

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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FPSC - COMMISSION CLERK

In the Matter of:

DOCKET NO. 20170141-SU

APPLICATION FOR INCREASE IN
WASTEWATER RATES IN MONROE
COUNTY BY K W RESORT UTILITIES
CORP.

_____ /

VOLUME 1
PAGES 1 through 112

PROCEEDINGS: HEARING
COMMISSIONERS
PARTICIPATING: COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW G. FAY

DATE: Tuesday, May 15, 2018

TIME: Commenced: 9:30 a.m.
Concluded: 12:15 p.m.

Tortuga Ballroom
DoubleTree by Hilton Grand Resort
Key West
3990 S. Roosevelt Boulevard
Key West, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
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1 P R O C E E D I N G S

2 COMMISSIONER POLMANN: Good morning, everyone.
3 This is the technical hearing for Docket No.
4 20170141-SU, application for an increase in
5 wastewater rates in Monroe County by KW Resort
6 Utilities Corporation.

7 Today is May 15th. I have the time being
8 9:35, and we will now convene the hearing and call
9 this hearing to order.

10 Staff, would you please read the notice.

11 MS. MAPP: By notice issued April 2nd, 2018,
12 this time and place was set for a hearing in Docket
13 No. 20170141-SU. The purpose of this hearing was
14 set forth in the notice.

15 COMMISSIONER POLMANN: Thank you, Ms. Mapp.

16 We will now take appearances beginning with
17 the utility, KW.

18 MR. SMITH: Bart Smith on behalf of KW Resort
19 Utilities Corp.

20 MR. FRIEDMAN: Marty Friedman on behalf of KW
21 Utilities Corp.

22 COMMISSIONER POLMANN: Office of Public
23 Counsel.

24 MR. SAYLER: Erik Sayler with the Office of
25 Public Counsel on behalf of the citizens of the

1 state of Florida and the customers of Key West
2 Resorts, as well as Mr. J.R. Kelly, with Public
3 Counsel.

4 COMMISSIONER POLMANN: Thank you.

5 MR. WRIGHT: Robert Scheffel Wright, Gardner
6 law firm, Tallahassee, on behalf of Monroe County.

7 MS. HALL: Cynthia Hall from Monroe County
8 Attorney's Office on behalf of Monroe County.

9 COMMISSIONER POLMANN: Thank you.
10 Commission staff.

11 MS. MAPP: Kyesah Mapp on behalf of staff, and
12 I would also enter an appearance for Jennifer
13 Crawford.

14 MS. HELTON: Mary Anne Helton, here as your
15 advisor, and also Keith Hetrick, your General
16 Counsel.

17 COMMISSIONER POLMANN: Thank you.

18 Okay, before we get into the business of the
19 hearing, I would like to discuss the schedule for
20 today and for tomorrow. We actually have this
21 space reserved for three days.

22 For today, we will be taking a lunch break.
23 We are going to try to hit around noontime, or at a
24 natural stopping point sometime close to that.

25 We will have our first customer service

1 hearing, and we will begin that this evening, it's
2 scheduled for 6:00 p.m. We will continue that --
3 we will take a recess then, and continue that
4 tomorrow morning.

5 We will revisit the issue of a dinner break
6 later this afternoon. We are trying to get some
7 feeling for how many customers we anticipate
8 appearing this evening. If we anticipate a large
9 crowd, meaning we will be here for a while this
10 evening for that, we will try to schedule a dinner
11 break. If we do not anticipate many customers,
12 then we will continue through the hearing up until
13 6:00 p.m.

14 So we will revisit that after our lunch break.
15 If we do anticipate running tonight up until nine
16 o'clock or so, then we will try to schedule a
17 dinner break in the timeframe of 4:30 to 5:00
18 o'clock and then come back here at 6:00 p.m. So we
19 will deal with that a little bit later today.

20 And then tomorrow morning -- after we recess
21 this afternoon, we will come back here tomorrow
22 morning. The customer service hearing will resume
23 at 9:30, and we will have to play that by ear a
24 little bit, too, depending on how many customers
25 appear. We don't have an end date -- I am sorry,

1 an end time that I am aware of that is noticed for
2 that.

3 I anticipate we will keep that open for an
4 hour and see how the customer appearance is, and
5 then we will reconvene the technical hearing, so at
6 least we will maintain an hour on that schedule.

7 Anybody have any comments on that -- on the
8 schedule?

9 MR. SAYLER: Commissioner Polmann?

10 COMMISSIONER POLMANN: Yes, sir, Mr. Sayler.

11 MR. SAYLER: Yes, sir. If for some reason we
12 have a packed house tomorrow morning, is it still
13 your intent that the customer service portion will
14 only be one hour?

15 COMMISSIONER POLMANN: No, I am saying we
16 will -- I think it's appropriate to keep that open
17 for an hour. I don't anticipate that every person
18 would show up exactly at 9:30.

19 MR. SAYLER: Okay.

20 COMMISSIONER POLMANN: If there is any other
21 feeling that an hour, it's inappropriate, I am open
22 to some discussion. But I am just thinking that,
23 you know, five people show up, we should still
24 maybe wait 30 minutes or an hour in case people
25 show up a little bit later than 9:30. I am

1 amenable to that.

2 I don't want to sit here -- you know, one
3 person shows up, should we sit here for an hour? I
4 just don't know. I am trying to -- I will confer
5 with counsel here and see. I am assuming that
6 everyone will appear tomorrow morning.

7 MR. SAYLER: Yeah, we will all be here at 9:30
8 so we can start the hearing as soon as you are
9 ready to start.

10 COMMISSIONER POLMANN: Yes.

11 MR. SAYLER: Thank you.

12 COMMISSIONER POLMANN: Mr. Friedman.

13 MR. FRIEDMAN: I would point out that the
14 customer notice that went out does show -- does
15 state that if they are not here by 9:30, that we
16 may adjourn the customer part early. So they are
17 at least on notice that they really need to be here
18 by 9:30. I don't think we need to sit around until
19 10:30 if nobody shows up.

20 COMMISSIONER POLMANN: Yeah, my only concern
21 is I am not sure that there was an end time
22 specified. I am not sure who was responsible for
23 posting, if that was the legal staff or the Clerk's
24 Office.

25 MR. FRIEDMAN: Well, it does say that --

1 appear promptly at the scheduled hearing time --

2 COMMISSIONER POLMANN: I understand, Mr.
3 Friedman. I am just looking to see how the notice
4 was written.

5 MR. FRIEDMAN: That was the notice.

6 MS. HELTON: Mr. Chairman, historic Commission
7 practice is to start the service hearing, and if
8 there are no or very few customers here, to hear
9 from those customers that are present and then move
10 into the Commission business; and I think that is
11 how the notice is reflected.

12 COMMISSIONER POLMANN: Okay. All right. I
13 appreciate you bringing that up, Mr. Friedman
14 and --

15 MR. FRIEDMAN: I just don't want to delay the
16 technical part of the hearing.

17 COMMISSIONER POLMANN: I understand. I
18 understand. That was my point of saying that so we
19 can have that discussion here now, and we won't
20 delay it inappropriately. We will move forward.

21 Mr. Wright, did you have a comment?

22 MR. WRIGHT: Very briefly.

23 I concur with your plan to at least keep it
24 open for a little while.

25 COMMISSIONER POLMANN: Yeah.

1 MR. WRIGHT: One of the hallmarks of this very
2 public friendly Administrative Procedures Act is
3 access to process, and I think keeping it open for
4 a while, it doesn't have to be an hour if there are
5 only two customers here.

6 COMMISSIONER POLMANN: Agreed.

7 MR. WRIGHT: It's a balance, but you might
8 want to keep it open for 15 or 30 minutes. It's
9 your call. I support and concur in your analysis.

10 COMMISSIONER POLMANN: Yeah. So the whole
11 point was how long is a while, and we will sort of
12 conference in the morning and determine that. So
13 the point being we will do the appropriate thing.

14 Okay. Having discussed that, preliminary
15 matters, I think, is where we are. And, Ms. Mapp,
16 you want to pick up there?

17 MS. MAPP: Yes.

18 COMMISSIONER POLMANN: Thank you.

19 MS. MAPP: KWRU Witness Frank Seidman's
20 testimony and attached exhibits have been
21 stipulated by all parties and he has been excused
22 from attending this hearing. His testimony and
23 exhibits will be entered into the record at the
24 appropriate time.

25 The parties have agreed that in the event that

1 Commission staff witness Marisa Glover has not been
2 called to testify by 5:00 p.m. tomorrow, that she
3 may be taken out of order.

4 Following Commissioner Polmann's ruling at the
5 prehearing conference, surrebuttal testimony was
6 filed by OPC Witnesses Woodcock and Schultz. On
7 April 27th, 2018, KWRU filed a motion to strike
8 portions of OPC Witness Schultz's prefiled
9 testimony. No ruling was made at the prehearing
10 allowing OPC an opportunity to submit a written
11 response, which was filed on May 4th.

12 Staff would recommend that the utility be
13 given the opportunity to conduct voir dire when
14 Witness Schultz is called to testify prior to his
15 prefiled testimony being entered into the record.
16 Staff believes a ruling on the motion may be made
17 at that time.

18 COMMISSIONER POLMANN: Any need for comments
19 there? Everybody clear on where we are on
20 preliminary matters?

21 MR. SAYLER: Yes, sir.

22 COMMISSIONER POLMANN: Okay.

23 MR. SAYLER: And OPC had one preliminary
24 matter at the appropriate time.

25 COMMISSIONER POLMANN: Shall we deal with that

1 now?

2 MS. MAPP: I believe so.

3 COMMISSIONER POLMANN: Okay. So, Mr. Sayler.

4 MR. SAYLER: Yes, sir, excuse me.

5 When it comes to the surrebuttal testimonies
6 of Mr. Schultz and Mr. Woodcock, I noticed that the
7 prehearing order has them taking up at both at the
8 same time. We would ask that our witnesses'
9 surrebuttal testimony be taken up after the
10 rebuttal testimony of the utilities.

11 MR. FRIEDMAN: We have no objection to that
12 procedure.

13 COMMISSIONER POLMANN: Okay. Let me make sure
14 I understand that. We will go, then, through the
15 witnesses' direct testimony?

16 MR. SAYLER: Yes, sir. They will summarize
17 their direct testimony, the utility will
18 cross-examine, then the commissioners will have the
19 opportunity, then they will be temporarily excused,
20 and then after the utilities present their rebuttal
21 testimony, we would call them back to the stand to
22 summarize their surrebuttal and then resubmit them
23 for cross-examination.

24 COMMISSIONER POLMANN: Ms. Helton, how do we
25 wrap that up, then?

1 MS. HELTON: Because Mr. Friedman has not
2 objected, I think that that's an appropriate way to
3 handle the surrebuttal. So it would be the
4 utility's direct case, the intervenors and staff
5 testimony, the utility's rebuttal and then the last
6 two witnesses would be the two surrebuttal
7 witnesses for OPC.

8 COMMISSIONER POLMANN: And there is
9 cross-examination on those, and then that's --

10 MS. HELTON: And that would be the end of the
11 hearing.

12 COMMISSIONER POLMANN: All right. Thank you.
13 Okay. With that one change, do we have any other
14 preliminary matters?

15 MR. FRIEDMAN: No.

16 COMMISSIONER POLMANN: All right. Moving on,
17 stipulations.

18 Staff.

19 MS. MAPP: Yes. Staff has prepared a document
20 that's being handed out now listing all proposed
21 stipulations. There is a proposed Type 2
22 stipulation on Issue 8 as identified in this
23 document and the prehearing order. KWRU has taken
24 a position, and all other parties have taken no
25 position. And there is also proposed stipulations

1 on Issues 11 and 12 as reflected in the document.
2 Staff would recommend marking it as Exhibit 107 --

3 COMMISSIONER POLMANN: Okay.

4 MS. MAPP: -- so that it may be entered into
5 the record.

6 COMMISSIONER POLMANN: All right. What was
7 just handed out, everybody have a copy of this at
8 this point?

9 Commissioners, we -- well, everyone, this will
10 be -- Ms. Mapp has recommended Exhibit 107, we add
11 that to our list, and that will be included in the
12 record of the hearing.

13 MS. MAPP: Yes.

14 (Whereupon, Exhibit No. 107 was marked for
15 identification and received into evidence.)

16 COMMISSIONER POLMANN: Commissioners, at this
17 point, I will ask if you have any questions or
18 comments.

19 COMMISSIONER FAY: Mr. Chairman, one quick
20 clarification.

21 COMMISSIONER POLMANN: Bring the mic to you.
22 We need to keep those close.

23 COMMISSIONER FAY: Mr. Chairman, is that
24 better? Can y'all hear me?

25 COMMISSIONER POLMANN: Okay. Commissioner

1 Fay.

2 COMMISSIONER FAY: Mr. Chairman, there were
3 some issues, as I read through the proposed
4 recommended order, that didn't seem to have any
5 specific objections to it other than no staff
6 recommendation. I just wanted to clarify, for
7 example Issue 6 and 7, I know there was a lot of
8 discussion on some of those, would there be any
9 reason we wouldn't stipulate those?

10 MS. MAPP: I believe that the parties would
11 have to answer that question. We couldn't get
12 agreement prior to today.

13 COMMISSIONER FAY: Okay. Thank you.

14 COMMISSIONER POLMANN: Who wants to go first?
15 KW?

16 MR. SMITH: Bart Smith on behalf of KWRU.

17 We responded to say that we agreed that should
18 be stipulated to -- that each party agrees as to
19 their position other than staff recommendation.

20 COMMISSIONER POLMANN: Okay. OPC.

21 MR. SAYLER: With respect to Exhibit 107, we
22 certainly concur in that. If you are talking about
23 Issues 6 and 7, is that -- are those the issues?

24 COMMISSIONER FAY: Yes.

25 MR. SAYLER: The numbers are what they are, so

1 if there is a stipulation, then, yes, we can
2 support that.

3 COMMISSIONER POLMANN: Okay.

4 COMMISSIONER FAY: Is there any comments from
5 staff, procedurally there would be any reason that
6 we wouldn't want to do that outside of the
7 substance of the material?

8 MS. HELTON: The Commission practice has been
9 that the parties come to the Commission and say, we
10 all are in agreement; or sometimes one or two
11 parties may agree and other parties decide that
12 they don't want to take the position, we allow
13 stipulations in that case as well.

14 It appears here, by looking at the numbers,
15 that all of the parties are in agreement, and so if
16 they are in agreement -- Mr. Wright is saying he is
17 not in agreement, I think.

18 MR. WRIGHT: Commissioner.

19 COMMISSIONER POLMANN: Yes, sir. Mr. Wright.

20 MR. WRIGHT: Thank you.

21 These are numeric positions on 6 and 7, in
22 particular, are what they are based on what was
23 known at the time we filed our prehearing
24 statement. They may not change. They may change
25 as a result of evidence introduced in the hearing.

1 I would want to reserve the right to take a
2 different numeric position on these dollar issues
3 after all the evidence is in and the record is
4 closed.

5 It's that simple. I am not going to be
6 difficult, and it may wind up being exactly what
7 they are, but there is cross and a bunch of other
8 exhibits to come in. If they change, they change.

9 COMMISSIONER FAY: Mr. Chairman, I have just a
10 quick comment that I would defer to you.

11 So that's efficient to me to interpret that
12 both sides don't agree in stipulating those, and so
13 I think they are appropriate for potential
14 discussion, and so I would, I guess, remove my
15 request that those would be stipulated based on
16 comments from OPC, or I guess from the County's
17 lawyer.

18 MR. SAYLER: And from Public Counsel's
19 perspective, while we don't anticipate any change,
20 but that certainly makes sense that, as a result of
21 the various evidence, it could change. And if our
22 ultimate position is our current position, that
23 would be a very quick issue for the staff to draft.

24 COMMISSIONER FAY: Okay. Thank you, Mr.
25 Chairman.

1 COMMISSIONER POLMANN: Thank you,
2 Commissioner.

3 I think we are clear from that discussion
4 there is no change in positions there, so we are
5 left with the original proposed stipulations being
6 8, 11 and 12. On 8, we have a Type 2 stipulation.
7 On 11 and 12, we have the stated proposed
8 stipulations.

9 Ms. Mapp, are we dealing with these all at
10 once, or are we dealing with --

11 MS. MAPP: You may --

12 COMMISSIONER POLMANN: -- No. 8 only? Could
13 you clarify, please?

14 MS. MAPP: You may vote on all of them at once
15 if that's your pleasure, or you can take them up
16 individually.

17 COMMISSIONER CLARK: Mr. Chairman.

18 COMMISSIONER POLMANN: Commissioner Clark.

19 COMMISSIONER CLARK: Move that Issue 8, 11 and
20 12 be accepted as presented.

21 COMMISSIONER POLMANN: Is there a second?

22 COMMISSIONER FAY: Second.

23 COMMISSIONER POLMANN: Any further discussion?

24 All in favor, please signify by voting yay.

25 (Chorus of ayes.)

1 COMMISSIONER POLMANN: Yay, okay.

2 By your vote, you have approved the
3 stipulations on Issues 8, 11 and 12. That passes
4 unanimously. Thank you.

5 Any other issue, comments under stipulation?
6 No?

7 Okay, we are moving on to exhibits.

8 Staff.

9 MS. MAPP: Staff has prepared a comprehensive
10 exhibit list, which includes the prefiled exhibits
11 attached to each witness' testimony, as well as
12 exhibits identified by staff. The list itself is
13 marked as Exhibit No. 1, and has been provided to
14 the parties, the Commissioners and the court
15 reporter.

16 (Whereupon, Exhibit No. 1 was marked for
17 identification.)

18 COMMISSIONER POLMANN: Does everyone have a
19 copy before we proceed? We are all good?

20 MR. SAYLER: Yes, sir, we have a copy.

21 And just a point of clarification, if we have
22 an objection to one of the exhibits, just raise
23 that at the time before the witness' testimony, is
24 that the procedure?

25 COMMISSIONER POLMANN: Yes. We will take

1 those up at the time it's appropriate.

2 Mr. Friedman, did you have a comment or
3 question?

4 MR. FRIEDMAN: No.

5 COMMISSIONER POLMANN: Okay. Anything, Mr.
6 Wright? No comment?

7 MR. WRIGHT: Not on this subject at this time.
8 Thank you.

9 COMMISSIONER POLMANN: All right. So we will
10 move the exhibits in at this point.

11 Staff.

12 MS. MAPP: Yes. Staff would ask if everyone
13 could turn to page 13 of the comprehensive exhibit
14 list and view the exhibit marked 85.

15 COMMISSIONER POLMANN: Okay. On page 13,
16 everyone has the exhibit listed at 85, the witness
17 is Johnson.

18 MS. MAPP: Yes. Under the last column, it's
19 stated that this exhibit is stipulated, however,
20 this is not the case. If everyone could strike the
21 word stipulated from your copy.

22 COMMISSIONER POLMANN: Any other changes in
23 the comprehensive list?

24 MS. MAPP: No, that is the only change. And
25 with that, staff would ask that Exhibit 1 be

1 entered into the record at this time, and that all
2 other exhibits be marked and identified therein.

3 COMMISSIONER POLMANN: Okay. Any comments,
4 concerns?

5 We will enter the comprehensive exhibit list
6 as Exhibit No. 1 into the record now.

7 (Whereupon, Exhibit No. 1 was received into
8 evidence.)

9 (Whereupon, Exhibit Nos. 2-106 were marked for
10 identification.)

11 COMMISSIONER POLMANN: Okay. Moving on to
12 opening statements.

13 All parties shall have five minutes for
14 opening statements, and note that we addressed in
15 prehearing, time cannot be shared amongst the
16 parties. So five minutes for each, and we will
17 start with the utility.

18 Mr. Smith.

19 MR. SMITH: Thank you.

20 Bart Smith on behalf of KWRU.

21 KWRU filed this rate case requesting an
22 increase of its rates to \$3,682,216. The initial
23 filing of this rate case was for recovery of -- the
24 replacement of its chlorine contact chamber, which
25 is instrumental to the operation of the utility, as

1 well as rehabbing two of the older plants.

2 The other two items that were of the larger
3 respect as to the initial filing were intended to
4 be salaries that were not captured fully in the
5 last rate case, and a revision to the pension plan.

6 While the MFRs were being prepared,
7 unfortunately the Florida Keys were struck by
8 Hurricane Irma, which caused there to be additional
9 expenses that the utility is now requesting to be
10 recovered as part of this case. Specifically,
11 unfortunately, during Hurricane Wilma, the
12 generator that backs up the plant was finally put
13 to rest, and it was destroyed. The office was also
14 destroyed, which caused the utility now to have to
15 undertake rental generator expenses while it
16 replaces the generator and the backup generator for
17 the field operations, as well as other various
18 costs for the weeks after the storm which were
19 required to allow the plant to recover.

20 These expenses hit all. No party has stated
21 that the expenses are not reasonable and prudent.
22 The issues pertain to the values and as to
23 whether -- and to whether these or the salaries are
24 necessary.

25 KWRU believes that all of its expenses are

1 reasonable and prudent and necessary, and we would
2 request that the Commission approve the rate
3 increase.

4 Thank you.

5 COMMISSIONER POLMANN: Thank you, Mr. Smith.
6 Opening statements. Who wants to go first?
7 Mr. Sayler? Thank you.

8 MR. SAYLER: All right. Good morning,
9 Commissioners. My name is Erik Sayler. I am here
10 on behalf of the citizens of the state of Florida
11 and these customers.

12 There are three main points I would like to
13 emphasize as you weigh the evidence presented in
14 this case.

15 First, the utility always has the burden of
16 proof to support its rate increase. Now, while
17 some of these projects, such as replacement of
18 generators are needed, or the replacement to the
19 modular that's been destroyed, it's the level of
20 those costs. It's the amount of those costs that
21 are in dispute, not whether or not those projects
22 need to be done. It's we have disputed those
23 costs.

24 And when it comes to the burden of proof, that
25 has been confirmed by case law numerous times and

1 by many different Commission orders that it's the
2 utility's burden of proof. In fact, the Commission
3 has stated, quote, "it is neither our nor our
4 staff's responsibility to make the utility's case.
5 The burden of proof is upon the utility to show
6 that its present rates are unreasonable," end
7 quote.

8 Commissioners, in many instances during this
9 case, KWRU has failed to meet its burden of proof
10 in its direct and rebuttal testimony for salaries,
11 for the office building, for some of the expenses
12 as it relates to these proforma projects.

13 Second, OPC's recommended adjustments to rate
14 base, net operating income, capital structure,
15 proforma projects, salaries, et cetera, are
16 reasonable and consistent with KWRU's last rate
17 case in prior Commission orders. This utility has
18 requested approximately a \$1.3 million increase
19 over its current rates, which this Commission
20 approved just last year; however, the evidence
21 shows that it has only met the burden of proof for
22 about \$700,000 of that requested increase, or a
23 little more than half of what it's requesting.

24 My third and final point, this is the tail of
25 two rate cases; the one that KWRU filed with its

1 MFRs, it's direct testimony and exhibits back in
2 November and the revised one that it filed in
3 rebuttal, asking for more money from the customers
4 back in April.

5 As noted in the footnote to its basic
6 position, the utility really believes that it is
7 entitled to its revised rebuttal rate case, no
8 matter the harm to the customers.

9 If you have any doubts, please look at the
10 utility's positions for Issues 34, which the
11 appropriate revenue requirement, and Issues 36, the
12 appropriate rates and charges. If you look at
13 those positions, they are based upon KWRU's revised
14 revenue requirement and not the one they originally
15 requested. This only confirms that KWRU believes
16 that it is entitled to change its rate base at any
17 time and asked for more money from its customers.

18 Commissioners, in the interest of fairness,
19 you should base the decision upon the company's
20 originally filed rate case and not the one that it
21 revised and increased in rebuttal less than a month
22 ago.

23 Thank you.

24 COMMISSIONER POLMANN: Thank you, Mr. Sayler.

25 Mr. Wright.

1 MR. WRIGHT: Thank you, Mr. Chairman. Good
2 morning, Commissioners. Schef Wright on behalf of
3 Monroe County.

4 On behalf of Monroe County, we thank you for
5 the opportunity to present this opening statement.

6 In 2015, KWRU sought rate increases sufficient
7 to generate additional revenues of \$1.866 million,
8 approximately 126 percent rate increase, more than
9 doubled their rates at the time. After intense
10 litigation, including staunch interventions by the
11 Office of Public Counsel, the citizens and Monroe
12 County, on March 13, 2017, barely a year ago, the
13 Commission granted an increase of \$901,618, less
14 than half of KWRU's request. KWRU moved for
15 reconsideration, which was denied on June 22nd of
16 last year.

17 Astonishingly, while the ink was still dry on
18 your original order and -- drying, and before you
19 had even issued the order denying reconsideration,
20 although it was after the vote, KWRU initiated this
21 case by filing its test year letter on June 9th,
22 2017. Less than a year ago. This time, KWRU seeks
23 rate increases to generate another \$1.2 to \$1.3
24 million above the revenues generated by its current
25 rates.

1 Consistent with Monroe County's interest, as
2 KWRU's largest customer, in maintaining the lowest
3 possible rates consistent with providing safe and
4 reliable service, and mindful of the interest of
5 the citizens who will be called upon to bear the
6 brunt of any increase, we oppose this increase.

7 This is not to say that we oppose the entire
8 increase, not at all. We believe that KRU should
9 have sufficient revenues to operate the system
10 safely and reliably, and to earn a reasonable
11 return on its reasonable and prudent investments.
12 In fact, we recommend, based on information
13 available so far, a total revenue increase of
14 approximately \$530,000 over and above current
15 rates.

16 We agree with the adjustments recommended by
17 the citizens witnesses, including significantly
18 disallowance of the utility's unreasonable and
19 imprudent request for working capital of nearly
20 \$2.3 million, including hundreds of thousands of
21 dollars of excess cash in working capital. This is
22 plainly excessive and must be rejected. As should
23 KWRU's request for excessive O&M expenses and
24 excessive rate case expense.

25 We also advocate strongly that the Commission

1 should follow the matching principle that you
2 followed last year in KWRU's rate case, and to
3 ensure to the maximum extent possible that the
4 rates charged to customers are matched to the costs
5 and usage levels, sales, during the time period
6 that the rates you approve will be in effect.

7 In this case, KWRU wants to set its rates
8 based off hundreds of thousands of dollars in costs
9 that it did not incur in its proposed test year,
10 but again to our astonishment, they want you to
11 ignore increased sales that they will make during
12 the time that new rates will be in effect, which
13 will begin in August or September of this year.

14 Former Chairman Terry Deason will testify
15 again in strong support of this important matching
16 principle, and we urge you to follow the sound
17 policy in this case.

18 I also want to emphasize that Monroe County
19 specifically supports an additional \$30,000 over
20 and above OPC's recommendations for O&M expense to
21 compensate KWRU for incremental increases in
22 variable O&M costs for sludge hauling, chemicals
23 and purchased power.

24 These are expenses that will increase and
25 increase gallons treated. They are entitled to

1 recover because we believe they are going to treat
2 a lot more gallons than they say, and we support
3 this.

4 In closing, Commissioners, I want to put
5 KWRU's current request in perspective. Just over a
6 year ago, KWRU received permanent rate increases of
7 just over \$900,000, 58.7 percent. Not even three
8 months later, they initiated this case in which
9 they seek an additional rate increases of
10 59 percent.

11 In perspective, KWRU's exhibits support CPI
12 escalation rate for 2017 of a mere 1.5 percent. So
13 in perspective, KWRU is seeking rate increases that
14 are 30 to 40 times the level of general inflation
15 over and above the rates that this Commission
16 approved just over a year ago.

17 A 60 percent rate increase this year on top of
18 a 59 percent rate increase last year would visit
19 rate shock on the citizens of Stock Island. We
20 expect that you will hear evidence that many of
21 these people are citizens, are the lowest paid blue
22 collar wage earners in Monroe County. They are the
23 busboys, grocery store baggers, service personnel
24 who live in RV parks and multi-family housing on
25 Stock Island and commute to work in Key West.

1 The evidence will also show that KWRU doesn't
2 need anything like another 60 percent increase to
3 provide safe and reliable service, and we, Monroe
4 County and her citizens on Stock Island, count on
5 you, the Florida Public Service Commission, to
6 protect us from KWRU's unnecessary and excessive
7 requests.

8 Thank you very much.

9 COMMISSIONER POLMANN: Thank you, Mr. Wright.
10 I appreciate everybody staying within their time.

11 I would like to ask for comments on staff's
12 role from Ms. Helton before we move on to the
13 witnesses.

14 Ms. Helton, could you please give us a
15 clarification for the record of staff's role during
16 the hearing, and explain to the commissioners here
17 today how staff is a participant in the proceeding,
18 both technical and legal.

19 MS. HELTON: Sure, I would be happy to.

20 They are not a formal party in the case and
21 not taking a position on the issues coming into the
22 hearing, legal and technical staff are full
23 participants in the case. Staff will develop
24 recommendations to the Commission based on all
25 evidence in the docket when the docket is closed.

1 Staff's role is separate and distinct from the
2 role which I serve and which Mr. Hetrick serves as
3 legal advisers to the Commission, and so both Mr.
4 Hetrick and I are available to give advice on legal
5 matters as necessary and appropriate.

6 COMMISSIONER POLMANN: Thank you, Ms. Helton.

7 In looking your way, as I will from time to
8 time for assistance here at Commission table, and
9 to staff counsel, Ms. Mapp, I think you already
10 indicated your active engagement here with me will
11 be very helpful during the proceeding, so thank you
12 for that.

13 We are to the point where we are getting ready
14 to call witnesses, and I have a few brief comments.
15 I am sure you have heard these many times at other
16 hearings. This is as much for my benefit as yours.

17 I want to give every party and every witness
18 the time that they need to do the job that we are
19 here to do. I would ask for your cooperation. I
20 am sure it will be very successful to that end. I
21 would like to remind the parties that friendly
22 cross will not be allowed as provided in the
23 prehearing order.

24 We do have much ground to cover. We do have
25 limited time, as noted. And I want to make sure

1 that this is a sufficient and fair process as we
2 move forward. Please be mindful and respectful to
3 all, to each other and to the Commission.

4 I would like to ask the parties not to conduct
5 discovery during the proceeding. I am going to get
6 help from counsel on making sure that we stay
7 between the lines.

8 You may be hearing objections from staff
9 counsel on any number of different things, perhaps
10 more than you may have heard before. I have asked
11 for active participation from staff counsel fairly
12 broadly.

13 We will be swearing in witnesses, and we will
14 do that at the beginning here for those present.
15 And if witnesses are here with us now, if you would
16 stand now, we will swear in everybody who is here,
17 and others who come along, we will deal with them.

18 Y'all know what to do. I didn't even ask you.

19 (Whereupon, witnesses present were sworn.)

20 COMMISSIONER POLMANN: Thank you.

21 When witnesses -- how did that get so loud?

22 Apparently you really want to hear me. Now I have
23 to adjust the microphone. We are going to have fun
24 here, at least I will. The witnesses may not.

25 So thank you to everyone. I would note that

1 the witnesses are permitted up to five minutes to
2 summarize their testimony.

3 As a note to the parties, please remember --
4 you might want to turn that down now.

5 As a note to the parties, please remember that
6 all exhibits used on cross-examination should be
7 handed to the staff, and they will distribute
8 before a party begins cross-examination of the
9 witnesses. So we would like to get all of the
10 exhibits that you intend to use for the witness.

11 Mr. Friedman, if you would call the first
12 witness.

13 MR. FRIEDMAN: KW Resort Utilities Corp calls
14 Deborah A. Swain.

15 Whereupon,

16 DEBORAH A. SWAIN

17 was called as a witness, having been previously duly
18 sworn to speak the truth, the whole truth, and nothing
19 but the truth, was examined and testified as follows:

20 EXAMINATION

21 BY MR. FRIEDMAN:

22 Q Would you state your name, please?

23 A Yes. My name is Deborah Swain. I am with
24 Milian, Swain & Associates, Vice-President, and I am
25 here on behalf of KW Resort Utilities.

1 Q And in connection with this docket, did you
2 prefile direct testimony?

3 A Yes, I did.

4 Q Do you have any changes or corrections to your
5 direct testimony?

6 A No.

7 Q Did you also prefile exhibits?

8 A Yes, I did; I prefiled Exhibit DDS-1, which is
9 the MFRs, with the exception of the F schedules.

10 MR. FRIEDMAN: At this point, I would like to
11 ask that Ms. Swain's testimony be inserted in the
12 record as though read, and her an opportunity to
13 allow to summarize her testimony.

14 (Whereupon, prefiled direct testimony was
15 inserted.)

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

2 A. My name is Deborah D. Swain. I am Vice President of Milian, Swain & Associates, Inc. and
3 head up the firm's finance, accounting and management team. My business address is 2015
4 SW 32nd Ave., Suite 110, Miami, Florida 33145.

5 **Q. State briefly your educational background and experience.**

6 A. I have a Bachelor of Science degree in Accounting from Florida State University. I have over
7 35 years of experience in utility management, accounting, finance, rate regulation, rate design
8 and system development. I have prepared and supervised cost of service studies for over 200
9 water and wastewater systems, calculated revenue deficiencies and revenue requirements,
10 and designed rates.

11 **Q. Have you previously appeared and presented testimony before any regulatory bodies?**

12 I have prepared and presented expert testimony in the areas of regulatory accounting, rate
13 regulation and utilities in general, before various federal, state, county, courts and regulatory
14 agencies, including the Florida Public Service Commission, Collier, Hillsborough, St. Johns
15 and Washington Counties, the Circuit Court in Palm Beach County, the Town of Jupiter, the
16 City of Miami, and the US Bankruptcy Court.

17 **Q. On whose behalf are you presenting this testimony?**

18 A. I am presenting this testimony and appearing on behalf of K W Resort Utilities Corp.
19 (KWRU), the applicant for rate increase in the present docket.

20 **Q. What is the purpose of your direct testimony?**

21 A. The purpose of my direct testimony is to present information supporting the financial basis
22 for KWRU's request to increase its rates and charges as presented in the MFRs, and to provide
23 supporting schedules to show the basis for the requested rates and .

24 **Q. Are you sponsoring any exhibits?**

25 A. Yes, I am sponsoring one exhibit, Exhibit DDS-1 which contains MFR Volume I – Financial,

1 Rate and Engineering (except the F schedules which were prepared by Mr. Seidman).

2 **Q. Were these Exhibits prepared by you and your staff?**

3 A. Yes they were. As is customary, they were prepared from financial information provided to
4 me and my staff by KWRU.

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

6 A. Yes, it does.

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1 MS. CRAWFORD: Dr. Polmann, if I may.

2 COMMISSIONER POLMANN: Yes.

3 MS. CRAWFORD: Before the witness -- can
4 everybody hear me okay? Before the witness gives
5 her summary, if I could ask a few questions
6 regarding authentication of an exhibit.

7 COMMISSIONER POLMANN: Yes, please.

8 MS. CRAWFORD: Okay.

9 EXAMINATION

10 BY MS. CRAWFORD:

11 Q Good morning, Ms. Swain. You have been
12 provided previously, and I believe you should have
13 available both on your computer, and I believe you also
14 have in a folder, an exhibit marked Exhibit 86. The
15 same exhibit has been previously provided to the
16 parties.

17 COMMISSIONER POLMANN: Ms. Crawford, could you
18 also identify that in the short title, the exhibit
19 description?

20 MS. CRAWFORD: One moment, please.

21 Okay, on the comprehensive exhibit list, it's
22 Exhibit 86, and particularly the portion marked
23 Swain 54, 56; and it's part of KWRU's response to
24 staff's fourth production of documents.

25 MR. WRIGHT: Commissioner Polmann.

1 COMMISSIONER POLMANN: Mr. Wright.

2 MR. WRIGHT: I would like to put on the record
3 now and am ready to discuss further at the
4 appropriate time, we object to the admission of
5 this exhibit. It was part of a discovery response
6 that was served after the time, they had time to
7 serve it within the discovery deadline established
8 by the order establishing procedure, they did not
9 do so. This is inappropriate, and, in effect,
10 would be supplemental testimony that's not
11 appropriate to be allowed. It was outside the
12 prehearing -- the order establishing procedure. It
13 violates that order. It's not appropriate, and we
14 object.

15 COMMISSIONER POLMANN: And your objection is
16 duly noted.

17 MR. SAYLER: And Commissioner Polmann, Public
18 Counsel would join in that objection, because the
19 staff served this discovery within the time period
20 to allow the utility to respond by April 24th, but
21 the utility late-filed it without any notice to the
22 intervenors. We had depositions scheduled on the
23 24th and 25th that this evidence could have been
24 used in cross-examination, but since it came in
25 after-the-fact, there was no way to test the

1 veracity, the validity, the reasonableness of all
2 these costs, so we would object to all these
3 responses that came in on April 26th.

4 And it's more than just these responses here.
5 It's basically everything in staff's third -- or
6 third and fourth request for production of
7 documents, and fourth and fifth interrogatories.
8 But as it relates to these exhibits that staff is
9 wanting to examine the witness about, we certainly
10 object to that on these grounds.

11 COMMISSIONER POLMANN: Thank you, Mr. Sayler.
12 That's duly noted.

13 Staff.

14 MS. CRAWFORD: Certainly. There are a number
15 of reasons that evidence should be excluded, it's
16 irrelevant and so forth. Being provided out of the
17 strict period of the discovery period is not a
18 valid objection, to my knowledge. In fact, parties
19 come to agreement in any number of dockets where
20 they agreed to hold depositions, as was done in
21 this case, outside the discovery period.

22 This information was provided to all parties
23 on April 26th. The parties have had adequate time
24 to review the information. They will have the
25 opportunity to cross-examine the witness here at

1 the hearing, and so I -- my recommendation is that
2 this is not a valid objection to the admissibility
3 as evidence and you should overrule.

4 MR. SAYLER: I will follow after Mr. Wright.

5 COMMISSIONER POLMANN: Just a moment, Mr.
6 Wright.

7 Ms. Helton, anything to add for my benefit?

8 MS. HELTON: Yes, sir. It's my understanding
9 that the discovery cutoff period was about
10 two-and-a-half weeks before the hearing, and that
11 this discovery still came in two weeks before the
12 hearing, which is, in my mind, a good bit of time
13 to be able to look at and review the information.

14 And I disagree with Mr. Wright's statements
15 that they are foreclosed from asking any questions
16 about the information because Ms. Swain is
17 available here this morning and available to answer
18 any questions that they might have to test the
19 veracity of the information.

20 COMMISSIONER POLMANN: Thank you, Ms. Helton.

21 Mr. Wright, I will give you an opportunity for
22 follow-up. We are not going to continue this
23 forever.

24 Go ahead.

25 MR. WRIGHT: Thank you, Commissioner. Very

1 briefly.

2 This is not an agreement -- this was not an
3 agreement between the parties to allow somebody to
4 slip a day or two under the discovery response.
5 This was outside of the date established by the
6 order establishing procedure.

7 Separately, we believe that this violates our
8 due process rights, it's inappropriate supplemental
9 testimony, and we believe that is a valid objection
10 to allowing it to be entered.

11 Thank you.

12 COMMISSIONER POLMANN: Thank you, Mr. Wright.

13 Mr. Sayler, did you have one more comment?

14 MR. SAYLER: Yes, sir, and I will be very
15 brief.

16 This discovery -- I know we are -- staff is
17 going to go through authenticating the discovery.
18 Now, if staff authenticates this discovery and then
19 moves it into the record without staff
20 cross-examining this witness to show how this
21 discovery is adverse to this utility's position in
22 this rate case, then putting all this discovery
23 into the record is akin to friendly cross, it's
24 akin to when the Commission used to put depositions
25 into the record over the objection of other

1 parties, because this information is for discovery
2 responses that are sworn, and so in that sense,
3 it's almost like supplemental testimony.

4 And it's these issues that are the due process
5 issues that we are concerned about, when staff, the
6 neutral party is insisting that things go into the
7 record, that are untested, that are not tried
8 within respect of the Commission staff's role as it
9 relates to various case law that the Commission is
10 very familiar with.

11 MS. HELTON: Mr. Chairman.

12 COMMISSIONER POLMANN: Ms. Helton, go ahead.
13 Thank you.

14 MS. HELTON: I think it's important to keep in
15 mind a few things here.

16 One, we are in an administrative hearing.

17 Number two, we are -- you are conducting a
18 legislative process.

19 And -- I am sorry, I have just forgotten my
20 last comment, but I have one, if you will just give
21 me a second.

22 In the West Florida Natural Gas case, the
23 Supreme Court recognized the role of staff is to
24 help you -- you can't do everything, so we are your
25 arm, and we -- it is our role, the staff's role to

1 go out and gather information which the staff
2 believes is relevant to you processing the case.

3 So I think it is appropriate for the staff to
4 conduct discovery, and I think it is appropriate
5 for the staff to seek to admit information gathered
6 during the course of discovery in its role to help
7 you administer this process.

8 MR. SMITH: Commissioner.

9 COMMISSIONER POLMANN: Thank you, Ms. Helton.

10 At the risk of continuing this discussion, I
11 will allow the utility to comment to your thinking.

12 MR. SMITH: And my comment would be brief,
13 because I don't think that the facts of what
14 occurred has come to light, is that OPC asked to
15 take Mr. Johnson's deposition after the discovery
16 deadline. We agreed to do so.

17 The exhibits that they are taking issue with
18 are the ones Mr. Johnson was attempting to prepare,
19 but instead had to agree to have his deposition
20 taken after the discovery deadline, which is what
21 caused the delay. They never requested to have any
22 follow-up in deposition, which we certainly would
23 have agreed to, and so therefore, it is their
24 waiver of their right to do so.

25 Mr. Johnson and Ms. Swain are here today.

1 They will have an opportunity to cross-examine them
2 on this information. This information is actually
3 backup documentation to the testimony they gave in
4 their direct and rebuttal. So there is no
5 prejudice to them in this information being
6 included.

7 COMMISSIONER POLMANN: Thank you, Mr. Smith.

8 I have heard the objections. They are noted.
9 We listened to the comments and the explanation. I
10 don't see any need to make any ruling on this. I
11 think the discussion is helpful as we go forward.
12 It's informative in the context.

13 I am certainly not familiar with the various
14 events in discovery, and deposition, and the
15 circumstances surrounding that and all of the time
16 limits that led to one action or another.

17 Putting all of that on the record, I think,
18 here, is helpful, and I am going to proceed with
19 the witness, and we will take into account the
20 circumstance as we weigh the evidence leading to
21 all the analysis that will occur at the end in
22 forming your recommendation that staff does.

23 So taking all of this into account, we will
24 give the evidence the weight that it's due. You
25 will have another shot at all of that in filing

1 your brief. So we are going to proceed.

2 Any further comments from General Counsel?

3 MR. HETRICK: Just one, Mr. Chair.

4 I think the proper posture we are in, when we
5 get to the point of admitting these into evidence,
6 that's when we would recommend you rule on the
7 objection at that point. I think the argument has
8 been made here, and there would be no need to
9 repeat these arguments when it comes time to move
10 these into evidence.

11 COMMISSIONER POLMANN: When we get to move
12 them into evidence, you will tell me that again.

13 MR. HETRICK: Yes, sir.

14 COMMISSIONER POLMANN: Thank you.

15 MS. CRAWFORD: And, Dr. Polmann, if I may.

16 COMMISSIONER POLMANN: Yes.

17 MS. CRAWFORD: I will just complete the round
18 of questions, and we will, as the General Counsel
19 suggest, handle the objection at the time that the
20 exhibit is sought to be admitted.

21 COMMISSIONER POLMANN: And I may not answer
22 with confidence.

23 Go ahead, Ms. Crawford.

24 BY MS. CRAWFORD:

25 Q So, Ms. Swain, with regard to the exhibits

1 that have been under discussion, have you had a chance
2 to review them?

3 A Yes, and you said in particular Nos. 54 and
4 56?

5 Q Yes.

6 A Yes.

7 Q And have you prepared those responses, or were
8 they prepared under your supervision and control?

9 A The response to 54 was a document that was
10 provided by KWRU. And the response to No. 56 was
11 another document that was provided by KWRU, by
12 Mr. Johnson.

13 Q So would the answers provided in these
14 documents be the same today as they were when they were
15 prepared?

16 A Yes. And these responses are documents that I
17 relied on in my testimony.

18 Q Okay. Thank you.

19 COMMISSIONER POLMANN: Ms. Mapp or
20 Ms. Crawford, where are we?

21 MS. CRAWFORD: We have entered the testimony
22 into the record, I believe at Mr. Friedman's
23 request, and the witness should now be able to give
24 her opening statement -- oh, he didn't. My
25 apologies, Mr. Friedman --

1 MR. FRIEDMAN: I did move it into the record,
2 and I think, procedurally, we are ready for her to
3 give her summary of her testimony.

4 MS. CRAWFORD: Thank you.

5 THE WITNESS: The purpose of my direct
6 testimony is to present information supporting the
7 original MFRs, minimum filing requirements, with
8 the exception of the F schedules, which were
9 prepared by Mr. Seidman.

10 The rest of the schedules were prepared by me,
11 or under my direct supervision based on information
12 provided by the utility.

13 These MFRs also reflect Mr. Johnson's
14 testimony regarding proforma capital projects and
15 expenses.

16 MR. FRIEDMAN: At this point, we tender
17 Ms. Swain for cross-examination.

18 COMMISSIONER POLMANN: Thank you, Mr.
19 Friedman.

20 Good morning, Ms. Swain.

21 Mr. Sayler, are you beginning?

22 MR. SAYLER: Yes, sir.

23 COMMISSIONER POLMANN: Thank you. You may
24 proceed.

25 MS. MAPP: Chairman, if I may.

1 COMMISSIONER POLMANN: Ms. Mapp.

2 MS. MAPP: We would ask that if the parties
3 have any exhibits they would like to be handed out,
4 if they could provide them to us now so we can
5 provide them -- distribute them now.

6 MR. SAYLER: Public Counsel does not have any
7 exhibits for this witness on her direct. We will
8 on her rebuttal.

9 COMMISSIONER POLMANN: Thank you, sir.

10 EXAMINATION

11 BY MR. SAYLER:

12 Q Good morning, Ms. Swain, how are you doing
13 today?

14 A Good morning.

15 Q I have got some general background questions
16 related to your direct testimony.

17 You are the sponsor of the MFR schedules with
18 the exception of Schedule F, correct?

19 A Correct.

20 Q All right. And since I know that some
21 commissioners, this is their first full blown rate case,
22 can you briefly explain the purpose of the test year,
23 and why that's so key in this proceeding?

24 A Yes, of course.

25 The purpose of the test year is to establish

1 factual basis for the rate increase request based upon
2 known and measurable information that's available on the
3 books of the utility, along with proforma adjustments
4 that may need to be made to make the period of time more
5 representative.

6 Q All right. And those proforma adjustments
7 that the utility believes need to be part of the case,
8 those are things that the utility reasonably foresees,
9 and that's why they include that in their direct
10 testimony in the MFRs and exhibits; is that correct?

11 A That's correct. And at the time that it's
12 filed, because it's -- the proforma adjustments are for
13 largely costs that have not yet been incurred, they are,
14 at the time of filing, just estimates. And as the case
15 proceeds, as more information becomes available, then we
16 are able to actually true-up those numbers.

17 Q Okay. So the utility works really hard to
18 figure out what are all the reasonable costs associated
19 with those proforma and includes those in its direct
20 testimony, correct?

21 A Yes, within the requirements under the rules,
22 yes.

23 Q All right. And so information that is not
24 foreseen, or new information that occurs later on, that
25 is not generally considered for rate-making, things

1 outside the test year; is that correct?

2 A Not necessarily. Certainly, there is causes
3 for information to be included that wasn't necessarily
4 included in the original MFRs. Changes in condition
5 that were not foreseen may be incorporated.

6 Q All right. Have you seen, in the course of
7 your work, where intervenors have asked for information
8 that's outside of the test year, whether after the test
9 year, before the test year, that the utility has refused
10 to provide because it's outside the test year?

11 MR. FRIEDMAN: Objection. The question is
12 irrelevant to this particular proceeding, whether
13 she's seen, in other utilities, that occur.

14 MR. SAYLER: Okay. In this case?

15 COMMISSIONER POLMANN: I am sorry, Mr. Sayler,
16 could you rephrase the whole question for the
17 benefit of us?

18 MR. SAYLER: Sure.

19 BY MR. SAYLER:

20 Q As it relates to this case, when you
21 responded -- or responsible for responding to discovery
22 responses, have you seen instances where the utility
23 declined to provide information because it claims it's
24 outside the test year?

25 A I am not sure. I know that there was one

1 request by staff for information outside of the test
2 year that was extremely onerous in a very short period
3 of time to produce. But I am not certain if what
4 information may have been requested after the test year
5 that was not provided in this case because it was
6 outside the test year. So the answer to that is --

7 Q You don't know?

8 A -- I don't know.

9 Q All right. Fair enough.

10 And to recap this, and then I will move on to
11 another question.

12 So basically, all the test year information,
13 plus the proforma adjustments that are reflected in the
14 MFRs that are filed with the utility's direct case,
15 correct?

16 A Yes, to the extent that the information was
17 known at the time that we filed it.

18 Q All right. And that information is reflected
19 in what -- MFRs attached to your direct testimony,
20 correct?

21 A Yes.

22 Q Okay. And that was filed November 21st, do
23 you recall?

24 A Sounds right.

25 Q All right. And to your knowledge, were these

1 MFRs deemed as non-deficient as of December 13th?

2 A That's -- I believe that's correct, yes.

3 Q And that would be the official date of filing
4 for this case?

5 A That's right.

6 Q All right. And it's from that official date
7 of filing that controls the statutory time clocks to the
8 best of your knowledge?

9 A Correct.

10 Q All right. Here's a long question, and
11 hopefully it will be pretty easy.

12 The A schedules relate to rate base, and
13 that's what the utility earns its return on. The B
14 schedules relate to net operating income, which
15 basically are the revenues from the customers less all
16 the expenses; is that generally correct?

17 A Correct.

18 Q All right. The D schedules relate to the cost
19 of capital, and the E schedules are the rate schedules;
20 correct?

21 A Correct.

22 Q All right. And Mr. Seidman, who sponsored the
23 engineering schedules, those are the F schedules, and
24 that generally includes the used and useful calculation;
25 correct?

1 A That's right.

2 Q All right. And then because this utility
3 requested an interim rate increase, that's why there are
4 interim schedules?

5 A Yes, that's right.

6 Q All right. And because this utility is an
7 S-Corp, or a pass-through for tax purposes, that's why
8 there were not any C schedules for taxes; correct?

9 A Right. The C schedules are for taxes, and
10 there is no provision for income tax, so those are
11 excluded.

12 Q Would you turn to your E-1 schedule, please?

13 A Okay.

14 COMMISSIONER POLMANN: Mr. Sayler, do you have
15 a page number?

16 MR. SAYLER: It is DDS-1, page 47 of 85.

17 COMMISSIONER POLMANN: Thank you.

18 BY MR. SAYLER:

19 Q All right. Now, these E schedules are the
20 same E schedules that are reflected in the MFRs,
21 correct?

22 A Yes. That's right.

23 Q So in a sense, they are in here twice,
24 correct? One's attached to your hearing and one is part
25 of the regular application, correct?

1 A Yes.

2 Q All right. Would you briefly explain the
3 purpose of Schedule E-1 and why that's included?

4 A Schedule E-1 shows the rates that were in
5 affect during the test year, as well as the previous
6 rates in affect, and the proposed, of course.

7 Q All right. So column two is the rates
8 effective July 2016, and column three is April 2017; is
9 that correct?

10 A Yes.

11 Q And then column four, the proposed rates,
12 those -- that's what the utility is requesting in its
13 direct case for -- from its customers, assuming the
14 Commission granted everything the utility requested?

15 A That's right.

16 Q All right. And Schedule E-2 on the next
17 page -- I am getting older and it's getting hard to see
18 these small numbers. Would you briefly explain the
19 purpose of Schedule E-2?

20 A Yes. The schedule is a very complex schedule
21 with tiny print. The purpose is to prove that the
22 billing determinants generate both the revenues that are
23 on the books of the utility, and then to use those
24 billing determinants to show what the revenues would be
25 had the rates been in effect the entire year, when there

1 was a rate increase during the test year, and then also
2 shows the revenues generated using the proposed rates on
3 Schedule E-1.

4 **Q And on this schedule, where is the total**
5 **revenue requirement for the new rates, where would that**
6 **be located on this schedule?**

7 A That would be on column 16 at the bottom.

8 **Q And that is line 52, adjusted test year**
9 **annualized proposed revenues?**

10 A Yes, that's right.

11 **Q And in the direct case, the utility requested**
12 **\$3,697,380.50, correct?**

13 A That's -- that's correct. Yes. It's --
14 actually the amount that we requested is the row below
15 that, the revenue requirement, 3,682,216.

16 **Q Okay.**

17 A And the number you stated is the calculation
18 using the billing determinants. It's never going to be
19 exactly the same.

20 **Q Okay.**

21 A We try to get really close.

22 **Q All right. So the \$3.682 million number is**
23 **the revenue requirement?**

24 A Yes, that's right.

25 **Q All right. And where in your MFRs is the**

1 revenue requirement shown?

2 A It's on Schedule B-2, which is in my exhibit
3 page 27 of 85; and that is column six, row one, line
4 number one.

5 Q All right. And in this case, how has KWRU
6 proposed to allocate its rate increase, meaning, is it
7 an even across-the-board increase, or did you follow the
8 Commission's methodology in the last rate case?

9 A We -- what I did was apply a
10 straight-across-the-board increase to all classes of
11 customer and all line items base facility charge
12 gallonage, et cetera.

13 Q And Schedule E-3, the next schedule, these are
14 the test year bills in gallons, or is it just the bills?
15 What is this schedule?

16 A This is the schedule of bills, number of
17 cus -- monthly customers by class of customer.

18 Q And the corresponding gallons, what schedule
19 would that be on? Would that be in Mr. Seidman's test
20 schedules?

21 A Yes, it's in one of the F schedules, but you
22 can also see that on the E-2.

23 Q Okay. All right. And the remaining E
24 schedules relate to miscellaneous service charges,
25 revenues from miscellaneous service charges, service

1 availability charges, allowance for funds, prudent
2 investment charges and other charges that the utility
3 collects from its customers?

4 A Yes, yes, it does.

5 Q All right. And when it comes to the revenues
6 collected from customers, there is one bucket for
7 residential customers and one bucket for general
8 service, and then any other revenues come from those
9 remaining sources?

10 A The -- you're asking me about buckets. What
11 was the last thing you said?

12 Q I am sorry. Let me rephrase my question.

13 In addition to general service, revenues from
14 general service customers and residential customers, all
15 the other revenues that the utility collects from its
16 customers are in the remaining E schedules that you just
17 discussed?

18 A Yes, and then there is sub-buckets, like
19 private lift station customers and reuse rates, and that
20 type of thing.

21 Q All right. Thank you.

22 And the E schedule, you sponsored, correct?

23 A Yes.

24 Q All right. When creating the MFRs, that must
25 be a huge task with lots of moving parts to fit all the

1 **expenses in, correct?**

2 A It's a huge task. The moving parts more so
3 with respect to proforma adjustments. The rest is from
4 the books and records of the utility.

5 Q Now, is it an Excel program that you use for
6 your MFRs, or do you have some other proprietary
7 software?

8 A No, it's an Excel spreadsheet.

9 Q All right. And I am an attorney, and I am not
10 very good with Excel, so if I update one schedule on the
11 MFRs, the detail schedule, does that automatically flow
12 through all the schedules, or do you have to manually do
13 adjustments when you change something?

14 A All of the above. There is any possibility of
15 that, yes.

16 Q So some schedules automatically update --

17 A Sure.

18 Q -- based upon the inputs and some schedules
19 you have to --

20 A Sure, for example, if I put a number on a
21 schedule, it may -- it will add correctly with that new
22 number, but there is other things that I have to input
23 manually.

24 Q Okay.

25 MR. SAYLER: I think that is all my questions.

1 Thank you.

2 COMMISSIONER POLMANN: Thank you, Mr. Sayler.

3 MR. SAYLER: Yes, sir?

4 COMMISSIONER POLMANN: Thank you.

5 MR. SAYLER: Oh, thank you.

6 COMMISSIONER POLMANN: Monroe County.

7 MR. WRIGHT: I need just one moment, Mr.
8 Chairman. I do have a box of exhibits that I am
9 going to give to the staff, and I put one sticky on
10 my questions, and I will be ready to go.

11 COMMISSIONER POLMANN: Is that one minute or
12 five minutes? I am just asking. I can give you
13 five minutes if you --

14 MR. WRIGHT: I would actually appreciate five
15 minutes, because I am going to be a while with
16 Ms. Swain.

17 COMMISSIONER POLMANN: Okay.

18 MR. WRIGHT: Thank you.

19 COMMISSIONER POLMANN: Very good. Thank you.
20 We will take a five-minute recess.

21 (Brief recess.)

22 COMMISSIONER POLMANN: Mr. Wright, your
23 witness. I will just make a note, I think everyone
24 had notice in the prehearing order about preparing
25 exhibits. My job is to keep this thing moving, and

1 I don't want to disappoint the Chairman or the
2 Executive Director who told me my number one job is
3 to make this efficient. So hopefully everyone has
4 adequate backup folks here to make sure that we
5 move in a timely fashion. So I don't want to say
6 it again, but I said it.

7 So, Mr. Wright, your witness.

8 MR. WRIGHT: Thank you, Commissioner.

9 EXAMINATION

10 BY MR. WRIGHT:

11 Q Good morning, Ms. Swain.

12 A Good morning.

13 Q How are you doing?

14 A Fine, thank you.

15 MR. WRIGHT: I have distributed several
16 exhibits. I would like to go ahead and have them
17 marked for identification, Commissioner.

18 The first is a certified copy certified by the
19 Commission Clerk's Office of KWRU's retail
20 wastewater tariff. I would ask that that be marked
21 as 108.

22 COMMISSIONER POLMANN: Okay. Does everybody
23 have a copy? It's this --

24 MR. WRIGHT: It's the big one.

25 COMMISSIONER POLMANN: Exhibit -- we will mark

1 that as exhibit 108.

2 (Whereupon, Exhibit No. 108 was marked for
3 identification.)

4 COMMISSIONER POLMANN: We are not entering
5 these into the record right now. We are just going
6 to mark this, and the description is KWRU's
7 wastewater tariff document as certified copy,
8 including FPSC receipt dated 5/11/18. Everybody
9 clear on what that is?

10 COMMISSIONER CLARK: What number did you give
11 it?

12 COMMISSIONER POLMANN: 108.

13 You may proceed, sir.

14 MR. WRIGHT: Thank you, Commissioner.

15 The next exhibit I would like marked for
16 identification is an excerpt from KWRU's 2015
17 annual report --

18 COMMISSIONER POLMANN: Mark that as 109.

19 MR. WRIGHT: -- and cover sheet of the annual
20 report, and it's Schedule S-13.

21 COMMISSIONER POLMANN: Excerpt from KWRU 2015
22 annual report, cover page plus Schedule S-13. Does
23 everybody have that? Exhibit No. 109.

24 (Whereupon, Exhibit No. 109 was marked for
25 identification.)

1 MR. WRIGHT: Thank you, Commissioner.

2 The next exhibit I would like marked as
3 Exhibit 110.

4 COMMISSIONER POLMANN: And the title for that
5 one?

6 MR. WRIGHT: I am sorry, is excerpt from KWRU
7 2016 annual report, cover sheet and Schedule S-13.

8 COMMISSIONER POLMANN: Okay. We will mark
9 Exhibit 110, and similar to the title of 109, it's
10 an excerpt from KWRU, this is 2016 annual report,
11 cover page plus Schedule S-13.

12 (Whereupon, Exhibit No. 110 was marked for
13 identification.)

14 COMMISSIONER POLMANN: Mr. Wright.

15 MR. WRIGHT: The next exhibit is FCAA summary
16 of water rates fees and charges revised 10/1/17 the
17 last sheet includes the internet address from which
18 this document was obtained. I would like this
19 document marked as 111, please.

20 COMMISSIONER POLMANN: Okay. We will mark
21 that as Exhibit 111 with a title as stated by Mr.
22 Wright of FCAA summary of water fees and charges
23 revised 10/1/17. Everybody have that?

24 (Whereupon, Exhibit No. 111 was marked for
25 identification.)

1 COMMISSIONER POLMANN: Thank you, Mr. Wright.
2 Please proceed.

3 MR. WRIGHT: Thank you, Commissioner.

4 BY MR. WRIGHT:

5 Q Good morning, again.

6 A Good morning.

7 Q My first question is only a question about a
8 relative Consumer Price Index value to be used in this
9 case.

10 Is it your opinion that 1.51 percent is an
11 appropriate CPI value for the year 2017 to use in this
12 case?

13 A Yes. There is certain purposes for it. It
14 pertains to the percentage that a utility may increase
15 its rates, so it's revenue related, not expense related,
16 but it's appropriate, yes.

17 Q Thank you.

18 I would like to ask you if you could please
19 just authenticate what has now been marked as Exhibit
20 108. I am not even sure it needs authentication since
21 it's a Commission certified copy, but do you recognize
22 this as the company's tariff?

23 A It appears to be the company's tariff. It's
24 certified by the Commission, but I haven't ever seen
25 this document.

1 **Q You sponsored the company's rates?**

2 A Yes, but I did not sponsor the tariffs.

3 **Q You just said you have never seen the**
4 **document. Is that a true statement, you have never seen**
5 **the company's tariff?**

6 A I have seen the certain rate schedules on the
7 company's tariff, but I haven't seen this document
8 before.

9 **Q Okay. Let's turn, if we could, please, to**
10 **what has been market as Exhibit 109. And I do have --**

11 MR. WRIGHT: I have three or four complete
12 copies of the company's 2015 and 2016 annual
13 reports if anybody wants to look at them. I don't
14 think that that is really necessary, but if that's
15 the desire, I am happy to do that.

16 COMMISSIONER POLMANN: Yeah, if someone asks
17 for that then --

18 MR. WRIGHT: Someone did?

19 COMMISSIONER POLMANN: Well, I am just saying
20 if someone asks for that, then you can provide that
21 to them.

22 Thank you.

23 MR. WRIGHT: Thanks.

24 BY MR. WRIGHT:

25 **Q Ms. Swain, just for authentication purposes at**

1 this time, can you look at 109 and confirm that this
2 appears to be a copy of the company's annual report for
3 the year-ended December 31, 2015, together with Schedule
4 S-13 from that report?

5 A Yes.

6 Q Thank you.

7 Same question for Exhibit 110, as to the 2016
8 annual report?

9 A Yes.

10 Q Thank you.

11 I would like to follow on a question asked by
12 Mr. Sayler that relates to the total gallons. I was
13 looking at Exhibit E-2, I think, that you were looking
14 at with Mr. Sayler; is that right?

15 A Schedule E-2 in DDS-1?

16 Q Yes. E -- Schedule E -- MFR Schedule E-2,
17 page 48 of 85 in DDS-1.

18 A Okay.

19 Q Okay. I just want to see if I can confirm the
20 total billed gallons. I do not see a summed number
21 there; do you?

22 A No, there is not a total. You have to add it
23 manually.

24 Q Okay. And I would have to add the values for
25 residential service, general service, Harbor Shores and

1 private lift station owners as those numbers are shown
2 in column 12 to get that number, correct?

3 A Yes, that's right.

4 Q Okay. I did some quit arithmetic. Will you
5 accept, subject to check, that that number is
6 approximately 216 million gallons?

7 A Let me check. About that, 217.

8 Q Thank you. 217 is good by me.

9 I understand that the purpose of your
10 testimony is to present information supporting the
11 financial basis for KWRU's request to increase its rates
12 and charges as presented in the MFRs, and to provide
13 supporting schedule to show the basis for the requested
14 rates; is that correct?

15 A Yes, it is.

16 Q And you sponsored one exhibit as part of your
17 direct testimony, and that's DDS-1; correct?

18 A Correct.

19 Q And DDS-1 is MFR Volume I, financial, rate and
20 engineering schedules, excluding the F schedules of the
21 MFRs, correct?

22 A Correct.

23 Q So am I correct that you are sponsoring MFR
24 Schedules A-2 through A-19, B-2 through B-15, C-1, D-1
25 through D-7, and E-1 through E-14?

1 A Yes, that's right.

2 Q Thank you.

3 Okay. I am going to ask you a few questions
4 about each of these schedules, because there have been
5 some changes, and I want the record to show -- we want
6 the record to show exactly what the company is relying
7 on. With respect -- and I am going to go through in
8 order, starting with Schedule A-2.

9 Is all of the information contained in
10 Schedule A-2 the current information on which KWRU is
11 relying in this docket?

12 A No. I had a rebuttal exhibit that provides
13 updated numbers on all -- on many of these schedules.

14 Q Thank you.

15 And as I said, I am going to cover them one by
16 one, because I want the record to be very clear as to
17 what changed and what didn't.

18 So did you file an updated A-2?

19 A Yes, it's contained in my Rebuttal Exhibit
20 DDS-2.

21 Q Thank you.

22 And so is it correct that some of the
23 information in A-2 changed as presented in your rebuttal
24 testimony?

25 A Yes.

1 **Q** **Did any of the information in Schedule A-2**
2 **change as a result of discovery responses that were**
3 **prepared by KWRU in this docket?**

4 A Yes.

5 **Q** **Are you aware of any other information that**
6 **would change the information in Schedule A-2?**

7 A Yes. Inevitably, through the audit and
8 through discovery, we may find errors in the original
9 filing, and those were corrected and included in DDS-2.

10 **Q** **With respect to A-2, is there anything else**
11 **beyond what is shown in DDS-2 that would change these**
12 **numbers?**

13 A Any corrections that were found after filing
14 DDS-2 would also not be included in the MFRs -- in the
15 original MFRs.

16 **Q** **Are you aware of any such corrections made**
17 **after filing DDS-2 to Schedule A-2?**

18 A Yes.

19 **Q** **Could you tell us what those are, please?**

20 A Yes. I address it in my rebuttal testimony.

21 In the rebuttal, I go through an elaborate
22 explanation of a correction that needed to be made, and
23 then I neglected to include it in the DDS-2, just
24 inadvertently didn't include it.

25 **Q** **And that would change Schedule A-2?**

1 A Yes, it would.

2 Q Thank you.

3 Turning to A-3, which consists of two pages,
4 five and six of your Exhibit DDS-1. Is all of the
5 information contained in Schedule A-3 in DDS-1 for the
6 current information on which the company is relying in
7 this case?

8 A No, it is not. That is also the corrections
9 contained in DDS-2 to my rebuttal.

10 Q And did any of that information change as
11 result of discovery propounded by the intervenors or the
12 staff in this case?

13 A Yes, same answer as in two.

14 Q Are you aware of any other information since
15 you filed your rebuttal testimony in DDS-2 that would
16 change any of the information in Schedule A-3?

17 A Yes, same answer, a series of corrections that
18 I explained that I neglected inadvertently to include in
19 my rebuttal exhibit.

20 Q Turning now to A-4, which is page seven of 85
21 of Exhibit DDS-1. Is all of the information contained
22 in Schedule A-4 the current information on which KWRU is
23 relying in this case?

24 A Yes, it is.

25 Q And so none of it has changed since you filed

1 **DDS-1?**

2 A Correct. No changes.

3 Q **Turning to Schedule A-5. Is all of the**
4 **information contained in Schedule A-5 the current**
5 **information on which KWRU is relying in this case?**

6 A There are changes on A-5, column five, for
7 adjustments, as we found things through discovery, as
8 well as additional information, that would have changed
9 A-5.

10 Q **And were those shown in DDS-2, or were at**
11 **least some of those shown in DDS-2?**

12 A I don't think I provided an updated A-6 in
13 DDS-2. I don't have my rebuttal testimony and exhibits
14 here to look at.

15 Q **Are you aware of any other information beyond**
16 **what you just mentioned that would change the**
17 **information in Schedule A-6?**

18 A Same answer as A-2 and A-3.

19 Q **Can you help me out with a yes or no, please?**

20 A There are changes, yes.

21 Q **Thank you.**

22 **Turning to Schedule A-7. Is all of the**
23 **information contained in Schedule A-7 the current**
24 **information on which KWRU is relying in this case?**

25 A Yes, it is.

1 Q Turning to Schedule A-8. Is all of the
2 information contained in Schedule A-8 in DDS-1 the
3 current information on which KWRU is relying in this
4 case?

5 A No, this was also updated for additional
6 information.

7 Q And were some of that -- was at least some of
8 that updated information included in your Exhibit DDS-2?

9 A No, I did not provide a Schedule A-7 in DDS-2.
10 I don't believe I did.

11 Q I think I am on A-8, Ms. Swain.

12 A I am sorry, yes.

13 Q That's okay.

14 A Same answer.

15 Q Thank you.

16 A No, A-8 had no changes. I am sorry.

17 Q Oh, okay. Thanks. Turning to Schedule A-10,
18 which is pages 12 and 13 of 85 of your Exhibit DDS-1.
19 Is all of the information contained in Schedule A-10 the
20 current information on which KWRU is relying in this
21 case?

22 A No, it is not.

23 Q It would be some of that -- some of the
24 information that would change this, was at least some of
25 that provided in your rebuttal testimony, or Exhibit

1 DDS-2?

2 A The adjustment column five would have changed.
3 Those numbers come from the A-3, I did not -- I do not
4 believe I refiled an A-10 in DDS-2.

5 Q Thank you.

6 Turn, please, to Schedule A-11, page 14 of 85
7 of Exhibit DDS-1. Is all of the information contained
8 in that schedule, A-11, the current information on which
9 KWRU is relying in this docket?

10 A Yes, it is.

11 Q Since this docket addresses CIAC, I will ask
12 you a couple of questions about it while we are here.

13 The company -- is it correct that when a
14 company receives a, what's called either a service
15 availability charge or the capacity reservation fee, it
16 books that amount as CIAC that would show up in this
17 schedule?

18 A Yes.

19 Q The current charge is \$2,700 for ERC or EDU,
20 is that correct?

21 A That sounds correct.

22 Q Thank you.

23 Turning to Schedule A-12. Is all of the
24 information contained in Schedule A-12 the current
25 information on which KWRU is relying in this docket?

1 A Yes, it is.

2 Q I am looking at A-11 and A-12, and I note that
3 there is a difference in the test year and the adjusted
4 test year CIAC values shown in columns three and six on
5 Schedule A-12. Can you explain that difference?

6 A The adjusted test year is the 13 -- the same
7 number as the 13-month average in column four. So
8 column two is the test year end. Column four and column
9 six are the 13-month average.

10 Q I just want to make sure I understood you.
11 Did you say column three is the test year end, or is it
12 the 12-month, 6/30/17, test year?

13 A That is the test year end balance.

14 Q Thank you.

15 Just to be clear, the balance at 6/30/17?

16 A Correct.

17 Q Thank you.

18 Turning to Schedule A-13. Is all of the
19 information contained in Schedule A-13 the current
20 information in which KWRU is relying in this docket?

21 A Yes, it is.

22 Q Turning to Schedule A-14. Is all of the
23 information contained in this Schedule A-14 the current
24 information on which KWRU is relying in this docket?

25 A Yes, it is.

1 Q That means there was no content on Schedule
2 A-15 or A-16, I don't think I have any follow-up --
3 well, I will ask. Are there any changes to A-15 or
4 A-16?

5 A No.

6 Q Okay. With respect to Schedule A-17. Is all
7 of the information contained in Schedule A-17 the
8 current information on which KWRU is relying in this
9 case?

10 A Let me check.

11 Q Thank you.

12 A I believe it's the same. I don't have my
13 rebuttal testimony here to double check, but I believe
14 it's the same.

15 Q Thank you.

16 Turning, please, to Schedule A-18. Is all of
17 the information contained in Schedule A-18 the current
18 information on which KWRU is relying in this case?

19 A Yes, it is.

20 Q Turning now to Schedule A-19. Is all of the
21 information contained in Schedule A-19 the current
22 information on which KWRU is relying in this case?

23 A Yes.

24 Q On to the B schedules. Turning to Schedule
25 B-2 -- there is no B-1, correct?

1 A Correct.

2 Q Turning to Schedule B-2 of DDS-1. Is all of
3 the information contained in that schedule the current
4 information on which KWRU is relying in this case?

5 A No. This schedule was revised and attached to
6 my DDS-2.

7 Q If you know, did any of the information in the
8 revised document change as the result of discovery
9 received by -- propounded on KWRU?

10 A Yes.

11 Q Are you aware of any other information that
12 would change the information in this Schedule B-2 beyond
13 that which is shown in your rebuttal testimony in DDS-2?

14 A Yes.

15 Q Turning to Schedule B-3. Is all of the
16 information contained in Schedule B-3 the current
17 information on which KWRU is relying in this docket?

18 A No. There has been corrections to B-3.

19 Q And is it correct that at least some of those
20 corrections were shown in the revised B-3 that was
21 submitted in DDS-2?

22 A Yes, that's right.

23 Q Are there any other changes beyond those
24 changes of which you are aware?

25 A Yes, and those are the same as the corrections

1 in the A schedules where I inadvertently left out an
2 adjustment that I described in my rebuttal testimony.

3 Q And so you may have inadvertently left out a
4 change in the A schedules and the relationship of the
5 plant cost and expense cost, that also shows up in --
6 that would show up in B --

7 A Yes, and specifically --

8 Q -- B-3?

9 A Yes, specifically the depreciation expense
10 line, since it pertains to the plant that was
11 accumulated depreciation that I did not incorporate
12 inadvertently in my DDS-2. It affects the B schedules,
13 which are the income and expense schedules, and also it
14 would affect depreciation expense.

15 Q Turning to Schedule B-4. Is all of the
16 information contained in Schedule B-4 the current
17 information upon which KWRU is relying in this case?

18 A Yes, it is.

19 Q There is no B-5, correct?

20 A Correct. Correct.

21 Q Thank you.

22 Turning to Schedule B-6. Is all of the
23 information contained in Schedule B-6 the current
24 information on which KWRU is relying in this docket?

25 A No. There is corrections made in my DDS-2.

1 Q And are you aware of any further changes
2 beyond the changes shown in DDS-2, or discussed in your
3 rebuttal testimony, that would change the information
4 presented in this schedule?

5 A I am not aware of any.

6 Q Am I correct that there is no B-7?

7 A Correct.

8 Q With respect to Schedule B-8, is all of the
9 information contained in Schedule B-8 to DDS-1 the
10 current information on which KWRU is relying in this
11 docket?

12 A No. There would have been corrections from
13 B-6 that would flow through to B-8.

14 Q Did you provide an updated B-8 in your
15 rebuttal testimony?

16 A No, I did not.

17 Q Are you aware of any other information beyond
18 what was reflected in B-6 that might also change the
19 figures shown in Schedule B-8?

20 A I am not aware of any.

21 Q Turning to Schedule B-9. Is all of the
22 information contained in Schedule B-9 the current
23 information on which KWRU is relying in this case?

24 A Yes, it is.

25 Q With respect to Schedule B-10, is all of the

1 information contained in Schedule B-10 the current
2 information upon which the company is relying in this
3 case?

4 A No, it's not.

5 Q Did you submit an updated B-10 as part of
6 DDS-2 in your rebuttal testimony?

7 A Yes, I did. And there would be further
8 changes to it as this is the rate case expense. As the
9 proceeding continues, we would continue to provide the
10 actual information so that we reflect the most
11 up-to-date, known and measurable dollars in that
12 schedule.

13 Q Thank you.

14 I note that there is no content, i.e., the
15 word none appears in B-11. There is no change in that,
16 is there?

17 A There is no change.

18 Q And is it correct that there is no change to
19 Schedule B-12?

20 A Correct.

21 Q With respect to Schedule B-14 of Exhibit
22 DDS-1, is all of the information contained in that
23 schedule the current information on which KWRU is
24 relying in this case?

25 A No, it isn't. This reflects depreciation

1 expense, and as there were changes on the B-2 and B-3
2 related to depreciation expense, those would have
3 changed on this schedule as well.

4 Q And did you furnish an updated B-14 in your
5 rebuttal testimony, DDS-2 exhibit?

6 A I don't believe so. Since this affects
7 non-used and useful, I may have. I don't recall.

8 Q And I think we discussed this earlier, but I
9 just want to confirm. Are there further changes to the
10 depreciation expense that were not reflected in DDS-2
11 that might show up in the -- that would show up in the
12 Schedule B-14 if it were updated?

13 A Yes. The same inadvertent omission that I
14 made that would have affected B-2 and B-3 would be
15 reflected here --

16 Q Right. And --

17 A -- were omitted here, excuse me.

18 Q Thank you.

19 You do sponsor Schedule C-1, but I note that
20 there is no values shown therein. There is no change in
21 that, is there?

22 A Correct.

23 Q Turning now to Schedule D-1. Is all of the
24 information contained in that schedule the current
25 information on which KWRU is relying in this case?

1 A No, it is not.

2 **Q Did you submit an updated Schedule D-1 in your**
3 **Exhibit DDS-2?**

4 A Yes, I did.

5 **Q And are you aware of other information beyond**
6 **what was shown in DDS-2 that would affect the values**
7 **shown in this Schedule D-1?**

8 A Yes. The -- this schedule is to reconcile the
9 capital structure to the rate base, and the rate base
10 changed slightly as a result of previously mentioned
11 omission of accumulated depreciation, and so that would
12 have affected the rate base and that would also need to
13 be incorporated in there.

14 **Q Thank you.**

15 **Turning to Schedule D-2. Is all of the**
16 **information contained in Schedule D-2 the current**
17 **information on which KWRU is relying in this case?**

18 A No. Column seven flows through to -- back to
19 Schedule D-1 and is the reconciliation to rate base, so
20 that number would change as a result of changes to rate
21 base.

22 **Q Thank you.**

23 **I note that the only entry in Schedule D-3 is**
24 **not applicable. Is there any change to that?**

25 A There is no change.

1 Q I note that the only entries in Schedule D-4
2 are not applicable and zeros. Is there any change to
3 that information?

4 A No, there is not.

5 Q Similar question with respect to D-5, no
6 change in D-5?

7 A That's correct.

8 Q Is all of the information -- turning now to
9 D-6. Is only all of the information shown in Schedule
10 D-6 the current information on which the company is
11 relying in this case?

12 A No. Column 10, which shows the BBT cost rate
13 of prime plus .5 percent. As the prime rate has
14 changed, in my DDS-2, I reflect the current cost rate at
15 the time that I filed this schedule, which would be .5
16 percent higher than what it shows there.

17 Q Thank you.

18 Are you aware of any other changes to the
19 information contained in Schedule D-6 beyond those that
20 were shown in your Exhibit DDS-2?

21 A No, I am not.

22 Q Turning to Schedule D-7. Is all of the
23 information contained in Schedule D-7 the current
24 information on which the company is relying in this
25 case?

1 A Yes, it is.

2 Q Turning now to Schedule E-1. Is all of the
3 information in this schedule the information on which
4 the company is relying in this case?

5 A No. The column four, proposed rates, as I
6 mentioned earlier, is a calculation of the rates needed
7 to generate the required revenues in this, and as the
8 required revenues change, the proposed rates change; but
9 other elements in that schedule remain correct.

10 Q We may pursue this a little more later, but
11 let me ask this question now.

12 Are these proposed rates shown here in
13 Schedule E-1, as you filed the original case, are those
14 the rates that would generate the company's original
15 requested revenue requirement of 3,862,000 -- \$3,682,000
16 and a little bit more than that?

17 A Yes.

18 Q Turning to Schedule E-2. Is all of the
19 information contained in this Schedule E-2 of Exhibit
20 DDS-1 the current information upon which KWRU is relying
21 in this case?

22 A Yes, except to the extent that the proposed
23 rates may change in column 13, and then the calculation
24 of the proof of the revenue requirement in column 14,
25 those may change.

1 Q And the revenue requirement proof number in
2 this E-2 to DDS-1, that's the \$3,682,000 number?

3 A No, the revenue proof is the row -- the line
4 right above that, which is the 3,697,000. That's what
5 these rates would generate compared to the requested
6 amount. Again, it's off a little bit but that's to be
7 expected.

8 Q Yes, ma'am. Thank you.

9 Did you submit an updated E-2 in your DDS-2?

10 A I believe so, but I am not certain.

11 Q We can clear that up when we get to your
12 rebuttal testimony if necessary.

13 A Thank you.

14 Q Let's turn to E-3. Is the billing information
15 shown in Schedule E-3 the current information upon which
16 the company is relying in this case?

17 A Yes.

18 Q Schedule E-4. Is the information shown in
19 Schedule E-4 the current information upon which the
20 company is relying in this case?

21 A Yes, it is.

22 Q Schedule E-5. Is the information shown in
23 Schedule E-5 of Exhibit DDS-1 the current information on
24 which KWRU is relying in this case?

25 A Yes, it is.

1 Q Schedule E-6 is not applicable, correct?

2 A Correct.

3 Q Schedule E-7 is not applicable, correct?

4 A Correct.

5 Q Is the information in Schedule E-8 current and
6 correct?

7 A Yes, it is.

8 Q Is the information stated in Schedule E-9
9 current and correct?

10 A Yes, it is.

11 Q Is the information shown in Schedule E-10
12 current and correct?

13 A Yes, it is.

14 Q And that goes for all five pages of Schedule
15 E-10?

16 A I was -- the AFPI schedules -- sorry, pages
17 two of five through five of five, those would change as
18 a result of changes in components associated with rate
19 base, so those would change. It's a fallout schedule.

20 Q Thank you.

21 You did not supply an updated E-10 in your
22 DDS-2, did you?

23 A No, I did not.

24 Q Is the information shown in Schedule E-11
25 current and correct?

1 A Yes, it is.

2 Q Similarly, is the information shown in
3 Schedule E-12 current and correct?

4 A Yes, it is.

5 Q Is the information shown in Schedule E-13
6 current and correct?

7 A Yes, it is.

8 Q E-14, just refers to a separate billing
9 analysis, correct?

10 A Yes.

11 Q Do you know whether the billing analysis would
12 change?

13 A It does not change.

14 Q Thank you.

15 And the F Schedules are Mr. Seidman's,
16 correct?

17 A Yes, that's right.

18 Q The next line of questions I have relates to
19 the amount of the company's requested revenue
20 requirements that are associated with the company's
21 proposed proforma capital costs and proforma O&M
22 expenses. That is the amount that -- are you with me?

23 A Yes.

24 Q Okay. Looking at Schedule A-3, is it
25 correct -- and I know this was updated in DDS-2, but I

1 am just trying to get clear for the record what is
2 proforma and what is not proforma in terms of the plant
3 in service. If I have it right that the proforma plant
4 additions proposed by the company are shown -- are those
5 listed in (5), lines 16 through 26 of Schedule A-3?

6 A Yes, that's right.

7 Q And those net of the -- per the originally
8 filed case, including the sandsifter retirement, those
9 add up to around \$3.13 million, correct?

10 A Yes, that's right.

11 Q The big changes there, it's about 2.2, 2. -- I
12 think it's updated to around \$2.4 million, was for the
13 treatment plant rehab and the chlorine contact chamber
14 refurbishment; is that correct?

15 A Yes.

16 Q And that was a plant that was added outside
17 the test year, correct?

18 A Correct.

19 Q And so what you have effectively done is to
20 add this back in to the rate base proposed for
21 determining the rates in this case?

22 A Yes.

23 Q Turning, please, to Schedule B-6, which
24 relates to proforma -- well, relates to O&M expenses,
25 including some proforma changes; correct?

1 A Yes.

2 Q We discussed this in your deposition, so I
3 will try to make this real quick.

4 Is it correct that the proforma addition to
5 O&M expenses is approximately \$581,000?

6 A Yes, that's right.

7 Q The number I have from the deposition is
8 \$581,217. Does that sound right?

9 A Yes, it does.

10 Q Great. Thank you.

11 And is it correct that those are expenses that
12 occurred after the end of the June 30, 2017, test year?

13 A Yes, that's right.

14 Q Turning back to the proforma capital costs, I
15 want to at least understand conceptually how we would go
16 about determining the amount of revenue requirements
17 attributable to the proforma plant additions. Would it
18 be correct that we would start with the plant in service
19 values?

20 A Start with what? I am sorry.

21 Q The plant in service values?

22 A Yes.

23 Q And from that, we would subtract accumulated
24 depreciation?

25 A Yes.

1 Q And correspondingly, we would subtract any
2 used and useful adjustment that might be applicable to
3 those plant in-service and accumulated depreciation
4 values to compute a rate base value?

5 A Correct.

6 Q And from there, we would multiply the
7 return --

8 A Yes, that's right.

9 Q -- to get the capital related revenue
10 requirement?

11 A Yes, that's right.

12 Q And then we would, again, adjusting for used
13 and useful adjustments, if necessary, we would add to
14 the capital revenue requirement the depreciation expense
15 revenue requirement?

16 A That's right.

17 Q I believe that you are aware -- this is a
18 question that relates to O&M expenses associated with
19 serving -- treating additional -- collecting and
20 treating additional gallons of wastewater.

21 I believe that you are aware that Monroe
22 County supports allowing the company to recover
23 additional O&M expenses associated with any additional
24 gallons treated, or treated as served for rate setting
25 in this case; are you aware of that?

1 A I heard that this morning.

2 Q You heard it in your deposition, didn't you?

3 A I don't recall that.

4 Q Okay. I would like to get your opinion on
5 what specific components of the company's O&M expenses
6 would change as a result of serving or treating
7 additional gallons.

8 Would you agree that sludge hauling expense
9 would increase?

10 A Yes, it would.

11 Q Would you agree that chemical expense would
12 increase?

13 A Yes, I agree.

14 Q And would you agree that purchase power costs
15 expense would increase?

16 A I agree.

17 Q Sitting here this morning, can you name any
18 other O&M account that would incur, or to which
19 additional truly variable costs would be booked if the
20 company served additional gallons?

21 A I would -- you asked me two different
22 questions. One question is, do I know of any others
23 that might increase. And I think that many of the
24 expenses may increase, even salaries, for example. At
25 some point, you have to add on additional staff by

1 virtue of the volume that's being treated, at a
2 wastewater treatment plant.

3 You may need some additional contractual
4 engineering services because of things that are going on
5 as you're treating more sewage. The rentals may
6 increase. The transportation expense may increase. The
7 general liability may increase. So I think most of them
8 would increase.

9 And then your second question was which are
10 truly variable. And I don't know that any are
11 100 percent variable, but probably there is some base
12 that below that it won't decrease. There is some. And
13 then probably even those that are mostly variable will
14 go up in increments not evenly.

15 **Q Do you believe that salaries would increase**
16 **based on a five-percent increase in the total gallons**
17 **treated in 2018?**

18 A I don't know.

19 **Q Same question for any of the other O&M**
20 **accounts you just mentioned?**

21 A I don't know which and how much would change
22 as a result of a five-percent increase in gallons
23 treated.

24 **Q If the company reduced the gallons treated,**
25 **would the costs of any of those, that latter group of**

1 O&M expense accounts, decrease correspondingly?

2 A It would have a -- it would have a smaller
3 impact certainly. It wouldn't be 100 percent
4 proportionate, but it would be -- there would be savings
5 and it would probably be in increments.

6 Q Changing gears in the subsection underneath
7 that.

8 You are familiar that the utility is seeking
9 approval to charge its customers to include in its rate
10 base for the value of the new replacement trailer that
11 the company replaced -- or plans to replace following
12 Irma, correct?

13 A Yes.

14 Q Do you know what the value of the trailer at
15 the time of loss was sustained was?

16 A I don't recall right now.

17 Q Was it greater than \$75,000?

18 A I don't recall. I did those calculations for
19 my rebuttal testimony, and I just don't recall right
20 now.

21 Q We are going to change to talk about rates a
22 little bit. Actually, we are going to skip over that
23 for a minute. Here we go.

24 The company's current permanent rates, not the
25 interim rates, the company's current permanent rates

1 became effective in April of last year, correct?

2 A Yes.

3 Q And that's reflected by the 4/4/17 heading on
4 whichever schedule it was, E-2, maybe?

5 A E-1 and E-2.

6 Q E-2, thank you.

7 What rates are you -- you, Deborah Swain,
8 company's witness -- sponsoring and supporting in this
9 case? Are you supporting the rates shown in the
10 prehearing order that produced the \$3,682,000 and
11 change, or are you supporting the higher rates shown in
12 the -- I got that backwards. Are you supporting the
13 rates shown in your MFRs that produced the \$3,682,000
14 and change, or are you supporting the rates shown in the
15 prehearing order under the company's position that would
16 generate approximately \$3,761,000?

17 MR. FRIEDMAN: I object to the question
18 because it's inaccurate. If you look at the
19 prehearing order in the part where it states the
20 company's position, it states the company's
21 position is the revenue requirement of 3,682,216,
22 recognizing in a footnote the other number.

23 To the extent that there is anything different
24 than that, it's irrelevant. That's the position
25 that the company has taken, and we've taken it in

1 the prehearing order. So I don't know if this
2 witness can testify to something different than
3 what the company's already stated is its position.

4 COMMISSIONER POLMANN: Thank you, Mr.
5 Friedman.

6 Mr. Wright, I didn't understand the question,
7 you started and stopped, and then changed it. I
8 would ask if you could rephrase the question and
9 then I will give Mr. Friedman an opportunity to
10 restate, if he does have an objection, because I
11 didn't understand the question, and maybe the
12 witness didn't either.

13 MR. WRIGHT: I apologize for my fits and
14 starts, and I shall try to do --

15 COMMISSIONER POLMANN: Go ahead and give it
16 another shot.

17 MR. WRIGHT: I shall. Thank you.

18 BY MR. WRIGHT:

19 Q So, Ms. Swain, you sponsor a set of rates in
20 the MFRs filed with your original testimony, correct?

21 A Correct.

22 Q And those are \$50.74, I think, for base
23 facilities charge and \$8.41 a thousand gallons for the
24 residential gallonage charges, correct?

25 A Yes, that's right.

1 Q Okay. The company's prehearing order lists as
2 the company's position on rates a base facilities charge
3 for residential service correspondingly for the
4 different sizes of GS accounts, \$51.86, and a
5 residential gallonage charge of \$8.59 per thousand
6 gallons, correct?

7 A That's what it states on the prehearing. I
8 don't have it in front of me to check.

9 COMMISSIONER POLMANN: Mr. Wright, do you want
10 to provide that to the witness? Mr. Friedman?

11 MR. FRIEDMAN: I mean, my question is what
12 difference does it make? I mean, like you said,
13 they stipulated to a number CIAC, but they are
14 saying now, well, we may want to change it based
15 upon what we do at the hearing.

16 So what difference does it make what revenue
17 number we put in here that he is trying to tie us
18 to when maybe we want to do the same thing that
19 they claim they want to do? Let's see what the
20 evidence says and that's what we support.

21 But he is trying to do a technicality that the
22 numbers came out wrong somehow in the prehearing
23 statement and I didn't look at it carefully enough,
24 to state the position that the company is clearly
25 taking is we are not trying to ask for more

1 revenues than we asked for in the original MFRs,
2 period. I have said it 100 times. I don't know
3 how to say it any more --

4 COMMISSIONER POLMANN: Understood.

5 MR. FRIEDMAN: -- despite the fact that they
6 continue to say that's not our position.

7 COMMISSIONER POLMANN: Understood.

8 MR. WRIGHT: Commissioner.

9 COMMISSIONER POLMANN: Hold on a second.

10 MR. WRIGHT: Yes, sir.

11 COMMISSIONER POLMANN: Ms. Helton, should we
12 continue this, or should we try to move on, or --
13 he didn't restate his question. He changed his
14 question.

15 MS. HELTON: Well, I think if Mr. Wright did
16 change his question, that's his prerogative to do
17 that. I don't know that I still heard an ultimate
18 question that Ms. Swain can answer right now.

19 MR. WRIGHT: Mr. Chairman.

20 COMMISSIONER POLMANN: Ms. Swain, did you
21 understand -- we apparently changed the question.
22 Do you understand the current question, or would
23 you like him to restate that?

24 THE WITNESS: Yes. It's just he is referring
25 to numbers that I haven't -- I haven't seen the

1 prehearing. I don't have it in front of me so I am
2 not sure that --

3 COMMISSIONER POLMANN: Mr. Friedman, do you
4 have any problem with him providing the prehearing
5 order?

6 MR. FRIEDMAN: No.

7 COMMISSIONER POLMANN: I understand your
8 objection. Can we move on from that and proceed
9 with the prehearing order?

10 MR. FRIEDMAN: Sure.

11 COMMISSIONER POLMANN: Mr. Wright.

12 MR. WRIGHT: Commissioner, one, we did not
13 stipulate to the CIAC values as Mr. Friedman said.

14 COMMISSIONER POLMANN: I understand.

15 MR. WRIGHT: I just want to make that clear.

16 COMMISSIONER POLMANN: I am going to debate
17 the prehearing order.

18 MR. WRIGHT: I just want to make that clear
19 for the record.

20 Two, I just want to know what rates Ms. Swain
21 is sponsoring.

22 COMMISSIONER POLMANN: I understand.

23 I think that's a reasonable question, Mr.
24 Friedman.

25 Let's proceed. If you want to -- if you have

1 a copy of the prehearing order you want to provide
2 to the witness, I don't have an issue with that, if
3 there is any comment from others. Does everyone
4 else here have a copy of the prehearing order? We
5 are going to be looking at numbers in there, I want
6 to make sure everyone -- the parties have it.

7 You may proceed, sir.

8 MR. WRIGHT: Thank you. I may be able to
9 short-circuit this and come to a some kind of --

10 COMMISSIONER POLMANN: We are taking a whole
11 lot of time talking about how we are going to make
12 it quicker so...

13 MR. WRIGHT: Well, let me try.

14 COMMISSIONER POLMANN: Yes, sir.

15 MR. WRIGHT: I am trying to talk with my
16 friend Mr. Friedman, if Ms. Swain will agree that
17 she's sponsoring the rates in her MFR schedules --

18 COMMISSIONER POLMANN: Ask the question, sir.

19 MR. WRIGHT: I will stop.

20 BY MR. WRIGHT:

21 **Q Are you sponsoring the rates in the MFR**
22 **schedules?**

23 A Are you asking me if I continue to support
24 those particular rates?

25 **Q Yes, I am.**

1 A Not necessarily, but yes. And the reason why
2 I say that is that the revenue requirement as stated in
3 the MFRs, which is what the company's position is, the
4 3,682,000, it may change. It may go up, or it may go
5 down, and we understand that.

6 So as it stands today, I do support the rates
7 in the original MFRs to the extent that is the final
8 revenue requirement.

9 MR. WRIGHT: And with that I can move on to a
10 few more questions I have about the rates.

11 COMMISSIONER POLMANN: That's fine.

12 We are coming up to noon. Do you -- can you
13 estimate the remaining time that you may have for
14 this witness? I am just asking whether you have 10
15 minutes, or 30 minutes, or -- I am not going to
16 hold you to it yet.

17 MR. WRIGHT: I believe less than 30 minutes.
18 Quite frankly, I believe less than 20 minutes, but
19 in my career, I have given that projection wrong.

20 COMMISSIONER POLMANN: I have seen that
21 before. I am going to shoot for a break at 12:30,
22 where we sit right now --

23 MR. WRIGHT: Yes, sir. Perfect.

24 COMMISSIONER POLMANN: -- I'm just letting you
25 know that. Thank you, sir.

1 MR. WRIGHT: I shall move on.

2 BY MR. WRIGHT:

3 Q Okay. Ms. Swain, I am going to ask you just a
4 few questions comparing current rates to proposed rates
5 as they translate into bill impacts on a couple of
6 different categories of residential customers.

7 Sticking with the rates shown in your
8 originally filed MFRs, I think that's E-2 -- no, E-1.
9 E-1. Are we at E-1?

10 A Yes.

11 Q Okay. The proposed rates for residential
12 service are \$50.74 for a base facilities charge,
13 correct?

14 A Yes.

15 Q And the gallonage charge per thousand gallons
16 at \$8.41, correct?

17 A Yes.

18 Q Okay. We agree that for a 6,000-gallon-
19 a-month customer, that would produce a bill of \$118.58?

20 A For residential?

21 Q 101.20 -- yes, it's 101.20.

22 A Yes. That's right. 101.20.

23 Q And for a 10,000-gallon residential customer,
24 that would produce a bill of \$134.84, correct?

25 A Yes.

1 Q The current rates are \$31.86 and \$5.28,
2 **correct?**

3 A Correct.

4 Q So for a 6,000-gallon customer, that would
5 **produce a bill of \$86.42, correct?**

6 A I don't think so. 63.54.

7 Q Okay. Thank you.

8 I, too, have too much paper. \$63.54, correct?

9 A Yes.

10 Q And for the 10,000-gallon customer, it would
11 **be \$84.66, correct?**

12 A 84.66.

13 Q And these are increases of 59.27 percent,
14 **correct?**

15 A That's close. Without doing the calculation,
16 it's a number between 58 and 59 percent.

17 Q Thank you.

18 Are you familiar with the concept of rate
19 **shock?**

20 A Yes, I am.

21 Q Do you have a definition of rate shock that
22 **you use in your career as a witness?**

23 A Yes. In the context of recognizing that there
24 needs to be sometimes an adjustment to the billing units
25 because of large increases in rates, I have used that.

1 **Q Do you agree that avoiding rate shock is an**
2 **appropriate goal or consideration for utility regulatory**
3 **authorities in public utility rate setting?**

4 A It is a -- it's a reasonable but lofty goal.
5 You have many times when that happens and it's out of
6 the utility's control and the regulator has to consider
7 all the facts when making a decision about the actual
8 level of rates.

9 **Q Do you consider a rate increase of 60 percent**
10 **to be rate shock?**

11 A No, I don't.

12 **Q Do you have any frame of reference -- have you**
13 **ever represented consumer groups in your career?**

14 A I have represented a county regulator, but not
15 a consumer group.

16 **Q Do you have any frame -- do you personally**
17 **have any frame of reference to evaluate or opine whether**
18 **a typical residential customer on South Stock Island**
19 **would consider a 59-percent rate increase to be rate**
20 **shock?**

21 A I don't know, but I would not be surprised.

22 **Q I have a few questions for you about your**
23 **proposed reuse service rates.**

24 A Okay.

25 **Q And the rates shown on E-1 is -- the proposed**

1 rate shown on E-1 is \$2.13 per thousand gallons,
2 correct?

3 A Correct.

4 Q Have you conducted any cost of service
5 analysis to attempt to estimate the actual cost of
6 providing that service?

7 A No, I haven't.

8 Q That's not usually done for reuse service, is
9 it?

10 A No, it's not usually done. It's a whole host
11 of other factors, and cost is not generally one of them.

12 Q And among those other factors are market
13 considerations what the potential reuse customers have,
14 what I will quote, alternative the potential reuse
15 customers have available to them?

16 A Yes. That's right. And also rates by
17 surrounding areas that are actually in effect, yes.

18 Q I would like to ask you to look, please, at
19 exhibit -- at the exhibit that has been marked as No.
20 111, and that's a printed summary of FKAA's water rates,
21 fees and charges.

22 A Okay.

23 Q If I could ask you to look at what is the
24 third page of the exhibit package, it's letter B at the
25 bottom.

1 A Okay.

2 Q And FKAA provides water and wastewater service
3 throughout the Keys, correct?

4 A Yes.

5 Q The reclaimed water consumption charge imposed
6 by FKAA is half of the potable rate charge for the
7 relevant block of consumption, correct?

8 A Yes, that's what it says.

9 Q And if you would look back at page letter A,
10 you will agree that the lowest potable consumption
11 charge is \$6.05 per thousand gallons, correct?

12 A Yes.

13 Q So the lowest FKAA reuse rate would be about
14 \$3.03 per thousand, correct?

15 A Yes. That's right.

16 Q Given that these are potential alternatives,
17 as you put it, in the surrounding area, would there be
18 anything wrong, in your opinion, with setting a rate for
19 reuse service that is halfway between your recommended
20 rate of \$2.13 per thousand and the lowest FKAA rate of
21 \$3.03 per thousand?

22 A Yes. The problem is, and I do a lot of reuse
23 work outside of -- outside of the Keys. One major
24 consideration -- and I don't know what the factor is
25 here for KW, but one major factor in establishing rates

1 is the utility's alternative to selling reuse -- or
2 reclaimed water, versus disposing of its effluent.

3 So if it's in a situation where it needs to
4 sell as much as possible so that it doesn't have to
5 employ a different disposal alternative, then that needs
6 to be considered as well. And I don't know what KW's
7 alternative is, but I also don't know what FKA's
8 alternative is.

9 **Q A higher reuse rate would hold down other**
10 **customer service rates, would it not?**

11 A Yes, it's a very minor revenue generator, but
12 we want to make sure that if a rate -- if the rates are
13 raised, that it's still achieving what it needs to in
14 reuse. And again, it's a small amount, so it may be
15 almost irrelevant.

16 **Q You mentioned achieving what it needs to.**
17 **Would it be correct that achieving what it needs to is**
18 **to provide reuse water service of acceptable quality at**
19 **a rate that customer -- reuse customers are willing to**
20 **pay?**

21 A Yes, but when I referred that to achieve what
22 it needs to, what I mean is versus alternative disposal.

23 **Q And you did say you don't know what KWRU's**
24 **alternatives are, correct?**

25 A I don't know what its situation was with

1 respect to the importance of its -- of selling its
2 reuse.

3 Q And you are proposing an increase of
4 59.27 percent, aren't you?

5 A Yes, across the board.

6 Q The company has not filed its 2017 annual
7 report yet, has it?

8 A No, they have not. We are working on it. We
9 are here instead of there.

10 Q I would like to ask you, please, to look at
11 what have been marked as Exhibits 109 and 110. If you
12 would please look at 109 first.

13 COMMISSIONER POLMANN: That's the annual
14 report.

15 MR. WRIGHT: That's the excerpt from the 2015
16 annual report.

17 BY MR. WRIGHT:

18 Q I would like to ask you to look at the last
19 page in that excerpted exhibit, which is Schedule S-13
20 from the report, and look at Item 7, if you would,
21 please.

22 That shows that the company's disposal of
23 effluent to reuse end users in 2015 was approximately
24 38 million gallons, correct, 36.2 to the Key West Golf
25 Club and 1.7 to the Monroe County Detention Center?

1 A Yes. That's what it says.

2 Q You don't dispute that value, do you?

3 A No, I don't.

4 Q I would like now to ask you to look at Exhibit
5 110, which is the corresponding excerpt from KWRU's 2016
6 annual report. And again, I would like to ask you to
7 look at the last page, Schedule S-13.

8 A Okay.

9 Q That shows the total reuse sales in 2016 were
10 approximately 47 million gallons, correct?

11 A Yes.

12 Q Thank you.

13 And you don't dispute those values, do you?

14 A No, I don't.

15 Q Did you personally, in preparing your MFR
16 testimony, examine or investigate the difference between
17 the 27.7 million gallons of reuse service that's shown
18 on Schedule E-2 as compared to the 36 million gallons
19 that the company sold in 2015 and the 47 million gallons
20 that the company sold in 2016?

21 A No, I didn't; but what I did examine was the
22 27 million during the test year.

23 Q I have got three more very brief questions for
24 you regarding your direct testimony.

25 In your direct testimony, do you mention

1 miscellaneous service charges anywhere in that direct
2 testimony?

3 A Yes. It's a schedule in DDS-1. I think it's
4 E-4 -- Schedule E-4.

5 Q I understand it's a schedule. Do you mention
6 it anywhere in your direct testimony -- in the text of
7 your testimony?

8 A I do not refer to it specifically. I just see
9 MFRs in general.

10 Q Same question with respect to the late payment
11 charge. Do you mention the late payment charge anywhere
12 in your direct testimony?

13 A Same answer. I refer to the entire MFR
14 package, and it is contained in a schedule attached to
15 my testimony.

16 Q Last question. Do you mention the lift
17 station cleaning charge anywhere in your direct
18 testimony?

19 A Same answer. I don't specifically mention it
20 in my direct testimony, except as it pertains to its
21 inclusion in the MFRs.

22 Q Thank you.

23 And I apologize, but I have a couple more
24 questions that relate to how a particular expense is
25 booked that I have a note at the end here.

1 **There is some discussion about rental**
2 **generator expense in this case?**

3 A Okay.

4 **Q This is an accounting question. Where is that**
5 **booked? Is that booked as an O&M expense?**

6 A If the generators associated with operating
7 the plant are included as a -- in the line item rental
8 expense as an expense.

9 **Q Do you know whether the -- you are aware the**
10 **company is renting a generator for something like \$2,894**
11 **a week at this time, correct?**

12 A Yes. That's right.

13 **Q Where is that booked? Is that booked in O&M?**

14 A That -- it's -- I am not sure where the
15 company is booking it right now because they were
16 putting it as an expense that took place after the test
17 year as a result of the hurricane, I believe, and so we
18 discussed with them that it should be deferred with the
19 other hurricane expenses for amortization. So I think
20 that they started putting it -- some of the things in
21 expense, and we had to reclassify them into the deferred
22 account.

23 **Q Sitting here this morning, can you confirm**
24 **that definitively that there is no -- none of that**
25 **rental generator cost in the O&M expenses that go into**

1 the MFRs as the basis for the company's rates?

2 A Just the amortized portion that we included in
3 the hurricane expense. It was an adjustment, but it was
4 not on the books.

5 Q Thank you very much.

6 That really is all the questions I have for
7 you on your direct, Ms. Swain.

8 COMMISSIONER POLMANN: Thank you, Mr. Wright.

9 Going on in sequence, we would move on here.
10 I think, however, we are looking at lunch.

11 Ms. Crawford, should we deal with the exhibits
12 at this point?

13 MS. CRAWFORD: Well, actually staff does have
14 some questions, and if we were to take a lunch
15 break at this time, I think I could confer with the
16 parties and see whether some of those questions
17 might be better referred to rebuttal, and that
18 would be helpful for staff.

19 So I would take advantage of the lunch break
20 to reorder our exhibits and make it go more
21 smoothly when we do ask questions.

22 MR. FRIEDMAN: And I do have a couple of
23 questions.

24 COMMISSIONER POLMANN: I understand.

25 Yeah, I am not trying to eliminate the

1 questions. I am looking for the break, and I am
2 just looking for guidance of when do we deal with
3 the Monroe County exhibits?

4 MS. CRAWFORD: Well, we would take them up at
5 the same time that all the exhibits are taken up
6 once the staff questions, redirect --

7 COMMISSIONER POLMANN: For Witness Swain?

8 MS. CRAWFORD: Correct.

9 COMMISSIONER POLMANN: Okay, thank you.

10 MS. CRAWFORD: Sorry.

11 COMMISSIONER POLMANN: Does anybody want to go
12 to lunch?

13 MR. WRIGHT: Yes, sir.

14 MR. FRIEDMAN: Are you buying?

15 COMMISSIONER POLMANN: I am buying for me, and
16 maybe selected other people, but not you.

17 Okay. We are going to recess for lunch for
18 one hour, does that work, or should we come back at
19 1:30?

20 MS. CRAWFORD: 1:30.

21 COMMISSIONER POLMANN: We will come back here
22 at 1:30, promptly reconvene at 1:30.

23 (Lunch recess.)

24 (Transcript continues in sequence in Volume
25 2.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

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

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

DATED this 24th day of May, 2018.



DEBRA R. KRICK
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