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

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

4 COMMISSIONER POLMANN: I'm going to call the
5 hearing back to order, returning from the recess.

6 Ms. Crawford, are you going to remind us where
7 we are?

8 MS. CRAWFORD: I believe we're at the point
9 where staff would ask their very few cross
10 questions for this witness. Are you ready?

11 COMMISSIONER POLMANN: Ms. Swain, are you
12 ready?

13 THE WITNESS: Yes, sir.

14 COMMISSIONER POLMANN: Ms. Crawford?

15 MS. CRAWFORD: And just for the record, I'd
16 like to point out that staff has distributed, I
17 believe, to all relevant persons three items that
18 are paper-clipped together.

19 And if I could just go ahead, Dr. Polmann,
20 have you mark the first two for the utility's cost
21 justification for its requested late-payment
22 charge.

23 COMMISSIONER POLMANN: Does everybody have a
24 copy of that?

25 MS. CRAWFORD: And I believe we're at 112, if

1 I remember correctly.

2 COMMISSIONER FAY: Yeah.

3 COMMISSIONER POLMANN: Exhibit No. 112 will be
4 utility's cost justification for its requested
5 late-payment charge.

6 MS. CRAWFORD: Yes.

7 (Whereupon, Exhibit No. 112 was marked for
8 identification.)

9 COMMISSIONER POLMANN: Ms. Crawford, you --

10 MS. CRAWFORD: And for the -- the second item,
11 if I could also have that marked, I believe that
12 will Exhibit No. 113. It's described as the
13 utility's cost justification for its requested
14 miscellaneous service charges.

15 COMMISSIONER POLMANN: We'll number
16 Exhibit 113 utility's cost justification for
17 requested miscellaneous service charges.

18 (Whereupon, Exhibit No. 113 was marked for
19 identification.)

20 COMMISSIONER POLMANN: Okay.

21 MS. CRAWFORD: The third document, we may not
22 need identified at all. We'll just see how the
23 questioning goes, if that's okay.

24 COMMISSIONER POLMANN: Okay. So, we're going
25 to hold that one.

1 MS. CRAWFORD: Okay.

2 MR. WRIGHT: Commissioner?

3 COMMISSIONER POLMANN: Yes.

4 MR. WRIGHT: We're going to object to the
5 admission of 112 and 113, for the same reasons
6 stated earlier. In addition, on these two issues,
7 the company has explicitly stated in its position
8 in the pre-hearing -- in the pre-hearing order that
9 there is no testimony on these subjects.
10 Accordingly, this is clearly supplemental
11 testimony, giving the utility an opportunity to
12 supplement the record. We object.

13 COMMISSIONER POLMANN: We'll note your
14 objection.

15 MR. WRIGHT: Thank you.

16 MR. SAYLER: And Public Counsel would join in
17 the objection.

18 COMMISSIONER POLMANN: Public Counsel joins in
19 the objection that was made by the County.

20 Do I hear any comments from --

21 MR. SAYLER: Also questioning -- I notice on
22 Exhibits 112 and 113, there's a Bates Stamp page
23 number. Do you know where that came in in
24 discovery?

25 MS. CRAWFORD: Yes. If you will see marked in

1 the top corner of those items, they're responses to
2 discovery. For 112, it's the KWRU cost
3 justification detail that's in response to staff's
4 third production of documents, No. 46.

5 For 113, it's the No. 45 POD for staff's third
6 request for production of documents.

7 MR. SAYLER: And these are the ones that came
8 in after August -- or April 24th; is that right?

9 MS. CRAWFORD: I believe so.

10 COMMISSIONER POLMANN: Can everybody hear
11 Mr. Sayler?

12 MR. SAYLER: Testing. Okay. I'll try to get
13 this closer.

14 COMMISSIONER POLMANN: Thank you.

15 Ms. Crawford, did you have any other comments
16 on the objections?

17 MS. CRAWFORD: Well, I believe I heard
18 Ms. Swain testify earlier that she actually
19 supports both the late-payment charge and the
20 miscellaneous service charges in her -- the MFRs
21 that she's supporting.

22 Ms. Swain, did I -- can you confirm that or is
23 that not true?

24 THE WITNESS: Yes, that's correct.

25 COMMISSIONER POLMANN: I think we can proceed

1 at this point -- well, I don't just think so; I
2 request we do.

3 EXAMINATION

4 BY MS. CRAWFORD:

5 Q So, help me understand what I'm looking at,
6 Ms. Swain. For example, on Exhibit 112, I see two 2014
7 cost bases for late-payment charges. Is it correct that
8 the bulk of this item describes the payment charge that
9 was approved in the company's prior rate case?

10 A Yes, that's right. That's what we used as the
11 starting point.

12 Q And I see there, at the bottom of that item,
13 some -- some language per FPSC price index. I see the
14 years 2015, 2016, 2017. Can you explain to me what that
15 is and what it does?

16 A Yes, that -- those are the amounts that water
17 and sewer utilities are allowed to employ as a price-
18 index increase on their revenues. And so, what we did
19 was take the -- the allowed rates from the 2014 case and
20 just increase it for the years subsequent by the price
21 index amount allowed by the PSC for the utility's
22 increase in revenues.

23 Q And just so I'm clear, for those years, 2015,
24 2016, 2017, did KWRU file for price indexes for that
25 year?

1 A No, they did not.

2 Q Those years.

3 So, you're simply asking that the prior
4 approved late-payment charge be indexed commensurate
5 with the increases that were approved in those
6 respective years?

7 A By and large, yes. What -- what I did, rather
8 than going through the entire cost justification
9 again -- because, actually, what was filed in the 2014
10 case was not necessarily what was finally approved. We
11 reconstructed what was approved and then used the index
12 as a surrogate for recalculating in the -- in the test
13 year.

14 Q And then, did you apply that same methodology
15 to Exhibit No. 113, with respect to the miscellaneous
16 service charges?

17 A Yes.

18 Q And that's for both the -- the -- during
19 regular hours and after regular hours, you basically
20 made an adjustment for those price indexes --

21 A Yes, that's right.

22 Q -- for those years.

23 MS. CRAWFORD: Okay. Thank you. I have no
24 more questions.

25 COMMISSIONER POLMANN: Commissioners,

1 questions?

2 COMMISSIONER CLARK: I'll ask -- while we're
3 on that -- that issue, why would you not have just
4 done a new cost analysis for the late-payment
5 charges, instead of going back using '14 and then
6 adding the -- the CPIs to it?

7 THE WITNESS: Sure. The -- a couple of
8 reasons -- a few reasons, actually. The first one
9 is that the -- the final order for the last rate
10 case was in -- effective April 2017. It was during
11 our test year. That was one thing. So, these
12 were -- this was newly effective. So, it seemed
13 like a -- a reasonable basis.

14 The other is that our analysis last time was
15 not accepted as the -- the basis for the final
16 approved miscellaneous charges and late charges.
17 So, it seemed sort of irrelevant for us to go back
18 and -- and redo it with higher rates than -- it was
19 going to generate higher rates than what were
20 allowed in the last case.

21 And so, the price index just seemed like,
22 okay, let's -- we've adopted these miscellaneous
23 charges. Let's just increase them by some
24 reasonable amount. And the price index is a
25 fairly-small increment. We felt that that was --

1 that was a good reflection of what we thought we
2 could -- we could prove for this case.

3 COMMISSIONER CLARK: Is this normal in
4 calculat- -- would this be a normal way of
5 calculating this? It seems a little unusual to me.

6 THE WITNESS: No, and -- and because the cases
7 were so close together, we probably wouldn't have
8 recalculated at all because it is quite an
9 exercise.

10 So, in looking at it, it just -- it -- it
11 seemed reasonable. And so, no, I -- I don't think
12 I've ever done that before, but it seemed
13 reasonable as a surrogate for re- -- recalculating.

14 COMMISSIONER CLARK: Understood. Thank you.
15 That's all I have, Commissioner.

16 COMMISSIONER POLMANN: Commissioner Fay?

17 COMMISSIONER FAY: I'm good.

18 COMMISSIONER POLMANN: Okay. Ms. Swain, you
19 had a question from the County regarding -- there
20 was some discussion regarding rate shock. Could
21 you please clarify if that is a responsibility of
22 the -- of the utility to address that? Is --

23 THE WITNESS: Sure.

24 COMMISSIONER POLMANN: -- it the utility's
25 responsibility?

1 THE WITNESS: Actually, I don't believe that
2 it has any place -- and I've never seen it any
3 place -- used for the purpose of establishing
4 revenue requirement. I have seen it when
5 determining the rates that generate the -- the
6 revenue requirement and in the context of, over a
7 certain amount, the customers may use less, and
8 that has to be incorporated into a reduction in
9 billing determinants for the purpose of calculating
10 the rate.

11 But it does not -- rate shock, itself, has no
12 place, that I've ever seen, in determining revenue
13 requirement, either from the utility or the
14 regulator.

15 COMMISSIONER POLMANN: Are you aware -- let me
16 ask a yes or no, if you're aware, of whether the
17 utility considered affordability in rate-setting.
18 In setting the rates, did the utility consider
19 affordability as a parameter?

20 THE WITNESS: Not -- are you talking about
21 this particular utility or in general?

22 COMMISSIONER POLMANN: In -- in this docket.

23 THE WITNESS: Okay. No -- no, the -- and
24 it -- and it really has nothing to do with revenue
25 requirement. Again, you know --

1 COMMISSIONER POLMANN: No, I'm speaking to
2 rates.

3 THE WITNESS: Okay. As it pertains to rates,
4 there are ways to make the rates meet the revenue
5 requirement and, yet, reflect some sort of benefit
6 to the lower-end users, assuming that the people
7 that -- that they're least-afford- -- where it's
8 least affordable will have the least impact of the
9 rate increase.

10 In this case, no, we didn't do that. We did
11 an across-the-board increase.

12 COMMISSIONER POLMANN: Thank you.

13 Now, speak -- speaking on a -- since that
14 wasn't a considered -- speaking hypothetically and
15 not -- not in the case, as what is requested, but
16 for this utility, and for the revenue requirement
17 that is within the petition, is it your opinion
18 that the utility could propose a -- a set of rates
19 that could distribute among customers' rates that
20 would lessen the impact to different customer --
21 different customers across the demographic? Can
22 you conceive of some hypothetical case where that
23 could be accomplished?

24 THE WITNESS: I -- yes, it -- it could be
25 done, hypothetically. I've never seen that in a --

1 you know, in recent years, my recent -- at my age,
2 in the last 20 years, where that's been done. I
3 have seen it in counties or -- or municipal
4 governments, but not a private utility. There's
5 not a -- there's not a place in -- in an economic
6 regulatory aspect for doing any sort of subsidy
7 rate for different classes of customers.

8 COMMISSIONER POLMANN: So, just to clarify
9 that, in your opinion for this utility and this
10 docket, is the proposed rate structure -- and I'll
11 ask it this way. It's either/or. Is it -- is it
12 the best method or is it the only method?

13 THE WITNESS: How -- how about a third option?
14 It's a method. The PSC, the staff, has its own
15 method. I think, across the board, it is more
16 predictable for the individual utilities. That is
17 why we selected that. It is certainly not the only
18 method.

19 COMMISSIONER POLMANN: Is it your recommended
20 method?

21 THE WITNESS: Yes, it is.

22 COMMISSIONER POLMANN: Thank you.

23 COMMISSIONER CLARK: Mr. Chairman, may I
24 follow up?

25 COMMISSIONER POLMANN: Commissioner Clark.

1 COMMISSIONER CLARK: So, explain that to me a
2 little bit. I -- I guess I -- I'm from -- from a
3 different world where, as you allocate cost in the
4 cost-of-service study to the different classes of
5 customers, you determine what proportion of the --
6 the capital requirements of each one of those needs
7 in order to make up the total plant value.

8 Are you saying that you don't do that in the
9 case of -- of sewer customers?

10 THE WITNESS: It -- it isn't that it's not
11 ever done. It's usually done for water and sewer
12 only if there is a single or an identifiable,
13 completely different class of customer.

14 And so, for example, say that KW was doing
15 the -- doing a lot of retail and general-service
16 service, but then were also providing bulk
17 treatment to some other entity, then you would --
18 you would use a cost-of-service study to determine
19 what the -- what the fair portion to the bulk
20 customer was; and similarly, for a large industrial
21 customer.

22 But in water and sewer, it's -- it's only
23 under very specific circumstances do you do a
24 cost-of-service study.

25 COMMISSIONER CLARK: And there are no -- no

1 situations or no customers in this particular case
2 that would meet those criteria?

3 THE WITNESS: Correct. That's correct. It --

4 COMMISSIONER CLARK: They're all --

5 THE WITNESS: You could -- you --

6 COMMISSIONER CLARK: -- equivalent residential
7 consumers.

8 THE WITNESS: They're -- it's not that they're
9 all the same. As a matter of fact, different parts
10 of the service area have very different types of
11 customers, ranging from the bus boys and bag boys
12 to million-dollar homes and all kinds of general
13 service.

14 COMMISSIONER CLARK: But I'm talking about in
15 terms of usage amount. It's --

16 THE WITNESS: As far as -- so, they each have
17 different characteristics as far as usage, but
18 the -- the -- the assumption -- unless it's a very,
19 very different type of customer -- is that their --
20 their demand on the system can be best defined,
21 from a rate standpoint, based on their meter size
22 and the -- and the gallons of water that they are
23 billed for on the sewer.

24 And then the distinction between the
25 residential and the general service is very

1 standard also, usually -- and sewer where the --
2 the water usage is capped for the purpose of
3 billing sewer residential customers, but not
4 general service, that sort of thing, to kind of
5 accomplish the same thing.

6 But a cost-of-service study for a small --
7 generally the water and sewer private utilities are
8 very small. And it's a -- it's a big cost. And
9 when I do them, I usually do them for large
10 municipal and county governments.

11 COMMISSIONER CLARK: I have more questions,
12 but I think I'll confuse myself if I ask them. So,
13 I'm going to -- I'm going to hold off right now.
14 Thank you.

15 COMMISSIONER POLMANN: Anything else?
16 Redirect?

17 MR. FRIEDMAN: Thank you.

18 FURTHER EXAMINATION

19 BY MR. FRIEDMAN:

20 Q Ms. Swain, you were asked several questions
21 about reuse rates, I think, saying, why don't the reuse
22 rates go up to some -- something between where they are
23 and what -- what the acc- -- availability charges -- do
24 you remember that line of questioning?

25 A Yes, I do.

1 Q Are you aware of any utilities before that you
2 have represented that do not charge anything for their
3 reclaimed water?

4 A Absolutely. The -- they require some other
5 alternative for their effluent disposal or -- or reuse
6 and -- besides the standard methods of spray irrigation
7 or -- or deep injection well, and they depend upon or
8 rely upon sales or uses of the reuse by -- by an end
9 user. And so, they don't charge at all.

10 COMMISSIONER POLMANN: Mr. Friedman, could you
11 pull that mic closer?

12 BY MR. FRIEDMAN:

13 Q And Mr. Wright asked you -- went through a
14 whole line of questioning on each individual MFR
15 schedule, about whether they changed or not. Do you
16 remember that testimony?

17 A Yes, I do.

18 Q In your experience, is it normal for amounts
19 reflected in the original MFRs to change as the case
20 progresses?

21 A Yes, absolutely.

22 Q And I think in the very beginning, Mr. Sayler
23 had asked you a question about the MFRs, and you -- you
24 used the words "reasonably foreseeable."

25 In establishing pro forma adjustments, what is

1 the standard that this Commission has consistently held
2 with whether a pro forma adjustment is appropriate or
3 not?

4 A Well, it needs to be -- you know, the -- the
5 plant costs have to take place within two years of the
6 end of the test year. And then, ultimately, the costs
7 have to be known and measurable.

8 MR. FRIEDMAN: That's all the questions.
9 Thank you.

10 COMMISSIONER POLMANN: Thank you,
11 Mr. Friedman.

12 MR. FRIEDMAN: I'll -- I'll move my exhibits,
13 if we're done with the regular --

14 COMMISSIONER POLMANN: That is why I'm looking
15 over there.

16 MS. CRAWFORD: We're at that point, yes, sir.

17 MR. FRIEDMAN: Okay. I get to move mine
18 first.

19 COMMISSIONER POLMANN: I know. I -- I'm
20 looking for help, procedurally.

21 MR. FRIEDMAN: Thank you. I would like to ask
22 that Ms. Swain's exhibit DDS, which is numbered
23 Exhibit No. 2 on this exhibit list, be admitted.

24 COMMISSIONER POLMANN: Okay. We will enter
25 exhibit labeled DDS-2, Ms. Swain.

1 MS. CRAWFORD: DDS-1.

2 THE WITNESS: DDS-1.

3 COMMISSIONER POLMANN: I'm sorry, DDS-1. And
4 that's in the comprehensive --

5 MS. CRAWFORD: Yes.

6 COMMISSIONER POLMANN: -- exhibit list.

7 Do we need to identify the number or is
8 that --

9 MS. CRAWFORD: It's already been identified.

10 COMMISSIONER POLMANN: Okay.

11 MS. CRAWFORD: No. 2.

12 (Whereupon, Exhibit No. 2 was admitted into
13 the record.)

14 COMMISSIONER POLMANN: Mr. Wright?

15 MR. WRIGHT: Thank you, Commissioner. Monroe
16 County moves Exhibits 108, 109, 110, and 111.

17 MR. FRIEDMAN: The only one I had concern with
18 is 111, which I didn't think was authenticated.
19 She was just asking about a number in here. And we
20 don't know -- this was, apparently, something
21 somebody pulled off a website. And we didn't have
22 anybody that could really verify that this, in
23 fact, was an accurate depiction of whatever rates
24 that FKAA is charging. I don't think it has any
25 probative value.

1 MR. WRIGHT: Commissioner, she testified that
2 she considered rates in the area. The internet
3 address from which this was obtained is printed on
4 the back of the exhibit. It's easily -- if we use
5 the old "subject to check," it's easily variable.

6 MR. FRIEDMAN: Well, "subject to check" is not
7 something I ever accept.

8 COMMISSIONER POLMANN: I -- I recall you
9 identifying, Mr. Wright, during your questioning of
10 the witness -- I recall you pointing to the
11 internet address. Honestly, I don't recall the
12 line of questioning where you used this. It was
13 not extensive, to my recollection.

14 MR. WRIGHT: Correct, it was not extensive.
15 It was on -- on reuse rates relative to --

16 COMMISSIONER POLMANN: Right.

17 MR. WRIGHT: -- rates applicable elsewhere in
18 the area.

19 COMMISSIONER POLMANN: Ms. Helton, you've --
20 you've heard the comments here. What is your
21 suggestion, responding to Mr. Friedman on -- do
22 we -- do you suggest we bring this in?

23 MS. HELTON: Yes, sir.

24 COMMISSIONER POLMANN: All right. Thank you.

25 (Whereupon, Exhibit Nos. 108, 109, 110, and

1 111 were admitted into the record.)

2 MS. CRAWFORD: And then, for staff, noting
3 that objections have been previously expressed by
4 Monroe County and OPC, staff would move entry of
5 the portion of 86 that had been discussed
6 previously as well as Exhibits 112 and 113.

7 COMMISSIONER POLMANN: Okay. So, for Monroe
8 County, we're moving in 108, 109, 110, 111.

9 And provided by staff, we're moving in 112 and
10 113 -- and the comments from Ms. Crawford?

11 MS. CRAWFORD: And there's also a portion of
12 Exhibit 86 that was previously discussed before the
13 witness gave her summary.

14 COMMISSIONER POLMANN: Thank you.

15 MR. WRIGHT: Commissioner, just to avoid any
16 possible assertion of waiver, we -- we continue our
17 objection that -- that portion of 86 and 112 and
18 113. Thank you.

19 COMMISSIONER POLMANN: Understood. Previously
20 noted.

21 Anything else on exhibits?

22 MR. SAYLER: Public Counsel -- perhaps, as a
23 process suggestion, for the staff's composite
24 exhibits, like 86, where portions are used for one
25 witness -- excuse me -- portions are used for one

1 witness and then portions for another witness,
2 would it be better to take those up after both
3 exhibits -- or both witnesses have been cross-
4 examined with those, just from a process stand-
5 point?

6 Because the objections I had are, is No. 54
7 and 56 what staff used in cross-examining this
8 witness at this time? Or is 54 and 56 something
9 different from what staff used in cross-examination
10 of this witness?

11 MS. CRAWFORD: The -- the issue of rate-case
12 expense is actually addressed in both the -- the
13 witness' direct and rebuttal. We can ask some
14 questions on rebuttal, if that would help address
15 any objections, as far as OPC.

16 As far as the issue of where there's more than
17 one witness supporting part of the exhibit, we have
18 no objection to taking it up once both witnesses
19 have spoken to the exhibits, but I -- you know --

20 COMMISSIONER POLMANN: Well, I think what
21 Mr. Sayler is asking -- it leaves me unclear, in
22 terms of if we're going to enter part of it, then
23 which part do we not enter now.

24 (Phone ringing.)

25 COMMISSIONER POLMANN: Sorry. Hold on. I was

1 advised about this earlier, but I didn't do what I
2 was supposed to.

3 So, the question is: Do we just leave it all
4 until later? Does it matter? I don't -- I'm not
5 going to go through and try to enter part of it now
6 and part of it later.

7 MS. CRAWFORD: That's fine. We --

8 COMMISSIONER POLMANN: So --

9 MS. CRAWFORD: We have no objection --

10 COMMISSIONER POLMANN: We'll just pick it up
11 later.

12 MS. CRAWFORD: -- to taking it up later.
13 That's fine.

14 COMMISSIONER POLMANN: After Witness --

15 MS. CRAWFORD: -- Johnson.

16 COMMISSIONER POLMANN: Who happens to be next.

17 MR. SAYLER: For clarity of the record,
18 Responses 54 and 56 and Staff Exhibit 86 --
19 Commission staff did not cross-examine Ms. Swain
20 with those two exhibits; is that correct?

21 MS. CRAWFORD: There were no questions asked;
22 however, it has been the staff's process, once the
23 exhibit is authenticated, it can be admitted as a
24 business record.

25 If the objection is that no questions were

1 asked, I can happily ask just a few questions, I
2 think, that will firmly establish the relevance --

3 COMMISSIONER POLMANN: I understand.

4 MS. CRAWFORD: -- and appropriateness of this
5 information.

6 COMMISSIONER POLMANN: Ms. Helton, did you
7 have a comment, please?

8 MS. HELTON: I -- I would just agree that the
9 witness did authenticate the exhibits. And also, I
10 believe that you -- if you look at the
11 comprehensive exhibit list, the issue numbers
12 column, it shows the issue numbers to which these
13 exhibits pertain, which would show the relevance.

14 COMMISSIONER POLMANN: Is there any further
15 comments on this? Because I -- I think we're going
16 to move on and deal with the Exhibit 86 after
17 Witness Johnson.

18 MS. CRAWFORD: Very good.

19 COMMISSIONER POLMANN: Everybody is clear on
20 that. We're going to move on.

21 (Whereupon, Exhibit Nos. 112 and 113 were
22 admitted into the record.)

23 MS. HELTON: And -- and Mr. Chairman.

24 COMMISSIONER POLMANN: Yes.

25 MS. HELTON: I apologize. Was Exhibit 107,

1 the proposed stipulations -- was that admitted
2 earlier?

3 MS. MAPP: Yes.

4 MS. HELTON: Okay. I did not have that
5 checked off. I'm sorry.

6 COMMISSIONER POLMANN: Thank you for asking.

7 Mr. Sm- -- or Mr. Friedman -- Mr. Smith, your
8 witness.

9 MR. SMITH: Yes. KW Resort Utilities calls
10 Mr. Christopher Johnson.

11 COMMISSIONER POLMANN: Okay. What are we
12 doing with Ms. Swain? She'll be back later,
13 right?

14 MR. SMITH: She's going to hang -- she's going
15 to hang around.

16 COMMISSIONER POLMANN: I wanted to confirm
17 that. She'll be back for rebuttal.

18 MR. SMITH: Yes, she will.

19 COMMISSIONER POLMANN: Thank you.

20 MR. SMITH: Thank you.

21 COMMISSIONER POLMANN: Good afternoon,
22 Mr. Johnson.

23 THE WITNESS: Good afternoon, Commissioners.

24 COMMISSIONER POLMANN: You may proceed,
25 Mr. Smith.

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EXAMINATION

BY MR. SMITH:

Q Mr. Johnson, please state your full name for the record and spell your last name.

A My last name is Christopher Johnson, J-o-h-n-s-o-n.

Q Have you prepared prefiled testimony in this matter?

A Yes, I have.

Q Do you have any corrections or changes to that testimony?

A No, I do not.

Q Did you also prepare prefiled exhibits in this matter?

A Yes, I did.

Q What --

A Nos. CAJ-1 to CAJ-24.

MR. SMITH: I would move Christopher Johnson's testimony into the record as if though read.

COMMISSIONER POLMANN: We will move Christopher Johnson's prefiled testimony into the record as though read.

(Prefiled direct testimony inserted into the record as though read.)

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

2 A. My name is Christopher A. Johnson. I am President of K W Resort Utilities Corp.
3 My business address is 6630 Front Street, Key West, Florida 33040.

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

5 A. See resume attached as Exhibit CAJ-1.

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

8 A. I have prepared and presented testimony before the Florida Public Service
9 Commission in K W Resort Utilities Corp.'s last two rate cases. I also testified
10 before the Division of Administrative Hearings in the Last Stand protest of the
11 DEP's intent to issue a modification of KWRU's wastewater permit to allow the
12 construction of the plant expansion.

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

14 A. I am presenting this testimony and appearing on behalf of KW Resort Utilities
15 Corp. (KWRU), the applicant for rate increase in the present docket.

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

17 A. The purpose of my direct testimony is to present information supporting the
18 financial and engineering basis for KWRU's request to increase its rates and
19 charges as presented in the MFRs, and to provide supporting documentation and
20 testimony to show the basis for the requested rates and charges.

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

22 A. Yes, I am sponsoring 24 exhibits. Exhibit CAJ-1 lists my education and experience.
23 CAJ-2 contains MFR Volume III – Additional Engineering Information as filed in
24 the Docket. Exhibit CAJ-3 contains the contract for the rehabilitation of the

1 original wastewater treatment plants. Exhibit CAJ-4 is the chemical analysis
2 spreadsheet prepared by me. Exhibit CAJ-5 is KWRU's engineer of records sludge
3 hauling cost estimate. Exhibit CAJ-6 is the engineer's estimate for construction
4 engineering inspections for the wastewater treatment plant rehab. Exhibit CAJ-7
5 contains the engineering invoices for designing the rehabilitation of the original
6 two wastewater treatment plants project to date. Exhibit CAJ-8 is an engineer
7 memorandum regarding the sole source bidding for this work. Exhibit CAJ-9 is the
8 contract and cost for rehabilitation of the chlorine contact chamber. Composite
9 Exhibit CAJ-10 contains the engineering invoices for designing the chlorine contact
10 chamber project to date and the engineering estimate of construction engineering
11 inspections for this project. Exhibit CAJ-11 is the contract and cost for replacement
12 of Lift Station L2A which was set for replacement prior to Hurricane Irma and was
13 substantially damaged during Hurricane Irma (broken and knocked down). Exhibit
14 CAJ-12 is the cost estimate for replacement of the generator that backs up the
15 wastewater treatment plant and that was damaged beyond repair during Hurricane
16 Irma. Exhibit CAJ-13 is the engineering estimate for designing the pad, installation
17 and inspection for replacement of the generator. Exhibit CAJ-14 is the cost for a
18 tow behind generator utilized for powering lift stations when power goes out that
19 replaces the current tow behind generator that was damaged beyond repair during
20 Hurricane Irma. Composite Exhibit CAJ-15 is the costs for replacement of the
21 phone system to convert from Comcast Cable to AT&T fiber due to Comcast's
22 failure during and post-Hurricane Irma. Composite Exhibit CAJ-16 is the costs for
23 a temporary construction trailer and rental office space due to KWRU's office being
24 damaged and deemed uninhabitable after Hurricane Irma. Composite

1 Exhibit CAJ-17 is the costs of information technology services due to Hurricane
2 Irma. Composite Exhibit CAJ-18 is the generator rental for power back up of the
3 wastewater treatment facility until a replacement generator can be delivered and
4 installed. Exhibit CAJ-19 is the cost of the tow behind generator rental until a
5 replacement tow behind generator can be delivered. Exhibit CAJ-20 is an itemized
6 list of expenditures due to Hurricane Irma. Exhibit CAJ-21 is the contract for a
7 modular office to replace the office destroyed by Hurricane Irma. Exhibit CAJ-22
8 is the roofing estimate. Exhibit CAJ-23 is the employee roster of the utility by
9 position. Exhibit CAJ-24 is the billing analysis.

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

11 A. Yes, they were.

12 **Q. Please explain the pro forma increases in chemicals, sludge hauling and**
13 **purchased power.**

14 A. As to chemicals, my cost estimate included as Exhibit CAJ-4 provides the gallons
15 of chemicals needed per day to give consistently compliant lab results with all three
16 treatment trains on-line. There were periods when the new chemical feed system
17 wasn't functioning as anticipated due to tank configuration and friction loss in the
18 chemical delivery system which resulted in poor results as a result of underfeeding
19 chemical. The spreadsheet reflects the amount of chemical the Utility requires to
20 meet the DEP Permit conditions on a consistent basis.

21 For sludge hauling, Ed Castle has provided an explanation of the cost of sludge
22 hauling with three plants which is attached as Exhibit CAJ – 5.

23 For purchased power, we utilized the months that the three plants were on-line and
24 the cost of power. These amounts were then annualized to derive the cost of

1 operating all three plants and is incorporated into the MFRs.

2 **Q. Please explain the pro forma cost of rehabilitating the original two wastewater**
3 **treatment plants.**

4 A. Attached to my testimony is Exhibit CAJ-3 which is the costs for rehabilitating the
5 older two wastewater treatment plants. The cost is \$915,000.00 for
6 material/equipment, demolition, installation and paint to rehabilitate the existing
7 wastewater treatment plants and standalone clarifier/digester, plus \$3,000.00 per
8 day for blasting and repairing air headers on each plant (estimated at eight days for
9 a cost of \$24,000.00), plus \$3,000.00 for surfacing epoxy to fill voids in the steel
10 on each plant and digester (estimated at twelve days for a cost of \$36,000.00), for
11 a total cost of \$975,000.00. I have also included as Exhibit CAJ-8 a memorandum
12 from KWRU's engineer of record documenting the justification of utilizing a sole
13 source bid for this project.

14 **Q. Please explain the engineering invoices and engineering estimate for**
15 **construction engineering inspections of rehabilitating the original two**
16 **wastewater treatment plants.**

17 A. These costs are for the design of the rehabilitation project as well as the engineer's
18 estimates for construction engineering inspections. I have included these invoices
19 and estimates as Composite Exhibit CAJ-7. The total cost of engineering for this
20 project is \$129,763.75.

21 **Q. What is the total cost of the plant rehabilitation project?**

22 A. \$1,104,764.00.

23 **Q. You have included pro forma adjustments for the chlorine contact chamber**
24 **rehabilitation. Please explain the pro forma cost to rehabilitate the chlorine**

1 **contact chamber.**

2 A. Attached as Exhibit CAJ – 9 is the contract for the replacement of the chlorine
3 contact chamber. Prior to Hurricane Irma, the chlorine contact chamber was on a
4 scheduled capital replacement due to age and the exterior of the steel oxidizing.
5 After the storm, it was discovered that the chlorine contact chamber had ruptured
6 and failed. KWRU had prepared and distributed bid packages to contractors before
7 Hurricane Irma and the Utility received two bids after the storm. Wharton Smith
8 Inc. was the low bidder and has been selected to complete this project. The cost for
9 replacement of the chlorine contact chamber is \$935,000.00, plus the Utility will
10 provide housing for Wharton Smith as a cost saving, which cost of housing is
11 estimated at \$29,325.00 based on current rental estimates. This saved the utility
12 over \$100,000 from Wharton Smith's bid.

13 **Q. Please explain the invoices and engineering cost estimate for engineering and**
14 **construction engineering inspections of the chlorine contact chamber.**

15 A. These costs are for the design of the replacement of the chlorine contact chamber
16 project as well as the engineer's estimates for construction engineering inspections.
17 The total cost of engineering for this project is \$107,489.

18 **Q. What is the total cost of the chlorine contact chamber project?**

19 A. \$1,071,814.

20 **Q. Please explain the pro forma cost of a lift station replacement.**

21 A. Lift Station L2A is an older lift station that was identified as part of the capital
22 improvement replacement schedule. However, during Hurricane Irma it was
23 structurally damaged and was knocked over. The cost to replace this lift station is
24 \$146,393.00. A copy of the contract is attached as Exhibit CAJ-11.

1 **Q. Please explain the pro forma cost of the generator replacement.**

2 A. The generator utilized as backup power to the wastewater treatment plant was
3 approximately 30 years old. During Hurricane Irma it failed multiple times
4 requiring ongoing repairs by an electrician. KWRU is required by the Florida
5 Department of Environmental Protection to maintain its treatment process at all
6 times, including when power is not available from an electric utility. KWRU has
7 priced a new generator sufficient to provide backup power. The cost is attached as
8 Exhibit CAJ – 12. The cost is \$214,638.00 plus sales tax \$16,097.85 for a cost
9 \$230,735.85, but this cost does not include the following costs:

10 Fuel, Fuel Piping, Fuel Venting, Fuel Equipment Installation – estimated cost
11 \$8,000

12 Exhaust Equipment Installation, Exhaust Pipe & Insulation – estimated cost \$9,000
13 Electrical Equip. Installation, Cables, Wires and Conduits, All Equipment
14 Installation – estimated cost \$21,000.

15 Foundation Concrete Pad – estimated cost \$20,000.

16 Equipment unloading and anchoring – estimated cost \$8,000.

17 My estimate of these costs total \$66,000. Combined with the generator cost the
18 total cost is \$296,735.85.

19 **Q. Please explain the engineering cost estimate for engineering and construction
20 engineering inspections of the generator.**

21 A. These costs are for determining the appropriate sized generator, for designing the
22 pad, installation and inspection for replacement of the generator. The total cost of
23 engineering for this project is \$24,270.00, which estimate is attached as Exhibit
24 CAJ-13.

1 **Q. What is the total cost of the generator?**

2 A. \$321,005.85.

3 **Q. Please explain the pro forma cost of the tow behind generator replacement.**

4 A. The tow behind generator, utilized as backup power to the lift stations to allow the
5 lift stations to operate after a storm, was approximately 12 years old. During
6 Hurricane Irma it failed and can't be repaired. KWRU is required by Florida
7 Department of Environmental Protection to operate and maintain its collection
8 system at all times, including when power is not available from an electric utility.
9 KWRU has priced a new tow behind generator sufficient to provide backup power
10 to lift stations after a storm or during other power outages. The cost is attached as
11 Exhibit CAJ – 14. The cost is \$83,470 including tax, delivered from Miami to Key
12 West.

13 **Q. You have included a pro forma cost for a new phone system. Please explain
14 this cost.**

15 A. After Hurricane Irma the Utility's voice and data communications were knocked
16 out completely. Comcast provides this service to the Utility via co-axial cable run
17 aerially. The service still does not operate. Comcast has no estimated time frame
18 for restoring service. The Utility has elected to switch to AT&T as its primary
19 service provider as AT&T has proven more reliable after Hurricane Irma and
20 Hurricane Wilma, and Comcast is not operating the existing service. The cost
21 estimate is \$15,000.00. This cost estimate includes phone set up in the ModSpace
22 temporary office and then moving the phones to the office that permanently
23 replaces the office destroyed by Hurricane Irma. Includes AT&T phone equipment,
24 labor to install at two locations, and AT&T Service Contract for same. The utility

1 runs its supervisory control and data acquisition system (SCADA) on the internet.

2 **Q. What is the monthly cost for this phone service?**

3 **A.** A fiber circuit is \$1,053.88 per month.

4 **Q. Are you keeping the Comcast phone system?**

5 **A.** Yes, at this juncture, no phone service has been proven to be completely reliable and our
6 utility plant SCADA system is controlled through the internet requiring redundancy.

7 **Q. You have included a pro forma cost for a used service truck with a crane.
8 Please explain this cost.**

9 **A.** Presently our maintenance crew must rely on third parties to remove larger utility
10 sewerage pumps. This has caused problems in emergency situations such as after
11 Hurricane Irma where third parties were not available. One such customer that
12 routinely requires this type of equipment is Monroe County for the jail where an
13 extremely high amount of service is necessary due to inmates flushing non-
14 flushable items from their cells. Delays in service response can cause sewer back
15 up into the jail. KWRU has also had an employee injured due to not having a truck
16 with a crane available. We have estimated this cost at \$74,174.00.

17 **Q. You have included a pro forma cost for a new office. Please explain this cost.**

18 **A.** The current office trailer was acquired in 2002. It was supposed to be a temporary
19 office trailer but was utilized by the Utility for 15 years. After Hurricane Irma,
20 inspections revealed significant water damage to the entire trailer. The flooring,
21 roof and walls would need to be replaced as well as the structural elements of the
22 bottom of the trailer which acts as the support. The office has mold which led to
23 an employee's resignation due to workplace conditions. Based on the foregoing, it
24 was determined the trailer is a total loss. The Utility has obtained a cost estimate

1 for a modular office approximately 1,200 square feet, to be placed above flood
2 elevation. The cost for the office \$250,000.00 and can be installed within six
3 months. A copy of the contract is attached as Exhibit CAJ-21. Demolition and
4 hauling of the old trailer is estimated to cost \$13,000.00. The materials and labor
5 required to install a concrete slab to allow for storage under the office are estimated
6 to cost \$25,000.00. In the interim, KWRU and its staff are operating out of a
7 temporary construction trailer and rented office space due to the current office
8 being uninhabitable. The total cost of a new office is \$288,000.

9 **Q. What are the costs for temporary office space?**

10 A. The cost of temporary construction trailer/office is \$6,630.60 for the year, plus
11 installation and removal costs which are \$4,813.77, plus utility installation costs of
12 \$6,000. For a total cost of \$17,444.37.00. I have included the rental contract for
13 the first six months as Exhibit CAJ-16. The rental rate will remain the same for an
14 additional six months and we will then have the removal costs. Additionally,
15 KWRU leased space for billing and accounting functions at the rate of \$1,000.00
16 for one month prior to the trailer being installed for staff to utilize. The total pro
17 forma cost for the temporary office space is \$18,444.37 for one year.

18 **Q. You have included a pro forma expense for Information Technology services.**
19 **What were the IT costs for?**

20 A. These costs are expenses associated with Hurricane Irma. They include server and
21 hard drive removal pre-hurricane, post hurricane reinstatement of servers and hard
22 drives, relocation of servers and hard drives to temporary office space due to
23 KWRU office being uninhabitable due to health concerns, then relocation from the
24 temporary office location to the ModSpace office at the treatment plant location.

1 The costs also include the relocation of voice and data to the final location of the
2 new office after its construction, and the cost of AT&T fiber optic cable.

3 **Q. What is the total costs for IT due to Hurricane Irma?**

4 A. The total cost is estimated at \$7,396.28, which as attached as Composite
5 Exhibit CAJ-17. The utility has invoices for the first relocation and reinstatement
6 of servers and hard drives pre- and post-hurricane as well as a cost for work relating
7 to fiber optic cable. I have provided a line item estimate for the IT Professional
8 Services including the integration of the fiber optic cable, phone system
9 programming, and relocating voice and data from the temporary ModSpace office
10 to the permanent office once it is constructed.

11 **Q. You have included a pro forma expense for two rental generators. Please**
12 **explain these costs.**

13 A. These costs are for a temporary backup generator for the wastewater treatment plant
14 and a tow behind generator. These generators are necessary to provide power for
15 the wastewater treatment plant and lift stations during power outages. Due to high
16 demand for generators (Houston – Hurricane Harvey and Florida, Georgia, South
17 Carolina, Puerto Rico – Hurricane Irma) the utility does not anticipate being able
18 to have a generator delivered for a minimum of 20 weeks, but more than likely 24
19 weeks. Attached as Exhibit CAJ–18 is the cost of renting the wastewater treatment
20 plant generator which totals \$77,273.76. Additionally, the cost of installation and
21 dismantling, as estimated by Nearshore Electric, is \$5,500.00. \$900.00 is allocated
22 for insurance, giving a total cost of \$83,632.

23 For the tow behind generator, attached as Exhibit CAJ-19 is the cost of the tow
24 behind generator rental for six months in the amount of \$11,642.

1 The total cost for both generators is \$95,274.

2 **Q. What other pro forma costs have you requested to include due to Hurricane**
3 **Irma?**

4 A. Attached as Exhibit CAJ-20 is an itemized list of Hurricane Irma expenditures. The
5 total cost to date is \$75,279. There are still vendors which have not tendered
6 invoices to KWRU and damage that has not been repaired. I estimate the
7 outstanding invoices and damage repairs will total approximately \$15,000.00
8 which have not been received.

9 **Q. Were there other capital investments required due to Hurricane Irma?**

10 Yes, the cost to repair the roof of the maintenance building \$4,680, attached as
11 Exhibit CAJ-22 and an estimate to replace the Cherrington Sand Sifter which was
12 no longer operable as a result of Hurricane Irma is \$44,300.

13 **Q. You have included pro forma adjustments for employees. Can you please**
14 **explain this?**

15 A. Yes, the last rate case contained a major error in the approved expenses for
16 employees. In the 2014 rate case, Docket No. 150071-U, the Utility had 9.5
17 positions consisting of two officers and 7.5 staff positions prior to the expansion
18 and conversion to operations at Advanced Wastewater Treatment Standards. As
19 part of the 2014 rate case, the utility requested four additional employees be
20 approved, two operators, one mechanic and one administrative position, be
21 approved to operate the third plant and the entire system at AWT. The utility
22 provided pro forma expenses for these employees, which were approved except for
23 approximately \$2,000.00. However, the pro forma employee additions were not
24 added to the 9.5 positions based on the annualized salary for the existing staff

1 positions plus the pro forma employee positions. Instead, the order approving the
2 additional positions took the employee expenses for the prior twelve months and
3 added the pro forma employee costs to these amounts.

4 This was in error because during the prior twelve months there were several
5 vacancies which dramatically reduced the total employee expenses throughout the
6 year. The reduced staff for extended periods led to additional turnover due to
7 employees being overworked. The employee salaries based on 14 positions is (1)
8 employees \$752,549, (2) officers \$261,581 and (3) employee pensions and benefits
9 of \$217,557, which pensions is based on the new pension or profit sharing plan set
10 up for employee retention. I have included as Exhibit CAJ-23.

11 **Q. You have included pro forma adjustments for the costs of a profit-sharing**
12 **plan. Can you please explain the basis for these pro forma expenses?**

13 A. KWRU has had employee retention issues and has frequent turn over on a year over
14 year basis. The failure to retain employees makes every aspect of the Utility more
15 difficult to manage. Lack of expertise and experience on specific utility treatment
16 equipment and systems translates to employees being on a learning curve, less
17 efficient system/process operation, and this acts as a weight pulling down the level
18 of service that the Utility can provide to its customers.

19 The Utility lost 50% of its operations staff in the first two Quarters of 2011.
20 In 2013 it had to hire three new employees on a staff of 9.5. In 2014, the Operations
21 Group was comprised of 67% new staff. The Utility determined it is losing staff
22 to other utilities and municipal wastewater districts because of higher wage/benefit
23 packages and less required on call duty. The administrative staff at that time was
24 reported to be comprised of 33% new employees. Management made a plea to the

1 ownership to look at the wage/benefit package as a retention issue.

2 In 2016, the company had a 42% turnover rate and an additional person not included
3 in the 42%, the Lead Operator, gave notice that he would be retiring within 6
4 months.

5 KW Resort Utilities can improve retention and reduce turnover by implementing a
6 more traditional Pension Plan.

7 KWRU currently has a 401K with a max match of 4% of salary. Analyzing the
8 participation levels in the 401K reveals that the participation is not equal throughout
9 the company. Higher paid employees are much more likely to participate than other
10 employees. This imbalanced participation does not create harmony among
11 employees. In fact, one employee, Eddie Roberts, who was not highly paid,
12 resigned after accepting a position equivalent to the position he held at KWRU with
13 Florida Keys Aqueduct Authority. Mr. Roberts told KWRU in his exit interview
14 that a reason for his leaving was that KWRU did not have a retirement program.
15 He said this even though he was aware that the company had a 401K plan with 4%
16 maximum match by the Utility. Highly compensated employees participate in the
17 401K program and they see it as a benefit. However, because the 401K is portable
18 it does very little to tether the employee to the company. A highly paid employee
19 can accept a position at another utility and just roll their 401K into another plan
20 quite easily. Further, often when KWRU makes an employment offer to an
21 outstanding candidate with utility industry experience the offer is refused for the
22 reason that the candidate can get their full retirement benefit in a certain number of
23 years at their current utility or wastewater district. KWRU's employees have no
24 similar motivation to stay, as they lose very little if they accept a position elsewhere

1 because their plans can be rolled into other employers' plans.

2 Even if employees were to 100% vest in a traditional plan in 7 years, the Utility
3 would benefit immensely in terms of employment retention and operational
4 continuity. An examination of payroll records reveals that often employees resign
5 between year 1 and year 3.

6 KW Resort Utilities paid \$162,596 in the test year for pensions and benefits. For
7 the final rates, by projecting the current salary levels for all full-time employees
8 approved by the PSC the cost of pension and benefits is \$217,557. This upgrade to
9 a retirement benefit that was experiencing imbalanced participation is the Utility
10 making an investment in its employees which is its most valuable asset.

11 **Q. Please explain the reduction in billable gallons within the KWRU service area
12 as well as reduction in usage.**

13 A. In May 2017, KWRU noted a significant drop in usage at Stock Island Apartments.
14 I contacted FKAA as I believed it was an error as we had several issues with the
15 billing file we have received from the FKAA prior to this. After an investigation
16 by Paul Cales at FKAA and myself, it was determined that the reduced water usage
17 is correct. Since this dramatic reduction in water usage, the water usage has
18 remained at this lower level and continues to remain at this level to date. Based on
19 this, I calculated the billable gallons from Stock Island Apartments on an
20 annualized basis. This constitutes a reduction in gallonage from 23,244,814 to
21 6,151,981 gallons on an annualized basis. This reduction has been incorporated into
22 the MFRs as a pro forma adjustment to billable gallons.

23 **Q. Would this affect the daily effluent flows reported?**

24 A. Yes.

1 **Q. Are there any other issues that may affect the daily flows reported during the**
2 **test year?**

3 Yes, on November 17, 2017, we had the effluent flow meter calibrated and the
4 electrician, Jeff Kirk of Nearshore Electric, determined that the flow meter was not
5 operating properly and was under reporting effluent flows at the rate of 50 gallons
6 per minute or 3,000 gallons per hour. This has now been corrected and the DMRs
7 evidence a significant increase in the daily effluent flows. The last time it was
8 calibrated was last November.

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

10 A. Yes, it does.

1 BY MR. SMITH:

2 Q Have you prepared a summary of your testimony?

3 A Yes, I have.

4 MS. MAPP: May I stop and ask a question
5 first?

6 COMMISSIONER POLMANN: I'm sorry, Ms. Mapp.

7 EXAMINATION

8 BY MS. MAPP:

9 Q Yes. Good morn- -- afternoon, Mr. Johnson.

10 A Good afternoon.

11 Q You were previously given or provided the
12 exhibits marked as 84, 85, 86, 89, 90, 91, and 92; is
13 that correct? And it's also before you in the binder.

14 A Yes, that's correct.

15 Q And you had an opportunity to review those
16 responses.

17 A (Examining document.) Yes, I have.

18 Q Did you prepare these exhibits or are -- were
19 they prepared under your supervision or control?

20 A Yes, they were.

21 Q And would the -- your answers be the same
22 today as they were when these responses were prepared?

23 A I can say the information at the time it was
24 given was accurate. There are some dynamic elements to
25 the wastewater treatment plant and some of the work

1 going on and some of those things could have changed,
2 but at the time this was written, it was accurate.

3 MS. MAPP: Thank you.

4 MR. WRIGHT: Commissioner, briefly, for the
5 reasons stated earlier, we -- we will object to the
6 admission of all of these exhibits, including
7 that -- that part of the 86 sponsored or provided
8 by Mr. Johnson. Thank you.

9 MR. SAYLER: Commissioner Polmann, Public
10 Counsel -- for the same reasons we stated earlier,
11 we would renew our objections -- or we would object
12 to these exhibits going into the record for the
13 same reasons we objected when Ms. Swain was asked
14 about her discovery responses that she sponsored.

15 COMMISSIONER POLMANN: Objections noted from
16 the County and from the Office of Public Counsel.

17 Anything further? We'll proceed with the
18 witness.

19 Mr. Smith, go ahead.

20 FURTHER EXAMINATION

21 BY MR. SMITH:

22 Q Mr. Johnson, I believe you stated you prepared
23 a summary of your prefiled testimony.

24 A I did.

25 Q And if you could, provide that.

1 A Good afternoon, Commissioners and staff. My
2 name is Christopher Johnson. I'm the president of the
3 KW Resort Utilities Corp. I'm testifying on behalf of
4 the utility.

5 The purpose of my direct testimony is to
6 present information as it relates to the original filing
7 of the MFRs as they were prepared by the utility's
8 regulatory consultant, Ms. Swain.

9 There are pro forma expenses and capital
10 projects, some of which arose as a result of Hurricane
11 Irma, the center of which hit the Keys, 15 miles from
12 the utility's wastewater plant and collection system.

13 The costs, as presented in my direct
14 testimony, were submitted shortly after the Hurricane
15 Irma and were made based off of contracts, bids,
16 estimates, and comparable pricing, available before and
17 shortly after the storm.

18 The utility's main generator was damaged in
19 the hurricane beyond repair. The generator provides
20 power to the entire treatment plant and it powers the
21 vacuum collection system.

22 The total cost of the project of replacement,
23 including foundation, electrical, mechanical, and new
24 generator, at the time, was estimated to be \$321,000 --
25 sorry -- \$321,005.

1 The utility's main office was also damaged
2 beyond repair because of Hurricane Irma. The cost of
3 demolition to the damaged office, construction of a
4 concrete slab underneath the office, a foundation and a
5 new modular office of approximately the same size as the
6 existing damaged office totals \$288,000.

7 The utility's chlorine contact chamber and
8 filter units were set for repair prior to the storm, but
9 were damaged in Hurricane Irma. The result of this
10 damage was a leak in the north train's filter cell. The
11 project to replace these units became a high priority
12 because of the leak, after the tank was compromised as a
13 result of Irma. Total project cost: \$1,071,814.

14 Capital rehabilitation of the east and west
15 existing wastewater plants -- these plants are rated at
16 500,000 gallons per day and were originally constructed
17 in 1983 and 1995. The plants were scheduled for
18 rehabilitation work. And the work involves field
19 erection, fabrication, welding, and application of
20 coating systems. Total project cost at the time was
21 estimated to be \$1,104,764.

22 In addition to the capital projects, I've also
23 provided testimony for the pro forma expenses. A pro
24 forma adjustment for employees was given. In the last
25 rate case of 2014, the utility requested four additional

1 employees, which were approved, except for approximately
2 \$2,000; but the pro forma salaries for the four
3 additional employees were not added to the existing 9.5
4 positions, based on existing annualized salary of those
5 positions, plus the pro forma employee positions. Based
6 on 14 positions, the salaries for employees and officers
7 is 1,014,130, and employee benefits and pension total
8 217,557.

9 Additionally, testimony was provided for the
10 following pro forma adjustments: A pension plan to help
11 the utility with the difficult problem of employee
12 retention, with an increase of benefits to cover this
13 cost of \$35,000. This cost is less than 2 percent of
14 total expenses.

15 An IT communications system cost to provide
16 redundancy for mission-critical supervisory control, and
17 data acquisition system for the entire treatment plant
18 and vacuum system and generator rental expense.

19 Two generators were necessary to be rented as
20 a result of existing generators being damaged in
21 Hurricane Irma beyond repair. These generators ensure
22 that the utility is able to serve its customers in the
23 event of a Keys Energy Services power failure.
24 Therefore, they are absolutely necessary. And as a side
25 note, this generator was running since Sunday to provide

1 the utility with power because of a failure.

2 From my testimony, it is clear and evident
3 that Hurricane Irma had a major impact, financial and
4 otherwise, on the utility. Costs resulting directly
5 from Hurricane Irma, coupled with other capital projects
6 that will preserve and extend asset life are the major
7 reasons we are appearing before you today.

8 Thank you.

9 MR. SMITH: I tender the witness for cross-
10 examination.

11 COMMISSIONER POLMANN: Thank you, Mr. Smith.
12 Mr. Saylor?

13 MR. SAYLER: Thank you, Commissioner Polmann.

14 I had -- well, some exhibits are being passed
15 out, already collated. And we will -- when
16 everyone has one, if we could get those all marked,
17 for the record.

18 COMMISSIONER POLMANN: Thank you, sir.

19 I believe there are four. Let us know if
20 anybody has something else.

21 MR. SAYLER: When I was collating these late
22 last night, I hope I -- everyone should have four.

23 COMMISSIONER POLMANN: Does late last night
24 have anything to with -- a reason?

25 MR. SAYLER: Some people might have three,

1 some people might have five.

2 COMMISSIONER POLMANN: Well, we can share.

3 Does everybody have a package?

4 MR. SAYLER: And Commissioner Polmann, I would
5 recommend they be marked for identification in the
6 order that they were in the packet, as well as the
7 short titles that we have. And I can go through
8 that or you can, whatever your pleasure is.

9 COMMISSIONER POLMANN: Well, I'm going to read
10 them. You tell me if this is what you had in mind.

11 MR. SAYLER: Yes, sir.

12 COMMISSIONER POLMANN: The first one in my
13 packet is KWRU responses to OPC's third set of
14 interrogatories, paren, No. 43.

15 MR. SAYLER: Perfect.

16 COMMISSIONER POLMANN: The next number I have
17 is 114. Is that what everybody has?

18 MS. CRAWFORD: Yes.

19 THE WITNESS: Yes.

20 MR. SAYLER: Sorry --

21 COMMISSIONER POLMANN: That's not a good
22 start.

23 MR. SAYLER: So, Exhibit No. -- so, KWRU's
24 responses to staff's -- or OPC's third set of
25 interrogatories, No. 43 is identified as

1 Exhibit 115; is that right?

2 MS. CRAWFORD: 114.

3 (Simultaneous speakers.)

4 COMMISSIONER POLMANN: 114.

5 MR. SAYLER: 114. Oh, so, the price index
6 that was passed out with Ms. Swain's testimony
7 wasn't marked as Exhibit 114?

8 MR. FRIEDMAN: That's correct. It was not
9 marked at all.

10 COMMISSIONER POLMANN: Ms. -- Ms. Crawford, we
11 didn't -- we didn't bring that in.

12 MS. CRAWFORD: That was only provided in case
13 we needed to refresh the witness' recollection.

14 COMMISSIONER POLMANN: Okay.

15 MS. CRAWFORD: And she was able to speak to
16 it, so we never identified --

17 COMMISSIONER POLMANN: No, we handed that out;
18 we did not use that.

19 MR. SAYLER: Okay. Thank you.

20 COMMISSIONER POLMANN: So, your first one is
21 114.

22 (Whereupon, Exhibit No. 114 was marked for
23 identification.)

24 MR. SAYLER: Okay.

25 COMMISSIONER POLMANN: The next one I have is

1 KWRU responses to OPC's second set of
2 interrogatories, paren, No. 21.

3 MR. SAYLER: Yes.

4 COMMISSIONER POLMANN: 115.

5 MR. SAYLER: Yes, sir.

6 (Whereupon, Exhibit No. 115 was marked for
7 identification.)

8 COMMISSIONER POLMANN: Next, I have KWRU
9 amended and restated responses to OPC's
10 interrogatories, No. 142.

11 MR. SAYLER: Yes, sir.

12 COMMISSIONER POLMANN: That's 116.

13 (Whereupon, Exhibit No. 116 was marked for
14 identification.)

15 COMMISSIONER POLMANN: Then I have KWRU's
16 profit-sharing plan and trust excerpt, 117.

17 MR. SAYLER: Yes, sir. Thank you.

18 COMMISSIONER POLMANN: Please proceed, sir.

19 (Whereupon, Exhibit No. 117 was marked for
20 identification.)

21 MR. SAYLER: All right.

22 EXAMINATION

23 BY MR. SAYLER:

24 Q Mr. Johnson, would you please turn to Page 6
25 of your prefiled direct testimony, Lines 22 through 23.

1 A Yes, sir.

2 Q And it was your testimony that Lift Station
3 L2A was structurally damaged and knocked over; is that
4 correct?

5 A The lift station control panel was, yes.

6 Q It does not say lift station control panel; is
7 that correct?

8 A Yes, that's correct.

9 Q All right. Would you turn to your
10 Exhibit CAJ-11, attached to your testimony, please.

11 A Yes.

12 Q All right. And this is the Lift Station L2A
13 agreement that you have with B&L Beneway, Inc., correct?

14 A Correct.

15 Q All right. Would you read the recital, "B,"
16 for the record?

17 A "Hurricane Irma damaged the lift station
18 beyond repair, and it requires immediate replacement."

19 Q Okay. And will you confirm that you're the
20 one who executed this agreement on behalf of KWRU?

21 A Yes, I did.

22 Q Okay. And it was during your deposition where
23 you corrected your testimony stating that it was the
24 electrical panel that was knocked over by Hurricane
25 Irma?

1 A Correct. We also provided, during the course
2 of the rate case, a picture of the actual control panel
3 on the ground.

4 Q All right. And after the storm, that control
5 panel was reinstalled; is that correct?

6 A It was, yes.

7 Q All right. And now, as a part of your
8 rebuttal case, you are now asking for that control panel
9 to also be replaced; is that correct?

10 A The control panel replacement was planned
11 from -- from the very start --

12 Q Okay.

13 A -- of the case.

14 Q And were the costs for that control panel
15 replacement included in this contract with B&L Beneway?

16 A No, they were not.

17 Q And has Beneway started work on replacing Lift
18 Station L2A?

19 A No, they have not.

20 Q Isn't it true that B&L Beneway was supposed to
21 complete this by March 31st, 2018, the replacement of
22 this lift station?

23 A That is the completion date on this contract,
24 yes.

25 Q So, is B&L Beneway in breach of this contract

1 to replace the lift station?

2 A Presently, they are not. We're in contact
3 with them, and we're trying to schedule a work date.

4 Q Are there any damages provisions in your
5 contract with B&L to ensure timely compliance and
6 replacement?

7 A I don't believe so.

8 Q And you would agree that this is one of the
9 pro forma projects that KW sole-source bid; is that
10 correct?

11 A I wouldn't say sole-source bid, no, that's not
12 correct.

13 Q Did you provide additional bids as it relates
14 to the Lift Station L2A?

15 A We provided a bid from Wharton Smith or -- I'm
16 sorry. We had previously bid the sister lift station,
17 which is approximately 300 feet from this lift station.
18 The identical set of plans were used for this lift
19 station that was for the sister lift station. We had
20 received a bid from Wharton Smith for that lift station
21 in 2014, as well as a bid from Beneway.

22 Since then, we have asked Wharton Smith to
23 produce a bid, and they refused to bid, citing that they
24 could not be competitive.

25 Q All right. So, you were saying that you bid

1 out a different lift station about four years ago, and
2 you're using that as a comparison for this project?

3 A Correct. It's the same design, same lift
4 station, 300 feet away in the same exact conditions and
5 area.

6 Q Well, I do have more questions for you about
7 this in your rebuttal, since you discuss it in your
8 rebuttal. So, I'll save those for that time.

9 A All right.

10 Q Would you please look at the first exhibit
11 marked in the hearing record, No. 114. Would you take a
12 moment and review the company's response to this third
13 set of interrogatories, No. 43.

14 A Yes.

15 Q And would it be accurate to say that you would
16 be the correct witness to ask questions about this
17 response?

18 A Yes.

19 Q Okay. And for the record, it says: Please
20 provide the amount of overtime pay for each employee/
21 position for each of the last five calendar years.

22 And it is correct that you -- the utility
23 provided that?

24 A Yes, we did.

25 Q All right. Would you turn to the last two

1 pages. And you would agree it shows overtime expenses,
2 in reverse order, from 2017, '16, '15, '14, and '13; is
3 that correct?

4 A Yes.

5 Q All right. For those overtime expenses in
6 2013, what was the driving factor for that amount of
7 overtime?

8 A A few things. In general, call-outs are the
9 main reason employees work overtime. We don't, as a
10 rule, schedule projects on a regular basis that would
11 result in overtime. We have scheduled projects on a
12 Saturday or in the middle of the night to facilitate
13 taking a system offline, but those projects are very few
14 and far between.

15 The emergency that arises at 7:00 on a Sunday
16 night -- that's more of the kind of activity that these
17 employees are engaging in.

18 Q So, would it be fair to say you don't recall
19 the specific reasons that cause the need for overtime in
20 2013, beyond the general responses you've provided?

21 A There's a myriad of -- of reasons to be called
22 out and to perform overtime. As you recall, back in
23 '13 -- for specific employees is a very difficult
24 question on the witness stand to be able to answer,
25 without looking at records. I'm sorry.

1 **Q What about 2014? Do you recall any specific**
2 **things for 2014?**

3 A Yeah, this would be very similar.

4 **Q All right. Why was 2014 so much higher than**
5 **some of the other years?**

6 A There's a number of reasons why we could
7 accumulate quite a bit more overtime, year over year.
8 2017, Hurricane Irma resulted in overtime. On another
9 year, you might not have a hurricane; you'll have less
10 overtime. So, this is something that fluctuates.

11 It doesn't just take a hurricane. We just had
12 a weather event over the weekend. We had guys out on
13 our system, in the middle of the night, checking
14 generators, going through the system. This is normal
15 procedure. Events like that happen.

16 There's a lot of flashing yellow lights. It's
17 not just us. Power company is out on their system.
18 Water is out on their system. These are the events that
19 drive overtime: Unusual weather events, hurricanes,
20 hurricane preparedness.

21 Even if a hurricane is coming, it doesn't hit
22 us, there's still a number of activities that have to be
23 carried through on by the utility to prepare.

24 **Q Okay. For 2015 or 2016, do you recall any**
25 **specific events that would drive the cost of overtime**

1 **for those years, beyond what you've discussed?**

2 A Nothing sticks out in my mind as a single
3 event that may have happened to cause it. Looking at
4 these numbers, 2016 looks to be a little heavier than
5 2015, but not widely so.

6 Also, overtime depends on the amount of
7 staffing we have. If we have more people, we may not
8 engage in as much overtime.

9 **Q Okay. And beyond Irma, in 2017, were there**
10 **driving factors for the overtime costs?**

11 A Hurricane Irma is definitely the one that
12 would stick out. 2017 was also a time when we had an
13 expansion project completing, which presented existing
14 staff with a number of challenges. Our staff has to
15 maintain our treatment systems and maintain water
16 quality. All the while, the new plant is being built.

17 These plants don't perfectly integrate.
18 There's a sharing of tanks, chlorine contactor --
19 chlorine contact chamber, filter cells, effluent box.
20 All these systems are interrelated. And they can't be
21 completely -- completely removed.

22 The amount of time it takes to coordinate
23 these efforts does tax the existing staff and could
24 potentially result in overtime, depending on what the
25 activity is.

1 Q Okay. Would you turn back to your response to
2 the Interrogatory No. 43. Do you see where it says,
3 "The majority of employees with significant overtime pay
4 are no longer employed by KWRU. This illustrates the
5 need for additional employees to ensure employees are
6 not overworked"? Do you see that?

7 A Yes.

8 Q So, you would agree that being overworked is a
9 reasons why some of your employees have quit or
10 resigned; is that correct?

11 A Well, not having enough employees results in
12 more stress being put on an individual. If you have a
13 larger staff, you can share the workload, particularly
14 on-call duty.

15 Q All right. If you will, turn to the next
16 exhibit, No. 115, your response -- or the company's
17 response to OPC Interrogatory No. 21. If you would,
18 take a look at it and let me know if that's something
19 that you sponsored or would be the right person to ask
20 questions about.

21 A Yes, I would be the person to ask.

22 Q Okay. The response indicates that Irma was an
23 extraordinary event that led to the request for
24 additional overtime and salaries and wages; is that
25 correct?

1 A There were two -- let -- let me make the
2 differentiation. There were two events being discussed.
3 Hurricane Irma was an actual event that happened. An
4 extraordinary event was the planning for a potential
5 tropical storm or hurricane and what it would take to
6 respond to that event.

7 Q Okay. I'm not following you, Mr. Johnson.
8 You're saying that Hurricane Irma was a real event with
9 real overtime; is that correct?

10 A Correct, which is measurable by our payroll
11 records and such.

12 Q And the, quote, OT extraordinary event, end
13 quote -- that's not Hurricane Irma; is that correct?

14 A That's correct.

15 Q So, it's a potential hypothetical event.

16 A Correct.

17 Q Now, you would agree, in your response to this
18 interrogatory, you discuss Hurricane Irma quite a bit.
19 In fact, on Page 8, under the response, it says: The
20 extraordinary event was a Category 5 hurricane -- was a
21 Category 4 hurricane, Irma.

22 Do you see that?

23 A Yes.

24 Q So, are you changing your response to this
25 interrogatory? You're changing -- redefining what an OT

1 extraordinary event is? I -- I'm trying to understand.

2 A Yes, what I'm saying is an extraordinary
3 event, a hypothetical -- 42-day event is the
4 hypothetical. The actual event, which we're planning
5 for, happened. And it's Hurricane Irma, whose costs are
6 measurable and recorded.

7 Q And you would agree that, on 10/2/13 of this
8 discovery response, you spend a lot of detail on how
9 much time and -- how much time you and the employees
10 spent on Hurricane Irma for work, correct?

11 A Correct.

12 Q And in the hurricane expense, you are only
13 claiming \$7,440 in hurricane overtime; is that correct?

14 A (Examining document.) Is that in this
15 testimony?

16 Q You mean your response to Interrogatory
17 No. 21?

18 A Page --

19 Q I don't believe that the exact amount that KW
20 is requesting for hurricane overtime expenses are in
21 this response because this response is a question
22 about -- "Please describe the OT hurricane event."

23 But to your knowledge, is KW seeking only
24 \$7,440 in hurricane overtime related to Irma? Is that
25 correct?

1 A We are seeking overtime. The exact dollar
2 amount, I do not have in front of me.

3 Q Okay. Now, in your direct testimony, you're
4 asking for approximately \$53,000 in Hurricane-Irma-
5 related costs to be amortized over five years; is that
6 correct?

7 A (Examining document.)

8 MR. SMITH: Just to move this along --

9 A I'm looking at CAJ-20.

10 Q Okay.

11 A And at the time this was filed, a --
12 itemization of expenses were put into the hurricane
13 category.

14 Q Yes, sir.

15 A And on Page 2 of 2, there seems to be a total
16 at the bottom of \$75,279.15; however, it should be noted
17 that, when this schedule was created, certainly all
18 hurricane costs, at that point, had not been incurred.

19 Q Okay. With regard to the amount that KW is
20 requesting to be amortized, that period is over five
21 years; is that correct?

22 A We're asking for this -- actual costs that
23 have been incurred to be amortized over four years.

24 MR. SMITH: If -- if I may, can he point to
25 the testimony where Chris Johnson requested the

1 five years?

2 Q Well, Mr. Johnson, to your knowledge, in your
3 direct case -- did KW request that it be amortized over
4 four years or five years, in your direct case? Or would
5 that be a Debbie Swain question?

6 A Right now, at this point in time, we would
7 like it to be amortized over four years.

8 Q But when you filed your direct case, do you
9 recall that it was to be amortized over five years? Yes
10 or no.

11 A I don't recall.

12 Q Okay. And do you know why it changed from
13 five to four years?

14 MR. SMITH: Objection. Misstates testimony.

15 COMMISSIONER POLMANN: Sustained.

16 MR. SAYLER: Okay. Would you please turn to
17 Page 9 of your direct testimony, Lines 22 to 23.

18 Commissioner Polmann, I do apologize. It's --
19 the temperature is increasing quite a bit, so I'm
20 going to remove my jacket.

21 COMMISSIONER CLARK: Yes, it's been turned
22 down already.

23 MR. SAYLER: Unless -- it's been turned down?

24 COMMISSIONER POLMANN: Yeah. We're in
25 business casual mode. So, anybody who wants to

1 take their clothes off, you certainly may, given
2 the degrees.

3 Kelly, is that something that you've already
4 addressed?

5 MS. THOMPSON: Yes.

6 COMMISSIONER POLMANN: Okay. That's been
7 taken care of.

8 Mr. Saylor, just a point, if -- if you're
9 looking at a particular exhibit that would assist
10 the witness at the time of the response, that would
11 be great, as you've just done on Page 9. Thank
12 you.

13 Could you redirect that you're on Page 9?

14 MR. SAYLER: Sure.

15 COMMISSIONER POLMANN: Thank you.

16 BY MR. SAYLER:

17 **Q Are you on Page 9 of your testimony?**

18 **A Yes.**

19 **Q Please look at Lines 22 to 23, where you**
20 **testify, "The office has mold, which led to employee's**
21 **resignation due to workplace conditions." Do you see**
22 **that?**

23 **A Yes, I do.**

24 **Q All right. Do you recall, in your deposition,**
25 **you had detailed working conditions of the office, such**

1 **that -- let's see: You had a woman who worked for your**
2 **office for a couple of days. "She was excellent, but I**
3 **hate to say it, we lost her because she couldn't work in**
4 **these conditions."**

5 **Do you recall this -- stating that in your**
6 **deposition?**

7 A I recall stating that in my deposition, but it
8 is not the same office as this office. This is a
9 different office.

10 Q **Okay. So, the new office is your temporary**
11 **trailer; is that right?**

12 A The new office is a ModSpace temporary
13 trailer, correct.

14 Q **And you would agree that this employee left**
15 **because of the current working condition at KWRU; is**
16 **that correct?**

17 A I have to ask for clarification. There --
18 there's two employees we're talking about; one who
19 claimed a mold problem, and another employee who began
20 employment in the new ModSpace office, who couldn't
21 worked in the cramped circumstances of that -- we have
22 half the square footage in the ModSpace office as we did
23 in our damaged office. These are two different
24 employees.

25 Q **Okay. So, one employee quit because of mold**

1 **problems, and another employee quit because of cramped**
2 **office-space conditions; is that right?**

3 A Correct. One employee gave notice citing a
4 mold allergy; and a second employee began employment in
5 the ModSpace office and, after two days, said that this
6 was not for her, and that ended her employment.

7 Q **And regarding employees at your -- with KW, do**
8 **you recall stating in your deposition that employee**
9 **turnover is tied to the economy?**

10 A I don't remember saying it in those exact
11 words. I do remember saying turnover can be related to
12 economic cycles, supply and demand, that kind of thing.

13 Q **Okay. And it is your testimony that the lack**
14 **of a traditional retirement plan is one of the reasons**
15 **for employee turnover; is that right?**

16 A Not in and of itself. The fact that this
17 utility lacks a traditional pension plan, coupled with
18 the fact that every other utility that we compete
19 against does -- those two things put together...

20 Q **Okay. Turning to Page 13 of your direct**
21 **testimony, Lines 19 through 24 -- all right. I have a**
22 **few questions about the past and how often you had a**
23 **full complement or all of your budgeted employees.**

24 **You would agree that this rate case is using**
25 **an historic test year, starting July 1 through June 30,**

1 **2017; is that correct?**

2 A That's correct.

3 Q All right. And going back five years from
4 **July 1, 2016, would take us to July 1, 2011, correct?**

5 A Correct.

6 Q All right. And isn't it true, in your
7 **testimony, on Lines 19 and 20 -- or 19, that, in 2011,**
8 **KWRU lost 50 percent of its staff; is that right?**

9 A No.

10 MR. SMITH: Objection. Misstates testimony.

11 COMMISSIONER POLMANN: I'm sorry, Mr. Smith.

12 Could you restate that?

13 MR. SAYLER: Certainly.

14 BY MR. SAYLER:

15 Q **The utility lost 50 percent of its operations**
16 **staff; is that correct?**

17 A That is correct.

18 Q **And -- and when did you start as president of**
19 **KWRU?**

20 A Sometime around mid-year in 2009.

21 Q **2009. And do you remember how many total**
22 **employees KWRU budgeted in 2011?**

23 A 9.5 employees.

24 Q **And do you know the breakdown between**
25 **operational and non-operational staff?**

1 A Not off the top of my head exactly.

2 Q Same question: How many employees did KWRU
3 budget for 2012? Was it 9.5 employees?

4 A 9.5.

5 Q And do you recall how many employee positions
6 were vacant at the end of 2012?

7 A At the end of '12?

8 Q Yes.

9 A Unless it's in my testimony, I don't recall.

10 Q Okay. And on Line 20, you state, "In 2013, it
11 had to hire three new employees on a staff of 9.5." Do
12 you see that?

13 A Yes.

14 Q All right. So, still, in 2000 -- 2013, you
15 had budgeted 9.5 employees; is that right?

16 A Yes.

17 Q So, that year, you had a turnover of three
18 employees; is that right? Or did you have 9.5 employees
19 at the end of that year?

20 A From the testimony, it looks like we
21 maintained 9.5 during the year, and three were new
22 employees.

23 Q But you don't remember if you still had 9.5 at
24 the end of 2013, correct?

25 A I could easily verify that with my payroll

1 records.

2 Q Okay. I don't have a copy of those --

3 A Oh.

4 Q Do you have a copy of those?

5 A I don't. I don't.

6 Q And then, on Lines 20 through 21, you state,
7 "In 2014, the operations group was comprised of
8 67 percent new staff." Do you see that?

9 A Yes.

10 Q How many operations staff did you have in
11 2014?

12 A Again, without the company roster in front of
13 me, I don't know the exact number.

14 Q All right. But the budget for employees in
15 2014 was still 9.5?

16 A 9.5.

17 Q All right. Starting with the last line on
18 Page 13, to the top of Page 14, you testified,
19 "Management made a plea to the ownership to look at the
20 wage/benefit package as a retention issue." Do you see
21 that?

22 A Yes, I do.

23 Q And from the context, that plea was made in
24 2014; is that correct?

25 A Yes. From the context, yes.

1 Q And then, in 2016, it says the company had a
2 42-percent turnover rate. Do you see that?

3 A Yes, I do.

4 Q So, despite your plea to ownership in 2014,
5 was any relief provided in 2014 with regards to your
6 plea?

7 A I think it's always a wrestle with budget,
8 wages, benefits, days off, vacation. We compete against
9 large governmental agencies. These are the people that
10 have the same skill set that we need to hire.

11 We can offer six hours of overtime pay whereas
12 our competitor, the Florida Keys Operative Authority,
13 where four of our employees left in a single year went
14 to -- they give 16 hours straight pay just for agreeing
15 to be on-call. They get twice as many vacation days
16 almost than we get. We have eight days of vacation.
17 And right around this time, we actually increased our
18 vacation days from six days a year to eight days a year.

19 The reason we can't give vacation days as
20 liberally is because every employee has a task to do.
21 And when that employee isn't at work, we feel it. We
22 don't have extra people on the bench, like some other
23 agencies do, that we can call in when we need them.
24 This puts extra stress on our -- our staff.

25 Q Okay. So --

1 A There were measures taken, I would say, from
2 probably 2013, '14, '15, incrementally, as we went
3 along, to try to close the gap. Of course, we can never
4 close the gap unless -- these proceedings would be a
5 different story if we were asking for enough money to
6 close the gap. I mean, we need a lot more employees
7 than we're asking for. We're trying to be reasonable,
8 bottom-line conscious.

9 **Q You mentioned -- I think you testified,**
10 **measures taken in 2013-2014. What do you mean measures**
11 **taken? Are you talking about with -- in the context of**
12 **better wage and benefit package?**

13 A As the -- as the company evolved, on-call pay
14 was added, vacation days were extended, these kinds of
15 things; an effort to reduce the impact on the individual
16 employees.

17 **Q So, after making your plea to ownership in**
18 **2014, did the better -- or the wage-benefit package**
19 **improve?**

20 A I -- I think it did -- well, in this whole
21 period of time, I think it -- we closed the gap. I
22 think wage-wise we're competitive.

23 **Q Okay.**

24 A It's all of the other benefits that the other
25 utilities are able to offer that are richer than what we

1 have. We're -- we're -- this pension plan is a
2 5-percent plan. Well, the Aqueduct is doing 8.25; Keys
3 Energy, even more; the City, 9 or 10 percent. You know,
4 we're doing \$5, and they're doing eight-and-a-half or
5 nine.

6 **Q So, is it your testimony that ownership**
7 **authorized better wage and benefit packages to help**
8 **retain employees in 2014, 2015?**

9 A Yes, I think ownership did make a realization
10 that we need to try to be as competitive as possible and
11 that they would look forward to, again, closing the gap
12 on these other agencies.

13 **Q But yet, in 2016, you still had a turnover**
14 **rate of 42 percent, correct?**

15 A Correct.

16 **Q And that turnover rate is on 9.5 employees?**

17 A That, I don't know. I would have to see the
18 employee...

19 **Q Okay. And from 2009 to the present, you're**
20 **part of management, correct?**

21 A Yes. Now, that I look back at 2016, I believe
22 we had more than 9.5 employees back then.

23 And yes, I am a part of management.

24 **Q So, when it says "management made the plea,"**
25 **that was you making the request to ownership, correct?**

1 A Yes.

2 Q Now, do you have any ownership interest at all
3 in this utility?

4 A No, I do not.

5 Q Are you aware that, according to your 2016
6 annual report, that Mr. William Smith, Jr., owned
7 70 percent of the KW, and Mr. Alexander Smith,
8 Mr. Barton Smith, and Ms. Leslie Johnson each owned
9 10 percent of KWRU?

10 MR. SMITH: Objection. Assumes facts not in
11 evidence.

12 Q All right. Do you know the ownership
13 breakdown of KWRU or the parent company that owns KWRU?

14 A Yes, I do.

15 Q What is it?

16 A 70 percent William Smith, Jr., 10 percent Alex
17 Smith, 10 percent Barton Smith, and 10 percent Leslie
18 Johnson.

19 Q All right. And these are your in-laws and
20 your wife; is that correct?

21 A That is correct.

22 Q Would you please turn to the exhibit
23 identified as -- marked as 116. It's KWRU's amended and
24 restated response to OPC's Interrogatories, No. 42. And
25 are you familiar with this amended and restated

1 response?

2 A Yes. I remember this being confusing.

3 Q Right. So, you would agree that, starting in
4 2015, KW started budgeting for 13.5 positions; is that
5 right?

6 A 2013 --

7 Q 2015.

8 A We were at 9.5.

9 Q All right. If you look in the response where
10 it says: Notwithstanding without waiver of the
11 foregoing, et cetera, et cetera, KWRU budgeted for 13.5
12 positions for each year, 2015, 2016, 2017 -- do you see
13 that?

14 A Yes.

15 Q All right. So, that was the full complement
16 of employees that KWRU wanted for those years; is that
17 correct?

18 A Yes.

19 Q All right. And you would agree that this
20 response accurately states the number of employees that
21 KW had for those years; is that correct?

22 A Yes.

23 Q All right. So, you would agree that, starting
24 1/1/2015, KW had nine employees of the 13.5 employee
25 positions it wanted to have, correct?

1 A Yes.

2 Q All right. And at the end of 2015, you still
3 had nine employees, correct -- or excuse me -- yes --

4 A As of January 1st, 2016.

5 Q Yes. Okay.

6 And during 2015, you had nine employees either
7 resign or were terminated; is that correct? During that
8 year.

9 A (Examining document.) Just making sure none
10 of these are repeated.

11 I'm sorry. Can you rephrase the question or
12 repeat it?

13 Q The break has been so long, I've forgotten my
14 question, but let me continue on.

15 So, 2015, you had -- you hired nine employees
16 and you had nine employees quit or terminate, correct?

17 A The problem here is some of the same employees
18 in the same year were hired and terminated.

19 Q All right. Would it be fair to say that, in
20 2015, KW had a lot of turnover during that one year?

21 A Yes, I think so.

22 Q All right. And you would agree that, starting
23 in 2016, 1/1/15 you started off with nine employees and,
24 at the end of the year, you finished with 11 employees,
25 correct?

1 A Yes. Correct.

2 Q All right. And during that year, you hired
3 nine employees -- or excuse me -- hired seven employees,
4 but ultimately five quit or were terminated, leaving you
5 with 11 employees, correct?

6 A In 2016, there were seven hires and five
7 people terminated or resigned.

8 Q And in 2015 and 2016, even with less than a
9 full complement of your 13.5 employees, KW was still
10 able to safely maintain and operate the wastewater
11 treatment plant in both of those years?

12 A The operation of the wastewater plant
13 continued.

14 Q Okay. And on 1/1/2017, you started the year
15 off with 11 employees, correct?

16 A Correct.

17 Q And what did you end the year with?

18 A This was recent -- 2017, right before the
19 hurricane, we were fully staffed. After the hurricane,
20 we ended up losing three employees as a result of the
21 hurricane. And we're now back to full staff again --

22 Q And when did you --

23 A -- of -- of 14.

24 Q 14. So, you actually have hired more than
25 13.5 employees, correct?

1 A Correct.

2 Q And as of today, are you fully staffed with
3 all 14 employees?

4 A Correct, all positions are filled.

5 Q Are any of those current 14 employees on
6 probation -- like a probationary period or disciplinary
7 type thing -- I don't know, when you hire someone, you
8 hire them forever, you put them on a probationary
9 period.

10 A Yes, we have a standard 90-day probationary
11 period.

12 Q And do you have any employee -- employees
13 currently within their 90-day period?

14 A I believe we have one.

15 Q Okay. Do you know if any of the employees are
16 planning to retire in the next 12 months?

17 A I don't know of any.

18 Q Okay. You would agree that, in the last five
19 years, that KWRU was not fully staffed for an entire
20 year; is that correct?

21 A I would agree that there were people coming
22 into the utility and people going out of the utility. I
23 would have to look at these staffing levels a lot closer
24 to answer that question.

25 Q Okay. But you would agree that, while you're

1 planning for budgetary purposes to have 13.5 positions,
2 history shows that KW has had vacancies in each of those
3 last five years, correct?

4 A There were some vacancies in prior years.

5 Q All right. Shifting gears a little bit, now
6 that you're fully staffed, do you expect to continue
7 your advertising -- excuse me -- do you expect your
8 advertising expense to increase or decrease for
9 employees?

10 A Over --

11 Q Going forward. Do you -- you've testified you
12 have a full complement. You still need advertising
13 expense to retain a full complement of employees.

14 A We still require an advertising expense. We
15 will need to advertise less than we did in 2015, I will
16 say that. I will also point out, advertising is not
17 just for hiring employees. Advertising can be for other
18 things; the noticing of permits in the paper, could be a
19 sign -- signage. There's other reasons you might spend
20 money on advertising.

21 Q Okay. But you would agree it's reasonable
22 that -- anticipate advertising expense because you
23 anticipate having vacancies in the future, correct?

24 A Advertising is -- is something that you would
25 want to have in the event an employee left your company.

1 You would want to reserve the right and a budgetary line
2 item to be able to acquire, as quickly as possible, a --
3 a replacement for the person who left the company.

4 So, we're not naive as to say no one is ever
5 going to leave our company, from now on; however, we
6 have made retention a key point that, myself -- I
7 champion retention. I -- I understand the value of it
8 and sort of the intangible benefits that companies get
9 by retaining people.

10 Doesn't always show on the bottom line, but
11 when you run a company and you have people who are
12 experienced and capable, you really see the difference.

13 **Q Thank you.**

14 **New line of questioning. Would you turn to**
15 **your Exhibit CAJ-21 in your direct testimony. And I**
16 **have some background questions about the new office**
17 **modular that you have included in your rate case. When**
18 **you're there, let me know.**

19 **A I'm here.**

20 **Q Okay. What type of due diligence did you or**
21 **KW perform before signing the contract with PP Keys**
22 **2016, LLC, for the replacement modular?**

23 **A The due diligence we did was the following:**
24 **Number one, after the hurricane, the utility still**
25 **needed to continue to function. We have administrative**

1 duties that we must carry out to keep the business
2 running.

3 Right after the hurricane hit, we set up a
4 temporary office for a month to allow us to bring in the
5 ModSpace office where we currently reside. So, the
6 ModSpace office that we currently have is half the size
7 of our storm-damaged office. It's not a permanent
8 solution.

9 **Q "Mod-space" meaning modular space?**

10 A The company is called ModSpace. And they
11 supply construction trailers, all kinds of mobile
12 trailers -- you see them quite a few places down here
13 right now -- to companies or businesses or construction
14 projects.

15 But in addition to that, in the course of
16 working for the utility over the years, the utility
17 inspects each and every new connection. We do a
18 hydrostatic test. We do camera work. We're familiar
19 with the modular contractors because we're on-site
20 testing and inspecting.

21 We know the two largest modular-home builders
22 in the Keys and who they are. And of the two, we
23 decided to go with Pabian because Mr. Pabian, first of
24 all, is already mobilized. And this is an important
25 point that I think can't be missed. After the

1 hurricane, most peoples' businesses were in complete
2 chaos. Peoples' homes were destroyed. They weren't
3 showing up to work. They were working on their own
4 roof, working on their own house. They were relocating,
5 living out of hotels, all of this.

6 However, Mr. Pabian's crews were mobilized and
7 on-site working. So, that's number one. A crew is
8 already mobilized on Stock Island, working. This
9 company has put in more modulars on Stock Island than
10 anybody else.

11 Also, this -- Mr. Pabian represents three of
12 the major modular builders in the Keys; and that would
13 be Champion, Palm Harbor, and Jacobsen. He is the sole
14 source to Champion and one of two dealers for Palm
15 Harbor, and one of two dealers for Jacobsen. So, we
16 have a broker who can shop these three different
17 companies with his unique relationship.

18 So, you probably have to look at all the
19 factors, but as far as a unique individual to go out, be
20 able to procure us office space quickly, put us in it,
21 and be able to shop it among three different major
22 players in the marketplace -- he's probably unique in
23 that way.

24 **Q And you testified there was another player**
25 **besides Mr. Pabian. Who was that?**

1 A There is another company -- I don't know the
2 exact name of the company off the top of my head, but
3 the gentleman's name who's the principal and qualifier
4 is Don Miller.

5 Q So, did you put out to Mr. Pabian or
6 Mr. Miller or a potential third party a bid-type process
7 to decide which amongst these two or other vendors that
8 you were going to select?

9 A We did not put out a bid.

10 Q Okay.

11 A The bid part of it will come -- once we have a
12 design, we can shop around --

13 Q Okay.

14 A -- to those three different companies.

15 Q And I believe you partially covered this, but
16 your selection process for Mr. Pabian was because he was
17 there on site, already mobilized; is that correct?

18 A He had crews on Stock Island, mobilized, right
19 after the hurricane. They were -- they had been working
20 on a project for several months prior to the hurricane,
21 but they continued work after the hurricane.

22 Q What do you mean a project? Are you talking
23 about a single structure --

24 A No.

25 Q -- or development?

1 A They're putting in a multi-unit development.
2 They don't do single structures too often. They do
3 large projects.

4 Q **So, are they making an exception for you guys?**

5 A We -- we asked them to do it and they agreed.

6 Q **All right. And -- let's see. Isn't it**
7 **correct that, according to this exhibit, the original**
8 **contract for completion date was March 31st, 2018?**

9 A That's correct. That was the original date.

10 Q **And as of that date, or even this date, has**
11 **the PP Keys 2016, LLC, completed installing the new**
12 **off- -- modular office building?**

13 A No, they haven't.

14 Q **Isn't PP Keys, LLC -- or 2016, LLC, now in**
15 **breach of that contract?**

16 A No, we've been in --

17 Q **-- before?**

18 A We've been in contact with them. They let
19 them know that the demands that Hurricane Harvey hitting
20 Houston -- one of the largest population centers in the
21 United States -- Irma, who ripped through not only the
22 Keys, Marco Island, but large parts of Florida and
23 Maria, who hit Puerto Rico, has put demand on modular
24 manufacturers that is unprecedented.

25 Q **Okay. Are there any damages provisions in**

1 your contract with PP Keys, LLC, for failure to deliver
2 on time?

3 A No, there isn't.

4 Q Why not?

5 A We didn't have them in the contract.

6 Q Okay. And this contract with PP Keys 2016,
7 LLC, is for -- not to exceed \$250,000; is that correct?

8 A That's correct.

9 Q And in your direct testimony, you say it's for
10 a 1200-square-foot modular office; is that correct?

11 A I did say that in my direct.

12 Q And you would agree that, reciting "B," it
13 says it's -- excuse me -- an office not more than 1500
14 square feet; is that correct?

15 A That is what it says; however, we're looking
16 at one slightly larger than 1500.

17 Q All right. And what other due diligence did
18 you perform before selecting PP Keys 2016, LLC, to
19 execute a contract with them?

20 A Other than what I said earlier -- that they're
21 a company that we've inspected their installations
22 throughout the years, knowing that they're a
23 representative, a broker for these companies -- that was
24 what we did. And they're mobilized on-site, on Stock
25 Island.

1 **Q All right. How come your due diligence did**
2 **not reveal that PP Keys 2016, LLC, did not exist before**
3 **you executed this contract with this company?**

4 A I don't know. The PP Keys name is very
5 similar to another corporation that Mr. Pabian owns.
6 That's where I'm sure the confusion came.

7 **Q Okay. But -- let's see.**

8 A Developers, in general, change -- a lot of
9 times, they'll change the name of -- of their company
10 from something, something, LLC, to -- you know,
11 companies don't always keep their same names. That's
12 not unusual.

13 As a utility, we see new customers coming
14 in -- this project is named this; this group is named
15 that. It's -- it's not unheard-of at all.

16 **Q So, it's accurate to say that you or nobody**
17 **else checked with the Florida corporations website to**
18 **see if this company existed at the time you executed**
19 **this contract?**

20 A I don't believe that check was done.

21 **Q Okay. Is the general --**

22 A It has since been fixed.

23 **Q Okay. The general question about signing**
24 **contracts, large contracts, \$250 million or more --**
25 **not -- but we'll use this one as an example. When**

1 you're executing large contracts, do you spend a lot of
2 time negotiating the contract, the details of that
3 contract? Or does somebody else do the negotiation for
4 you?

5 A I spend quite a bit of time negotiating.

6 Q All right. And do you need ownership to
7 review and -- approval first before executing contracts
8 of this size? Or do you have authority to do that, as
9 the president of KWRU?

10 A Project of this size is usually management
11 and -- or -- sorry -- ownership is looped in.
12 Obviously, they're going to want to know what are our
13 options, what are our costs, time tables, and a whole
14 myriad of other questions, depending on the project.

15 Q Is there a threshold for a contract below
16 which you don't need ownership approval?

17 A I don't need ownership approval on day-to-day
18 activities at the utility or smaller contract work with
19 a -- a contractor that we frequently use to do absolute
20 mission-critical work that needs to get done
21 immediately, that kind of work.

22 Larger capital projects like this are
23 discussed and man- -- management -- not just myself, but
24 operations managers, plant managers -- we all get
25 together to discuss the advantages and disadvantages of

1 the different options. And then that gets brought up to
2 the ownership level.

3 **Q For example, Lift Station L2A -- that would**
4 **require consulting with ownership, along with all the**
5 **others within KW that we've mentioned?**

6 A Yes, and a large reason why is the funding.
7 Most oftentimes, there's no funding available to do
8 these large projects. If you look at the five-year
9 history of this utility, you're looking at seven, \$8
10 million worth of projects.

11 Getting those projects financed definitely
12 takes a coordinated effort with ownership.

13 **Q All right. Now, when working on these types**
14 **of contracts, do you have legal involved in the review**
15 **of the contracts before you execute them on behalf of**
16 **KWRU?**

17 MR. SMITH: I'm going to object. This is
18 going into attorney-client privilege.

19 COMMISSIONER POLMANN: Sustained as to whether
20 or not -- he's --

21 MR. SAYLER: I -- I'm asking whether or not he
22 has legal review it. I'm not asking any detail
23 about that type of review.

24 They -- they retain a law firm, and the
25 ratepayers pay for the retention of that law firm

1 in rates, and yet, my question is, simply: Did
2 they ask legal to review this contract before
3 executing it; yes or no.

4 COMMISSIONER POLMANN: To the extent that the
5 witness understands the question and can answer it
6 without revealing what he believes to be attorney-
7 client privilege, then the witness may answer.

8 THE WITNESS: Yes, we had this legally
9 reviewed.

10 BY MR. SAYLER:

11 **Q All right. And after your attorneys reviewed**
12 **this contract, did they discover that PP Keys 2016, LLC,**
13 **was non-existent?**

14 MR. SMITH: I -- I don't even know --
15 objection. Attorney-client privilege. What the
16 lawyers discovered and explained to him is right in
17 the purview of the attorney-client privilege.

18 MR. SAYLER: All right. I --

19 COMMISSIONER POLMANN: And Mr. Sayler, I
20 believe the question is essentially similar -- it
21 was asked and answered.

22 MR. SAYLER: Certainly.

23 BY MR. SAYLER:

24 **Q So, it would be fair to say that, after your**
25 **attorneys that you have on retainer reviewed this**

1 **contract, they authorized you to go forward and execute**
2 **it?**

3 MR. SMITH: I'm going to object as to the
4 instructions that were provided to the client as
5 attorney-client privilege as well as the -- the
6 assuming facts not into evidence such as attorneys
7 on retainer. I think he's just going down the
8 entire line of questioning that -- that jumps right
9 into the privilege.

10 COMMISSIONER POLMANN: Ms. Helton, I'm
11 inclined to sustain the objection, unless you can
12 advise that there's something here I don't
13 understand.

14 MS. HELTON: It sounds like you're on the
15 right direction, Dr. Polmann.

16 MR. SAYLER: That -- that was --

17 COMMISSIONER POLMANN: Mr. Sayler --

18 MR. SAYLER: That was my final question,
19 Commissioner Polmann.

20 COMMISSIONER POLMANN: Can we just move on?

21 MR. SAYLER: Certainly.

22 COMMISSIONER POLMANN: Thank you.

23 BY MR. SAYLER:

24 **Q Would you turn to Page 5 of 5 in CAJ-21.**

25 A Signature page?

1 Q Yes, sir. There, it shows your signature and
2 then that of Mr. Pabian; is that right?

3 A Yes.

4 Q Do you know why -- if you know why -- he
5 signed it as opposed to Kristine Pabian, who -- the
6 contract was in her name?

7 A It was lined through. He corrected it. He
8 signed it. That's...

9 Q All right. So, isn't it correct that KWRU
10 never got an estimate for building a new building
11 on-site as opposed to going with the modular option? Is
12 that correct?

13 A We did not price out stick-built or the much-
14 more-expensive concrete-block construction.

15 Q To your knowledge -- and if you don't know, "I
16 don't know" is fine because I can ask Mr. Pabian this.
17 Do you know how his fee structure works? I mean, how
18 does he make his money on this deal?

19 A I don't know.

20 Q Do you know if his fee is embedded in the not-
21 to-exceed-250,000 or is that an additional cost that
22 would be added on after the fact? Do you know?

23 A The 250,000 is a not-to-exceed number.

24 Q So, that would include his --

25 A Yes.

1 Q His fee. Okay.

2 Is he a general contractor, to your knowledge?

3 A I don't believe he is, but I'm not sure.

4 Q Okay.

5 A Also, that depends on the jurisdiction. He
6 could -- I don't know what he's done in other states.
7 He's been around a while.

8 Q Now, are you a general contractor licensed in
9 the state?

10 A I am a partner in a general contracting firm.

11 Q Okay.

12 A However, we're not actively doing anything for
13 the past several years.

14 Q How long ago has it been since you stopped?

15 A Years and years and years, pre- -- previously
16 to the previous rate case.

17 Q Okay. Now, when it comes to any costs
18 associated with this not-to-exceed 250 --
19 hypothetically, it comes in at 225. Does KWRU still
20 have the final sign-off on the price of the project?

21 MR. SMITH: Objection --

22 Q I mean --

23 MR. SMITH: He's asking for a hypothetical.
24 It's presumably requests for speculation as to the
25 results.

1 COMMISSIONER POLMANN: Mr. Sayler, as I look
2 at the contract, I think a not-to-exceed number, to
3 my reading, speaks for itself. Are you looking at
4 what happens at the end of the contract? Is
5 that -- is that the nature of your question?

6 MR. SAYLER: Well -- well, let me rephrase my
7 question.

8 COMMISSIONER POLMANN: Or maybe you can
9 rephrase it --

10 MR. SAYLER: Yes.

11 COMMISSIONER POLMANN: -- and see if the
12 utility has an issue with it.

13 MR. SAYLER: Sure.

14 BY MR. SAYLER:

15 **Q Mr. Johnson, you said that, at some point in**
16 **the future, they're going to select a vendor for your**
17 **modular. I believe you -- in your rebuttal, you**
18 **selected it. I'm trying to stay out of rebuttal right**
19 **now, but is the vendor selection still up in the air at**
20 **this time? Or has the vendor been selected?**

21 A My understanding is the engineering will be
22 completed and then that will be brought to us, the
23 utility, for review. That's the -- the phase we're in
24 right now.

25 **Q All right. And you still have sign-off on the**

1 choice of vendor as well as the scope of the new
2 building; is that correct?

3 A Yes, we -- we're having a meeting for that
4 reason.

5 Q So, if Mr. Pabian selects a vendor or it's at
6 a price that you believe is not reasonable, you can veto
7 that under your contract; is that correct?

8 A That's correct.

9 Q If you will, turn to CAJ-12 under your direct
10 testimony. Are you there?

11 A Yes.

12 Q All right. And in this rate case, there
13 are -- are two generators at issue. One is a large
14 fixed-in-place back-up generator, and then a portable
15 generator, correct?

16 A Correct.

17 Q And this is -- CAJ-12 deals with that large,
18 fixed-in-place back-up generator, correct?

19 A Well, the first line, it says: Attached are
20 the specs for both generators.

21 Q Okay. So, CAJ-12 is about both generators; is
22 that correct -- actually, I -- I withdraw the question.

23 Really, what I want to know is: Do you know
24 when the back-up generator will be received and
25 installed?

1 A I don't know the exact date.

2 **Q Do you have a ballpark? Is it within the next**
3 **six months?**

4 A It is within the next six months, yes.

5 **Q But you don't have a schedule on that; is that**
6 **correct?**

7 A We have a number of -- of things happening
8 right now. As I sit here today, the generator, in the
9 next day or two, is scheduled to be demolished. Work
10 has begun on the generator pad.

11 This schedule is sort of gelling right now.
12 And probably late in this week, early next week, I
13 should have a much better understanding of what's
14 happening with the generator work, the CCC work, and
15 then the new generators coming in.

16 Our goal is to get the generator here as
17 quickly as possible and installed. And then the rental
18 generator can go back to the rental company.

19 **Q And the CCC project is a chlorine contact**
20 **chamber project currently underway?**

21 A Correct, chlorine contact chamber and filter
22 replacement project.

23 **Q On Page 14 of your testimony -- if you will,**
24 **turn there, Lines 5 through 11.**

25 A Okay.

1 **Q** And on Page 5 and 6, you testified: KW Resort
2 Utilities can improve retention and reduce turnover by
3 implementing a more-traditional pension plan, correct?

4 **COMMISSIONER POLMANN:** You're on Page 14,
5 Lines 5 to --

6 THE WITNESS: Lines 5 and 6.

7 Yes, that's what it says.

8 BY MR. SAYLER:

9 **Q** How many employees have left KWRU in the last
10 five years that specifically mentioned pension plan as a
11 negative?

12 A The employees who I can recall -- the one that
13 stands out the strongest in my mind is Eddie Roberts,
14 but in addition to him -- and the reason that stands out
15 is because he stated the reason why he's leaving is
16 because we don't have a pension plan. And when he --
17 when he said this, the response was, you do know we have
18 a 401(k) program; yes, I do, but that's not a pension
19 plan.

20 So, these employees don't view a 401(k)
21 equally to a pension plan. Even though, maybe I do and
22 you do, different people view it different ways.

23 The other employees would be Sexton Curry,
24 John Welsh, Bobby Balino, and Blain Rassey.

25 **Q** So, that would be five employees in the last

1 **five years?**

2 A All these employees were -- left the company
3 within a very short amount of time, like, within a
4 20-month period.

5 Q **And when did the last person leave?**

6 A Of that group I mentioned?

7 Q **Yes.**

8 A May I look at one of these exhibits?

9 Q **Sure.**

10 A (Examining document.) December 8th, 2015.

11 Q **Thank you. And when you say traditional
12 pension plan, do you mean a defined benefit pension
13 plan?**

14 A Yes, something along those lines. Yes -- let
15 me just say -- let's say, not a 401(k) plan.

16 Q **Now, going forward, that new pension plan was
17 implemented 1/1/18; is that correct?**

18 A Correct, the first of this year.

19 Q **And going forward, that would be the only plan
20 offered to KWRU employees because you are terminating
21 your 401(k); is that correct?**

22 A The 401(k) -- the plan that we previously had
23 still exists; however, the utility does not pay into it
24 at all. The utility only funds the new traditional
25 pension plan. And every employee is eligible for this

1 plan and must join the plan when their eligibility comes
2 due.

3 Q So, can employees currently contribute to a
4 401(k) plan on their own volition?

5 A Sure, if they would like to.

6 Q But that's not being matched.

7 A No.

8 Q And how long does an employee have to work
9 with KW before KW starts -- or before that traditional
10 pension plan vests?

11 A The vesting plan starts after two years and
12 goes up incrementally to six years.

13 Q To your knowledge, can KWRU modify its --
14 modify or terminate its pension plan in the future?

15 A You asked me this question in my deposition.
16 The utility -- and I -- I have the same answer: For the
17 employees now that we, on January 1st, sat down and
18 promised them that they'd have a pension plan and there
19 are participants in it -- I don't know that we can take
20 that away from them. I would definitely need to talk to
21 legal to see if that's feasible, illegal.

22 It certainly is terrible, from building
23 goodwill with your employees. You're basically
24 promising them something and then pulling it away from
25 them. Not going to help retention one bit. So, I would

1 not do that without advising -- without legal advice.

2 And I -- personally, I wouldn't want to be part of that.

3 **Q Sure.**

4 A But legally, I'm not sure if you could do that
5 or not, but I would not want to be part of that.

6 **Q And at the risk of objection from Mr. Smith,**
7 **those are your attorneys that you have on retainer,**
8 **correct, that you would ask the legal question to? I**
9 **don't want to know what their advice would be to you,**
10 **but that's -- technically, you defer to the legal**
11 **question when you say you would defer that to legal,**
12 **correct?**

13 A Yes, we rep- -- we use several legal firms,
14 actually. Mr. Friedman, here, represents us on not just
15 the rate case, but other members, as does Smith Hawks.
16 We also have a member of our board who is an attorney
17 and has some legal background.

18 **Q Do you know the difference between a defined**
19 **benefit plan and a defined contribution plan?**

20 A Not off the top of my head.

21 MR. SAYLER: There was an exhibit distributed
22 earlier -- it's an excerpt from KWRU's profit-
23 sharing plan and trust. It's Exhibit 117. And I
24 do have a full copy of the profit-sharing plan and
25 trust, should Mr. Smith or Mr. Johnson want the

1 full copy of the profit-sharing plan and trust.

2 But my understanding is the actual full copy
3 is in the record in a stipulated staff hearing
4 exhibit that all parties agreed could go in the
5 record. So, I --

6 COMMISSIONER POLMANN: Okay, Mr. Sayler.

7 BY MR. SAYLER:

8 Q Okay. And Mr. Johnson, is this the document
9 that is the traditional pension plan that KWRU has
10 adopted on behalf of its employees?

11 A I don't know if this is the complete document,
12 but --

13 Q Would you like the complete document, sir?

14 A Sure.

15 MR. SAYLER: May I approach the witness?

16 COMMISSIONER POLMANN: Yes, sir.

17 Could you please provide a copy of that to the
18 utility?

19 BY MR. SAYLER:

20 Q All right. Is this the traditional pension
21 plan that KWRU has adopted for its employees?

22 A Yes, it is.

23 Q All right. And you would agree the title
24 says, "KW Resort Utility Corp Profit-sharing Plan and
25 Trust;" is that correct?

1 A Correct.

2 Q Now, is a profit-sharing plan different from a
3 defined benefits plan and a defined -- defined
4 contribution plan? Do you know?

5 A I assume it is, but I don't know all the
6 differences.

7 Q And on Page 1 -- would you look at the top of
8 that page? And you would agree that this is an
9 agreement entered in between KW Resort Utilities Corp
10 and Mr. William Smith, Jr.? Do you see that?

11 A Yes.

12 Q And it says that the effective date of this
13 was January 1, 2017?

14 A Yes.

15 Q And it wasn't implemented until January 1,
16 2018; is that correct?

17 A That's correct.

18 Q All right. If you will turn to Page 11, it's
19 got the KWRU015165 Bates Stamp at the bottom. Do you
20 see that?

21 A Yes.

22 Q And you would agree that this recounts which
23 KWRU employees are eligible; is that correct?

24 A Yes.

25 Q And the first one under eligibility says, "Has

1 **attained age 21." Why is there that limitation for age?**
2 **Do you know?**

3 A I don't know the reason, but I can say this,
4 all employees are above 21.

5 Q **Okay. Would you turn to Page 13, Article 4,**
6 **called "Contribution and Allocations"?**

7 **COMMISSIONER POLMANN: I'm sorry. What page**
8 **are you on?**

9 MR. SAYLER: Page 13. It's Bates Stamp page
10 KWRU015167.

11 COMMISSIONER POLMANN: Article 4?

12 MR. SAYLER: Pardon?

13 COMMISSIONER POLMANN: Article 4?

14 MR. SAYLER: Yes, Article 4.

15 COMMISSIONER POLMANN: Thank you.

16 BY MR. SAYLER:

17 Q **All right. And Article 4 says "Contribution**
18 **and allocation." Would you be able to identify where in**
19 **this section that it states a certain amount must be**
20 **contributed to this profit-sharing plan by KWRU?**

21 A The amount we're contributing is 5 percent;
22 however, I don't see it in this particular section.

23 Q **Do you see anything in the section that says**
24 **KWRU must -- that -- must do this -- right. Let me --**

25 A I don't --

1 Q Let me skip that question -- did you testify
2 no?

3 A I don't see where it says "KWRU must" in this
4 text of Article 4.

5 Q Okay. You would agree, under Article 4.1
6 Subsection A, that there's a non-elective contribution
7 and a gateway contribution, correct?

8 A Yes, there's a non-elective contribution.

9 Q And would you agree that the non-elective
10 contribution is a discretionary amount: Yes, no, I
11 don't know?

12 A It says right in the text: "A discretionary
13 amount to each participant."

14 Q Okay. And same thing for gateway
15 contribution -- doesn't it say: May make an additional
16 contribution?

17 A It does say that.

18 Q Okay. If you look under Article 4.2, kind of
19 payment, employer contribution -- do you see that?

20 A Yes, I do.

21 Q And does this provision state that the
22 employer may make its contribution? Do you see that?

23 A Yes, I do.

24 Q Now, under the previous 401(k) plan that KWRU
25 used to match, you would agree that KW, under that plan,

1 was obligated to match any amount, up to a certain
2 amount, that the employees contributed? I mean, if the
3 employees made a contribution, KWRU had to match it up
4 to 4 percent, correct?

5 A Do I have the plan in front of me where it
6 says that? No. Did we do that? Yes.

7 Q And your opinion -- in your opinion, you've
8 testified that you believe that employee retention is
9 linked to the fact that the 401(k) provides for
10 immediate vesting; is that right?

11 A Yes, more immediate than a more traditional
12 pension plan.

13 Q Earlier, you testified that the vesting starts
14 at two and incrementally rises up to six years, correct?

15 A Correct.

16 Q All right. Now, for all your employees --
17 your existing employees as of December 31st, 2017, the
18 ones you transitioned to the plan -- do they vest
19 immediately or do they have to wait for the two-to-six-
20 year period for vesting?

21 A They need to wait for vesting.

22 Q Okay. So, it is your position that the
23 employees prefer the option of having to wait for monies
24 to be contributed to a pension -- excuse me -- wait --
25 wait a period of time before they vest in a pension

1 plan, rather than having it immediately available to
2 them.

3 A I'm sorry. Ask -- can you rephrase?

4 Q Sure. Let me rephrase that. When it comes to
5 a retirement or a pension plan, which do you think an --
6 employees prefer: Immediate vesting or a term of year
7 before vesting?

8 MR. SMITH: Objection. Calls for the opinion
9 of what an employee may or may not prefer. Calls
10 for speculation.

11 COMMISSIONER POLMANN: I agree.

12 MR. SAYLER: Okay.

13 BY MR. SAYLER:

14 Q Isn't it true that a vesting period is more of
15 a benefit for the employer than the employee?

16 A I -- that's a hard question to answer.

17 Q Okay. Now, isn't it true that having a
18 traditional defined benefits pension plan increases the
19 risk to a utility having to take care of those benefits
20 in the future?

21 A There is an element of risk with taking care
22 of a future liability.

23 Q And such a defined benefits pension plan is
24 carried on the books of the utility as a liability; is
25 that correct? Or do you know?

1 A Not being an accountant, I would assume so,
2 but I've been fooled before by -- by Commission
3 practice. I'm not an expert.

4 Q All right. And we're -- I'm almost done with
5 my line of questions, just to let you know.

6 Now, would a 401(k) plan be considered a
7 liability on the utility's books or would it be just an
8 expense?

9 A Again, I'm not an accountant.

10 Q Okay. Now, if you know, is a traditional
11 pension plan riskier for an investor-owned utility than
12 a 401(k) plan?

13 A I would say there's a slight increase in
14 risk --

15 Q Okay.

16 A -- to -- to having a non-401(k).

17 Q Now, you have testified that your competition
18 for employees includes government-backed or government-
19 owned utilities; is that correct?

20 A Yes, for the utilities that are working on
21 equipment, there is a skill set that those employees
22 must have. And you'll find these same employees can
23 apply, not just to a sewer utility, but maybe to a water
24 utility, even to an electric utility, and to
25 municipalities as well.

1 Q All right. When it comes to government-owned
2 utilities with traditional benefit plans, do you believe
3 that those plans are effectively guaranteed by the
4 taxpayer?

5 A The money has to come from somewhere.

6 Q All right. So, are you of the opinion that,
7 when it comes to understanding the risks, that an
8 accountant would know about the risks of a pension plan
9 versus a 401(k) plan?

10 A An accountant could know the risks, sure.

11 Q All right. Thank you.

12 Referring back to this profit-sharing plan and
13 trust, how did you go about selecting this type of plan?

14 A I didn't select the plan myself. I was
15 involved in the process. The chairman of our board of
16 directors was involved. The plans that other utilities
17 are offering is something we looked into. This exact
18 plan and why this exact plan was selected was not my
19 decision.

20 Q Okay. And -- let's see. And it is your
21 understanding that KWRU cannot terminate this pension
22 plan. Would you please turn to Page 30 of this exhibit,
23 Bates Stamp Page 01- --

24 A I did not say we could not terminate it. I
25 said I would have to ask legal before I would do such a

1 thing.

2 Q Okay. Would you look at Page 30 of this
3 profit-sharing plan. And you would agree that Article 8
4 says: amendment, termination, and mergers; is that
5 correct?

6 A Yes.

7 Q All right. If you will, turn to the next
8 page, under Article 8.2, termination, Subsection A. Do
9 you see that?

10 A Yes.

11 Q Would you please read that into the record for
12 us.

13 A "Termination of a plan. The employer shall
14 have the right at any time to terminate the plan by
15 delivering to the trustee and administrator written
16 notice of such termination.

17 "Upon any full or partial termination, all
18 amounts credited to the affected participants' accounts
19 shall become 100-percent vested, as provided in
20 Section 6.4, and shall not thereafter be subject to
21 forfeiture."

22 Q All right. And you would agree that this
23 termination of the plan speaks for itself, correct?

24 A There is a provision for termination of the
25 plan.

1 Q All right. Well --

2 A I don't know what your obligations are to your
3 current employees, previously, that you made promises
4 to, but I see that there is a provision for termination.

5 Q And there is a provision that, if terminated,
6 whatever is con- -- previously contributed becomes a
7 hundred percent vested. Do you see that?

8 A Yes.

9 Q All right. But it also says, "At any time,
10 the employer has the right to terminate," correct?

11 A Yes.

12 MR. SAYLER: All right. Thank you very much.
13 No further questions on direct.

14 COMMISSIONER POLMANN: Thank you, Mr. Sayler.

15 We're going to take a five-minute break.

16 We'll be in recess for five minutes.

17 (Brief recess.)

18 COMMISSIONER POLMANN: According to my notes,
19 we are up to Monroe County with Witness Johnson.

20 And as we mentioned earlier, we need to find an
21 appropriate break time so that we can proceed with
22 the customer service hearing with a scheduled time
23 certain of 6:00 p.m.

24 And as far as we know, we may have 15 or 20
25 customers. So, that means we won't be here all

1 night. I think we'll -- there's no need for us to
2 take a dinner break and come back. You know, we
3 might be here for an hour or so, which we'll --
4 we'll be able to finish at a reasonable hour and
5 take dinner after that. If that's acceptable to
6 everybody, we'll just keep going here.

7 We're going to need to break at 5:30 because
8 we need to rearrange some things and set up the mic
9 and whatnot. So, if it's all right, if you're --
10 if you're able to get us to a -- a reasonable
11 stopping point, or finish your work, and then we'll
12 proceed on, through this witness -- perhaps, we can
13 finish this witness by 5:30, and that would be
14 good.

15 MR. WRIGHT: Thank you, Commissioner. I do
16 not anticipate there will be any problem with my
17 cross-examination of Mr. Johnson causing us to go
18 past 5:30.

19 COMMISSIONER POLMANN: We're stopping at 5:30.

20 MR. WRIGHT: I understand that. And I shall
21 govern myself accordingly.

22 COMMISSIONER POLMANN: I mean, because we have
23 to. I'm not -- I'm not trying to cut you off -- or
24 anybody.

25 MR. WRIGHT: No, I understand.

1 make sure that the record is clear as to exactly how
2 that's being booked. Okay?

3 A Okay.

4 Q Is it being booked as O & M expense or is it
5 being booked to a storm-expense account that the company
6 proposes to be amortized?

7 A I'm not sure. I don't -- I'm not even sure
8 which generator you're talking about. We -- we're
9 renting two generators. One is a tow-behind and one is
10 a permanent standby generator for the main facility. I
11 do not know how either one is going on our books
12 currently.

13 Q Okay. I know you talk about the -- the one
14 that costs \$2,894 a week in your rebuttal. So, I'll
15 come back to that, if it's necessary. Thanks.

16 And do you know what the total amount of costs
17 associated with Hurricane Irma, for which the company is
18 seeking recovery through amortization, is?

19 A I can read it from the pre-hearing order.

20 Q That would help me. Thank you.

21 A I have one that says "draft" on it. Is this
22 the most-current one?

23 Q It is not. I think Mr. Sayler is going to
24 hand you the final copy as issued.

25 COMMISSIONER POLMANN: Mr. Smith, go ahead.

1 **Make sure we identify that for the record.**

2 THE WITNESS: It's --

3 MR. WRIGHT: For the record, it's Commission
4 Order No. PSC 20180242-PHO-SU.

5 COMMISSIONER POLMANN: Make sure the witness
6 has a copy.

7 THE WITNESS: Okay. On Page 19 of that order,
8 Issue 26, KWRU responds: 273,178 to be recovered
9 over four years.

10 BY MR. WRIGHT:

11 **Q Thank you.**

12 **And again, you don't -- you don't know what,**
13 **if any, generator-rental expense is in that right this**
14 **minute, correct?**

15 A It's a number on paper.

16 **Q Okay.**

17 A If there's line items, I can answer questions.

18 **Q Thanks.**

19 MR. SMITH: Are you done with that?

20 MR. WRIGHT: Yes, I am.

21 COMMISSIONER POLMANN: Mr. Sayler --

22 Mr. Wright, are you done with that item -- I mean,
23 that -- that exhibit?

24 MR. WRIGHT: Yes, I'm --

25 COMMISSIONER POLMANN: Not exhibit -- I'm

1 sorry. The --

2 MR. WRIGHT: The ord -- the order, yes, sir.

3 COMMISSIONER POLMANN: All right.

4 MR. WRIGHT: I'm done with that, at a minimum,
5 for now.

6 BY MR. WRIGHT:

7 **Q In your testimony, you make the statement --**
8 **it was in your direct testimony. You make the**
9 **statement, "It was determined that the trailer is a**
10 **total loss," correct? Page 9, Line 24.**

11 A Yes.

12 **Q Who made that determination?**

13 A This determination was made after speaking
14 with various contractors, bringing in a mold expert, and
15 understanding what the value of the trailer was
16 originally, and the fact that, if it's 50-percent
17 damaged, you have to build to the new FEMA-based flood
18 elevation. Those were the determinants used to
19 determine it was a total loss.

20 **Q You -- in your response just now, you**
21 **referenced it -- the decision being made after**
22 **conferring with the folks you mentioned. Who made the**
23 **determination? Was that made by you, by someone at an**
24 **insurance company, or someone else?**

25 A That was made by me and by ownership.

1 Q Thank you.

2 Was the trailer office insured?

3 A Yes, it was.

4 Q By whom?

5 A SafePoint.

6 Q Did KWRU demand payment of the policy limits
7 from SafePoint?

8 A Yes, we did.

9 Q What -- what were the policy limits or what
10 are the applicable policy limits?

11 A 75,000.

12 Q You referred, in your previous response, to
13 the original value or original cost of the trailer.
14 What was that amount, the original cost or value amount
15 to which you referred?

16 A Off -- I don't know off the top of my head.

17 Q Do you believe that the actual value of the
18 trailer at the time of loss was greater than \$75,000?

19 A I don't know.

20 Q How much was the annual premium for the
21 SafePoint coverage?

22 A I don't know.

23 Q Will you agree that it was approximately
24 \$2600?

25 A Yes.

1 Q KRU- -- I asked you an inartful question a
2 minute ago. I asked, did you demand payment of the
3 policy limits. So, here is a, perhaps, clearer
4 question: Did you make a claim under your policy with
5 SafePoint?

6 A I would assume, if you make a demand, you're
7 making a claim, yes.

8 Q Thanks.

9 Has SafePoint made an offer to KWRU to settle
10 your claim?

11 A They have submitted a check to the utility and
12 we have cashed that check; however, we have not settled
13 the claim.

14 Q And the amount of the check was a little over
15 \$19,000, correct?

16 A Correct.

17 Q Did SafePoint make an offer of settlement in
18 writing to KWRU or did they just send you a check?

19 A They sent a check with a letter explaining the
20 methodology, how the numbers were derived. There was an
21 adjuster's report with it.

22 Q Does KWR- -- well, the difference between
23 \$75,000 and 19,000-plus is a little over 55,000
24 difference, correct?

25 A Yes.

1 Q Do you believe that KWRU is entitled to the
2 **remaining coverage up to the \$75,000 policy limit?**

3 A I -- I think so, yes.

4 Q **What, if anything, does KWRU intend to do to**
5 **pursue its claim?**

6 A KWRU has hired an adjuster -- I'm sorry -- an
7 appraiser to get the value of the building. We've also
8 submitted additional information that pertains to the
9 original purchase of the trailer -- actually, two
10 trailers.

11 Q **At this time, have you authorized a lawsuit to**
12 **attempt to recover the additional money?**

13 A I have authorized my legal people to work with
14 the company. And if further measures are needed,
15 they'll advise me, and we'll go from there.

16 Q **Have you consulted with your -- do you have an**
17 **insurance agent or an insurance broker from whom or**
18 **through whom you acquired the SafePoint policy?**

19 A The SafePoint is --

20 MS. MAPP: We would object at this point to
21 this line of questioning being outside the scope of
22 this witness' testimony.

23 COMMISSIONER POLMANN: Sustained.

24 Mr. Sayler -- or I'm sorry. Don't lean over
25 when I'm talking. His head is too close.

1 MR. SAYLER: Same-colored shirts. I'm sorry.

2 COMMISSIONER POLMANN: Mr. Wright.

3 MR. WRIGHT: Sir.

4 COMMISSIONER POLMANN: Can you get to a
5 reasonable end on this line or -- I'm not sure
6 where you're going here.

7 MR. WRIGHT: This goes to the
8 reasonableness -- this line of questioning goes to
9 the reasonableness of the company's requested
10 insurance storm -- sorry -- quote, requested storm-
11 restoration-cost recovery.

12 MR. SMITH: I would keep the objection in
13 place. We don't request any funds as part of
14 storm-cost recovery of that 270,000 that addressed
15 the office trailer, except I think these -- yeah --
16 no, that's -- that was all capital. It was --
17 unless it was IT, but I don't believe any of the
18 hurricane costs are germane to the office.

19 MR. WRIGHT: Well, if it's the office, then if
20 it's not a storm-cost-res- -- storm-recovery cost,
21 storm-restoration cost, then it's a capital item,
22 and that goes directly to the rate base of the
23 company applicable in this case.

24 The theory -- our theory being that, if the
25 \$55,000 is obtained, that would decrease rate base.

1 COMMISSIONER POLMANN: Okay. Well, what I'm
2 looking to try to do is separate the storm costs
3 from capital and try to focus on where you started
4 this line of questioning, to the best of your
5 ability.

6 MR. WRIGHT: Certainly.

7 COMMISSIONER POLMANN: If --

8 MR. WRIGHT: Yeah, and -- and where I was --
9 what I was -- the line of questioning simply
10 addressed the company's position vis-a-vis
11 SafePoint insurance and then their beliefs --
12 beliefs as to their entitlement to the extra
13 \$55,000.

14 COMMISSIONER POLMANN: Okay. We're going to
15 continue and we'll see if we get further objection
16 on this. But let -- let's try to stay narrow on
17 that line. We'll see what happens.

18 BY MR. WRIGHT:

19 **Q In a previous response, Mr. Johnson, I believe**
20 **you stated that you, KWRU, believe that you are entitled**
21 **to the extra \$55,000, correct?**

22 A Correct. That's why I authorized my legal
23 people to continue pushing.

24 **Q Thank you.**

25 **Have you initiated any compliant with the**

1 **Florida Department of Insurance with respect to your**
2 **claim to SafePoint?**

3 A No, I have not.

4 Q **To the Florida Attorney General?**

5 A No, I have not.

6 Q **With the Florida Department of Agriculture and**
7 **Consumer Services?**

8 A No, I have not.

9 Q **Isn't it true that some of KWRU's lift**
10 **stations were insured?**

11 A Yes.

12 Q **And is it also true that you did not have**
13 **insurance coverage on Lift Station L2A?**

14 A For the \$6,000 worth of panel damage?

15 Q **Well, is that the only cost associated with**
16 **L2A that you're seeking in this case?**

17 A Well, that's a wind damage, and wind is
18 excluded from our insurance.

19 Q **What about the reconstruction of L2A by**
20 **Beneway?**

21 A L2A was not damaged structurally in that way.

22 Q **Thank you.**

23 **I have several questions for you that relate**
24 **to your testimony on Page 15 of your direct testimony,**
25 **and the question and answer beginning at Line 11 and**

1 concluding at Line 22. In this Q & A, you discuss what
2 you assert to be a drop in usage at Stock Island
3 Apartments, correct?

4 A Correct.

5 Q And you assert that you calculated -- no, you
6 calculated billable gallons and a reduction in gallonage
7 from 23.2 million gallons to 6.2 million gallons on an
8 annualized basis; is that correct?

9 A Yes, that's what it says.

10 Q It's your testimony, isn't it?

11 A Yes, it is.

12 Q Thank you.

13 Where did the 223,244,814-gallons figure come
14 from?

15 A As I recall, the calculation was done using
16 all available data that I had at the time, representing
17 the change in use. And that data was, then, annualized
18 to come up with these numbers.

19 Q Did that data include billing statements from
20 FCAA as to the water usage by this account?

21 A Did the data include that? I'm sorry. Can
22 you rephrase?

23 Q Well, you just stated you based your
24 calculation on the available data. My question to you
25 is: Did that available data include the billing data

1 from FCAA for the water usage on this account?

2 A Yes, we got the data from the Aqueduct.

3 Q How many meters serve this property?

4 A I'm not sure.

5 Q Will you accept, subject to check, that it's
6 exactly one?

7 A I -- now that you say that, I do believe it is
8 one.

9 Q Thank you.

10 Do you know how many ERCs are behind that
11 meter?

12 A Not off the top of my head.

13 MR. WRIGHT: Mr. Chairman, I would like to --
14 I'm not sure if the witness has been given -- I
15 would like to pause now, please, and mark for
16 identification the three exhibits that I had
17 distributed during the break, before Mr. Johnson
18 resumed the stand.

19 The first one I'd like marked as Exhibit 118.

20 COMMISSIONER POLMANN: Description on that?

21 MR. WRIGHT: It's the -- the small one. The
22 Monroe -- it should be on top of your stack.

23 COMMISSIONER POLMANN: Yes.

24 MR. WRIGHT: Monroe County Property Appraiser
25 information for Stock Island Apartments, LLC.

1 COMMISSIONER POLMANN: Okay. Exhibit No. 118
2 is Monroe County Property Appraiser information for
3 Stock Island Properties, LLC. The -- paren, the
4 date is May 13th, 2018. Does everybody have that?

5 THE WITNESS: Yes, sir.

6 (Whereupon, Exhibit No. 118 was marked for
7 identification.)

8 MR. WRIGHT: The next one I would like marked
9 is Exhibit 119; has a short title of "Executed
10 Additional Work Agreement."

11 COMMISSIONER POLMANN: We'll identify executed
12 additional work agreement --

13 MR. WRIGHT: And for --

14 COMMISSIONER POLMANN: -- as 119.

15 MR. WRIGHT: Thank you. And for brief clarity
16 and expansion, it's an agreement between KW Resort
17 Utilities and the Monroe County Board of County
18 Commissioners.

19 (Whereupon, Exhibit No. 119 was marked for
20 identification.)

21 MR. WRIGHT: The last exhibit I would like
22 marked, please, is -- as Exhibit 120 is a
23 memorandum for a Board of County Commissioners
24 agenda, dated March 12th, 2018. The short title
25 for this is "3/12/2018 KWRU Memo for Agenda."

1 COMMISSIONER POLMANN: Thank you, Mr. Wright.
2 We have Exhibit No. 120, March 12th, 2018, KWRU
3 memo for agenda. This is Board of County
4 Commissioners, Monroe County.

5 (Whereupon, Exhibit No. 120 was marked for
6 identification.)

7 MR. WRIGHT: Thank you for allowing me to take
8 that brief break, Mr. Commissioner -- Presiding
9 Officer.

10 COMMISSIONER POLMANN: Yeah, call me whatever
11 you want.

12 Please proceed.

13 MR. WRIGHT: Thanks.

14 BY MR. WRIGHT:

15 **Q Mr. Johnson, is -- is it reasonable for me to**
16 **believe that you're familiar with -- with your customer**
17 **out there?**

18 A I'm aware of Stock Island Apartments, yes.

19 **Q I would like to ask you to look at what is the**
20 **third piece of paper in the short exhibit now marked as**
21 **118.**

22 A The map? Okay.

23 **Q It includes -- it includes a color photograph**
24 **with an area outlined in blue. Do you see that?**

25 A Yes.

1 **Q Is that your understanding of the -- of**
2 **what -- of the place of the area that will be Stock**
3 **Island Apartments?**

4 **A This Stock Island Apartments is different from**
5 **the Stock Island Apartments that I'm giving testimony**
6 **on.**

7 **Q Well, that is a surprise. What are the Stock**
8 **Island Apartments on which you are giving testimony at**
9 **Page 15 of your test- -- of you direct testimony?**

10 **A The Stock Island Apartments I was giving**
11 **testimony on are located between 3rd Avenue and 2nd**
12 **Avenue, bordered by 3rd Street.**

13 **Q Is that an existing apartment complex?**

14 **A Yes.**

15 **Q Is it also true that there is one meter**
16 **servicing the Stock Island Apartments that you're talking**
17 **about in your testimony?**

18 **A When I said one meter, I believed it was -- we**
19 **were talking about the one that's bound by 3rd Avenue,**
20 **2nd Avenue, and 3rd Street.**

21 **Q Okay. Thank you.**

22 **How many units are in that apartment complex?**

23 **A It's sizeable. I don't know exactly how many.**

24 **Q You don't how many ERCs or EEUs are in that**
25 **complex?**

1 A No.

2 COMMISSIONER POLMANN: I believe you asked
3 that question, Mr. Wright.

4 MR. WRIGHT: For clarity, I -- I was thinking
5 of a different area --

6 COMMISSIONER POLMANN: But he wasn't.

7 MR. WRIGHT: -- of -- fair enough. Thank you.

8 BY MR. WRIGHT:

9 Q What's the -- what's the land area covered by
10 the area between 3rd and 2nd Avenue, bordered by 3rd
11 Street?

12 A In terms of square miles -- I mean --

13 Q Acres.

14 A Acres?

15 Q Yeah.

16 A I don't know.

17 Q If I were to ask you what gallonage-per-day
18 usage you would use for a representative apartment in
19 that complex, addressed in your testimony, what number
20 would you use?

21 A To calculate, that, I would need to know the
22 number of apartment units. And I don't know that
23 number.

24 Q Well, I asked you what gallons per day you
25 would use for a representative apartment; not for the

1 total complex.

2 A I would use, for a dwelling, 126 unit --
3 gallons.

4 Q Divided by 23 million, by 365 days, I get a
5 value of about a 63,000 gallons per day. Is that
6 accurate arithmetic, as far as you can tell?

7 A 636,835 -- what did you get? 65,000 --

8 Q I got 63,013.7. You -- 23 million divided by
9 365 days -- or 23,244,814 divided by 365 days?

10 A 63,684.

11 Q Okay. And now, if you would, please, divide
12 that number by the 126 gallons per ERC that you
13 referenced in a previous response.

14 A 505.

15 Q Do you think there are 505 units out there?

16 A I don't know.

17 Q Did you ever bill the Stock Island Apartments,
18 of which you are testifying, for 1.9 million gallons in
19 a month?

20 A I would have to see the data, but there was
21 very large water use there and -- to simply state that
22 it's only dwellings -- we don't know that. There could
23 be laundry facilities, any other number of things going
24 on on the property that could generate a lot more
25 wastewater.

1 Q Well, this is your testimony, and you address
2 Stock Island Apartments. Do you know what's there --
3 you don't know how many apartments there are in the
4 complex?

5 A Off the top of my head, no.

6 Q Okay. Do you know whether there are separate
7 laundry facilities in there?

8 A I don't know.

9 Q Will you agree that 23 million gallons
10 represents roughly 10.5 percent of the company's total
11 gallons billed, as reported in Mrs. -- Ms. Swain's
12 Exhibit E2; 217 million into 23 million?

13 A Yeah, roughly.

14 Q Do you believe that -- that this one apartment
15 complex used 10.5 percent of the company's total
16 wastewater treatment?

17 A I only can look at the numbers that go through
18 the water meter. I -- the meters aren't mine. The
19 meters are owned by the Florida Keys Aqueduct Authority.

20 Q Is -- is that one meter -- is that a general-
21 service meter or is it billed under a general-service
22 rate?

23 A I believe it is.

24 Q Thank you.

25 You haven't provided any billing data from

1 FCAA in support of your testimony, have you?

2 A I thought I provided a full calculation for
3 the number here.

4 Q Moving -- moving on, but still on gallons,
5 you -- you testified in -- in the passage we were just
6 discussing that you made the adjustment, the downward
7 adjustment, of 17 million gallons from billable gallons,
8 correct?

9 A Correct.

10 Q I want to ask you a few questions about other
11 components of the billable gallons. Are you aware -- I
12 would like to ask you to look at the second exhibit that
13 I distributed, which is the estimated addition --
14 sorry -- executed additional work agreement between KWRU
15 and the County.

16 A (Examining document.)

17 Q Thanks.

18 If you could, look at the first page of the
19 contract, itself. It has a Bates Stamp in the upper
20 right of MC001918.

21 A Yes.

22 Q I would like to ask you, please, to look down
23 to the bottom of the page, numbered Paragraph 1. And I
24 would like to ask you to read that paragraph into the
25 record, please.

1 A "As used herein, the term 'capacity
2 reservation fee' is synonymous with the planned capacity
3 charge of \$2700 per residential" -- sorry -- "per
4 equivalent residential connection approved by the Public
5 Service Commission as part of the utility's tariff."

6 COMMISSIONER FAY: He's reading the footnote.

7 **Q I -- I'm sorry. I am --**

8 A Sorry. Did I read the wrong thing?

9 MR. SAYLER: It should be that.

10 MR. WRIGHT: Oh.

11 COMMISSIONER POLMANN: What page are we on?

12 BY MR. WRIGHT:

13 **Q Thank -- thank you, Mr. Johnson. You read**

14 **Footnote 1.**

15 A Oh, I'm sorry.

16 **Q I --**

17 A You wanted --

18 **Q I was trying to ask you to read numbered**

19 **Paragraph 1, which is "term."**

20 A "Term."

21 **Q Thank you.**

22 A "The term of this agreement shall begin on the
23 date, first above written," in quotes, "effective date.
24 And this shall continue until the work described in the
25 scope of services, Appendix A to this agreement, is

1 completed, with the proviso that the utility shall
2 achieve substantial completion of the work outlined in
3 Appendix A no later than nine months from the effective
4 date, unless the parties agree in writing to an
5 extension of the term.

6 "As used in the agreement, the term
7 'substantial completion' shall mean that each customer
8 listed on Appendix A can connect to the connection point
9 with no additional work needed on the public property
10 and the additional work is placed in service."

11 Q Thank you.

12 Now, is it correct that the additional work
13 here is work to extend the company's facility in South
14 Stock Island to connect customers there to the vacuum
15 system?

16 A Broadly, that's a good characterization.

17 Q I would like to ask you to look, please, at
18 what has been marked as Exhibit 120. Is it correct that
19 this is a memorandum presented to the Board of County
20 Commission- -- Commissioners for approval of the
21 contract we were just discussing?

22 A Yes.

23 Q Did you attend that county commission meeting
24 to make sure this got approved?

25 A I did not.

1 Q Did you monitor it in any way?

2 A Yes.

3 Q Are you familiar with this memorandum?

4 A Yes.

5 Q If you would, please, look at what, I think,
6 is the fourth page in Bates Stamp MC002111.

7 A Yes.

8 Q Is this an accurate list of the properties to
9 be connected pursuant to the additional-work contract?

10 A Yes.

11 Q When these customers connect to the vacuum
12 system, will they pay KWRU the applicable service
13 availability charge past the reservation fee of \$2700
14 per ERC?

15 A Or put it on their tax roll.

16 Q Okay. You don't know which it is at this
17 time, correct?

18 A No.

19 Q In your test-year gallonage, you didn't
20 account for any additional gallons from fees,
21 connections, did you?

22 A No, these are not served.

23 Q Thank you.

24 On Page 16 of your direct testimony, you
25 described a problem with calibration of an effluent-

1 flow meter.

2 A Yes.

3 Q We -- we do say that our practice before the
4 Florida Public Service Commission is paper-intensive.

5 Is -- is the effluent-flow meter referred to
6 in your testimony here the effluent-flow meter for
7 KWRU's wastewater treatment plant or for one part of the
8 treatment plant? Can you explain that?

9 A Yes, that's for the treatment plant.

10 Q Is there -- is there one meter for the whole
11 plant, the whole 849,000 gallons a day?

12 A Yes.

13 Q Thank you.

14 A For effluent. We have influent meters as
15 well.

16 Q Thank -- that's great. Thanks.

17 And you testified an error -- the calibration
18 error was 50 gallons per minute or 3,000 gallons per
19 hour?

20 A Yes.

21 Q So, that's 72,000 gallons per day?

22 A It's not necessarily that.

23 Q If it were running full tilt, it would be
24 that?

25 A Yes.

1 Q Okay.

2 A But can't assume that that's the case, though.

3 Q Do you have any idea how long the -- the
4 incorrect readings on the flow meter were going on?

5 A We have notes in our log book that indicate
6 that. I can't remember exactly.

7 Q And this -- this is an -- a KWRU meter,
8 correct; it's not an FKAA meter?

9 A Correct.

10 Q Thank you.

11 So, it was a year between calibration --
12 when -- it was last cal- -- do I understand the last
13 sentence of your answer at Lines 7 and 8 to mean, the
14 last time it was calibrated was last November -- does
15 that mean November of 2016 or November of 2017?

16 A Yes, it would be November of '16. And this
17 was the annual calibration that was done.

18 Q Okay. And -- and so, your -- your routine
19 schedule is once a year?

20 A With an outside contractor to do a
21 calibration.

22 Q Do you routinely check to -- to see if -- if
23 the numbers that are being reported look right to you?

24 A Yes; however, during this time period was not
25 a typical time period, being that we put the new plant

1 online and flows were not stable between plants, due to
2 the pinch valve that regulates flow between the three
3 plants.

4 Q I have a couple more follow-up questions
5 regarding my asking you about Stock Island Apartments.
6 We agree that 17 million gallons, which is the decrease
7 between the 23 and the 6- -- 23.2 and 6.2 is roughly a
8 17-million-gallons adjustment, correct?

9 A Are we on a new exhibit?

10 Q No, I'm back on your testimony, on Page 15.

11 A Sorry. The question, again, please?

12 Q Sure.

13 Predicate question: The adjustment you made
14 was roughly 17 million gallons, correct?

15 A Correct.

16 Q And we agree that 17 million represents a
17 little less than 8 percent -- I get 7.8 percent of the
18 company's total gallonage for the test year of
19 217 million gallons?

20 A Approximately, yes.

21 Q Isn't it true that reducing the billed gallons
22 by that 7.8 percent would have a corresponding effect of
23 increasing the rates by a similar, but probably not
24 identical amount?

25 A The rates would -- would have to change

1 somewhere to make up for it, if that's what you're
2 asking.

3 **Q And if the -- if the gallons are fewer, then**
4 **the rates would be higher, correct?**

5 A Correct, in theory.

6 MR. WRIGHT: If I could just have a minute,
7 Commissioner, I think that I'm done, but I want to
8 be sure.

9 COMMISSIONER POLMANN: Yes, sir.

10 MR. WRIGHT: Thank you.

11 BY MR. WRIGHT:

12 **Q One more quick question, Mr. Johnson. This is**
13 **back to the insurance claim. Have you made any report**
14 **of your difference of opinion with SafePoint to the**
15 **State of Florida's Office of Insurance Regulation?**

16 A I have not.

17 MR. WRIGHT: Thank you. And that's all I
18 have. Thanks very much for your time.

19 COMMISSIONER POLMANN: Thank you, Mr. Wright.
20 Staff?

21 MS. MAPP: Yes, staff has questions. We're
22 going to pass out exhibits first.

23 COMMISSIONER POLMANN: Okay. The next exhibit
24 number that I show is 121.

25 (Discussion off the record.)

1 MS. MAPP: There are some exhibits that we
2 will not be marking because those questions were
3 taken care of by the intervenors, prior to. So, I
4 believe the first exhibit is labeled "Excerpt from
5 KWRU Utility's Profit-sharing Plan and Trust." We
6 will not be using that exhibit.

7 So, begin numbering with the description,
8 document, Staff's Interrogatory No. 14.

9 COMMISSIONER POLMANN: Exhibit No. 121 will be
10 Staff's Interrogatory No. 14.

11 MS. MAPP: Yes, I believe that's number 121.

12 COMMISSIONER POLMANN: 121.

13 (Whereupon, Exhibit No. 121 was marked for
14 identification.)

15 MS. MAPP: And the next exhibit document
16 labeled excerpt from Order No. PSC-06-170A-PAA-WS
17 would be 122.

18 COMMISSIONER POLMANN: Everybody have that?
19 Exhibit 122 is excerpt from Order No. PSC-
20 06-170A-PAA-WS.

21 (Whereupon, Exhibit No. 122 was marked for
22 identification.)

23 MS. MAPP: The next exhibit, Rate-case Expense
24 Noticing Costs, will be 123.

25 COMMISSIONER POLMANN: Exhibit 123, Rate-case

1 Expense Noticing Costs. And also referenced are
2 staff's fifth interrogatory, No. 113.

3 (Whereupon, Exhibit No. 123 was marked for
4 identification.)

5 MS. MAPP: And the last document, property tax
6 invoices, will be No. 124.

7 COMMISSIONER POLMANN: 124 is property tax
8 invoices and a reference there, first set of
9 production of documents, No. 9 -- response to OPC's
10 POD No. 9.

11 MS. MAPP: Thank you.

12 (Whereupon, Exhibit No. 124 was marked for
13 identification.)

14 COMMISSIONER POLMANN: Okay. 121, two, three,
15 four.

16 Ms. Mapp, you --

17 MS. MAPP: Okay. I'll begin.

18 EXAMINATION

19 BY MS. MAPP:

20 Q Good afternoon, Mr. Johnson.

21 A Good afternoon.

22 Q Could you please turn to what has been marked
23 as Exhibit No. 121.

24 A Yes.

25 Q And can you please read into the record the

1 **question and response for No. 14?**

2 A "Please refer to Exhibit DDS-1, Page 28,
3 Line 32. The utility has proposed an adjustment to
4 miscellaneous expense for hurricane-related expenses to
5 be amortized over four years. Please explain why KWRU
6 chose a four-year amortization period.

7 "Response: KWRU determined the hurricane-
8 related expenses will occur every four years, on
9 average, consistent with final order in
10 PSC-06-0170A-PAA-WS."

11 Q **And could you refer to exhibit marked 122.**

12 A Yes.

13 Q **You will note this also says -- that this is**
14 **referring to the order cited in your response,**
15 **PSC-06170A-PAA-WS?**

16 A Yes.

17 Q **I believe you have both the excerpt and the**
18 **full copy of that order?**

19 A Yes.

20 Q **Is this -- so, this is the order that the**
21 **company is referencing in this response, correct?**

22 A Yes.

23 Q **Could you please turn to what's marked as**
24 **Page 38 of that order.**

25 A Yes.

1 **Q** And could you read the third line down,
2 beginning with the word "given," and conclude the
3 paragraph?

4 A "Given the growth of this utility, and the
5 above-mentioned water and wastewater plant improvements,
6 we believe that the utility will file another rate case
7 in approximately 2010, which is four years from our
8 approved 2006 projected test year.

9 "Therefore, we find it appropriate to
10 am-i-tortize" -- am-i-tor-iz-ide -- am-i-torize --

11 **Q** Amortize.

12 A "Amortize the hurricane costs over four years.
13 Accordingly, wastewater O & M expenses shall be
14 increased by \$2,213."

15 **Q** Based on that passage, would you agree --
16 would you agree that a four-year amortization period was
17 based on the expected frequency of that specific utility
18 filing another rate case?

19 A Yes, I do.

20 **Q** Do you believe there's any other place in that
21 order that identifies the frequency of hurricane-related
22 expenses as being every four years?

23 A I'm sorry. Could you restate?

24 **Q** Do you have any reason to believe that
25 hurricane-related expenses would occur every four years?

1 A I believe that they can occur every four
2 years, yes.

3 Q Can you guarantee that?

4 A I cannot.

5 Q Now, if you could, turn to the document
6 labeled Exhibit 124. This was provided in response to
7 OPC's first set of production of documents, No. 9.

8 A Yes.

9 Q Is the millage rate provided on these invoices
10 reflective of the test-year property taxes?

11 A Yes, it is.

12 Q And could you turn to what has been labeled as
13 Exhibit No. -- one moment, please -- yeah, labeled as
14 123. Here, in response to Interrogatory No. 113, the
15 utility references that \$930 are estimated for
16 additional noticing costs; is that correct?

17 A That's correct.

18 Q How did the utility come to this number?

19 A We used the previous mailing costs to estimate
20 this cost.

21 MR. WRIGHT: Commissioner? It's -- it's me.

22 COMMISSIONER POLMANN: Yes, Mr. Wright.

23 MR. WRIGHT: For the reasons that we have
24 previously discussed, we will object to the
25 admission of this exhibit. I just want to make

1 sure there's no waiver argument because I didn't
2 say something now.

3 I would also like to understand what the
4 difference is between Exhibit 123 and Exhibit 91,
5 both of which refer to the company's responses to
6 Interrogatory No. 113.

7 MR. SMITH: I would object to --

8 COMMISSIONER POLMANN: Can you speak up,
9 Mr. --

10 MR. SMITH: Yes, Bart Smith. I would object
11 to Mr. Wright being able to ask additional
12 questions, as he's already rested as to his
13 questions of this witness.

14 MR. WRIGHT: I -- I really want the question
15 to be for the clarification to the staff, who are
16 proffering the exhibit, not to Mr. Johnson.

17 COMMISSIONER POLMANN: So, is your --

18 MR. WRIGHT: My --

19 COMMISSIONER POLMANN: -- objection to --

20 MR. WRIGHT: My objection stands with respect
21 to both 91 and 123. I was going to say, both refer
22 to the same interrogatory answer. I would like the
23 staff to explain what the difference is.

24 COMMISSIONER POLMANN: Well, I -- I hear your
25 objection, and I was going to look to staff, if

1 they have any comment concerning your objection.

2 MS. MAPP: Staff would review our previous
3 response that -- or response being provided outside
4 of discovery deadline is not adequate reason to
5 exclude evidence from the record.

6 And the difference between this one -- No. 123
7 and No. 91 is that 90- -- No. 91 includes
8 attachment -- and this is very -- 123 is very
9 limited in scope as to what's provided on the page.
10 And we're proving relevance currently by
11 questioning the witness on this document.

12 COMMISSIONER POLMANN: I -- I'm going to let
13 this proceed.

14 MR. WRIGHT: Certainly, Commissioner. I just
15 want our objection noted for the record, for all
16 the reasons we said before.

17 COMMISSIONER POLMANN: So noted.

18 MR. WRIGHT: Thanks.

19 COMMISSIONER POLMANN: Ms. Mapp, you may
20 proceed.

21 BY MS. MAPP:

22 **Q You were provided Exhibit No. 117 by OPC, KWRU**
23 **profit-sharing plan and trust. If you would, refer to**
24 **that, please. And during that questioning, you stated**
25 **that the utility, beginning January 1, 2018, initiated a**

1 pension plan; is that correct?

2 A Correct.

3 Q And you also stated that the utility has
4 chosen to contribute 5 percent to the plan on behalf of
5 the employee; is that correct?

6 A Correct.

7 Q When did the utility begin contributing this
8 amount?

9 A I think the first contribution that went into
10 the plan was actually in February, but we made up
11 January when we made that contribution.

12 Q So, do you have an estimate of the current
13 dollar amount contributed by the utility to date?

14 A It's on the order of between three and \$4,000
15 each month.

16 Q And that's for all of the 14 employees
17 currently employed at KWRU?

18 A No, it's not for 14. The reason being, if you
19 weren't employed as of January 1, 2018, you're not
20 eligible to participate until next calendar year. So,
21 every employee who was employed as of January 1, 2018,
22 is enrolled.

23 Q And that would be how many employees?

24 A 11 employees.

25 MS. MAPP: Thank you. That's all of staff's

1 question.

2 COMMISSIONER POLMANN: Thank you, Ms. Mapp.
3 Commissioners.

4 COMMISSIONER CLARK: I have one.

5 COMMISSIONER POLMANN: Mr. Clark --
6 Commissioner Clark.

7 COMMISSIONER CLARK: I have just one question
8 related back to the -- I'm trying to find it real
9 quick. I'm sorry. Here we go -- related back to
10 the reduction in use of the Stock Island
11 Apartments.

12 That seemed very significant, 17-million-
13 gallon reduction. Was there any explanation as to
14 what happened? Was this an over- -- an overbilling
15 situation that was corrected and a -- meter-reading
16 errors or -- how do you have a 17-million-gallon
17 reduction if there are people still living there?

18 THE WITNESS: We had same feelings going into
19 it. And we talked to the building managers; didn't
20 get anywhere with them. We got as high up to the
21 head of IT, and he verified for us -- and his name
22 is Paul Cales -- on Line 16, Page 15. Paul Cales
23 is the head of their IT department. He grabs the
24 data from the meters.

25 And his team verified that the meter readings

1 are accurate for us because we questioned the
2 veracity of the meter readings, the accuracy of the
3 meter readings. He came back and he said they were
4 23 before -- they were 23 million before; they're
5 six now, or whatever the meter readings represent
6 those numbers, and they're accurate. And that's
7 the answer we got from the Aqueduct.

8 These are their meters. They own them. They
9 calibrate them. They maintain them.

10 COMMISSIONER CLARK: Do you have any recourse
11 to verify their test, calibrations? Or do you have
12 any recourse against them if there was an error in
13 the reading -- against FKAA?

14 THE WITNESS: Well, it's in their best
15 interest to make sure the readings are accurate,
16 too, as they're billing off of them. We brought
17 these concerns to their attention. And Paul Cales
18 certified -- and I think I have it in an e-mail --
19 that these meter readings are accurate.

20 COMMISSIONER CLARK: And this happened over a
21 one-year period?

22 THE WITNESS: This happened for just a few
23 months of the test year, is when it began.

24 COMMISSIONER CLARK: I'm not doubting that the
25 numbers are what they are, but the explanation for

1 how it occurred and what -- what went on there
2 during that time period -- it makes absolutely no
3 sense. It's hard for me to understand how you can
4 suddenly reduce consumption 17 million gallons.

5 THE WITNESS: Yes, that's a large reduction.
6 I asked the same question. I was asking about
7 laundry facilities; did the laundry facility get
8 removed, something going on like that; was there a
9 leak.

10 COMMISSIONER CLARK: Did somebody fix a water
11 leak they didn't tell you about.

12 THE WITNESS: Exactly. And those are the
13 questions I brought before the Aqueduct, and I
14 didn't get those answers.

15 COMMISSIONER CLARK: So, I go back to -- the
16 point, now, being you have less units to make up
17 your revenue requirements over, causing you to have
18 to raise rates based -- one -- one factor alone,
19 just on that one issue; is that a fair statement?

20 THE WITNESS: Yes.

21 COMMISSIONER CLARK: What percentage of your
22 customer base -- I know you didn't know the number
23 of apartments there. My math showed that, based on
24 their number, there had to be about 500 units in
25 that complex. You have 3,200 customers total; is

1 that right?

2 THE WITNESS: Approximately.

3 COMMISSIONER CLARK: So, 500 customers --
4 assuming there were 500 customers in that area -- I
5 would really like to know about how many customers
6 are in that, if we can find that at some point in
7 time; how many customers are serviced by Stock
8 Island Apartments.

9 THE WITNESS: Sure.

10 COMMISSIONER CLARK: Thank you, sir.

11 No further questions, Mr. Chairman.

12 COMMISSIONER FAY: I have a couple of
13 questions, Mr. Chairman.

14 Thank you, Mr. Johnson. I appreciate your
15 testimony. I -- when I read your background, I
16 thought how happy you would be to move from
17 Illinois to Florida, and that might have changed
18 after today, but appreciate you being here.

19 My -- my quick sort of clarification that I
20 would like to get from you is the -- a lot of the
21 water components are -- are new to me and --
22 compared to Dr. Polmann. I'm a little bit slower
23 picking it up, but there's the -- the Aqueduct
24 Authority that, in certain ways, I guess you
25 intertwine with.

1 When you spoke to competition about the
2 Aqueduct Authority -- is that an employment thing?
3 Is that an operational thing?

4 THE WITNESS: They are our competition for
5 employees, but as far as our billing system goes,
6 they don't compete in our service territory.
7 They're not a wastewater provider, where we are.
8 So, in --

9 COMMISSIONER FAY: So, when you speak of
10 competition, it's just strictly to the employment.

11 THE WITNESS: For the employment pool, yes.
12 We're trying to draw out of the same pool of
13 employees, being they're a wastewater company and a
14 water company -- we're strictly wastewater -- we do
15 compete for the same skill sets, very, very
16 closely.

17 COMMISSIONER FAY: Sure. All right. Thank
18 you.

19 THE WITNESS: You're welcome.

20 COMMISSIONER FAY: That's all I have.

21 COMMISSIONER POLMANN: Thank you,
22 Commissioners.

23 Mr. Johnson, I have a number of questions
24 here. I'll see if I can do so without repeating.

25 There was a question regarding substation L2A.

1 In your direct testimony, I believe there was a
2 statement on the lift station being knocked over.
3 And there was discussion about the electrical panel
4 being knocked over.

5 What is the configuration of the -- of the
6 lift station, itself, the -- the components of
7 that? Part of it's underground or aboveground?

8 THE WITNESS: The lift station is a concrete
9 structure that's underground.

10 COMMISSIONER POLMANN: Okay.

11 THE WITNESS: And the panel is upright. It's
12 stainless steel, mounted on a base, aboveground.

13 COMMISSIONER POLMANN: So, in the context
14 of -- of the structure, itself, when you say the
15 lift station is knocked over, that's necessarily
16 part aboveground; is that correct?

17 THE WITNESS: It would be more accurate, I
18 guess, to say the electrical panel, itself, was
19 knocked over.

20 COMMISSIONER POLMANN: Understood. That would
21 be more accurate, but --

22 THE WITNESS: But it is part of the lift
23 station, yes. Yes.

24 COMMISSIONER POLMANN: But the lift station,
25 itself, in -- in the context of the concrete below

1 ground, that can be flooded, but other types of
2 damage -- that's not something that would be
3 normally be knocked over unless it was washed away.

4 THE WITNESS: Right.

5 COMMISSIONER POLMANN: Okay.

6 THE WITNESS: Correct.

7 COMMISSIONER POLMANN: Now, in terms of the
8 panel, if I understood the discussion earlier, that
9 was planned for replacement, regardless of the
10 storm; is that correct?

11 THE WITNESS: Not the panel, itself. The lift
12 station, itself, needs to be replaced. And that is
13 not a result of the storm. The concrete structure
14 needs to be replaced.

15 COMMISSIONER POLMANN: Can you distinguish for
16 us, with regard to L2A, whether all of that -- the
17 entire cost of that facility -- is that -- are you
18 seeking cost recovery for that within this docket
19 in its entirety or some aspect of that being --
20 seeking cost recovery as part of the storm damage?

21 THE WITNESS: The only element that was
22 damaged in the storm was the electrical panel.
23 The -- the remainder -- 140,000 not-to-exceed
24 contract with B&L Beneway is capital,
25 rehabilitative capital work.

1 COMMISSIONER POLMANN: So, the original plan
2 was to -- under the capital plan did not include
3 the electrical panel; is that correct? I'm trying
4 to distinguish what --

5 THE WITNESS: Yeah.

6 COMMISSIONER POLMANN: I --

7 THE WITNESS: That's a good question.

8 COMMISSIONER POLMANN: The panel was damaged
9 in the storm.

10 THE WITNESS: I think this will help you.

11 COMMISSIONER POLMANN: Okay.

12 THE WITNESS: The sister lift station that's
13 300 feet away -- when it was replaced in 2014, we
14 removed the electrical panel. We removed the
15 pumps. We put the new lift station in. We took
16 the old panel and put it back. We put the old
17 pumps and put them in the new wet well.

18 So, not all -- and that was the plan for this,
19 since the panel was in good working order, in very
20 good shape, to reuse it.

21 COMMISSIONER POLMANN: At L2A, you need to
22 replace the panel; is that correct? Or since it
23 fell down, is it still functional?

24 THE WITNESS: It's still functional, but it's
25 been exposed to salt water, and its longevity is in

1 question. And it is a major lift station on the
2 gravity system, force-main system, of our utility.
3 It's one of two main lift stations on that part of
4 the island.

5 COMMISSIONER POLMANN: Is that now a part of
6 your capital program --

7 THE WITNESS: Yes.

8 COMMISSIONER POLMANN: -- the panel? Thank
9 you.

10 There was discussion regarding sole-source
11 determination. In general, for KW, are you -- do
12 you have a procedure for the determination of a
13 sole-source provider? How do you -- how do you
14 determine that, for a particular purchase, that you
15 only have one source?

16 THE WITNESS: Okay. For example, the
17 wastewater treatment plan rehabilitation project,
18 that we contracted with the Evoqua, that decision
19 was made based on the input from our engineer. Our
20 engineer wrote a memorandum giving his opinion that
21 sole-sourcing that lift station would be in the
22 utility's best interests.

23 The engineer went on to tell me that, if we
24 had decided to bid that out to multiple
25 contractors, because we don't have the drawings,

1 they are the proprietary property a Evoqua. Those
2 drawings, which are dimensional drawings, would
3 have to be created.

4 So, measurements and data would have to be
5 taken in the field. The drawings would have to be
6 created. This whole process would be followed.
7 Bid packages would be put out. The cost of doing
8 all that would add, according to my engineer,
9 20 percent to the overall project costs.

10 COMMISSIONER POLMANN: When you say "my
11 engineer," is that --

12 THE WITNESS: The utility's engineer.

13 COMMISSIONER POLMANN: -- somebody you
14 contract with for services?

15 THE WITNESS: Yes. We have an outside
16 engineering firm, Weiler Engineering.

17 COMMISSIONER POLMANN: Okay. So, the
18 determination of sole source or -- or bidding --
19 that's a case-by-case basis -- on a particular
20 project-by-project?

21 THE WITNESS: Yes, that's correct.

22 COMMISSIONER POLMANN: And then you -- you get
23 a recommendation from an outside expert for
24 whatever that type of project would be. And then
25 who makes that determination?

1 THE WITNESS: That determination is made by
2 myself and ownership.

3 COMMISSIONER POLMANN: Okay. Now, distinct
4 from -- from a recommendation from your consultant
5 that this is a sole source -- or to use sole
6 sources in their opinion, in the best interest of
7 the utility, there may be a case where you receive
8 only one bid. You advertise, but you received only
9 one bid.

10 Has there been occasion when you decided that
11 having only one bid is not adequate; that you know
12 there may be others who could have bid and you
13 decide to rebid to see if you would receive
14 multiple bids and then choose from?

15 In other words, if you only receive one, but
16 you think you should have received more, do you try
17 again? Or under what circumstances do you say,
18 well, let's go ahead with this one? Do you make
19 that distinction?

20 THE WITNESS: If -- if we receive a bid and
21 it's a single bid and we -- we wanted more bids,
22 and that bid came in on time and the other bids
23 didn't arrive on time, we would have to look at the
24 bid and make a determination.

25 If we didn't like the bid, we certainly would

1 not feel at all compelled to go through with the
2 bid. In that case, we would take another course of
3 action, rebidding the project, rethinking the
4 project, but we would not let a project for a bid
5 that we were unhappy with.

6 COMMISSIONER POLMANN: And do you -- do you
7 decide the un- -- the degree of unhappiness,
8 inside? Do you take recommendation from your
9 engineer or from who? Or does that depend on the
10 type of the project?

11 THE WITNESS: So, the discussion would be
12 between the engineer, the ownership, myself, and
13 the other managers of the utility.

14 COMMISSIONER POLMANN: So, there's not a
15 single course of action all the time. And does
16 it -- does it depend --

17 THE WITNESS: It would be --

18 COMMISSIONER POLMANN: -- on the type of
19 project and other factors?

20 THE WITNESS: Yeah, it would be predicated on
21 the individual circumstances as it relates to the
22 that project.

23 COMMISSIONER POLMANN: Okay. Thank you.

24 With regard to the overtime for -- for
25 staff -- that was discussed in the context of

1 Exhibit 114. I don't know that we need to look
2 back at that, but there's quite a bit of discussion
3 on that, year to year.

4 My -- my general question is: Among the
5 various staff, you have different skill sets; is
6 that correct?

7 THE WITNESS: That's correct.

8 COMMISSIONER POLMANN: So, then, who
9 determines which staff person is selected for the
10 over- -- overtime? Is it based strictly on the
11 skill set, what the need may be? Or is there a
12 rotation among -- among the staff? How was that
13 done? Because I -- I see some people have a lot of
14 overtime and others have very little.

15 THE WITNESS: Okay. I'll say, based on our
16 current staffing of 14, the division of labor is
17 between a maintenance group and a plant-operations
18 group.

19 The plant-operations group are the wastewater
20 plant operators who are licensed operators or, in
21 the case that we're in right now, we have a trainee
22 who's passed his exam and just doesn't have quite
23 enough hours to qualify to be a licensed operator,
24 but he'll soon become qualified. These folks work
25 on the plant.

1 And the other six employees work on
2 maintenance of the collection system and on the
3 plant or any other equipment or assets that the
4 utility needs maintained.

5 There is a call-out schedule. The call-out
6 schedule, as I stated earlier, divides the labor
7 among all the employees. This call-out schedule is
8 about one week. For seven days in a row, you're on
9 call and then you get three weeks off. So, it's
10 one on, three off.

11 During that time, you have to get to the
12 utility within 15 to 20 minutes, no matter where
13 you are during those seven days, day and night, and
14 you must be ready to work and in a condition to
15 work.

16 As far as --

17 COMMISSIONER POLMANN: I think that --

18 THE WITNESS: -- assigning assets, that's to
19 the managers on a more-broad level, but there is a
20 schedule.

21 COMMISSIONER POLMANN: Thank you.

22 Now, there's a -- couple of questions here --
23 and if you're not the best person -- if there's
24 another witness, please refer me.

25 In -- in terms of the number of staff and

1 those occasions which you're understaffed, you've
2 had that -- past years; right now, you're fully
3 staffed going forward, and turnover and so forth --
4 are you aware of FDEP requirements, according to
5 your operator permit for the plant, types of
6 operators, that there are requirements for a
7 minimum number of staff or the type of plant you
8 have and -- and the manpower you have is a 24-hour
9 operation that you have? Or what is it?

10 THE WITNESS: So, we're staffed Monday through
11 Friday, eight hours per day. And we have to have a
12 "C" operator or higher. We have to have a "B"
13 licensed operator supervising our wastewater plant.
14 And then, we have to make two weekend visits with
15 our wastewater operator.

16 COMMISSIONER POLMANN: So, there's --

17 THE WITNESS: That's the minimum.

18 COMMISSIONER POLMANN: So, there's a minimum,
19 based on your operator permit and so forth. You
20 have to have some number of staff, according to
21 your -- your permit.

22 THE WITNESS: Correct.

23 COMMISSIONER POLMANN: Did you also follow
24 some particular industry-standard guidelines that
25 may be above and beyond the -- the minimum permit

1 requirements or license requirements?

2 THE WITNESS: As far as our staffing --

3 COMMISSIONER POLMANN: Yeah, number of staff
4 that you have for various jobs.

5 THE WITNESS: The permit, itself, is your
6 minimum. That's your starting point. You must put
7 those hours in by those licensed individuals for
8 those hours.

9 That does not mean that, during certain times,
10 additional work isn't necessary because it
11 certainly is. And if you're going to run your
12 plant properly, there's a lot of extra activities
13 that need to go on outside of that and will take
14 more time than the actual permit delineates.

15 COMMISSIONER POLMANN: Thank you.

16 In terms of staff development, as well as
17 staff turnover and vacancies, do you -- do you
18 currently have a cross-training program among the
19 various staff so that, when you have a vacancy,
20 somebody can step in and do that work? Or do you
21 end up with deficiencies in O & M or --
22 understanding it's not proper to have deficiencies
23 in your -- your operations, but do you have -- the
24 question is: Do you have a cross-training program
25 that -- so somebody can do multiple different

1 questions across -- across the spectrum? What is
2 your program for that?

3 THE WITNESS: We do. I would say more than
4 most utilities -- in fact, all other utilities that
5 I know of -- and I know individuals from them,
6 several of the utilities down here in the Keys -- I
7 think, because of our size, we're almost forced
8 into a situation where we do have to have -- we
9 have fewer employees, so we need higher skill
10 levels for our employees so that we can plug them
11 into different scenarios and have them do different
12 tasks. We can't have a specialist who just does
13 this --

14 COMMISSIONER POLMANN: Sure.

15 Is there a particular cost that you allocate
16 for that? Is that a labor cost or a separate
17 operating cost? I'm just asking, is it --

18 THE WITNESS: We don't book it as a special
19 cost.

20 COMMISSIONER POLMANN: Okay.

21 THE WITNESS: It's just cost of labor.

22 COMMISSIONER POLMANN: In terms of -- again,
23 back to the DEP regulations, have you -- has the
24 utility suffered any notice of violation or consent
25 orders in the past couple of years, particularly,

1 with no --

2 THE WITNESS: No, we haven't.

3 COMMISSIONER POLMANN: You haven't suffered
4 any cost just to get there? Thank you.

5 THE WITNESS: No.

6 COMMISSIONER POLMANN: There was a lot of
7 discussion about the pension plan as it relates to
8 the employee turnover. I understand that went into
9 effect January 1 of this year.

10 The question -- when were the staff made aware
11 that that was in the development stage and that
12 that -- that plan would be instituted? Was there
13 prior notice of that sometime before January 1 of
14 this year?

15 THE WITNESS: There was. There was a meeting
16 held in the fourth quarter of 2017 sort of rolling
17 out the plan to our employees, which I'll -- I'll
18 tell you was well-received and has been well-
19 received.

20 COMMISSIONER POLMANN: Okay. I just want to
21 know if they got notice on that day or --

22 THE WITNESS: Oh, no.

23 COMMISSIONER POLMANN: -- something before.

24 THE WITNESS: They had to name beneficiaries.
25 There was paperwork to fill out. They were given

1 notice.

2 COMMISSIONER POLMANN: Okay. There was a
3 question regarding the cost of your trailer that's
4 being replaced and some depreciation, so forth.

5 The original cost of your trailer -- I think
6 you had answer on that. Is that accounting
7 information -- is that in the docket, to the best
8 of your knowledge?

9 THE WITNESS: I believe Ms. Swain indicated
10 she had it in her rebuttal.

11 COMMISSIONER POLMANN: Okay. I just wanted
12 to -- I'm -- I'm a little bit confused on this
13 volume -- the meter error for the apartments, not
14 to read that more than necessary. Back on -- on
15 Page 15 in your direct, Line 20, 21, it says, "This
16 constitutes the reduction of gallonage from
17 23 million to 6 million on annualized basis." And
18 at the top of that paragraph, it says, in May 2017.

19 So, it was identified in May of that year, but
20 the numbers that -- that are listed here are on an
21 annualized basis.

22 Could you please clarify for us the difference
23 that was identified in some 17 million gallons?

24 What does it mean on an annualized basis?

25 THE WITNESS: If the change in usage -- which,

1 at that time, there was only three or four months
2 of data available -- was then annualized, these are
3 the numbers that were arrived at. So, in other
4 words, 12 months of data at the lower usage was not
5 available.

6 So, the months that were available were
7 utilized and then annualized. So, if I had four
8 months, I would have multiplied that by three to
9 come up with the annualization.

10 COMMISSIONER POLMANN: Is there any knowledge
11 that either utility has, the duration of this meter
12 error, how long -- I mean, you noticed it in May.
13 Presumably -- well, the error may have been ongoing
14 for some period of time. And I'm assuming that it
15 was fixed after it was identified, in order to come
16 up with this correction.

17 Is there any knowledge about how long, prior
18 to May, it was in place, that there was an error in
19 the meter?

20 THE WITNESS: Again, I have not been told --

21 COMMISSIONER POLMANN: Or --

22 THE WITNESS: I have not been told there was
23 an error. I -- I have been told by the folks
24 who --

25 COMMISSIONER POLMANN: Okay.

1 THE WITNESS: -- operate, own, and maintain
2 the meters that this number was correct at this
3 point in time. We verified it, and now, it's a
4 lower number here. And this number is correct. It
5 wasn't a one-time --

6 COMMISSIONER POLMANN: So --

7 THE WITNESS: -- aberration.

8 COMMISSIONER POLMANN: -- there was a step
9 drop.

10 THE WITNESS: Correct. Correct.

11 COMMISSIONER POLMANN: Did they identify if
12 they had made any repairs -- as Commissioner Clark
13 identified -- a leak or any -- anything of that
14 nature?

15 THE WITNESS: They did not give me an
16 assignable cause for the change in the readings.

17 COMMISSIONER POLMANN: Does KWRU rely entirely
18 on a -- on a base-rate charge and then the water-
19 use volume --

20 THE WITNESS: Yes.

21 COMMISSIONER POLMANN: -- for -- for your
22 billing purposes?

23 THE WITNESS: Yes.

24 COMMISSIONER POLMANN: I understand you're
25 measuring influent flow of wastewater into the

1 plant and discharging from the plant, but you're
2 not measuring any customer level.

3 THE WITNESS: Correct.

4 COMMISSIONER POLMANN: Any wastewater volume.

5 There was discussion with staff -- I may be
6 going off of that or not -- it may have just
7 triggered this. The hurricane-cost recovery -- and
8 I -- I talked about this a little bit with -- with
9 the lift station. Can you, as a utility, or have
10 you, in the past, sought recovery for hurricane
11 costs, outside of a rate case?

12 THE WITNESS: In my experience with the
13 utility, I don't believe so; however --

14 COMMISSIONER POLMANN: Okay.

15 THE WITNESS: -- prior to my involvement, I
16 can't speak for that.

17 COMMISSIONER POLMANN: There -- there's
18 reference in your response -- do you recall the
19 discussion with staff on amortizing over four years
20 and so forth? And there was talk about the average
21 hurricane cycle, four years, and so forth, so --
22 whatever that is, whether it's four, three, or now
23 it's going to be every year or --

24 THE WITNESS: Nobody knows.

25 COMMISSIONER POLMANN: Nobody knows. So,

1 speculating -- and I recognize your prior answer
2 that you don't have knowledge of utility practice
3 previously recovering costs, whether -- within the
4 rate case or -- or not.

5 Do you believe that, as president of the
6 company, that it's reasonable for the utility to
7 put forth a petition for a rate case in order to
8 recover hurricane costs in, essentially, every
9 instance -- that you have sworn to evidence you're
10 seeking to recover, so you initiate a rate case.
11 Do you -- in your opinion, do you think that's --
12 that's a reasonable process to go through?

13 THE WITNESS: That would be a really difficult
14 question to answer. Depending on the
15 circumstances, there -- I certainly could see if it
16 was a very large event, yes, absolutely, you would
17 have to recover costs because there would probably
18 be -- Marathon, for example -- they logged, between
19 September 10th and December 15th, nearly 1500 hours
20 of overtime. And that was mostly put in by eight
21 employees.

22 So, large events could be very costly; smaller
23 events, you would have to weigh whether you would
24 do a proceeding against the cost of the proceeding.

25 COMMISSIONER POLMANN: Okay. So, sitting here

1 today, can you -- can you conceive of some other
2 mechanism by which the utility could recover
3 hurricane costs outside of a rate case?

4 THE WITNESS: Not that I'm aware of.

5 COMMISSIONER POLMANN: All right. Thank you.
6 Any other questions, Commissioner?

7 Redirect.

8 FURTHER EXAMINATION

9 BY MR. SMITH:

10 Q **Mr. Johnson, I'm going to go through a couple**
11 **of different subjects that were talked about by the**
12 **different parties. Starting with the lift station, L2A,**
13 **for clarifications, how old is that lift station?**

14 A Its exact age is not officially known;
15 however, probably in the 1983 realm.

16 Q **Has this lift station been in the capital plan**
17 **prior to Hurricane Irma?**

18 A Yes.

19 Q **How long has it been in the capital plan to**
20 **replace it?**

21 A I believe in the last rate case, I provided an
22 exhibit showing that it was one of my future capital
23 projects.

24 Q **Why is it being replaced?**

25 A It's a planned replacement.

1 **Q What is the importance of replacing this lift**
2 **station?**

3 A Just like its sister lift station that we
4 repaired in 2014, the lift station is actually
5 structurally aging to the point where its useful life
6 has been lived, and the asset needs to be replaced to
7 ensure the proper operation of the utility going
8 forward.

9 **Q So, as clarification, are you including this**
10 **lift station, L2A, as part of a capital improvement**
11 **project?**

12 A Yes.

13 **Q Going to the discussion of the -- the offices**
14 **and the -- the employees that had left, for a time line,**
15 **after the hurricane, where did the office -- where did**
16 **you first operate out of immediately after the**
17 **hurricane?**

18 A Immediately after the hurricane, we operated
19 as much as we could out of the existing trailer, which
20 didn't have phone, power. As far as the administrative
21 staff, when they came back to the office, it became
22 clear pretty quickly that the office had issues with
23 mold.

24 And they were relocated to the Key West Golf
25 Club for one month, where they operated out of an office

1 there. And then, that allowed us the time to bring the
2 temporary trailer on-site where we operate out of --

3 **Q Can I stop you for one second?**

4 A Yeah.

5 **Q The employee that left for mold -- what mold
6 issue did she leave because of?**

7 A In the existing trailer that was damaged by
8 the hurricane.

9 **Q Was this the trailer that was -- the staff
10 left to go to the Key West Golf Club first?**

11 A This was the office that was vacated, yes.

12 **Q After the hurricane, did you immediately order
13 a mod-office?**

14 A Immediately after the hurricane, we did not;
15 very shortly thereafter.

16 **Q The employee that left due to the cramped
17 space, what off- -- what office were you referring to
18 that she gave the reason why she left?**

19 A The office that we're operating out of now is
20 the operating office that she left out of.

21 **Q Is this a temporary office?**

22 A Yes.

23 **Q Is it permanently affixed?**

24 A It is two-and-a-half feet off of our driveway.
25 It's affixed with some tie-downs. It is a trailer. It

1 is very weak. We can't move it with a crane. If we do,
2 it might break.

3 Q Does it meet the Florida Building Code?

4 A Pardon?

5 Q Does it meet the Florida Building Code?

6 A No, it does not.

7 Q All right. Let's go to the staffing. There
8 is some talk by OPC regarding staffing of two -- between
9 2015 and 2017. Do you recall that testimony?

10 A Yes.

11 Q Okay. And in 2015, were you in the middle of
12 a rate case?

13 A Yes, we were.

14 Q Was one of the expenses requested to be
15 recovered the cost of the advanced wastewater treatment,
16 or AWT?

17 A Yes, it was.

18 Q And did you request additional employees as
19 part of AWT?

20 A Yes, we did.

21 Q When was the utility required to begin
22 operating at AWT?

23 A In 2016.

24 Q Was another part of that rate case -- did you
25 request employees for the operation of the third

1 wastewater treatment plant?

2 A Yes, we did.

3 Q When did that wastewater treatment plant go
4 online?

5 A In March 2017.

6 Q In that last rate case, did you request 13.5
7 positions?

8 A Yes, we did.

9 Q As part -- as part of that last rate case, did
10 you start budgeting for 13.5 positions?

11 A Yes, we did.

12 Q Did you start filling those 13.5 positions
13 immediately upon filing -- budgeting those positions?

14 A We began filling those positions well in
15 advance of the rate case culminating. So, as we moved
16 forward, we filled them.

17 Q And did you fill the positions required for
18 AWT in order to operate the AWT?

19 A Yes, we did.

20 Q And then, when the new plant was ready to come
21 online, did you fill the positions to operate the new
22 plant?

23 A At that point in time, yes.

24 Q After the new plant was online, in
25 approximately April of 2017, how many employees did you

1 **have?**

2 A April -- we probably had 13 maybe in April.

3 **Q Okay.**

4 A And then we ramped up to 14.

5 **Q Okay. At the time of Hurricane Irma, did you**
6 **have 14 employees?**

7 A Going into the hurricane, we had 14.

8 **Q Did you lose some employees after Hurricane**
9 **Irma?**

10 A We did. We lost three employees.

11 **Q Why?**

12 A For various reasons. As stated earlier, one
13 of our employees had an allergy to mold. A second
14 employee came down for a short period of time, lived
15 through a hurricane and decided Orlando is a better
16 place. And --

17 **Q Was there an employee that accepted and did**
18 **not come down?**

19 A And the third employee, yes, was an employee
20 who accepted the position. He was -- his start date was
21 literally -- coincided with the mandatory evacuation of
22 the Keys.

23 He held off, waited until the hurricane passed
24 through; was, then, prepared to come down; however, the
25 unit that he put his deposit on had a damaged roof,

1 which delayed him. And ultimately, he was not able to
2 come down because of it. The expense to, apparently,
3 repair the place was more than the landlord could
4 handle.

5 **Q After the storm, did you -- are you, now,**
6 **fully staffed with 14 employees?**

7 A We are.

8 **Q When a position is vacated, do you fill that**
9 **position quickly?**

10 A We try to. We advertise quickly or, in some
11 cases, we will utilize candidates that we had previously
12 interviewed that are of good quality and will reach out
13 to those candidates and will check for other
14 applications on file.

15 **Q There's identification in the exhibit of some**
16 **turnover. Does the Florida Keys have a transient**
17 **workforce?**

18 A In general, yes.

19 **Q Can you explain that?**

20 A I guess -- there's a few ways to explain it.
21 One is the folks that put our billing system in -- they
22 put it in in 2012. They came in a year after putting it
23 in and were absolutely astounded at how many accounts
24 there were. They said we're doing something wrong. And
25 they're like, here's an account; you've got four

1 different people living there in a single year; this
2 one, you've got six different people living there in a
3 single year.

4 This is the Florida Keys. People come here.
5 They give it a try. They leave. We've got military
6 people. We have all sorts of people. Everyone wants to
7 come to Key West and be a colorful character. They get
8 their fix and they leave.

9 **Q Going to the modular office, there was some**
10 **discussion of a -- the bid process. Has -- has there**
11 **been received bids yet from the different modular**
12 **con- -- contract -- construction companies?**

13 A Not that I'm aware of.

14 **Q Going back to the -- the execution of that**
15 **modular contract, when did -- when was that contract**
16 **signed? The reference --**

17 A It says the 19th day of October, 2017.

18 **Q When did the -- when did the mandatory**
19 **evacuation of the Florida Keys end?**

20 A You know, I don't know the exact date of that.
21 End of September.

22 **Q So, this was signed shortly after that date.**

23 A Yes.

24 **Q Is this project a priority?**

25 A Yes, it is.

1 **Q Why?**

2 A For a number of reasons. The safety of our
3 employees -- we'd like to get our employees in a safe
4 building, going forward in hurricane season, mold-free;
5 a workplace where people can do their work and in a
6 manner that's not stressful.

7 Our current work space is very small. It's
8 half of what we used to have. We have employees working
9 on top of each other. We don't have a lot of sound-
10 deadening. And we do do a lot of work on the phone.

11 **Q What about labs?**

12 A Well, we have our laboratory set up as well.
13 We ordered the ModSpace trailer that we did because it
14 had a sink outside of the bathroom that we could utilize
15 for our lab.

16 **Q Did you push this project as a priority to get
17 the contract signed?**

18 A Yes, we made the project a priority.

19 **Q Now, Mr. Sayler pointed out a difference in
20 your testimony and the contract. In your testimony, you
21 recall, you stated approximately 1200 square feet and
22 the contract states it says 1500 square feet.**

23 **Between your testimony and your contract, what
24 were you relying upon for the approximate square footage
25 of the unit?**

1 A The contract says not to exceed the 1500
2 square feet; however, the unit we are looking at
3 installing, if you were to do the dimensional analysis
4 on it, measures 1577 square feet or something very close
5 to that.

6 Q Is your testimony more accurate or the
7 contract?

8 A My testimony is more accurate, yes.

9 Q The contract provides approximately 1500
10 square feet. The -- your testimony stated 1200,
11 approximately.

12 A Oh, I'm sorry. The 1500 on the contract is
13 more accurate, yes.

14 Q You were asked a question about whether you
15 inquired into building the on-site project. In your
16 past experiences being part of a con- -- a licensed
17 contractor, do you have any experience with site-built
18 projects in Stock Island, Key West?

19 A Yes, I do.

20 Q Approximately how many projects have you been
21 involved in for site-built construction in Key West and
22 Stock Island?

23 A Three.

24 Q Okay. And when were those projects?

25 A 2009, 2011, I believe, and then sometime

1 around 2013-'14.

2 Q Based on those -- that experience in your work
3 with -- as part of the contracting entity, do you have
4 any knowledge of what the cost per square foot is for
5 on-site projects?

6 A Yes, I do.

7 Q What is it?

8 A For modular --

9 Q On-site.

10 A Stick-built?

11 Q Yes.

12 A Stick-built, you're going to be high twos and
13 up for -- per square foot. That's the lowest you could
14 get.

15 Q Do you know what other on -- offices for
16 wastewater utilities have been built in -- in the
17 recent -- in the last couple of years?

18 A Yes.

19 MR. SAYLER: Objection. We did not go into
20 the square footage of -- the cost per square foot.
21 That's actually an area we plan to explore in
22 rebuttal. So, I believe that an object- -- well,
23 I'm going to object to that this is outside the
24 scope of my direct and cross.

25 COMMISSIONER POLMANN: I was getting concerned

1 about where you were going with this, Mr. Smith.

2 MR. SMITH: He -- he -- he inquired as to
3 whether they considered building site-built. And
4 so, Mr. Johnson stated that they did not look
5 into -- to bid out site-built. And so, I'm trying
6 to provide the basis of why. And that's the last
7 question in that line of questioning.

8 COMMISSIONER POLMANN: You might want to
9 approach this in a little different way.

10 MR. SMITH: I'll move on. I think it's
11 covered.

12 COMMISSIONER POLMANN: Well, is it something
13 that comes up in -- in --

14 MR. SMITH: It does. It does.

15 COMMISSIONER POLMANN: -- rebuttal? Can we do
16 it that way?

17 MR. SMITH: Sure.

18 BY MR. SMITH:

19 Q Profit-sharing plan -- the profit-sharing
20 plan -- I'm referring to the profit-sharing plan
21 that's -- that's entitled -- do you administer this
22 plan, yourself?

23 A No, I do not.

24 Q Why do you not administer this plan?

25 A Because I'm not an expert in the operations of

1 profit-sharing plans.

2 Q Do you pay someone to administer this plan?

3 A Yes, we do.

4 Q Who do you pay?

5 A We pay Seth Silverman.

6 Q Is he a -- a profit-sharing plan consultant?

7 A Yes, he is.

8 Q Do profit-sharing plans have to comply with
9 IRS regulations?

10 A Yes, they do.

11 Q Do you have any understanding of these IRS
12 regulations?

13 A No, I don't.

14 Q Do you have any understanding of how these IRS
15 regulations apply to the terms of this agreement?

16 A No, I do not.

17 Q Is that something that your profit-sharing
18 plan administer-er deals with?

19 A Yes.

20 Q Do you know if the IRS allows a breach of
21 the -- is there a minimum -- do you know if there's a
22 minimum amount you're required to --

23 MR. SAYLER: Commissioner --

24 Q Put into the plan?

25 MR. SAYLER: -- Polmann -- I was going to

1 object about IRS regulations, but he actually got
2 to a question about money, which is at the key
3 issue area here. So, I withdraw my objection.

4 COMMISSIONER POLMANN: Thank you, Mr. Sayler.

5 THE WITNESS: Yes, I believe there is a
6 minimum.

7 BY MR. SMITH:

8 Q Okay. Do you have any understanding of
9 whether the IRS would allow you to violate that minimum
10 requirement?

11 A I do not think they would allow you to
12 violate.

13 MR. SAYLER: Objection. Speculation. He
14 already testified that he's not an expert, doesn't
15 understand IRS --

16 MR. SMITH: Let me -- let me --

17 MR. SAYLER: -- regulations. And I believe
18 this is certainly outside the scope of my cross-
19 examination on this issue.

20 MR. SMITH: I asked does he have any
21 understanding. It's his understanding. It's
22 within his scope of knowledge.

23 MR. FRIEDMAN: He's already answered. Move
24 on.

25 COMMISSIONER POLMANN: I think a question was

1 asked and answered. I -- I'm not exactly sure what
2 the question was. So, it will -- it will be dealt
3 with from the record.

4 BY MR. SMITH:

5 Q There's some questions about the risk of -- of
6 a profit-sharing plan. The reference to the Florida
7 Keys Aqueduct that's already -- is the Florida Keys
8 Aqueduct Authority another utility?

9 A Yes, they are.

10 Q Is there their plan guaranteed by their
11 ratepayers?

12 A Yes, it is.

13 Q Going to SafePoint, which was the insurance
14 questions, there was some discussions about the -- the
15 limits of the policy. Have you received the limits of
16 the policy?

17 A No.

18 Q Do you know if payment for the limits of the
19 policy is forthcoming any time soon?

20 A No, I do not.

21 Q Do you know if it's going to come in the next
22 year?

23 A No.

24 Q Going to Exhibit 119 and -- and Exhibit 120,
25 if you could, turn to 120, the list of potential

1 connections. When that -- when the project contemplated
2 in Exhibit 119 is complete, does this mean that all of
3 these units will connect?

4 A No.

5 Q In your experience, does the availability of a
6 connection mean that a customer connects?

7 A No, it certainly doesn't.

8 Q Okay. I want to focus on one customer in
9 particular, Mr. Fanning. Can Mr. Fanning connect right
10 now?

11 A If he was so inclined to.

12 MR. HETRICK: Excuse me, Mr. Chair. Could I
13 ask the witness to -- could you ask the witness to
14 speak into the microphone? We can't hear --

15 COMMISSIONER POLMANN: Yeah, I was just going
16 to say, Mr. Johnson, can you move the microphone
17 closer, please?

18 THE WITNESS: I'm sorry.

19 COMMISSIONER POLMANN: We're -- we're having
20 little bit of difficulty.

21 MR. SAYLER: Objection. I believe this is
22 outside -- this is actually just pure direct
23 examination of this witness using the County's
24 exhibit. They were not asking about the various
25 people who may or could not connect.

1 MR. SMITH: They -- they asked, is this the
2 group of people that could connect after this work
3 is completed. I think it is directly within the
4 scope. And I can guarantee you they're going to
5 make the argument we should impute all these people
6 to be connected --

7 COMMISSIONER POLMANN: Well, I don't know what
8 their argument is going to be. I would simply say
9 I'm recognizing Mr. Sayler's objection to not go
10 through discovery, is my concern. If you can focus
11 your questions, recognizing the nature of the
12 objection -- I think you understand it better than
13 I do.

14 MR. SMITH: Certainly.

15 BY MR. SMITH:

16 **Q You were asked a question as to are these the**
17 **people that will be connected after this initial work**
18 **agreement was -- is completed. Do you recall that**
19 **testimony?**

20 A Yes, I do.

21 **Q Okay. Can you -- can you identify if all of**
22 **these customers can connect --**

23 MR. SAYLER: Objection. These aren't
24 customers. They are not --

25 MR. SMITH: Future customers.

1 MR. SAYLER: Okay. Future customers.

2 THE WITNESS: These future customers could
3 connect, if they wanted to.

4 MR. SAYLER: I can't hear you.

5 COMMISSIONER CLARK: His mic doesn't work.

6 (Discussion off the record.)

7 (Simultaneous speakers.)

8 BY MR. SMITH:

9 Q Are there any customers, future -- future
10 customers that the -- upon completion of the work, will
11 not connect?

12 MR. SAYLER: Speculation.

13 MS. HALL: Calls for speculation.

14 COMMISSIONER POLMANN: You want to rephrase
15 that?

16 BY MR. SMITH:

17 Q You -- you want me first to identify -- do you
18 know each one of those customers on the -- future
19 customers on this list?

20 A Yes, I do.

21 Q Are you familiar with the property of each
22 customer on this list?

23 A Yes, I am.

24 Q Are you familiar with what is developed on
25 each one of those property -- properties of each of

1 those customers on this list?

2 A Yes, I am.

3 Q Okay. Based on your knowledge and experience
4 dealing with these future customers, can you identify if
5 any of these customers are not developed or will
6 not conn- -- cannot connect or -- or do not have
7 development to --

8 COMMISSIONER POLMANN: That was --

9 MR. WRIGHT: Objection.

10 COMMISSIONER POLMANN: -- pretty convoluted,
11 "Are you familiar with."

12 MR. SMITH: Let's -- let's --

13 MR. WRIGHT: It's not just the question. I
14 object that it calls for speculation as to what a
15 particular person might do in the future.

16 MR. FRIEDMAN: Well, you speculated that he
17 was going to connect; that all these were going to
18 connect. What's the difference?

19 MR. SMITH: I think -- what I see happening is
20 they're going to -- their -- their position --

21 COMMISSIONER POLMANN: I don't know what
22 they're going to do. And I don't think you know
23 what they're going to do. I understand.

24 MR. SMITH: They have taken the position in
25 the pre-hearing order that they must match the

1 revenues to the customers online, and they have
2 taken --

3 COMMISSIONER POLMANN: Yes, I agree with that.

4 MR. SMITH: -- the position that these 80
5 customers will be online by the time the test year
6 is in effect. The -- the reality that I'm trying
7 to get out of this -- from this witness, after they
8 brought forth that they would connect, is that, if
9 we go through this list and actually go through
10 each item, we can identify what is there. And he
11 stated he has direct knowledge of what is at each
12 customer's property.

13 COMMISSIONER POLMANN: I think you've set the
14 precedent for a -- predicate for continuing the
15 questioning. Let's try to rephrase what you just
16 asked. I -- you asked a question that had a whole
17 lot of this, this, this, or this at the end, so --

18 MR. SMITH: And I --

19 COMMISSIONER POLMANN: -- narrow up this
20 question and we'll see if we can get it through
21 that.

22 COMMISSIONER FAY: Can I just make one point,
23 Mr. Chairman? I know --

24 COMMISSIONER POLMANN: Commissioner Fay.

25 COMMISSIONER FAY: I know you had mentioned,

1 at 5:30, we wanted to start getting the room set
2 up --

3 COMMISSIONER POLMANN: Yeah, we're now at
4 5:35. How many more questions do you have,
5 Mr. Smith?

6 MR. SMITH: If I can just ask about three
7 questions on this, that would be -- that would be a
8 good place to stop.

9 COMMISSIONER POLMANN: Hopefully, it's three
10 questions that don't have 19 objections.

11 MR. SMITH: No --

12 MR. WRIGHT: Commissioner, if I may just
13 ask -- I apologize. I had to leave the room
14 briefly. Which exhibit are you -- is Mr. Smith --
15 is he on 120?

16 MR. SMITH: 120.

17 MS. HALL: 120.

18 MR. WRIGHT: Okay. Great. Thank you.

19 BY MR. SMITH:

20 **Q Let's -- let's focus on Timothy Keating and**
21 **Scott Oropeza, 5.84 EDUs. Can you explain what's at**
22 **that property currently?**

23 A It is a property that is workshops. There
24 are -- an estate-sale business, some contractors -- I
25 think we're losing the battery. Some --

1 COMMISSIONER POLMANN: Here why don't we take
2 that off the stand.

3 (Discussion off the record.)

4 THE WITNESS: Okay. There's some contractors
5 who work out of that office.

6 BY MR. SMITH:

7 **Q Is it -- are you aware of whether the EDU**
8 **count is for -- is for the current, existing**
9 **development?**

10 A The 5.84 EDUs?

11 **Q Yeah.**

12 A (Examining document.)

13 **Q Are you aware of whether they're planning to**
14 **redevelop?**

15 A I'm sorry?

16 **Q Are you aware of whether they're planning**
17 **redevelop?**

18 A There is future plans to redevelop.

19 **Q How do you know that.**

20 A Greg Oropeza, representing this property,
21 contacted the utility saying that he was going to
22 redevelop it at some point in the future. He did not
23 specifically state when.

24 **Q Going to the Fanning property, are there**
25 **currently 15 mobile homes located on that property?**

1 A No, there are not.

2 Q Why?

3 A Well, whatever was on that property, prior to
4 Irma, has been reduced by a few. There are not 15 units
5 on that property today.

6 Q Are you aware of code-enforcement proceedings
7 against Mr. Fanning to connect to the utility?

8 A I don't know what the code-enforcement case is
9 at this point. I'm not aware.

10 Q Is -- is there one?

11 A I -- I don't think so.

12 Q All right.

13 MR. SAYLER: Commissioner Polmann? The
14 question I had --

15 COMMISSIONER POLMANN: Yes, Mr. Sayler.

16 MR. SAYLER: Yes. He is going off talking
17 about the future of the Oropeza property. And it
18 sounds like it's set for redevelopment and his
19 personal knowledge of what it might redevelop to.
20 And it may be more than 4.5 EDUs; it may be less
21 than that.

22 And if he's trying to show, for the record,
23 that it's going to be re- -- redeveloped, and this
24 Commission shouldn't rely upon the 4.5 EDUs, it
25 might be helpful for the Commission to know, as

1 part of the matching principle, how many EDUs
2 Mr. Oropeza plans to redevelop it for.

3 COMMISSIONER POLMANN: I'm beginning to wonder
4 if we're discovering new information here by
5 witness testimony.

6 Ms. Helton?

7 MR. SMITH: I -- I'm -- I'm ready to just move
8 on. I just have one more question as to -- as to
9 just this role -- this entire thing generally.

10 BY MR. SMITH:

11 Q Do you know if these units have already been
12 put in place on the tax roll?

13 A I believe they have.

14 Q Going to the exhibit that is the Stock Island
15 Apartments property record -- it's 118. Can you turn to
16 Page 3.

17 A What exhibit was that?

18 COMMISSIONER POLMANN: When this thing is
19 done, we're stopping.

20 Q Page 3, what property is that?

21 A Sunset Marina.

22 Q Okay. How many meters services Sunset Marina?

23 A There is an eight-inch and a two-inch.

24 Q Okay. Is there redevelopment going on at
25 Sunset Marina?

1 A Yes, there is.

2 Q Are there going to be any new FCAA meters at
3 Sunset Marina after redevelopment is complete?

4 A No.

5 Q Okay. Stock Island Apartments -- is that on
6 south Stock Island?

7 A Yes, it is.

8 Q Is the Sunset Marina in the City of Key West?

9 A Yes, it is.

10 Q Is Stock Island Apartments in an
11 unincorporated county?

12 A Yes, it is.

13 Q Okay. I know we talked -- Chairman Clark
14 [sic] talked about 23 million being approximately 500
15 apartments. Do you know of any apartment complex in
16 Stock Island that's 500 apartments?

17 A I don't.

18 Q Do you know any over 400?

19 A I don't.

20 Q Do you know any over 300?

21 A I don't.

22 Q Okay. Do you -- do you believe it's fair that
23 Stock Island Apartments is between 100 and 200 units?

24 MR. WRIGHT: I have to object that that is a
25 leading question, Commissioner.

1 COMMISSIONER POLMANN: Sustained.

2 MR. SMITH: I know --

3 MR. WRIGHT: I don't -- I don't have any
4 objection to the information as to how many
5 apartments there are there coming in, in an
6 appropriate way, but that's a leading question.

7 COMMISSIONER POLMANN: I agree.

8 MR. SMITH: I -- I wholly -- wholly
9 understand.

10 BY MR. SMITH:

11 Q Approximately how many units do you believe
12 are at the Stock Island Apartments on South Stock
13 Island?

14 A Less than 200.

15 Q Six million -- okay. Chairman Polmann talked
16 about sometimes where you go out after you do not get
17 acceptable bids. Was the -- was the concrete pad for
18 the generator an example of that?

19 A Yes, it was.

20 Q Chairman Polmann talked about minimum staffing
21 in the operator permit. Can you explain what SCADA is?

22 A SCADA is Supervisory Control and Data
23 Acquisition. It's a computerized system that allows
24 operators and other staff to control the system off-site
25 and to view the system off-site.

1 **Q** Okay. Does that reduce the amount of minimum
2 **staffing that you're required to have on-site?**

3 **A** Yes, it does.

4 **Q** How does it do that?

5 **A** In our permit, it reduced our staffing from 16
6 hours a day, seven days a week to our current staffing
7 level, which is eight hours a day, five days a week,
8 during the weekdays, and two weekend visits.

9 **Q** So, rough math, that's reduced it over half of
10 **your staffing level?**

11 **A** Yes.

12 **Q** Going to the Evoqua Engineering costs, you
13 **said it was approximately 20 percent to create the bids.**
14 **What was that cost in a dollar value?**

15 **A** The amount of engineering design and time to
16 create those dimensional drawings, put the bid package
17 together, was 174,000, according to the engineer's
18 estimate. And then, there would be additional expense
19 for construction engineering and inspection of between
20 40 and 50,000.

21 **Q** Going to Exhibit 122, which is the excerpt
22 **from the Order No. PSC-06170-A -- and if you could, just**
23 **turn to Page 37. And do you recall a question being**
24 **asked about can you give other examples of -- of**
25 **utilities that have been in four-year recoveries for**

1 hurricane expenses? Can you go to the last full
2 paragraph and read those first -- that first sentence?

3 A "The Commission has approved recovery periods
4 of two to three years in some of the recent storm-damage
5 cases for the electric and gas utilities; however, the
6 appropriate amortization" --

7 Q Just that first sentence. Thank you.

8 COMMISSIONER POLMANN: We're about to wrap up.

9 MR. SMITH: That's all the questions I have.
10 Thank you.

11 And at this juncture, I would move the
12 exhibits into the record, CAJ-1 through CAJ-24.

13 MS. HELTON: I believe those have been
14 identified as Exhibits 3 through 26 on the
15 comprehensive exhibit list.

16 COMMISSIONER POLMANN: Yeah, we've -- we've
17 identified the witness exhibits in the
18 comprehensive exhibit list.

19 MS. HELTON: Yes, sir.

20 COMMISSIONER POLMANN: And we moved the entire
21 list in.

22 MS. HELTON: We -- we can move 3 through 26,
23 which are the exhibit numbers that were given to
24 CAG- -- J-1 through CAJ-24.

25 COMMISSIONER POLMANN: Okay. We'll move those

1 into the record at this time.

2 (Whereupon, Exhibit Nos. 3 through 26 were
3 admitted into the record.)

4 MR. SMITH: Thank you.

5 COMMISSIONER POLMANN: Mr. Sayler.

6 MR. SAYLER: Public Counsel would like to move
7 Exhibits -- hearing Exhibit 114, 115, 116, and 117
8 into the record.

9 COMMISSIONER POLMANN: 114, 115, 116, 117?

10 MR. SAYLER: Yes, sir.

11 COMMISSIONER POLMANN: We'll move those into
12 the record at this time.

13 (Whereupon, Exhibit Nos. 114 through 117 were
14 admitted into the record.)

15 MR. WRIGHT: Monroe County, Commissioner,
16 would move Exhibits 118, 119, and 120.

17 MS. MAPP: Staff would object to the entrance
18 of Exhibit No. 118. The witness clearly stated
19 that this was not the Stock Island Apartments that
20 he testified to.

21 Additionally, while Page 2 of the exhibits is
22 about Stock Island Apartments, on redirect, the
23 witness stated that the picture was actually of
24 Sunset Marina. So, the exhibit, as it's currently
25 compiled, is misleading and should not be entered

1 into the record.

2 MR. WRIGHT: Commissioner, we would relabel
3 it, but Mr. Smith inquired about the witness and
4 discussed specifically the meter configuration at
5 the property. And accordingly, I think this is
6 appropriately admissible in light of the subsequent
7 redirect.

8 COMMISSIONER POLMANN: Mr. Wright, I noticed
9 you were surprised to find out that it wasn't what
10 you thought it was; however, I think, on redirect,
11 it was clearly identified. And in fact, was -- the
12 witness was asked questions about it and -- and
13 provided substantive information about it.

14 Ms. Helton, on that basis, I'm inclined to --
15 to move it in. I will note staff's objection to
16 it, but I think there was meaningful discussion on
17 it. For whatever value it is, we'll give it the
18 weight that it's due. Is that appropriate? Unless
19 you advise for further consideration.

20 MS. HELTON: I think that's appropriate. I
21 think that I -- prior to Mr. Smith's cross-
22 examination -- or direct -- redirect examination, I
23 would have agreed with Ms. Mapp, but I believe that
24 it's now clear what that --

25 COMMISSIONER POLMANN: Yes.

1 MS. HELTON: -- exhibit is.

2 COMMISSIONER POLMANN: All right.

3 MR. WRIGHT: And if I could, I would suggest
4 that we relabel it to refer to Sunset Parcels.

5 MR. FRIEDMAN: Sunset Marina.

6 MR. WRIGHT: Sunset Marina is fine with us.
7 So, we would strike "Stock Island Apartments, LLC,"
8 and -- and replace that with "Sunset Marina." Is
9 that acceptable to my colleague, Mr. Smith?

10 MR. SMITH: I --

11 MS. MAPP: I would say if you add "Sunset
12 Marina" and "Stock Island" because the first page
13 is Stock Island.

14 COMMISSIONER POLMANN: With that objection,
15 we're going to go with what Ms. Mapp just stated on
16 the record. Okay. 118, 119, and 120, with the
17 noted changes --

18 MR. WRIGHT: Thank you. Thank you.

19 COMMISSIONER POLMANN: -- and the description
20 on 118.

21 MS. MAPP: And staff would just note for the
22 record, on Exhibits 119 and 120, that these
23 exhibits were created and/or executed in March of
24 2018, well after the utility filed -- Mr. Johnson
25 filed his direct testimony in November of 2017. We

1 just want that noted for the record.

2 COMMISSIONER POLMANN: So noted.

3 (Whereupon, Exhibit Nos. 118, 119, and 120
4 were admitted into the record.)

5 COMMISSIONER POLMANN: Staff, you have
6 exhibits?

7 MS. MAPP: Yes. Staff would move to enter
8 into the record Exhibit Nos. 84, 85, 86, 89, 90,
9 91, and 92, as well as 121, 122, 123, and 124.

10 MR. SAYLER: Public Counsel --

11 COMMISSIONER POLMANN: Okay. Hold- --
12 holding 121 through 124 -- you said 121, 122, 123,
13 and 124?

14 MS. MAPP: Yes.

15 COMMISSIONER POLMANN: Holding those for a
16 second, the -- the other numbers you identified
17 were in the comprehensive exhibit list.

18 MR. FRIEDMAN: Would you go through them one
19 more time?

20 MS. MAPP: We're -- the exhibits handed out in
21 cross, we'll enter -- we'll request for those to be
22 entered first. Those are exhibits labeled
23 No. 121 --

24 COMMISSIONER POLMANN: Hold on.

25 MS. MAPP: 122, 120 --

1 COMMISSIONER POLMANN: No. Mr. Friedman, were
2 you talking about the comprehensive exhibit list?

3 MR. FRIEDMAN: Yes. She just went through
4 them so fast, I couldn't catch up.

5 COMMISSIONER POLMANN: I know. Me, too.

6 MR. FRIEDMAN: I apologize.

7 COMMISSIONER POLMANN: Please read what you
8 have in the comprehensive exhibit list.

9 MS. MAPP: We would like to enter 121 --

10 COMMISSIONER POLMANN: No.

11 MR. FRIEDMAN: No --

12 MS. MAPP: Oh. The original -- 84, 85, 86,
13 89, 90, 91, and 92.

14 MR. SAYLER: Commissioner --

15 MR. WRIGHT: We'll continue our objection. I
16 just want to note it for the record. Thank you,
17 Commissioner.

18 COMMISSIONER POLMANN: So noted.

19 Mr. Sayler.

20 MR. SAYLER: Yes, Commissioner Polmann, Public
21 Counsel would object to the admission of 84, 85,
22 86, 89, 90, 91, and -- is it 92?

23 For the reasons we stated before, we note
24 that, with the exception of maybe staff -- or
25 Interrogatory No. -- well, one of the questions,

1 they didn't ask any cross-examination of any of
2 those exhibits. And for that and the other reasons
3 we stated, we object to them going into the record.

4 MR. WRIGHT: Commissioner, just for clarity,
5 we object to all those exhibits in the set numbered
6 84 through 92. Just don't want there to be any
7 ambiguity. Thank you, sir.

8 COMMISSIONER POLMANN: Thank you, gentlemen.
9 Is there anything I need to add --

10 MS. MAPP: No --

11 COMMISSIONER POLMANN: -- Ms. Helton? We're
12 noting those objections.

13 MS. HELTON: Yes, sir. And I -- I think at
14 this point in time, you can rule on those
15 objections. And if it is your pleasure, I would
16 recommend that you admit those exhibits into the
17 record of this proceeding.

18 COMMISSIONER POLMANN: We will admit all of
19 the -- and we'll get to Ms. Mapp in a second.
20 Everything that has been identified up to this
21 point, we're admitting into the record, with the
22 objections noted.

23 Ms. Mapp, you have 121, 122, 123, 124 that
24 were previously identified, with the descriptions.

25 MS. MAPP: Yes, we would like --

1 COMMISSIONER POLMANN: And we will move those
2 into the record at this time.

3 MR. WRIGHT: Again, will you please note our
4 objection to 123.

5 COMMISSIONER POLMANN: So noted.

6 MR. WRIGHT: Thank you, sir.

7 (Whereupon, Exhibit Nos. 84, 85, 86, 89, 90,
8 91, and 92, as well as 121, 122, 123, and 124 were
9 admitted into the record.)

10 COMMISSIONER POLMANN: Any other comments,
11 objections? We are way over time. Okay.

12 MS. CRAWFORD: Staff would recommend that this
13 witness be excused with respect to his direct
14 testimony. He'll be returning for rebuttal.

15 COMMISSIONER POLMANN: Mr. Johnson, thank you
16 for your time today. We'll see you when we see
17 you.

18 THE WITNESS: Thank you.

19 COMMISSIONER POLMANN: Don't go too far.

20 We are in recess until tomorrow. We're not
21 coming back tonight, are we?

22 MR. FRIEDMAN: You mean recessing the
23 technical part.

24 COMMISSIONER POLMANN: We are recessing the
25 technical part until tomorrow, which we will pick

1 up after tomorrow morning's customer hearing --
2 customer service hearing which we are about to
3 commence in six, seven, or eight minutes.

4 (Discussion off the record.)

5 (Transcript continues in sequence in Volume
6 3.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, 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
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I FURTHER CERTIFY that I am not a relative,
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attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED THIS 24th day of May, 2018.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021