I'm not going to -- to
2 save counsel from asking me if I'm going to ask you to
3 render a legal opinion, but you did cite to a case in
4 your testimony. Are you familiar with the *Southern*
5 *States Utility* case?

6 **A** I reviewed those orders.

7 **Q** I'm sorry?

8 **A** I reviewed those orders.

9 **Q** Did you review the opinion that you cited in
10 your testimony on page 5, line 15, cap band rates were
11 approved for Southern States Utility, Inc.?

12 **A** Yes, I reviewed those orders.

13 **Q** The order of the court, the opinion of the
14 court you did review?

15 **A** Yes.

16 **Q** Okay. Good. And I believe you -- do you
17 remember this language from the opinion? No, strike
18 that. Restate that.

19 In the opinion, are you familiar with this
20 language, and if not, you can say you are not,
21 "Utilities should be prudent and efficient in their
22 business operations. The most efficient way to ensure
23 accountability is to force a utility to look at these
24 decisions as they relate to cost and benefits of the
25 particular service area rather than on a total company

1 basis where the individual investment decisions often
2 appear immaterial." Are you familiar with that?

3 **A** Not specifically. There were a number of
4 orders, multiple dockets, and a number of court
5 decisions, some of which reversed earlier court
6 decisions. So I don't remember the language, and I
7 don't know whether it came from perhaps the final
8 decision or an earlier one that might have been
9 reversed.

10 **Q** That's fair. But this is the case you cited;
11 is that correct?

12 **A** I cited several dockets there, yes.

13 **Q** Yes.

14 **A** 920199 and 93080 -- 880, and 950495.

15 **Q** But it's the case you cited as authority for
16 the Commission having the authority to set cap band
17 rates; is that correct?

18 **A** I cited all three of those cases as their
19 authority, yes.

20 **Q** Okay. Do you know what the percentage subsidy
21 was that the court was addressing in the *Southern States*
22 case?

23 **A** I do not.

24 **Q** Do you know if the percentage is mentioned in
25 the case itself?

1 **A** I recall more about dollar amounts of
2 subsidies than I do percentages.

3 **Q** Well, we're talking about percentages in your
4 testimony, and I know in Exhibit 295, which replicates
5 your exhibit, that we're looking at a 144 percent
6 subsidy; correct?

7 **A** Yes. Yes.

8 **Q** So percentages are the measure that we're
9 using today; is that correct?

10 **A** That is the measure on this exhibit. I tend
11 to not use percentages because they can be very
12 misleading.

13 **Q** I agree with that. If you put a 4-foot-tall
14 man in an elevator with a 6-foot man, the average height
15 is 5 feet; is that correct?

16 **A** Yes.

17 **Q** That's why percentages are goofy.

18 Okay. The opinion will speak for itself.

19 I want to talk about cap bands for a second.
20 Tell me what the philosophy is behind cap bands.

21 **A** In the cases where the Commission has
22 considered cap band rates, such as this docket that
23 we're referring to, there were extremes in the costs of
24 each of those systems. Some of the water systems' rates
25 at the 7,000-gallon price point exceeded \$200 per month,

1 and some of the wastewater bills at 6,000 gallons per
2 month exceeded or came close to \$400 per month. So in
3 those instances, the Commission was very concerned about
4 aggregating -- not only aggregating all of those systems
5 and coming up with consolidated rates, they were also
6 concerned with the extremes of those rates.

7 So there were two concepts that were used.
8 One was banding, grouping systems together with similar
9 costs. And then for those higher cost systems, the
10 Commission considered a cap on those highest cost rates.
11 And when that was done, that meant that systems with the
12 lower cost rates were subsidizing the systems with the
13 higher cost rates. There were also internal subsidies
14 within each band.

15 Q Okay. Have you looked at the rates from a
16 perspective of whether there is any grouping of uniform
17 costs that you can reasonably make for this utility
18 system?

19 A I did not do that analysis, no.

20 Q Will you do that analysis as part of your
21 recommendation to --

22 A I will not be working on the staff
23 recommendation. I am precluded from doing so.

24 Q Okay. Do you know if those people who will be
25 doing the staff recommendation will consider that

1 element of rate design?

2 **A** I am certain that they will.

3 **Q** Thank you. I just want to step back for one
4 second. I think I found the answer to our question,
5 which I'd just like to get into the record.

6 The language is found starting at the bottom
7 of page 1052 of the case that you cited and going over
8 to the top of 1053. And it says, the order under
9 review -- this is *Southern States* -- sets rates so that
10 no ratepayer's rates for wastewater exceed by more than
11 7 percent of what they would have --

12 **CHAIRMAN BROWN:** Mr. Bilenky, I believe you're
13 providing testimony right now on a case. While our
14 staff has not objected to it, this type of questioning
15 is not permitted.

16 **MR. BILENKY:** Okay. I was just -- asked her
17 earlier if she remembered the quantity number, and I
18 was --

19 **CHAIRMAN BROWN:** She doesn't have the case in
20 front of her.

21 **MR. BILENKY:** I'm sorry. I apologize. We'll
22 leave that out. The case stands for what the case
23 stands for.

24 **CHAIRMAN BROWN:** Thank you.

25 **MR. BILENKY:** And you're right, Madam

1 Chairman. I do apologize.

2 **BY MR. BILENKY:**

3 Q Would it be reasonable, Ms. Daniel, to look at
4 the utilities -- if you were going to do a cap band, and
5 we're not recommending a cap band -- to look at the
6 utilities that, for instance, have no irrigation as a
7 group, a reasonable grouping?

8 A I would think the grouping would be based on
9 looking at the relative costs of the systems. And
10 grouping those systems whose, whose relative costs are
11 similar would be the typical way the Commission would
12 look at that.

13 Q Okay.

14 A I don't know that irrigation would -- I don't
15 see how that would be relevant.

16 Q Okay. And if you look at the -- so average
17 consumptions would not enter into it then?

18 A The average consumption will affect what a
19 standalone rate looks like, because in prior Commission
20 decisions the Commission looked at a particular price
21 point. So that average demand will factor into that.

22 **MR. BILENKY:** One last question, or perhaps
23 two, Madam Chairman. Please don't hold me to one.

24 **BY MR. BILENKY:**

25 Q You heard the cross-examination of

1 Mr. Guastella when I asked him was he a member of AWWA,
2 did you not?

3 A Yes.

4 Q Are you affiliated with AWWA on a personal
5 level?

6 A No, sir, I'm not.

7 Q Does the Commission support or attend AWWA
8 meetings or --

9 A I don't believe so.

10 Q Do you have any publications of AWWA? Do you
11 know what M1 is, for instance?

12 A I am familiar with --

13 Q You are familiar with M1?

14 A Very generally, not specific.

15 Q Would you explain to the Commission in your --
16 from your familiarity what M1 is?

17 A I believe it's a rate manual. It's been many
18 years since I've even thought about an M1 manual, so --

19 Q Perfectly understandable. And did you listen
20 to the questions that were posed to Mr. Guastella about
21 the objectives of cost-based ratemaking and whether they
22 were considered in his analysis of the rate structures
23 that he was recommending?

24 A Yes.

25 Q And I'm not going to go through the whole list

1 of them. I'm just going to ask you, do you believe that
2 the avoidance of undue discrimination (subsidies) within
3 the rates should be one of the considerations in setting
4 rates?

5 **A** I do not believe that avoidance, per se, is
6 the goal. I believe looking at subsidies and
7 considering how subsidies are related to the actual
8 standalone price is important.

9 **Q** So you would agree that a deviation from a
10 pure cost of service study to a limited extent can be
11 tolerated?

12 **A** Yes.

13 **Q** As long as those rates are unfairly dis -- are
14 not unfairly discriminatory?

15 **A** Yes.

16 **Q** Thank you. Once again, it's been a pleasure
17 to cross-examine you, and you are indeed an asset to the
18 Commission, and I thank you for your frank and honest
19 answers.

20 **A** Thank you.

21 **MR. BILENKY:** Thank you, Madam Chairman.

22 **CHAIRMAN BROWN:** Thank you, Mr. Bilenky. I
23 agree with you on that front.

24 Utility?

25 **MR. FRIEDMAN:** What?

1 **CHAIRMAN BROWN:** She is an asset.

2 **MR. FRIEDMAN:** Thank you.

3 **EXAMINATION**

4 **BY MR. FRIEDMAN:**

5 **Q** I just have one question, Ms. Daniel. Do you
6 recall last night being asked whether UIF provided any
7 evidence of -- that repression would occur in this case?

8 **A** Yes.

9 **Q** And to your knowledge, has the Commission ever
10 required specific evidence to support repression in a
11 rate case?

12 **A** No.

13 **MR. FRIEDMAN:** That's all I have.

14 **CHAIRMAN BROWN:** Thank you.

15 Commissioners?

16 Commissioner Brisé.

17 **COMMISSIONER BRISÉ:** Thank you, Madam Chair,
18 and thank you, Ms. Daniel, for your testimony this
19 morning and last night.

20 So I'm going to pick up a little bit on the
21 notion of unfairly discriminatory. In your mind or in
22 the -- not in your mind specifically but sort of from
23 the Commission's perspective, what is unfairly
24 discriminatory?

25 **THE WITNESS:** That's very difficult to

1 quantify, Commissioner.

2 **COMMISSIONER BRISÉ:** Okay. So if we look at
3 your PD-3 and 2 and we look at the standalone rates
4 versus what is -- would either be paid or received in
5 the subsidies, so you have a variance, there's a
6 variance there of \$13 in terms of paying a subsidy to --
7 and this is PD-2 -- to \$92 of receiving a subsidy. How
8 is that considered -- how would that not fall in the
9 category of someone who's paying and someone who's
10 receiving a subsidy of almost \$100 not unfairly
11 discriminatory?

12 **THE WITNESS:** The Commission has looked at
13 this in prior orders. In the dockets that Mr. Bilenky
14 was referring to, the Commission found that the greatest
15 subsidy at that time that a customer should pay at a
16 particular price point was \$12.50.

17 **COMMISSIONER BRISÉ:** Okay.

18 **THE WITNESS:** And the Commission order did not
19 discuss the subsidies received. The orders discussed
20 subsidies paid.

21 **COMMISSIONER BRISÉ:** Paid. Okay. So when we
22 look at the difference between the standalone,
23 standalone rate and then, and the consolidated proposed
24 rate, would there sort of be a parallel in terms of the
25 cost for the standalone and the cost associated for

1 provision of the service for the standalone and the
2 consolidated? So if there were a chart of the
3 standalone cost and the proposed consolidated cost,
4 would those sort of mirror what we have in terms of the
5 rates as well?

6 **THE WITNESS:** That's correct. The standalone
7 rates mirror what the costs are on a particular system
8 basis, and the consolidated rates mirror those costs
9 aggregated for all of the systems.

10 **COMMISSIONER BRISÉ:** Okay. Now I suppose one
11 of the things that we all are concerned about is rate
12 shock to consumers?

13 **THE WITNESS:** Yes.

14 **COMMISSIONER BRISÉ:** What are some thoughts
15 that you may have in managing the potential rate shock
16 that might exist for some customers, as you mentioned in
17 your testimony -- I think you mentioned maybe Sanlando
18 as an example. What are some thoughts that you may have
19 in managing that? I think the banded rates may be one
20 option, but are there other options that exist that you
21 may not have mentioned in the testimony but that you can
22 think of right now?

23 **THE WITNESS:** The banded rates is the most
24 obvious one. There have been times when the Commission
25 has phased in rates, but those are very unique

1 situations.

2 **COMMISSIONER BRISÉ:** Okay. Now would phasing
3 in the rates potentially cause -- I mean, what are down
4 sides to phasing in the rates?

5 **THE WITNESS:** That the company wouldn't earn
6 its full revenue requirement if the rates were only
7 phased in.

8 **COMMISSIONER BRISÉ:** Okay. Let me see. I
9 think I have one more. So at the beginning of
10 Mr. Bilenky's testimony, he -- I mean, not testimony.
11 Well, you were testifying a little bit.

12 (Laughter.)

13 **MR. BILENKY:** That hurts.

14 **COMMISSIONER BRISÉ:** In his line of questions,
15 he began with looking at the value of service; right?

16 **THE WITNESS:** Yes.

17 **COMMISSIONER BRISÉ:** And one of the things
18 that I as a Commissioner am generally concerned about is
19 are consumers getting what they're paying for? Does
20 that calculation or does that come into play as the
21 Commission goes through from a staff perspective
22 addressing these rates? Well, the transfer from costs
23 to the rates, does that come into play?

24 **THE WITNESS:** I believe that the value of
25 services is considered when the Commission looks at the

1 quality of service.

2 **COMMISSIONER BRISÉ:** Uh-huh.

3 **THE WITNESS:** So that as the revenue
4 requirement is developed, you're considering the cost
5 and the value of the service. When it comes to rate
6 design, that's more of a cost allocation technique.

7 **COMMISSIONER BRISÉ:** Okay. Now the concept of
8 consolidation makes sense in a -- in certain settings.
9 When you compare what happens in the electric world, you
10 have plants that are maybe differently located in
11 different locations but in essence they work the same.

12 Here you have water systems that pull water
13 from very different wells and so, therefore, the
14 characteristics of the water are very different. So
15 where is the fairness in having a customer subsidize
16 potentially a, a well system that is problematic and
17 they don't have that issue through this consolidated
18 rate structure?

19 **THE WITNESS:** You're bringing in an extreme
20 example of a well that has a serious problem and one
21 that does not. The fairness in rate design has been
22 addressed by the Commission many times. Today there are
23 a number of the Utilities, Inc. water systems that are
24 not interconnected that have consolidated rates. The
25 Lake Utilities Services system, for example. I believe

1 there are a number of facilities that are not
2 interconnected, and yet those customers all pay the same
3 rate today.

4 So the fairness has to do with is this a fair
5 price for the service you're receiving, not so much are
6 the facilities interconnected, are they the same
7 characteristics.

8 **COMMISSIONER BRISÉ:** Okay. Well, thank you
9 very much.

10 **CHAIRMAN BROWN:** Commissioner Patronis?

11 **COMMISSIONER PATRONIS:** Thank you, Ms. Daniel,
12 for your testimony. Actually I've learned quite a bit.
13 It makes me appreciate what I've been listening to.

14 A couple of questions that I've got. There
15 is, there is a revenue requirement that's got to be
16 considered, but I'm curious. How many different
17 integrated rate models would exist for this situation?
18 I mean, there's -- I guess there's more than one that I
19 guess probably was contemplated.

20 **THE WITNESS:** How many different rates does
21 the utility have?

22 **COMMISSIONER PATRONIS:** No. How many
23 different rates -- because we're looking here, here --
24 this is one rate model here that we're debating. How
25 many, how many other potential models exist?

1 **THE WITNESS:** I don't think there's a lot. I
2 think you could look at -- you can look at standalone
3 rates, you can look at fully consolidated rates, and the
4 choices in the middle are you can look at banded rates.
5 And that simply means -- and let's just look at Exhibit
6 PBD-2. Let me give you something a little bit concrete.

7 As you look at the column that says "Bill at
8 Standalone Rate," and let's look at the highest cost
9 systems, does your eye naturally see a break where some
10 of those systems to be -- appear to have more similar
11 costs? For example, you might think that the \$90 and
12 the \$100 systems, those, those price points are more
13 closely related. If those systems were aggregated, you
14 would come up with a consolidated rate for those four
15 systems. That's a band.

16 Within that consolidated rate, which would be
17 a weighted average of those four systems, if you came up
18 with a consolidated rate for those four systems and
19 compared it to the rates, the bills those customers
20 would see at the standalone rates, you would have
21 internal subsidies within those four systems. Some
22 would pay more than that average and some would pay less
23 than that average on a standalone basis.

24 And you could go down the line and you
25 would -- you might decide, okay, at what level of

1 subsidy am I comfortable? If it's not \$13.74, am I
2 comfortable at \$5 or \$10 or some other number?

3 And so you would tell the staff, "I'm only
4 comfortable with a subsidy at this level," and they
5 would start with the highest cost systems and aggregate
6 them. That's one methodology.

7 Another condition that you might impose would
8 be, in addition to looking at grouping systems and
9 considering the highest subsidy you would tolerate for
10 any particular group, you could also have a cap. If you
11 believed that maybe the absolute highest price a
12 customer might be required to pay at a particular price
13 point is, say, \$95, then staff would look at a group of
14 systems and they would now consider two parameters, a
15 subsidy within a group of systems and a cap for a group
16 of systems.

17 The cap would first apply to the highest cost
18 systems. And to the extent that grouping those systems
19 and looking at those subsidies resulted in a revenue
20 shortfall for those systems because of the cap, that
21 revenue shortfall would then have to be allocated down
22 to the lower cost systems.

23 And another iteration would occur where the
24 staff would group systems and look at the subsidy that
25 you would prescribe and consider the revenue shifting,

1 and it's an iterative process. Is that clear?

2 **COMMISSIONER PATRONIS:** Yes, ma'am. That does
3 help.

4 With the concerns of seasonality that we've
5 heard, are there other ways that the seasonality
6 concerns could be addressed? I mean --

7 **THE WITNESS:** In my mind, the primary
8 consideration for seasonality is how much of the revenue
9 requirement you allocate to the base facility charge.
10 That's, that's the need to look at seasonality.

11 **COMMISSIONER PATRONIS:** And I guess there's
12 the revenue requirement that needs to be met, and I'm --
13 I come from a community that's highly seasonal, and I
14 know that, that the market there has to pivot in order
15 to try to -- you make hay while the sun shines. So the
16 businesses flourish in the summer and they starve in the
17 winter, so there's got to be a makeup of resources in
18 the summer that carry through the winter.

19 Are there other tweaks -- I mean, I guess this
20 may be being redundant, but what other tweaks could be
21 done specifically?

22 **THE WITNESS:** It's not really a tweak. It is
23 simply a calculation. The staff knows how many gallons
24 of water were sold during the test year.

25 **COMMISSIONER PATRONIS:** Because they're

1 watching it.

2 **THE WITNESS:** And so one would expect a
3 similar number of gallons, but for potential repression,
4 would be sold in subsequent years. So those number of
5 gallons already reflect the existing seasonality of
6 those customers. So there's no need to make an
7 adjustment --

8 **COMMISSIONER PATRONIS:** Uh-huh.

9 **THE WITNESS:** -- with respect to seasonality.
10 Those, those gallons during the test year already have
11 that in there.

12 **COMMISSIONER PATRONIS:** Built in. Okay.
13 Thank you.

14 Thank you, Madam Chair.

15 **CHAIRMAN BROWN:** Thank you.

16 Commissioner Graham.

17 **COMMISSIONER GRAHAM:** Thank you, Madam Chair.
18 I'm going to be jumping around here a little bit, so
19 bear with me.

20 **THE WITNESS:** Yes.

21 **COMMISSIONER GRAHAM:** I guess my first
22 question is for legal. Ms. Helton, is Ms. Daniel here
23 as a PSC employee, as an expert, or both?

24 **MS. HELTON:** I would say both.

25 **COMMISSIONER GRAHAM:** Okay. Fair enough.

1 Thank you. So is that why she's precluded from actually
2 working on this rate case?

3 **MS. HELTON:** Well, by statute she's precluded
4 from working on this case as a staff member giving a
5 recommendation to you. She is -- because she is
6 testifying and advocating certain positions, she's, I
7 guess, more vested in the case than the rest of your
8 staff is.

9 We're here to look at the whole record and
10 make what we think in our professional opinion is the
11 best recommendation to you. Ms. Daniel, as she is, she
12 is here advocating a certain position to you or certain
13 positions to you or making certain statements to you as
14 part of the record, so she would be precluded from
15 advising you or giving you a recommendation once she
16 leaves the witness stand.

17 **COMMISSIONER GRAHAM:** So her testimony now is
18 her expert opinion and not necessarily the collective
19 will of the PSC?

20 **MS. HELTON:** Yes.

21 **COMMISSIONER GRAHAM:** Okay.

22 Ms. Daniel --

23 **THE WITNESS:** Yes, sir.

24 **COMMISSIONER GRAHAM:** -- there's a lot of talk
25 about subsidizing and cross-subsidization. If I live at

1 a house next door to the water treatment plant and
2 Chairman Brown lives at the end of my block, am I
3 subsidizing her rates because we're paying the same
4 amount and she lives further from the plant than I do?

5 **THE WITNESS:** That's correct.

6 **COMMISSIONER GRAHAM:** Is that given any
7 consideration when you're looking at rate design, my
8 subsidization of Ms. Brown's rates because she's in such
9 close proximity? Or let's just say if it was
10 Commissioner Patronis and he lived a half mile away and
11 not just a hundred yards but a half mile away, is that
12 given any -- I guess what I'm trying to get to is we're
13 talking about 11, 12 different water utilities, and
14 people are talking about "Why am I subsidizing the
15 people that live in this utility?" At what point do you
16 draw the line at, you know, it's not -- it is
17 subsidization but it's part of ratemaking?

18 **THE WITNESS:** Subsidies are inherent in every
19 rate that we approve, Commissioner, for the exact reason
20 that you've just described.

21 **COMMISSIONER GRAHAM:** So they're always going
22 to be there.

23 **THE WITNESS:** Correct.

24 **COMMISSIONER GRAHAM:** So the case that's
25 before us, and we talked about Sanlando, and for the

1 most part they're going -- they want to double their
2 water rates and double their wastewater rates; correct?

3 **THE WITNESS:** Yes, sir.

4 **COMMISSIONER GRAHAM:** So on a standalone
5 basis, that would, that would make that utility's book
6 value go up, all things being equal, because those rates
7 went up.

8 **THE WITNESS:** If they were selling that
9 system, it would increase the revenue stream that that
10 utility would be able to generate. It would not affect
11 their net book value, their investment in the assets.

12 **COMMISSIONER GRAHAM:** So the increased rates
13 would be an advantage if, say, the utility chose to sell
14 that off?

15 **THE WITNESS:** Perhaps.

16 **COMMISSIONER GRAHAM:** Because we're looking at
17 this -- at the collective 11 different units. But if we
18 collectively were to put that together and then they
19 were to sever that one off, then that's a disadvantage
20 to the other 11 that are still there; is that correct?

21 **THE WITNESS:** Yes.

22 **COMMISSIONER GRAHAM:** So how does the
23 utility -- how does the PSC stop something like that
24 from happening?

25 **THE WITNESS:** How do we stop the sale of the

1 utility or --

2 **COMMISSIONER GRAHAM:** I mean, if we were
3 collectively -- I guess, to give a for instance. If we
4 were to put this all together and then six months down
5 the road they decided they wanted to sell that off
6 because it's worth more money now, how do we stop them
7 from doing that and penalize those 11 that are still
8 there that we had in our consideration, keeping them all
9 together?

10 **THE WITNESS:** You can't predict the future, so
11 you need to look at what's before you today.

12 **COMMISSIONER GRAHAM:** So there's nothing we
13 can do to -- okay.

14 **THE WITNESS:** You can design rates on a
15 standalone basis, if that is a concern, or some other
16 aggregation.

17 **COMMISSIONER GRAHAM:** But since it's been,
18 since it's all consolidated under one certificate, do we
19 have to separate the certificates back out again if they
20 were to do that?

21 **THE WITNESS:** No, sir. This utility used to
22 be 12 separate corporations, and a little over a year
23 ago they incorporated all of the varying systems into
24 one corporation. All of those systems today still have
25 different Commission certificates, but the certificates

1 only define what the service territory is. It doesn't
2 define who the corporation is that we regulate. And
3 each system today has its various rates. Some of those
4 certificates that represent different service areas will
5 have the same rate among multiple certificate numbers
6 among multiple service territories.

7 **COMMISSIONER GRAHAM:** Now if they were to sell
8 that off to a municipality, there's -- that doesn't --
9 does that even come before us, or is that just something
10 that's done by right?

11 **THE WITNESS:** It's approved as a matter of
12 right.

13 **COMMISSIONER GRAHAM:** So there wouldn't be any
14 sort of unwinding, so to speak, if this were to break
15 apart, this consolidation were to break apart? It's
16 just it is what it is.

17 **THE WITNESS:** If one of the lower cost
18 systems -- if you were to aggregate or consolidate the
19 rates and one of the lower cost systems were sold, then
20 the, the next time the company files a rate case, you
21 would certainly be relooking at the cost of service, the
22 overall revenue requirement. To the extent that selling
23 off a low cost system caused the utility to over-earn,
24 then that would be captured in our annual report
25 surveillance.

1 **COMMISSIONER GRAHAM:** Are these things that
2 are given any consideration during the process of
3 ratemaking?

4 **THE WITNESS:** No, sir. The ratemaking is
5 absolutely a cost allocation based on the prescribed
6 revenue requirement.

7 **COMMISSIONER GRAHAM:** Thank you.

8 **CHAIRMAN BROWN:** Thank you, Commissioner
9 Graham.

10 Commissioner Polmann. Your light's not on.

11 **COMMISSIONER POLMANN:** I was busy formulating
12 a rather complex thought, although I did tell -- I did
13 not anticipate a question. But there's been some
14 interesting discussion here, so I feel compelled.

15 Good morning, Ms. Daniel. Thank you for your
16 testimony.

17 And thank you, Madam Chairman, for the
18 opportunity.

19 I'd like to go back to a question that
20 Commissioner Brisé raised. He -- Commissioner Brisé
21 expressed the Commission's collective concern regarding
22 rate shock. Do you recall --

23 **THE WITNESS:** I do.

24 **COMMISSIONER POLMANN:** -- that question? And
25 he raised the issue of a phase-in on rates. In response

1 to that question, I believe you answered in the form, if
2 I recall, that there's a possibility that the utility
3 would suffer a shortfall in revenue. Was that your
4 answer?

5 **THE WITNESS:** That's correct. Phase-in is
6 probably not practical in this case.

7 **COMMISSIONER POLMANN:** The concept that -- or
8 the consequence that there could be a shortfall in
9 revenue, forgive me, but that simply suggests to me that
10 there's not necessarily a problem with the concept of a
11 phase-in, but perhaps there's an issue with sort of a
12 balance in arithmetic that -- I mean, I don't know
13 exactly how this would be done, but from my mind,
14 there's a revenue requirement and you construct the
15 rates in some model, and it really doesn't matter what
16 that rate structure is. The intent is that you have a
17 revenue requirement and you set the rates and you need
18 to generate the revenue.

19 **THE WITNESS:** That's not the theory behind a
20 phase-in and it probably was not a particularly good
21 suggestion. I have seen companies that were entitled to
22 a very significant revenue increase agree to rates that
23 did not generate the full revenue requirement in the
24 short term. And that is not something the company has
25 offered us today.

1 **COMMISSIONER POLMANN:** Okay. For discussion
2 purposes, can we anticipate that the company is
3 entitled -- or that we will result at the end of this
4 case that the company would receive the revenue that's
5 required to meet their operating expense?

6 **THE WITNESS:** Yes.

7 **COMMISSIONER POLMANN:** So given that as a
8 basis for this discussion, and let's conceive of a
9 series over time of pricing to the customers that would
10 be phased in over time, so we start with a pricing
11 structure that meets the revenue requirement and
12 anticipate that in a subsequent time period, and for
13 example, this year there would be a pricing for
14 customers and then next year there would be, there would
15 be known in advance another pricing with a structure,
16 and subsequent years that would be predetermined. But
17 in all cases it would meet the revenue requirement.

18 **THE WITNESS:** Commissioner, you're --

19 **COMMISSIONER POLMANN:** And I'm just saying,
20 can you accept that concept? And I'm making this up
21 here today. I don't know. I'm not a rate structure
22 person. I'm just trying to conceive of a model for
23 discussion. And would you agree that in concept that it
24 would be possible mathematically to do the calculation?
25 This is purely hypothetical. I'm just asking, is it

1 possible that such a thing could be, could be done?

2 **THE WITNESS:** Mathematically it can be done.
3 But at the end of this case, you're only going to come
4 up with one revenue requirement, so the application is
5 not available to you.

6 **COMMISSIONER POLMANN:** I'm sorry. I didn't
7 understand that.

8 **THE WITNESS:** Mathematically, you give me a
9 revenue requirement, I can calculate the rates for
10 whatever revenue requirement you choose. That's
11 correct. But at the end of the day, you're only going
12 to develop one revenue requirement for the -- for each
13 of the water systems, and so the revenue requirement is
14 not going to change over time. And that would be the
15 caveat to the phase-in that you're describing, is that
16 the revenue requirement would change over time, and
17 that's not the case before you.

18 **COMMISSIONER POLMANN:** Yes. Thank you. I was
19 stipulating at the front end of my comments -- I'm sorry
20 if I was misunderstood. I was stipulating that there
21 was a given revenue requirement and that that would not
22 change.

23 **THE WITNESS:** Yes, sir.

24 **COMMISSIONER POLMANN:** What I'm asking for
25 clarification, if you, if you can agree with this in

1 concept, that with a specified revenue requirement
2 throughout the future time period, given one revenue
3 requirement, can you conceive that it's possible to have
4 pricing that could be phased in, different pricing from
5 time to time that still meets that to address the issue
6 Commissioner Brisé raised that rate shock could be
7 tempered by phasing in pricing always meeting the
8 revenue requirement? That's all.

9 **THE WITNESS:** The only way you could do that
10 would be by shifting costs from one system to another.

11 **COMMISSIONER POLMANN:** Understood. Thank you,
12 ma'am.

13 Thank you, Madam Chairman. That's all I have.

14 **CHAIRMAN BROWN:** Thank you, Commissioner
15 Polmann. My colleagues asked some excellent questions
16 of you.

17 I do have just one follow-up to Commissioner
18 Brisé's questions. He raised an excellent point about
19 the rates for different systems and different quality of
20 wells, different quality of product. And my question
21 is: Although we strive to provide rates that reflect
22 actual cost of service and, of course, avoiding rate
23 shock, as they also mentioned, we do have the ability to
24 set rates a variety of different ways as long as they're
25 not unfairly discriminatory, compensatory, reasonable,

1 and just; correct?

2 **THE WITNESS:** Correct.

3 **CHAIRMAN BROWN:** Does that mean that you can
4 carve out individual systems as standalone and then
5 having consolidated rates for other systems?

6 **THE WITNESS:** You may.

7 **CHAIRMAN BROWN:** So there are a variety of
8 ways that we can achieve this.

9 **THE WITNESS:** Yes.

10 **CHAIRMAN BROWN:** All right. That's all.
11 Thank you. Thank you for your testimony.

12 Redirect.

13 **EXAMINATION**

14 **BY MS. JANJIC:**

15 **Q** Just one second, please.

16 Mr. Bilenky asked you about groupings of
17 systems for cap band rate structures. Do you recall the
18 basis for those groupings in those prior cases?

19 **A** In the prior cases, the Commission prescribed
20 a particular subsidy level and a particular cap. And
21 with those criteria, the staff calculated cap band
22 rates.

23 **Q** And could rates move forward towards
24 consolidation over multiple cases?

25 **A** Certainly.

1 **MS. JANJIC:** I have no further redirect, but I
2 would ask that the revised Exhibit PBD-1 --

3 **CHAIRMAN BROWN:** I'm sorry. If you don't
4 mind, can Ms. Daniel restate her answer? I missed that
5 answer. The question and the answer, the last one you
6 just had.

7 **MS. JANJIC:** The first one?

8 **CHAIRMAN BROWN:** Last one.

9 **MS. JANJIC:** Yes.

10 **BY MS. JANJIC:**

11 **Q** Could rates be -- could rates move forward
12 towards consolidation over multiple cases?

13 **A** Every time the -- the answer was yes. And to
14 further explain, every time the company files a new rate
15 case, the Commission will specifically look at the
16 appropriate rate design, given the particular
17 circumstances of that case.

18 **CHAIRMAN BROWN:** Thank you. Thank you.

19 And with that, would you like to move in
20 Exhibits 139 through 141?

21 **MS. JANJIC:** Yes, ma'am.

22 **CHAIRMAN BROWN:** Seeing no objection, we'll go
23 ahead and enter into the record 139 through 141.

24 (Exhibits 139 through 141 admitted into the
25 record.)

1 Seminole County, you have 295. Would you like
2 that moved into the record?

3 **MR. BILENKY:** Yes, Madam Chairman.

4 **CHAIRMAN BROWN:** Seeing no objection, we will
5 go ahead and move into the record 295.

6 (Exhibit 295 admitted into the record.)

7 Ms. Daniel, thank you for your time, and have
8 a wonderful day.

9 That completes the direct case at this time.
10 Let's take a five-minute break so that the utility can
11 get their rebuttal witnesses prepared. Thank you.

12 (Recess taken)

13 **CHAIRMAN BROWN:** Good morning. We are back on
14 the record.

15 **THE WITNESS:** Sorry.

16 **CHAIRMAN BROWN:** That's okay. All right. We
17 are back on the record.

18 Staff just has one notable thing to mention.
19 Mary Anne.

20 **MS. HELTON:** It's really just a recordkeeping
21 matter, Madam Chairman. During the break, everyone
22 should have received Ms. Horne's composite exhibit that
23 was marked for identification and admitted into the
24 record at the end of the service hearing Monday morning.
25 I just realized that when copies were made, the exhibit

1 number was not on there, but it's Exhibit 261 and it's
2 just everyone's copy.

3 **CHAIRMAN BROWN:** Thank you for that.

4 Any other preliminary matters before we take
5 up Mr. Deason on rebuttal?

6 Seeing none, Utility, are you ready to move
7 forward?

8 **MR. FRIEDMAN:** I certainly am.

9 **CHAIRMAN BROWN:** Great.

10 Whereupon,

11 **JARED DEASON**

12 was called as a rebuttal witness on behalf of Utilities,
13 Inc. of Florida and, having first been duly sworn,
14 testified as follows:

15 **EXAMINATION**

16 **BY MR. FRIEDMAN:**

17 **Q** Mr. Deason, would you state your name, please?

18 **A** Jared Deason.

19 **Q** And, Mr. Deason, did you prefile rebuttal
20 testimony in this docket?

21 **A** Yes, I did.

22 **Q** And did you prefile any exhibits with your
23 rebuttal?

24 **A** Yes, I did.

25 **Q** All right. And if I were to ask you the

1 questions that are set forth in your prefiled rebuttal
2 testimony, would your answers be the same?

3 **A** Well, for the exhibit that I provided on
4 updated rate case expense, I actually revised that in
5 response to PSC interrogatory 295 and POD 33. That is
6 the most current version of updated rate case expense at
7 this time.

8 **Q** Okay. But at the date of your testimony
9 that -- your exhibit was accurate?

10 **A** Yes.

11 **Q** Okay. Thank you.

12 **MR. FRIEDMAN:** I would like to ask that
13 Mr. Deason's testimony be inserted into the record as
14 though read.

15 **CHAIRMAN BROWN:** We will insert Mr. Deason's
16 prefiled rebuttal testimony into the record as though
17 read.

1 **Q. Please state your, name profession and address.**

2 A. My name is Jared Deason. I am a Financial Analyst for Utilities, Inc. of Florida. My business
3 address is 200 Weathersfield Ave., Altamonte Springs, FL 32714.

4 **Q. Have you previously presented testimony in this case?**

5 A. Yes. I have previously presented direct testimony on behalf of the applicant, Utilities, Inc. of
6 Florida (UIF).

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Public Service
9 Commission Staff witness Debra M. Dobiac with regard to the Audit, and to provide updated
10 rate case expense.

11 **Q. Are you sponsoring any additional exhibits?**

12 A. Yes, Exhibit JD-4 is the updated rate case expense schedule and supporting documentation.

13 **Q. Was this Exhibit prepared by you?**

14 A. Yes, I prepared this Exhibit and have included the specific documentation including the
15 estimated amounts to complete from the consultants and attorney.

16 **Q. What are your comments regarding Audit Finding No. 1?**

17 A. I disagree with Audit Finding No. 1. The audit adjustments in table 1-1 do not equal the net
18 rate base totals. The debits (work paper 28) of \$39,790.92 in A/D account 1850 (NARUC
19 108.1) and \$797.19 in A/D account 2050 (108.1) were excluded from the calculations.

20 **Q. What are your comments regarding Audit Finding No. 2?**

21 A. I agree with Audit Finding No. 2.

22 **Q. What are your comments regarding Audit Finding No. 3?**

23 A. I agree with Audit Finding No. 3.

24 **Q. What are your comments regarding Audit Finding No. 4?**

25 A. I agree with Audit Finding No. 4.

1 **Q. What are your comments regarding Audit Finding No. 5?**

2 **A.** I agree with Audit Finding No. 5.

3 **Q. What are your comments regarding Audit Finding No. 6?**

4 **A.** I disagree that the entire amount of \$12,999 should be removed from the test year. The
5 expenses associated with the demolition and removal of the steel tank should be deferred and
6 amortized over five years. Additionally, there was no retirement necessary for the steel tank.
7 Although the original documentation was not available after nearly twenty-five years after
8 the tank was installed, UIF did depreciate the tank consistent with the depreciation rates found
9 in PSC Rule 25-30.140 (1) which resulted in the tank being fully depreciated when it was
10 removed.

11 **Q. What are your comments regarding Audit Finding No. 7?**

12 **A.** I agree with Audit Finding No. 7. However, these amounts are so small they would have an
13 immaterial impact on rates.

14 **Q. What are your comments regarding Audit Finding No. 8?**

15 **A.** PSC Audit Staff asserts that it could not determine adjustments for plant vehicles, the
16 associated accumulated depreciation, depreciation expense, and transportation costs because
17 the supporting documentation for the Utility's current filing for vehicle and transportation
18 balances did not include the support for pool vehicles and special equipment and the
19 calculation for determining transportation expense per vehicle.

20 I disagree with this assertion. In response to a PSC audit request, I provided a listing of all
21 employees that use the vehicles that are allocated. The support included employee names,
22 their positions, asset numbers, vehicle numbers, depreciation start, vehicle prices. This
23 information was sufficient for the PSC audit staff to calculate the associated accumulated
24 depreciation and depreciation expense per vehicle.

25 As for the calculation for determining transportation expense per vehicle, in prior rate cases

1 this was determined by taking the total transportation expenses (Fuel, Auto/Repair, Auto
2 Licenses, And Other Transportation Expenses) and dividing by the sum of total vehicles. The
3 total transportation expenses were found in the Trial Balances (TB) I provided to PSC audit
4 staff at the beginning of the audit. PSC audit staff failed to make any calculations, even
5 though the information was made available to them.

6 The vehicle support information and the TBs were provided to PSC audit staff at the early
7 stages of the audit and at no time did PSC audit staff inform me that this information would
8 be insufficient for determining transportation expenses.

9 **Q. What are your comments regarding Audit Finding No. 9?**

10 **A.** I agree with Audit Finding No. 9.

11 **Q. What are your comments regarding Audit Finding No. 10?**

12 **A.** I agree with increases found Audit Finding No. 10. UI maintains a customer count
13 spreadsheet based on ERCs that is updated monthly. The customer count spreadsheet shows
14 the total ERCs per system for every UI system nationwide. These ERC counts are used to
15 allocate expenses from UI to UIF. The ERC counts used for the MFR preparation were
16 provided to PSC audit staff.

17 **Q. What are your comments regarding Audit Finding No. 11?**

18 **A.** PSC Audit Staff asserts that it could not determine adjustments for Payroll, Benefits, and
19 Taxes as the information provided by UIF did not facilitate PSC audit staff determining
20 the proper adjustments.

21 I disagree with this assertion. Information that I provided to PSC auditors included:

- 22 • A listing of all Florida and UI allocated employees with Salary information
- 23 • A listing of all Florida and UI allocated employees with Benefit information
- 24 • ERC counts that are used to allocate expenses from UI to UIF.
- 25 • UI Allocation Ledgers

1 In addition, I provided substantial source documentation for PSC audit staff to review
2 including pay stubs and W2s for each Florida employee and UI allocated employees.
3 This information was provided early in the audit and at no time did PSC audit staff inform
4 me that the above information that I provided would not be sufficient.

5 **Q. Does that conclude your direct testimony?**

6 **A. Yes**

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 **CHAIRMAN BROWN:** Staff, do you have any
2 questions, authentication?

3 **MR. TAYLOR:** Because, because staff went
4 through the authentication process with each witness
5 prior on their direct, and it pertained to each of their
6 exhibits contained on staff's Comprehensive Exhibit
7 List, we have no questions at this time.

8 **CHAIRMAN BROWN:** Oh, you'll have none for the
9 rebuttal witnesses then?

10 **MR. TAYLOR:** We will have questions on
11 rebuttal.

12 **CHAIRMAN BROWN:** I mean for authentication
13 purposes.

14 **MR. TAYLOR:** None for authentication purposes.

15 **CHAIRMAN BROWN:** Okay. Thank you.

16 Mr. Friedman?

17 **BY MR. FRIEDMAN:**

18 **Q** Mr. Deason, do you have a summary of your
19 testimony?

20 **A** A summary of my testimony involves responses
21 to staff's audit report as well as the previously
22 mentioned updated rate case expense exhibit.

23 **MR. FRIEDMAN:** Tender the witness for
24 cross-examination, Madam Chairman.

25 **CHAIRMAN BROWN:** Thank you, Mr. Friedman.

1 And welcome back, Mr. Deason.

2 **THE WITNESS:** Thank you.

3 **CHAIRMAN BROWN:** Summertree, we start with
4 you. I lied. We start with Public Counsel. I'm not
5 wearing my glasses.

6 **MS. CHRISTENSEN:** I would have let you know.

7 Before I start my cross-examination, Madam
8 Chairman, I had handed out two packets of exhibits for
9 your consideration. This is the combined exhibits that
10 we're going to use in the direct plus rebuttal. So she
11 hopefully will do that before I begin. It'll, I think
12 it'll facilitate me running through these questions,
13 before I start.

14 **CHAIRMAN BROWN:** Thank you. Okay.

15 **MS. CHRISTENSEN:** And just for clarity, the
16 ones that she's handing out from the brown folders are
17 probably going to be my second set of questions, and the
18 ones that Mr. Fletcher is handing out will be with the
19 first set of questions.

20 **CHAIRMAN BROWN:** Thank you. Very organized.

21 **MS. CHRISTENSEN:** I try.

22 **CHAIRMAN BROWN:** I appreciate it immensely.

23 **MS. CHRISTENSEN:** Hopefully, fingers crossed.

24 **MR. FRIEDMAN:** The brown folder is the second?

25 **MS. CHRISTENSEN:** The brown folder is the

1 second set of questions I'll be asking, so just if you
2 start with the first set and then we'll move into the --

3 **CHAIRMAN BROWN:** And, Mr. Deason, if you could
4 turn those over before the attorney calls,
5 cross-examines you.

6 **THE WITNESS:** Okay.

7 **MS. CHRISTENSEN:** And also, Madam Chair, we
8 may have reduced some of the questions, and we may -- I
9 think we're still using all the exhibits but we may not
10 use some. We were trying to whittle it down based on
11 some of the testimony that's already come in. So I will
12 hopefully endeavor to let you know when we're skipping
13 an exhibit.

14 **CHAIRMAN BROWN:** Sounds good to me. You have
15 the floor.

16 **MS. CHRISTENSEN:** Thank you.

17 **EXAMINATION**

18 **BY MS. CHRISTENSEN:**

19 **Q** Mr. Deason, let's start with your
20 qualifications. You are a senior financial analyst with
21 a primary focus on regulatory matters with UIF; is that
22 correct?

23 **A** Yes, it is.

24 **Q** Okay. And prior to assuming your position
25 with UIF, you worked at the Commission as a regulatory

1 analyst in the water and wastewater division; is that
2 correct?

3 **A** Yes.

4 **Q** And as a previous Commission staff member and
5 as part of your duties with UIF, you are familiar with
6 the Commission rules related to water utilities;
7 correct?

8 **A** Yes.

9 **Q** And as part of your duties in this rate case,
10 you provided the information to the audit staff for the
11 Commission; is that correct?

12 **A** Yes.

13 **Q** Okay. The first hopefully exhibit that's in
14 that packet, if you would take a look at it, that's a
15 copy of Rule 25-30.405, burden of proof, and -- 450,
16 burden of proof and audit provisions.

17 **CHAIRMAN BROWN:** You don't necessarily need
18 that marked since it's one of our rules?

19 **MS. CHRISTENSEN:** Yes.

20 **BY MS. CHRISTENSEN:**

21 **Q** And I want to confirm that it is your
22 understanding that this is a rule that addresses the
23 audit process?

24 **A** Yes, it is.

25 **Q** Okay. And is it your position that you

1 provided to Commission staff all the reference sources
2 necessary for the audit staff to do their job?

3 **A** I provided the documents they requested.

4 **Q** Now let me ask you, as part of your duties
5 with UIF, you've been responsible for responding to
6 discovery; is that correct?

7 **A** Yes.

8 **Q** Now we're going go through some of those
9 discovery responses that you provided. Can you please
10 look at UIF's response to OPC's 11th set of
11 interrogatories, No. 256.

12 **CHAIRMAN BROWN:** So we will identify that as
13 Exhibit No. 296.

14 (Exhibit 296 marked for identification.)

15 **MS. CHRISTENSEN:** Okay.

16 **CHAIRMAN BROWN:** And with the title that you
17 just stated.

18 **MS. CHRISTENSEN:** Okay. Thank you.

19 **BY MS. CHRISTENSEN:**

20 **Q** A question posed in this discovery response
21 pertained to a customer guarantee deposit certificate
22 for \$3,637 that was recorded in Sandalhaven's purchased
23 power expense in November 2015; is that correct?

24 **A** Yes, it is.

25 **Q** Okay. And in your response, you agreed that

1 that \$3,637 should be removed from the test year
2 expense; is that right?

3 **A** Yes.

4 **Q** Okay. And are you still in agreement with
5 your response to that discovery?

6 **A** Yes.

7 **Q** Okay. Now let me ask you to take a look at
8 your response to interrogatory -- OPC's 11th set of
9 interrogatories, No. 257.

10 **CHAIRMAN BROWN:** We will identify that as
11 Exhibit No. 297, with the title you just stated.

12 (Exhibit 297 marked for identification.)

13 **MS. CHRISTENSEN:** Thank you.

14 **BY MS. CHRISTENSEN:**

15 **Q** The table provided with the interrogatory
16 lists various test year materials and supply expenses
17 for Sandalhaven operations which total \$6,074; is that
18 correct?

19 **A** Yes, it is.

20 **Q** Okay. And subpart A of the interrogatory
21 asked the company to explain whether each of these
22 listed costs were recurring costs that will continue to
23 be paid by UIF now that Sandalhaven's wastewater
24 treatment plant is retired; is that correct?

25 **A** Yes.

1 **Q** Okay. Can you please read out loud your
2 response?

3 **A** To number A?

4 **Q** Correct.

5 **A** This is not a recurring cost. The ponds are
6 gone.

7 **Q** Okay. So am I correct that you agree that the
8 \$6,074 of the test year materials and supply expense
9 will be discontinued now that the ponds are gone?

10 **A** Yes.

11 **Q** Okay. And you would agree that these expenses
12 associated with the ponds totaling the \$6,074 should be
13 removed from the test year's material and supply
14 expense?

15 **A** Yes.

16 **Q** Thank you. In preparing your discovery
17 responses, did you discover any additional expenses
18 included in the test year associated with the ponds that
19 no longer exist?

20 **A** No, I did not.

21 **Q** Okay. Now let me refer you then to the next
22 discovery response. That is 259.

23 **CHAIRMAN BROWN:** And we will go ahead and
24 identify that as Exhibit No. 298, with the same title
25 you just stated.

1 (Exhibit 298 marked for identification.)

2 **MS. CHRISTENSEN:** Thank you.

3 **BY MS. CHRISTENSEN:**

4 **Q** Now in response -- the question posed in OPC's
5 11th set of interrogatories, No. 259, pertained to two
6 invoices from CPH Engineering for 500 -- \$504.22 and
7 \$2,800 -- excuse me, let me try that again --
8 \$2,817 that was included in the Sandalhaven contractual
9 services engineering expense in the test year; is that
10 correct?

11 **A** Yes.

12 **Q** In your response you state the invoices in
13 question should have been capitalized; is that correct?

14 **A** Yes, it is.

15 **Q** Okay. Do you agree that the \$3,321, which is
16 the sum total of those two expenses, should be removed
17 from the test year Sandalhaven contractual services and
18 engineering expense?

19 **A** I believe they should be capitalized, as my
20 response says. They should not be considered expenses.

21 **Q** Okay. In preparing your response, did you
22 discover any additional costs that were expensed during
23 the test year that should also have been capitalized?

24 **A** Not that I recall.

25 **Q** Okay. Let me refer you to the next

1 interrogatory in your packet, and that is 275.

2 **CHAIRMAN BROWN:** We will mark that as Exhibit
3 No. 299. And just for clarify of the record, the
4 document is titled "UIF's Response to OPC's 11th ROG No.
5 275."

6 (Exhibit 299 marked for identification.)

7 **MS. CHRISTENSEN:** Okay. Thank you.

8 **BY MS. CHRISTENSEN:**

9 **Q** Have you reviewed this response before?

10 **A** Yes, I have.

11 **Q** Okay. Based on this response, do you agree
12 that the test year includes an extra month of expenses,
13 or 13 months of expense for Sandalhaven outside service
14 expense? I can specifically refer you to subpart B.

15 **A** Yes, yes. It appears to have occurred
16 outside -- or the bill was received outside of the test
17 year.

18 **Q** Okay. And you would agree this is the result
19 of the 864 accrued on December 31st, 2015, for Charlotte
20 County Utilities; is that correct?

21 **A** Could you repeat the question? I'm sorry. I
22 was reading my response. Can you repeat the question
23 one more time?

24 **Q** Certainly. This is the result of the \$864
25 accrued on December 31st, 2015, for Charlotte County

1 Utilities; is that correct?

2 **A** Yes.

3 **Q** Now do you agree that the attached invoice
4 shows that the \$864 for the charges from Charlotte
5 County Utilities were accrued on December -- accrued on
6 December 31st, 2015, was for an invoice sent on
7 January 2015?

8 **A** Yes.

9 **Q** And you would also agree that the \$864 should
10 be removed from the Sandalhaven outside services
11 expenses so that the adjusted test year only includes 12
12 months of expense?

13 **A** Yes.

14 **Q** Moving to the next interrogatory, staff's 12th
15 set of interrogatories -- first set of interrogatories,
16 question 12, and there's also an additional two-page
17 invoice attachment that is referring to OPC's 11th set
18 of interrogatories, question 260.

19 **MS. CHRISTENSEN:** For, I guess, clarity of the
20 record, this is a composite exhibit, although the title
21 on the cover page does not indicate that.

22 **CHAIRMAN BROWN:** So let's go and mark this as
23 Exhibit No. 300, and entitle it "UIF's Response to
24 Staff's 1st ROG, Composite."

25 (Exhibit 300 marked for identification.)

1 **MS. CHRISTENSEN:** Thank you.

2 **BY MS. CHRISTENSEN:**

3 **Q** In this response, you indicate that the
4 increases in Lake Placid engineering expense in March
5 2015 and July 2015 were due to invoices from Excel
6 Engineering for what you indicate are wastewater
7 treatment annual permit renewals; is that correct?

8 **A** Yes. They were due to consulting work related
9 to the permit renewals.

10 **Q** Okay. And the attachment is for the two
11 invoices referenced in your response; is that correct?

12 **A** Yes, they are.

13 **Q** And this response is referring to wastewater
14 treatment plant permit renewal identified in your
15 response to staff's first set of interrogatories,
16 question 12; is that correct?

17 **A** Yes.

18 **Q** And based on your response, would you agree
19 that for the test year expense for Lake Placid that
20 includes \$4,854 for wastewater treatment plant permit
21 renewals -- do you need me to repeat that question?

22 **A** You can go ahead and repeat it.

23 **Q** Based on your response, would you agree that
24 the test year expenses for Lake Placid includes \$4,854
25 for wastewater treatment plant permit renewals?

1 **A** Yes.

2 **Q** And the response to subpart A of OPC's
3 interrogatory 260 indicates that the costs were split
4 between water and wastewater; correct?

5 **A** I don't have that. One second. I don't have
6 that in front of me as far as that interrogatory
7 response.

8 **Q** Do you recall?

9 **MR. FRIEDMAN:** The second page.

10 **THE WITNESS:** Huh?

11 **MR. FRIEDMAN:** Second page.

12 **THE WITNESS:** I have the No. 12, the response
13 to No. 12, but not 260.

14 **BY MS. CHRISTENSEN:**

15 **Q** Correct. But do you have an independent
16 recollection of whether or not those costs or whether or
17 not UIF responded that those costs were split between
18 water and wastewater?

19 **A** I don't recall. There were so many questions,
20 I'd have to see it in front of me. I can look it up, if
21 you would like.

22 **Q** Okay. Well, let's move on and let's see.
23 Would you agree that these costs pertain to wastewater
24 operations?

25 **A** Yes, both of these appear to be dealing with

1 wastewater operations.

2 **Q** And would you agree that the Lake Placid plant
3 permit renewal -- that for the Lake Placid plant permit
4 renewal all the costs should have been charged to
5 wastewater?

6 **A** Yes.

7 **Q** And would you also agree that it would be
8 reasonable to amortize the \$4,854 of test year permit
9 renewal costs over the 10-year permit period; correct?

10 **A** No.

11 **Q** If not, can you explain why you believe a
12 different period other than the ten years that the
13 permit will be in effect should be used?

14 **A** Costs associated with permit renewals are
15 booked as expenses in the year in which they occur. In
16 the test year period, we did incur some permit renewal
17 expenses; however, they were only for some of our
18 systems, not all of our systems. So if you were to
19 defer and amortize that wastewater permit, it would only
20 be -- you'd have to go back to other permit renewals
21 that occurred outside the test year and treat them the
22 same way.

23 **Q** What would your opinion be if the rates are
24 not consolidated?

25 **A** These are expenses and they should be recorded

1 as expenses in the year in which they occurred.

2 Q All right. Okay. Let me refer you next to
3 your response to OPC's 11th set of interrogatories, No.
4 264.

5 CHAIRMAN BROWN: We will go ahead and mark
6 that for identification as Exhibit 301, with the title
7 you just stated.

8 (Exhibit 301 marked for identification.)

9 MS. CHRISTENSEN: Thank you.

10 BY MS. CHRISTENSEN:

11 Q The question in response in this interrogatory
12 pertains to charges from Eurofins Eaton Analytical that
13 were charged to Lake Utility Services, Inc., contractual
14 services testing expense during the test year; is that
15 correct?

16 A Yes.

17 Q And do you agree, subject to check, that the
18 expenses listed in that question were booked by the
19 company in February 2015, totaling \$905?

20 A Yes.

21 Q Would you also agree that the charges were for
22 testing that was conducted for the company during 2014?

23 A Yes.

24 Q And those costs were incurred during 2014?

25 A They were booked to the GL in 2015.

1 **Q** But those costs were, you would agree,
2 incurred in 2014?

3 **A** Yes. Yes, I would.

4 **Q** And I think you just indicated, but I'm just
5 going to clarify for the record, that \$905 was included
6 in the company's test year expense in this case; is that
7 correct?

8 **A** Yes.

9 **Q** Okay. Let me refer you then to the next
10 interrogatory, response to OPC's 11th set of
11 interrogatories, No. 271.

12 **CHAIRMAN BROWN:** We're going to mark that for
13 identification as Exhibit 302, with the title you just
14 stated.

15 (Exhibit 302 marked for identification.)

16 **MS. CHRISTENSEN:** Thank you.

17 **BY MS. CHRISTENSEN:**

18 **Q** Okay. In this discovery response, the
19 question addresses Cypress Lakes' operation and
20 maintenance expense, with subpart B focusing on monthly
21 invoices from Advanced Environmental Labs; is that
22 correct?

23 **A** Yes, it is.

24 **Q** And your response indicates that a purchase
25 order of \$2,280.25 was processed late and should have

1 been accrued to December 2014; is that correct?

2 **A** Yes, it is.

3 **Q** Based on your response, do you agree that that
4 \$2,280.25 is for an expense that was incurred before the
5 test year?

6 **A** Yes.

7 **Q** Thank you. I'm going to refer you again to
8 the next discovery response in the packet, and that is
9 the UIF response to OPC's 11th set of interrogatories,
10 No. 276.

11 **CHAIRMAN BROWN:** We are marking that as
12 Exhibit 303, with the same title.

13 (Exhibit 303 marked for identification.)

14 **MS. CHRISTENSEN:** Thank you.

15 **BY MS. CHRISTENSEN:**

16 **Q** Would you agree that this interrogatory
17 pertains to office garbage removal costs for Sanlando?

18 **A** Yes.

19 **Q** And based on your response to this
20 interrogatory, would you agree that the \$1,119, which is
21 a combination, or the -- I'm sorry, the sum total of the
22 \$602.82 and the \$416.70 -- or, sorry, 57 cents, should
23 be removed from the test year Sanlando miscellaneous
24 expenses; correct?

25 **A** Yes.

1 **Q** Thank you. Let me refer you to the next
2 interrogatory in the packet. That would be the UIF
3 response to interrogatory -- OPC's 11th set of
4 interrogatories, No. 278.

5 **CHAIRMAN BROWN:** We will mark that as
6 Exhibit 304, with the same title.

7 (Exhibit 304 marked for identification.)

8 **BY MS. CHRISTENSEN:**

9 **Q** This interrogatory pertains to account 620,
10 materials and supply expense for Sanlando; is that
11 correct?

12 **A** Yes.

13 **Q** In your response to subpart C, you indicate
14 that the \$2,317.57 was incorrectly accrued in the test
15 year and associated with the invoice -- and the
16 associated invoice has a 2016 order date; is that
17 correct?

18 **A** Yes, it is.

19 **Q** And based on that response, you would agree
20 that the \$2,317 should be removed from the test year
21 expenses for Sanlando; is that correct?

22 **A** Yes.

23 **Q** Let's move to the next interrogatory response
24 in the packet. That's OPC's -- or UIF's response to
25 OPC's 11th set of interrogatories, No. 268.

1 **CHAIRMAN BROWN:** We will mark that for
2 identification as Exhibit 305, with the same title.

3 (Exhibit 305 marked for identification.)

4 **MS. CHRISTENSEN:** Thank you.

5 **BY MS. CHRISTENSEN:**

6 **Q** The question posed pertains to an invoice from
7 Kimley-Horn for 6,000 that was booked to Sanlando
8 operations during the test year; is that correct?

9 **A** Yes.

10 **Q** Okay. And am I correct that the invoice is
11 associated with the Myrtle Lake extension project?

12 **A** Yes.

13 **Q** In your response, you say these costs should
14 be capitalized, not expensed; is that correct?

15 **A** Yes.

16 **Q** Is the 6,000 included in the test year expense
17 in the company's MFRs for the Sanlando system?

18 **A** I would imagine they would be. If they
19 occurred in the test year, yes.

20 **Q** Do you specifically recall that?

21 **A** Without having to go back and look at them,
22 because they're all aggregated into that one account.

23 **Q** Okay. Well, let's assume that they are, and
24 do you agree that the \$6,000 should be removed from the
25 test year expenses?

1 **A** They should be reclassified as a capitalized
2 item.

3 **Q** Okay. And do you know the split of the \$6,000
4 between the water and the wastewater operations?

5 **A** I'm not aware of that. That's more of an
6 operational question on that one.

7 **Q** Okay. As an accountant, do you know where we
8 might look in the MFRs or where we can find that
9 information in the record?

10 **A** It would be in the MFRs in the B Schedules
11 under the expenses, and it would be classified under one
12 of those categories.

13 **Q** Okay. Do you know --

14 **A** I don't recall which account it was booked
15 under, which O&M expense account it was booked under, if
16 it was in there. But it should be under the contractual
17 services engineering expense. I'd have to pull up the
18 MFRs to look at that.

19 **Q** Okay. Let me direct you to the next
20 interrogatory in the packet that was provided, and that
21 is UIF's response to OPC's 5th set of interrogatories,
22 No. 169, and UIF's response to OPC's 5th request for
23 production of documents, No. 49.

24 **CHAIRMAN BROWN:** So we will give that exhibit
25 No. 306. And can you give me a short title,

1 Ms. Christensen?

2 **MS. CHRISTENSEN:** Composite of UIF's Response,
3 OPC's 5th Set, Interrogatory No. 169, POD49.

4 **CHAIRMAN BROWN:** That's not going to be --

5 **MS. CHRISTENSEN:** I know that didn't really
6 help.

7 **CHAIRMAN BROWN:** I could have done better than
8 that one.

9 We'll go ahead and just do UIF's response to
10 OPC's 5th set of ROGs, No. 169, and PODs, No. 49.

11 (Exhibit 306 marked for identification.)

12 **MS. CHRISTENSEN:** Yeah. Thank you.

13 **CHAIRMAN BROWN:** Sorry for putting you on the
14 spot there.

15 **MS. CHRISTENSEN:** Yeah.

16 **BY MS. CHRISTENSEN:**

17 **Q** Let me ask you, Mr. Deason, the response to
18 interrogatory No. 169 indicates the landscaping cost for
19 Sanlando was reclassified from a capital account. Do
20 you know why?

21 **A** I do not.

22 **Q** Can you look at the invoice that was in this
23 packet?

24 **A** Yes.

25 **Q** Would you agree that the invoice indicates

1 that this is for a landscaping upgrade?

2 **A** Yes.

3 **Q** And wouldn't you agree that that's not a
4 recurring cost that will be incurred on an annual basis?

5 **A** It does not appear to be.

6 **Q** Thank you. And finally --
7 (Interruption.)

8 **CHAIRMAN BROWN:** Just one second.

9 Joe, do you know what that noise is?

10 **MS. CHRISTENSEN:** Yeah. Vibrate. Sorry. I
11 did not realize my vibrate actually made a noise. I
12 apologize.

13 **BY MS. CHRISTENSEN:**

14 **Q** And just to maybe speed the remainder of the
15 discovery responses along, I'm -- if I can try and
16 combine them into one question.

17 Mr. Deason, there's remaining in front of you
18 a number of interrogatory responses that appear to be
19 ones that you have sponsored. And those interrogatory
20 responses are your -- or UIF's response to OPC's 1st set
21 of interrogatories, No. 35. And OPC -- or UIF's
22 response to --

23 **CHAIRMAN BROWN:** Ms. Christensen, wait just
24 one sec. Would you like me to give these an exhibit
25 number before proceeding?

1 **MS. CHRISTENSEN:** Yes. I mean, if we -- if
2 you want to go ahead and do them individually. I was
3 just going to try and consolidate date them into one set
4 of questions.

5 **CHAIRMAN BROWN:** But it is your intent to seek
6 to move all of these into the record?

7 **MS. CHRISTENSEN:** Yes. And it --

8 **CHAIRMAN BROWN:** Let's give them -- you know,
9 if you want to, I think, just for clarity of the record,
10 let's give them separate exhibit numbers.

11 **MS. CHRISTENSEN:** Certainly.

12 **CHAIRMAN BROWN:** So 307 will be UIF's response
13 to OPC's 1st ROG 35. That's 307.

14 **MS. CHRISTENSEN:** Okay.

15 (Exhibit 307 marked for identification.)

16 **CHAIRMAN BROWN:** 308 will be UIF's response to
17 OPC's 4th POD, 44.

18 (Exhibit 308 marked for identification.)

19 309 will be UIF's response to staff's 1st ROG,
20 61.

21 (Exhibit 309 marked for identification.)

22 310 will be UIF's response to staff's 1st ROG,
23 63.

24 (Exhibit 310 marked for identification.)

25 311 will be UIF's response to staff's 1st ROG

1 67.

2 (Exhibit 311 marked for identification.)

3 Three -- you -- sorry. 312 will be UIF's
4 response to OPC's 10th ROG, No. 223.

5 (Exhibit 312 marked for identification.)

6 And I think that completes the package; right?

7 **MS. CHRISTENSEN:** Correct, for this set of
8 questions.

9 **BY MS. CHRISTENSEN:**

10 **Q** Mr. Deason, you provided the responses for
11 hearing exhibits that now have been marked for
12 identification 307 through 312; is that correct?

13 **A** I'm just double-checking to make sure if I
14 remember these or not.

15 **CHAIRMAN BROWN:** Take your time, Mr. Deason.

16 **THE WITNESS:** Yes.

17 **BY MS. CHRISTENSEN:**

18 **Q** Okay. And now that you've had a chance to
19 look at each of those hearing exhibits, if you were
20 asked the questions in these interrogatory responses and
21 POD -- production of document responses, would your
22 answers be the same today as they were when you produced
23 these documents?

24 **A** Yes, they would.

25 **Q** Okay. Thank you very much.

1 Now I would ask that we move to the second
2 packet. Mr. Deason, do you have that second packet in
3 front of you?

4 **A** Yes, I do.

5 **Q** Okay. And there should be four documents with
6 that, so much less documents.

7 **A** Okay. Let me count. There appears to be
8 seven documents in this stack.

9 **Q** Is there seven? I take that back. You're
10 right. You're correct. There were two small ones
11 hiding from me in there. Okay. I just wanted to make
12 sure that we have the right packet. So --

13 **A** Yes, I think we do.

14 **Q** Okay. Great. And let me refer you to page 3
15 of your rebuttal testimony at lines 1 through 2. Let me
16 know when you're at your rebuttal testimony.

17 **A** Are they in the first packet, on the top
18 packet?

19 **Q** No, no. Your testimony, your rebuttal
20 testimony.

21 **A** Okay. Okay. Repeat the page and number
22 again.

23 **Q** Your rebuttal testimony, page 3, and then I'm
24 specifically referring to lines 1 and 2. Do you see
25 that?

1 **A** Okay. Yes.

2 **Q** Okay. And that's where you state you agree
3 with staff's audit finding No. 5; is that correct?

4 **A** That is correct.

5 **Q** Okay. And I'm looking at the first exhibit in
6 your packet.

7 **MS. CHRISTENSEN:** Why don't we go ahead and
8 mark that. That's the staff's audit report. And I know
9 it's come in with Ms. Dobiac's testimony, but just for
10 ease of reference with these questions.

11 **CHAIRMAN BROWN:** Okay. I don't mind marking
12 it again. We'll -- 313.

13 **MS. CHRISTENSEN:** I believe that's correct.

14 **CHAIRMAN BROWN:** And the title is Staff's
15 Audit Report.

16 (Exhibit 313 marked for identification.)

17 **BY MS. CHRISTENSEN:**

18 **Q** Okay. Looking at audit report No. 5, under
19 the analysis section, and you can let me know when
20 you're there.

21 **A** Yes, I'm there.

22 **Q** Okay. Under the audit analysis section, it
23 states, "For this proceeding, we determined that
24 utility's ADIT debit balances for taxes paid on plant
25 capacity fees received from developers, as shown on

1 Table 5-1, following finding -- these findings." Do you
2 see that?

3 **A** Yes.

4 **Q** Okay. Since you agree with staff's audit
5 No. 5, is it correct that this means that you also agree
6 that the deferred ADIT debit balance shown on tables --
7 staff's Table 5-1 are correct?

8 **A** Yes.

9 **Q** Okay. Did the company exclude all of the ADIT
10 debit amounts shown on staff's Table 5-1 from working
11 capital in its filing?

12 **A** I believe those part of the MFRs were done by
13 Debbie Swain. She would be more appropriate to answer
14 this question.

15 **Q** Okay. And just for clarity of the record, is
16 that that you don't have any knowledge regarding whether
17 or not they were removed from the MFRs?

18 **A** I think she would be more capable of verifying
19 that information.

20 **Q** I'm just trying to -- you don't know?

21 **A** Not right offhand.

22 **Q** Okay. And I'm assuming, based on that
23 response, that you do not have any recollection as we
24 are sitting here today whether or not the company
25 excluded all of the ADIT debit amounts shown on staff's

1 Table 5-1 from the zero cost ADIT component of the
2 capital structure in its filing?

3 **A** Not right off the top of my head, no.

4 **Q** Okay. Since you did actually agree with staff
5 audit finding No. 5, do you also agree with the language
6 in that finding that indicates that in Order No.
7 PSC-16-0013-PAA-SU, issued January 6th, 2016, that the
8 Commission determined that Sandalhaven's ADITs for taxes
9 paid on plant capacity charges were disallowed for
10 ratemaking purposes?

11 **A** I agree that's what the Commission determined
12 during that docket.

13 **Q** And you would agree that in that order, the
14 January 2016 order, the Commission fully disallowed that
15 amount?

16 **A** Yes, they did.

17 **Q** Okay. Now let me refer you to page 2 of your
18 rebuttal, lines 20 through 23. And in your rebuttal
19 testimony, you state that you agree with audit findings
20 No. 1 and 3 that indicate the Commission-ordered
21 adjustments were not made accurately or timely; is that
22 correct?

23 **A** I agree that they were not done accurately.

24 **Q** Okay. Well, let's walk through the utility's
25 process for booking Commission-ordered adjustments. Is

1 it correct that after the Commission issues its order in
2 a case, it is the responsibility of the staff in
3 Northbrook, Illinois, to book the adjustments?

4 **A** Yes. They're the ones who physically book the
5 adjustments into the accounting system.

6 **Q** And isn't it true that it is your
7 responsibility to submit that adjustment to the
8 Commission within 90 days, as required by the order?

9 **A** Yes.

10 **Q** Okay. And I think we discussed this in your
11 deposition, but you're relatively new to your current
12 position; is that correct?

13 **A** Yes, that is correct.

14 **Q** So the audit findings regarding the
15 Commission-ordered adjustments that are based on
16 Commission orders -- let me back that up.

17 The audit adjustment findings that were
18 contained in staff's audit report, these are for
19 Commission-ordered adjustments that were prior to your
20 assuming that position; is that correct?

21 **A** That is correct.

22 **Q** Okay. You state that you agreed with audit
23 No. 3; correct?

24 **A** Yes, I do.

25 **Q** Okay. And I think this should be -- I'm going

1 to skip over the next exhibit in the packet, and I'm
2 going to move to the document entitled "UIF Response to
3 OPC's 2nd Request for Admission, No. 38."

4 **CHAIRMAN BROWN:** And we will give that Exhibit
5 314.

6 **MS. CHRISTENSEN:** Thank you.

7 (Exhibit 314 marked for identification.)

8 **CHAIRMAN BROWN:** With the same title.

9 **BY MS. CHRISTENSEN:**

10 **Q** Mr. Deason, you -- can you take a look at this
11 response and -- that UIF provided to OPC's request for
12 admissions, No. 38? Let me know when you're there.

13 **A** I'm there.

14 **Q** Okay. In this, UIF states that UIF keeps
15 records to show which counties each system is associated
16 with; is that correct?

17 **A** Yes, that is correct.

18 **Q** Okay. And you further state that the
19 information could be used to easily aggregate the
20 systems into counties for rate setting purposes; is that
21 right?

22 **A** Yes.

23 **Q** In this, in this case, you would agree that in
24 the future when you give the auditors of staff the
25 journal entries necessary to book the Commission-ordered

1 adjustments, that you could provide that information in
2 Excel or a format that is easily sorted?

3 **A** Yes.

4 **Q** Okay. Now let's move to your response to
5 audit finding No. 8. And I believe your discussion of
6 that begins on line 15 of your rebuttal testimony. I
7 believe that's also page 2 -- or is it page 3?

8 **CHAIRMAN BROWN:** I don't, I don't think I have
9 it.

10 Mr. Deason, do you have a copy of what she's
11 requesting?

12 **THE WITNESS:** Could you repeat that again?

13 **MS. CHRISTENSEN:** I'm just referring back to
14 his rebuttal testimony, and I apologize. Is it page 3?
15 Page 3, line 15, that refers to audit finding No. 8.

16 **CHAIRMAN BROWN:** Thank you.

17 **BY MS. CHRISTENSEN:**

18 **Q** You would agree that this audit finding
19 addresses vehicles and transportation expense; is that
20 correct?

21 **A** Yes, it does.

22 **Q** Okay. Now the next exhibit in the packet is
23 UIF's response to staff's 10th request for production of
24 documents, No. 28.

25 **MS. HELTON:** Madam Chairman?

1 **CHAIRMAN BROWN:** Yes.

2 **MS. HELTON:** I really hate to do this, but
3 we're all confused here about what numbers we're on. I
4 have 313 marked.

5 **CHAIRMAN BROWN:** We'll go -- we're on 315 --
6 we're getting ready to identify this exhibit right now.
7 You just interrupted us when we were getting ready to
8 identify this as Exhibit 315.

9 **MS. HELTON:** Okay.

10 **CHAIRMAN BROWN:** So we are on the -- with the
11 title "Utilities, Inc. of Florida Response to Staff's
12 10th Request for Production of Documents, No. 28." That
13 is what we are on. I will go through -- at the end of
14 this witness's testimony, I'll go through all the
15 numbers again.

16 (Exhibit 315 marked for identification.)?

17 **MS. CHRISTENSEN:** Yes, and I agree there are a
18 lot of documents I am producing.

19 **CHAIRMAN BROWN:** Ms. Christensen, you can
20 proceed.

21 **MS. CHRISTENSEN:** Thank you.

22 **BY MS. CHRISTENSEN:**

23 **Q** Have you had a minute to familiarize yourself
24 with this discovery response?

25 **A** No. 28?

1 Q Correct.

2 A Yes, yes.

3 Q Do you agree that this represents the numbers
4 that were used to allocate vehicles and salaries for the
5 test year?

6 A Yes.

7 Q All right. Now let's look at the next
8 document in the stack, which is UIF's response to OPC's
9 12th set of interrogatories, No. 283.

10 **CHAIRMAN BROWN:** We will give that Exhibit
11 No. 316, with the same title you just stated.

12 (Exhibit 316 marked for identification.)

13 **BY MS. CHRISTENSEN:**

14 Q Looking at staff's audit finding No. 10, which
15 I believe you reference on page 4 of your rebuttal
16 testimony, starting at line 11 through line 16.

17 A Okay. Yes, I'm there.

18 Q Okay. Audit finding No. 10 states that the
19 sum of the ERCs provided to the auditors did not agree
20 with the ERCs applicable to the Florida total; is that
21 correct?

22 A That's what it says.

23 Q Okay. Now looking at the document we just
24 marked as 316, it requested a reconciliation between the
25 ERCs provided to the auditors in response to the audit

1 request No. 5 and the total ERCs reflected in the MFRs.
2 Is it correct that you did not provide a reconciliation
3 but the total ERCs that are reflected on the last page
4 of this document?

5 **A** It did reconcile the source documentation
6 year-end pay stubs based on ERCs to the total amounts in
7 the MFRs.

8 **Q** Mr. Deason, do you know whether or not that
9 number equaled the number that you provided in response
10 to audit No. 5?

11 **A** Let me refer back to audit No. 5.

12 **Q** I believe that's -- would be located in
13 document No. 313.

14 **A** Is this having to do with the ERCs?

15 **Q** Hold on a moment. We might be able to refer
16 you to a document you can review. That's the document
17 that was previously marked as 315.

18 **CHAIRMAN BROWN:** You got it, Mr. Deason?

19 **THE WITNESS:** Mine aren't marked.

20 **CHAIRMAN BROWN:** Its title is "UIF's Response
21 to Staff's Request for PODs 28, Production of Documents,
22 No. 28."

23 **THE WITNESS:** Yes, I'm there.

24 **BY MS. CHRISTENSEN:**

25 **Q** Can you please explain why those numbers do

1 not reconcile?

2 **A** Which numbers do not reconcile?

3 **Q** The ERC numbers listed under the column ERCs.
4 In looking at the request for production of documents,
5 No. 28, the total under ERCs is 64,183 -- or 183.9, and
6 then looking at the response produced in response to
7 OPC's 12th set of interrogatories, No. 283, which has
8 been marked as hearing Exhibit 316, the number under
9 total is indicated as \$70,208.07. Can you explain why
10 there's a discrepancy between those numbers?

11 **A** I think I need to pull the actual document,
12 because the document just references another document.
13 I can't see that document. It references a spreadsheet
14 that was provided confidentially, and I would have to
15 see that document to answer that question. Is it okay
16 if I look at that document?

17 **Q** Sure. And if you can provide the response
18 without revealing any confidential information, that
19 would be preferable.

20 **CHAIRMAN BROWN:** Mr. Deason, can you do that
21 readily, swiftly, or do you need a moment, a break?

22 **THE WITNESS:** It may take a little bit. I'll
23 have to make sure I can get to my server so I can look
24 at that document they're referring to.

25 **CHAIRMAN BROWN:** Okay. So let's take a

1 five-minute break, and then staff can get organized with
2 the exhibits too at that time.

3 **MS. CHRISTENSEN:** Thank you.

4 (Recess taken.)

5 **CHAIRMAN BROWN:** We are getting back on the
6 record now.

7 Ms. Christensen, I believe your last question,
8 if you could restate it for Mr. Deason.

9 **MS. CHRISTENSEN:** I will certainly do my best.

10 **CHAIRMAN BROWN:** Thank you.

11 **BY MS. CHRISTENSEN:**

12 **Q** We were looking at two different documents,
13 one that's been marked for identification 315 and 316.
14 And looking at the total ERCs, there appears to be a
15 discrepancy between the two numbers.

16 In 315, the number is 64,183.9, and in what
17 has been marked as hearing Exhibit 316, the total
18 number, if you look at the bottom column, is 70,208.7.
19 And our question pending was: Can you explain why
20 there's a discrepancy between those two numbers?

21 **CHAIRMAN BROWN:** Can you put the microphone --

22 **THE WITNESS:** I'm sorry. I didn't mean to do
23 that.

24 The spreadsheet that we provided in response
25 to 283 was a reconciliation of our salaries that are

1 allocated to Florida. Is that correct? Are we on --
2 are we looking at the same spreadsheet?

3 **BY MS. CHRISTENSEN:**

4 **Q** We are looking at your response to -- UIF's
5 response to OPC's 12th set of interrogatories, No. 283.

6 **A** Okay. If I pulled up the correct -- and I'm
7 going off of memory here, if I'm pulling up the correct
8 spreadsheet, this was a spreadsheet that was divided
9 into three tabs. The first tab, which ties to the MFRs,
10 all the amounts of salary during the test year.

11 The second tab, which breaks down employees of
12 Utilities, Inc., including both those that are allocated
13 100 percent to Florida, plus all the shared services
14 employees, taking their salaries based on source
15 documentation and the allocation percentages and
16 summing -- adding them up and tying them back to the
17 MFRs.

18 I also have another tab for informational
19 purposes which has certain operational employees and how
20 much time they spend at certain -- their time as far as
21 at certain systems, time allocation.

22 So I'm not sure if we're on the same page as
23 far as what -- on the Excel spreadsheets that were
24 provided.

25 **Q** Well, I guess our question fundamentally goes

1 to why are you using a different ERC number to allocate
2 salaries than you are in audit No. 5?

3 **A** I can't see on the spreadsheet I'm looking at
4 that I'm using different ERCs.

5 **Q** Referring --

6 **A** I don't have an ERC table in this. I mean, I
7 have ERC allocations for employees based on whether
8 they're Florida only or a shared service employee.

9 **Q** So I'm, if I'm understanding correctly, and I
10 think I referred you to your response to production of
11 documents 28 for staff's 10th set of production of
12 documents, you're using a different ERC number than what
13 you used in responding to OPC's 12th set of
14 interrogatories 283, and it sounds as if, sitting here
15 today, you can't explain why there are two different ERC
16 numbers used. Is that correct?

17 **A** I just don't understand -- I don't think I'm
18 on the same page as far as the documents that we're
19 looking at.

20 **Q** Have you looked at the paper production
21 document for 315, which would be your response to
22 staff's request for production of document, No. 28?
23 Have you looked at that?

24 **A** I'd have to --

25 **CHAIRMAN BROWN:** Ms. Christensen, would it

1 help if you actually have something to show him?

2 **MS. CHRISTENSEN:** I believe we've passed them
3 out and we've already marked them, but I can reshow him
4 again the documentation.

5 **CHAIRMAN BROWN:** So would that be helpful?

6 **THE WITNESS:** You're referring to the
7 allocation percentages. Is that --

8 **MS. CHRISTENSEN:** How about I ask Ms. Vandiver
9 to show him the document that we've marked as hearing
10 Exhibit 315?

11 **CHAIRMAN BROWN:** Mr. Friedman, you have no
12 problem with that?

13 **MR. FRIEDMAN:** I have no problem with that.

14 **CHAIRMAN BROWN:** Okay. And here I thought the
15 five-minute break would be helpful.

16 (Discussion off the record.)

17 **CHAIRMAN BROWN:** Mr. Deason?

18 **THE WITNESS:** We're showing a difference is --
19 what this is is operator's time, and this is strictly
20 just the operator employees in Florida. However, we
21 have other employees in Florida, such as myself or John,
22 whose time is allocated among all the systems. They
23 weren't asking for mine or John's or Patrick's. So
24 that's how you're coming up with a less number here,
25 because it's only capturing the operators that are

1 actually working at our different plants.

2 **CHAIRMAN BROWN:** Ms. Christensen?

3 **BY MS. CHRISTENSEN:**

4 **Q** I guess where our confusion is, if you're
5 looking at 315, the column labeled "ERCs," what is that
6 intending to capture?

7 **A** I think it's the ERCs associated with the
8 various different systems that operators work at.

9 **Q** And if that is the case, then why would the
10 ERCs that the operators are allocated to be different
11 than the ERCs over which the other salaries for UIF are
12 allocated to?

13 **CHAIRMAN BROWN:** While Mr. Deason is figuring
14 that out, I just wanted to note for the record that
15 Seminole County has asked to be excused for the
16 remaining -- remainder of the hearing, and I have
17 granted that.

18 So with that, Mr. Bilenky, thank you for your
19 time.

20 **MR. FRIEDMAN:** I don't get to object?

21 **CHAIRMAN BROWN:** No, you don't.

22 (Laughter.)

23 **MR. BILENKY:** Thank you for that too, Madam
24 Chairman. Thank you very much. I appreciate it. It's
25 been a pleasure and an honor to be back here before you.

1 Thank you.

2 **CHAIRMAN BROWN:** Thank you. Staff will
3 apprise you of briefs, due dates, et cetera. Thank you.

4 All right. Mr. Deason?

5 **THE WITNESS:** At this time, I don't have any
6 further explanation as far as discrepancy; however, I
7 will say in the Prehearing Order we provided a schedule
8 of ERCs. Those are the ones that should be used for
9 this rate proceeding.

10 **CHAIRMAN BROWN:** Okay. Ms. --

11 **BY MS. CHRISTENSEN:**

12 **Q** All right. Well, let me refer you then,
13 moving on, to your exhibit JD No. 4.

14 And page 1 in JD No. 4 indicates a total of
15 actual costs for Frank Seidman of \$90,364; is that
16 correct?

17 **A** This is the one with my rebuttal testimony;
18 correct?

19 **Q** That would be correct.

20 **A** Yes. I don't have that in front of me, but I
21 do -- I can pull that one up. But if I recall
22 correctly, that should be what it is, just based off of
23 memory.

24 **Q** Okay. And do you recollect that as part of
25 that exhibit it also had an asterisk indicating that

1 that total excludes work on deficiencies; is that
2 correct?

3 **A** It did have an asterisk. Yes, it did.

4 **Q** Okay. And I don't know if you have available
5 with you on your computer, but I would refer you to page
6 167 of your Exhibit JD-4, and let me know when you're
7 there. Let me know when you're there.

8 **A** What page was that again?

9 **Q** That would be 167 of your Exhibit JD-4.

10 **CHAIRMAN BROWN:** It's 167 of 194.

11 **MS. CHRISTENSEN:** Correct.

12 **CHAIRMAN BROWN:** It may be helpful to just
13 approach the witness with that actual page, if you have
14 it.

15 **THE WITNESS:** I'm almost there, Chairman. I'm
16 sorry.

17 **CHAIRMAN BROWN:** Okay.

18 **THE WITNESS:** I don't have my mouse with me,
19 so it's not -- I'm not used to working with -- getting
20 it done the other way.

21 **CHAIRMAN BROWN:** Our 1985 computer?

22 **MS. CHRISTENSEN:** Yeah. I may have a few
23 questions that are going back and forth with his Exhibit
24 JD-4. Maybe we could take a break and somebody could
25 provide him with an actual copy, a physical copy of his

1 exhibit. It probably would make it go a lot quicker.

2 **THE WITNESS:** Okay. I have that page up now.

3 **CHAIRMAN BROWN:** I could actually -- we have
4 no problems, if staff could go ahead and provide him a
5 physical copy of the exhibit, JD-4, we have an actual
6 paper copy, and it will help expedite this proceeding a
7 little bit more, or this part.

8 **THE WITNESS:** Okay.

9 **CHAIRMAN BROWN:** He's got it.

10 **MS. CHRISTENSEN:** Okay. Well, let me go
11 through that question while we're getting him the paper
12 copy as well.

13 **BY MS. CHRISTENSEN:**

14 **Q** Okay. In looking at that page of your
15 exhibit, this shows a total expense of \$90,363, and that
16 matches the amount of \$90,363 that was indicated on
17 page 1 of your testimony; is that correct?

18 **A** Yes.

19 **Q** Okay. And is it also correct that the \$90,363
20 is included on column A labeled "Corrections to MFRs";
21 is that correct?

22 **A** Yes, it is.

23 **Q** Okay. And is it true that this column totals
24 \$2,137.50?

25 If you look at the exhibit itself on page 67,

1 there is a column labeled "Corrections to MFRs" that has
2 a total of \$2,137.50. Is that correct?

3 **CHAIRMAN BROWN:** I think he's just getting the
4 page.

5 **MS. CHRISTENSEN:** No problem.

6 **THE WITNESS:** 167; correct? 167 of 199.

7 **BY MS. CHRISTENSEN:**

8 **Q** It's under the column labeled "Corrections to
9 MFRs," and the total below that is \$2,137.50. Is that
10 correct?

11 **A** That is correct.

12 **Q** Okay. Now could you look at page 177 of your
13 exhibit, and let me know when you're there.

14 **A** I'm there.

15 **Q** Okay. And now that we're there, is it true
16 that the invoices total \$4,725 and that most of these
17 entries are related to deficiencies?

18 **A** Some of them have to do with deficiencies. I
19 won't say most of them, but several of them do.

20 **Q** Okay. Now just to be clear, the invoice on
21 the, on the previous page, which is 176, is for \$150.
22 Is that also for a deficiency?

23 **A** Yes.

24 **Q** Okay. And I think you would agree that costs
25 related to deficiencies should be removed from the MF --

1 or from this rate case and rate case expense; correct?

2 **A** Yes. That is Commission practice.

3 **Q** Okay. Now let me refer you to the packet that
4 I handed out, UIF's response to staff's 1st set of
5 interrogatories, No. 72.

6 **CHAIRMAN BROWN:** We will go ahead and mark
7 that for identification as Exhibit 317, with the same
8 title you just mentioned.

9 (Exhibit 317 marked for identification.)

10 **MS. CHRISTENSEN:** Thank you.

11 **BY MS. CHRISTENSEN:**

12 **Q** Okay. And you would agree that this is the
13 invoices for John Guastella; correct?

14 **A** Which page is that again?

15 **Q** This is part of the exhibit that we handed
16 out, the packet that I provided to you. And it is UIF's
17 response to staff's first set of interrogatories, No.
18 72.

19 **A** Okay.

20 **Q** Let me know when you have that in front of
21 you.

22 **A** Okay.

23 **Q** Okay. And you would agree that this is
24 invoices for UIF witness John Guastella; correct?

25 **A** Yes, they are.

1 **Q** And would you also agree that it appears that
2 these invoices include over 200 hours to assist in
3 preparing for the minimum filing requirements?

4 **A** Yes, they did assist with that.

5 **Q** Okay. Now isn't it correct that in your
6 deposition you stated that Mr. Guastella's firm helped
7 prepared the MFRs for the LUSI system?

8 **A** They did have somebody that assisted with
9 those, yes.

10 **Q** Okay. Now I want to refer you back to your
11 testimony, JD-4 on page 1. And please let me know when
12 you're there.

13 **A** To my rebuttal testimony?

14 **Q** Your rebuttal testimony, your Exhibit JD-4,
15 please, page 1. Please let me know when you're there.

16 **A** Yes, I'm there.

17 **Q** Okay. Would you agree that that indicates
18 \$3,000 for Mr. Guastella's travel; is that correct?

19 **A** Yes, it does.

20 **Q** And I believe, if I can refer you to page 180
21 of your Exhibit JD-4, at the bottom of that exhibit it
22 indicates that Mr. Guastella's travel costs are \$2,000;
23 is that correct?

24 **A** Yes, it does.

25 **Q** Okay. Let me refer you back to page 1 of your

1 Exhibit JD-4, and let me know when you're there.

2 **A** I'm there.

3 **Q** Okay. You list three lines for WSC staff that
4 are indicated -- that indicates they are South Carolina
5 staff and Nevada staff; is that correct?

6 **A** That is correct.

7 **Q** Okay. Now is that correct -- isn't it correct
8 that in your deposition you indicated that these
9 employees listed here are salaried employees in the
10 respective states?

11 **A** They are.

12 **Q** Okay. And then looking down to line --
13 further down on that, you -- under consultants you list
14 Tucker/Hall as -- under rate case expense; is that
15 correct?

16 **A** Yes.

17 **Q** Okay. And is it correct that Tucker/Hall is a
18 public relations firm?

19 **A** The Tucker/Hall relationship would be better
20 discussed by John Hoy, who engaged them for this
21 proceeding.

22 **Q** Okay. But they're included in your rate case
23 testimony. Do you know what type of services they
24 provided for you?

25 **A** Customer communication is my understanding,

1 but more detail could be provided by John Hoy.

2 Q Okay. Is it correct that these costs did not
3 appear in any of the schedules for rate case expense
4 until you filed your rebuttal testimony?

5 A That is correct. They were not in the MFRs.
6 They were not originally engaged by the time the MFRs
7 were filed. They were engaged after the fact.

8 Q Okay. Let me refer you to then the next
9 handout in your packet, and that would be UIF's response
10 to staff's 14th set of interrogatories, No. 295.

11 **CHAIRMAN BROWN:** We will mark that for
12 identification purposes as Exhibit 318, with the same
13 title you just stated.

14 (Exhibit 318 marked for identification.)

15 **MS. CHRISTENSEN:** Thank you.

16 **BY MS. CHRISTENSEN:**

17 Q Okay. In this response, you provide -- and I
18 believe there's two pages attached to your response to
19 this interrogatory; is that correct?

20 A Yes, it is.

21 Q Okay. And you would characterize these
22 attachments as invoices; is that correct?

23 A Yes.

24 Q And can you show me on either of these
25 invoices where it describes the activities that were

1 provided by these consultants in this rate case?

2 **A** The only description is found on page 2.
3 Other than that, it's just described as professional
4 fees.

5 **Q** Okay. And you include \$15,166 in actual costs
6 for Tucker/Hall. Did you include any invoices to
7 support this amount?

8 **A** I did.

9 **Q** Can you please explain or cite us to where
10 those invoices were included as part of your testimony?

11 **A** They should have been. I'd have to look back
12 through it. I know that this is a response to 295.
13 This is the updated rate case expense that I referenced
14 before I began cross-examination.

15 **Q** Can you point us to in -- where in your
16 testimony as part of your exhibit you provided any
17 information to support the \$15,166?

18 **A** I would have to systematically go through my
19 entire 200-page document. That may take a little while.
20 But if it was not included, it was inadvertent. But it
21 was included in my updated rate case expense submitted
22 to staff.

23 **Q** Let me ask you this: Did you include the
24 invoices for the other consultants as part of your
25 Exhibit JD-4?

1 **A** Yes.

2 **Q** Okay. You also included \$12,375 in estimated
3 costs for Tucker/Hall. Now is it correct that you did
4 not include any support for the task hours and amounts
5 included in this amount?

6 **A** I believe that was -- we had a contract at the
7 beginning of a certain dollar amount, and that's the
8 remaining amount on the contract. But, once again, John
9 Hoy can speak more specifically to this relationship
10 with Tucker/Hail.

11 **MS. CHRISTENSEN:** With that, I conclude my
12 questions. Thank you.

13 **CHAIRMAN BROWN:** Thank you, Ms. Christensen.
14 We are looking at lunchtime. Mr. Armstrong,
15 would you be okay with us taking a break at this time?

16 **MR. ARMSTRONG:** Certainly, Madam Chair.

17 **CHAIRMAN BROWN:** All right. We're going to go
18 off the -- I was going to do it anyway.

19 (Laughter.)

20 **THE WITNESS:** I'd rather keep going.

21 **CHAIRMAN BROWN:** But I wanted to at least ask
22 the question.

23 All right. It is 12:20. We will come back in
24 an hour. Be back here at 1:20.

25 We are in recess. Thank you.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

(Transcript continues in sequence with Volume
7).


1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON) CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

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

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

18 DATED THIS 15th day of May, 2017.

19
20
21
22
23
24
25


LINDA BOLES, CRR, RPR
Official FPSC Hearings Reporter
Office of Commission Clerk
(850) 413-6734