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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20240068-WU

Application for increase in water and
wastewater rates in Charlotte, Highlands,
Lake, Lee, Marion, Orange, Pasco, Pinellas,
Polk, and Seminole Counties, by Sunshine
Water Services Company.

VOLUME 1
PAGES 1 - 192

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN MIKE LA ROSA
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW GILES FAY
COMMISSIONER GABRIELLA PASSIDOMO SMITH

DATE: Tuesday, February 11, 2025

TIME: Commenced: 9:30 a.m.
Concluded: 6:20 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

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5 LLC (Sunshine).

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7 REHWINKEL, DEPUTY PUBLIC COUNSEL; OCTAVIO PONCE and
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9 The Florida Legislature, 111 West Madison Street, Room
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11 behalf of the Citizens of the State of Florida (OPC).

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

2 CHAIRMAN LA ROSA: Good morning, everyone.

3 Today is February 11th, 2025. The hearing is now
4 called to order.

5 Staff, will you please go ahead and read the
6 notice.

7 MR. FAROOQI: Good morning, Mr. Chair.

8 Pursuant to notice, this time and place have
9 been set for hearing in Docket No. 20240068-WS
10 regarding an application for increase in water and
11 wastewater rates by Sunshine Water Services
12 Company. The purpose of the hearing is set out
13 more fully in the notice.

14 CHAIRMAN LA ROSA: Excellent. Thank you.

15 Let's go ahead and take appearances at this
16 time. I see that we are rearranged a little bit,
17 so let's start with Sunshine now my right, which I
18 know normally to my left, but let's start with
19 Sunshine.

20 MR. FRIEDMAN: Thank you. Martin Friedman and
21 John Wharton on behalf of it Sunshine Water
22 Services Company.

23 CHAIRMAN LA ROSA: OPC.

24 MR. PONCE: Good morning. This is Octavio
25 Ponce on behalf of OPC. With me today I have

1 Austin Watrous, Charles Rehwinkel and the Public
2 Counsel, Walt Trierweiler.

3 CHAIRMAN LA ROSA: Great. Thank you.
4 Staff.

5 MR. FAROOQI: On behalf of Commission staff,
6 we have Ryan Sandy and Saad Farooqi.

7 MS. HELTON: And Mary Anne Helton is here as
8 your Advisor. I would also like to enter an
9 appearance for your General Counsel, Keith Hetrick.

10 CHAIRMAN LA ROSA: Great. Thank you.

11 Let's move to preliminary matters. Do we need
12 to address before we move to the exhibits?

13 MR. FAROOQI: Yes, Mr. Chair. The parties
14 have stipulated to the prefiled testimony and the
15 exhibits of Sunshine witness Frank Seidman and
16 staff witness Angie Calhoun. Staff has conferred
17 with each Commissioner's office and confirmed that
18 they have no questions for these witnesses and that
19 they may be excused from the hearing. Staff
20 recommends that their prefiled testimony and
21 corresponding prefiled exhibits be entered into the
22 record in order of their appearance per the
23 Prehearing Order.

24 CHAIRMAN LA ROSA: Excellent. Let's go ahead
25 and do that.

1 Then let's move to exhibits.

2 MR. FAROOQI: All right. Staff has compiled a
3 Comprehensive Exhibit List, also known as the CEL.
4 Item 1 on the CEL is the CEL itself. No. 2 is a
5 petition submitted by customer at a customer
6 service hearing. No. 3 is a notice and email from
7 Sunshine submitted by a customer at a customer
8 service hearing. And Exhibits 2 and 3 have already
9 been admitted into the record.

10 No. 4 is emails from Sunshine customer William
11 Trimble, and then staff's hearing exhibits are Nos.
12 64 through 113.

13 The list has been provided for the parties,
14 the Commissioners and the court reporter. And now
15 staff requests that the CEL be marked for
16 identification purposes as Exhibit No. 1, and that
17 the other exhibits listed on the CEL be marked for
18 identification as set forth on the CEL.

19 CHAIRMAN LA ROSA: The exhibits are so marked.

20 (Whereupon, Exhibit Nos. 1-219 were marked for
21 identification.)

22 MR. FAROOQI: And at this time, staff asks
23 that the CEL be marked as Exhibit No. 1, and
24 entered into the record.

25 CHAIRMAN LA ROSA: Are there any objections?

1 Seeing none, show that Exhibit 1 is entered.

2 (Whereupon, Exhibit No. 1 was received into
3 evidence.)

4 MR. FAROOQI: Regarding the prefiled exhibits,
5 those will be moved at the conclusion of each
6 witnesses' cross-examination.

7 Staff asks that No. 4, Exhibit No. 4 and staff
8 Exhibit Nos. 64 through 113 also be moved into the
9 record as set forth in the CEL.

10 CHAIRMAN LA ROSA: Have the parties had the
11 opportunity to review the Comprehensive Exhibit --
12 the Comprehensive Exhibit List?

13 MR. PONCE: Yes, sir.

14 CHAIRMAN LA ROSA: All right. Are there any
15 objections to the entry of 4 through -- and 64
16 through 113 into the record? That's 4 through --
17 64 through 113.

18 MR. PONCE: No, sir.

19 CHAIRMAN LA ROSA: Okay.

20 MR. FRIEDMAN: No objection.

21 CHAIRMAN LA ROSA: All right. Hearing none,
22 show that Exhibit No. 4, 64 through 113 are now
23 entered into the record.

24

25 (Whereupon, Exhibit Nos. 4 & 64-113 were

1 received into evidence.)

2 CHAIRMAN LA ROSA: Let's go ahead and move to
3 opening statements at -- yes, sir.

4 MR. REHWINKEL: Mr. Chairman, just a couple of
5 preliminary matters from the Public Counsel.

6 CHAIRMAN LA ROSA: Sure. Go ahead.

7 MR. REHWINKEL: I excused these with staff,
8 with counsel, with Ms. Helton, and counsel for the
9 company. The first item is the last time we did
10 this with Case Center, there was an issue about
11 reservations we had about uploading depositions
12 purely available for use for impeachment, the very
13 limited purpose of impeachment, and we expressed
14 some concerns about that they have economic value
15 to the court reporter, and we didn't want to put
16 them in the public domain if we didn't have to, and
17 so we made a bunch of copies last time. The staff
18 agreed that we didn't have to do that.

19 We are in the same posture here. We have
20 depos. If they have to be used, we would ask we be
21 allowed to use them in paper form instead of having
22 uploaded them. I don't know if you recall that
23 conversation we had in the Tampa Electric case.

24 CHAIRMAN LA ROSA: Right. I do. I just want
25 to go to staff on what was discussed and what was

1 agreed to, if any.

2 MS. HELTON: Because these would be used only
3 for impeachment purposes, I think for purposes of
4 today, that's fine. I have had a conversation with
5 Mr. Rehwinkel. There is a way to upload those
6 without everybody seeing it, and so that's
7 something that we can work out further, so that we
8 will ultimately reach the point where they can be
9 in Case Center.

10 MR. REHWINKEL: Okay. And we didn't know
11 that. That's good to know. So that's item number
12 one.

13 COMMISSIONER GRAHAM: Okay.

14 MR. REHWINKEL: The second one is I have
15 distributed to the Commissioners, the aides, staff,
16 parties, the court reporter, three large 11-by-17
17 documents that are culled from staff Exhibit 101
18 and 108. And if you try to look at these on Case
19 Center, it -- you need an electron microscope to
20 read them. So like we did in Tampa Electric, we
21 have printed these out, and if we use them at -- in
22 cross-examination, they will at least be in
23 readable form.

24 I can state now, or when we get to that point,
25 I can give -- we can -- we have not identified each

1 document by exhibit and Case Center number, but I
2 have those. And what I can do is go -- if we need
3 -- when we get to the point to need these, which
4 won't be right away, we can associate the paper
5 copies with the Case Center number. And I think
6 that would be -- it would make things go smoothly,
7 versus trying to read stuff off of a tiny, tiny
8 document.

9 And the third thing is we believe that our
10 cross-examination on direct will be much more
11 substantial than what we have on rebuttal. It --
12 assessing what we have today to cross the company
13 witnesses, we think it will take us most of the
14 day.

15 Our witness, Mr. Smith, is coming from
16 Michigan, and he is expected to arrive this evening
17 and we don't think that there is any way that
18 reasonably that he would get on the stand today.
19 But I just wanted to put people on notice that he
20 will not be available until this evening, or in the
21 morning, but I don't think that that's going to
22 present a problem.

23 We think the pace of the hearing and our
24 evidence we are going to put on, coupled with what
25 we know, I don't think this case is going to beyond

1 tomorrow afternoon, but we are willing to work with
2 the Commission and the Chairman to make sure that
3 we get this done in two days.

4 CHAIRMAN LA ROSA: Well, thank you for. And
5 just for clarification, so Mr. Smith is available
6 or is not available?

7 MR. REHWINKEL: He is not available today
8 during 8:00 to 5:00 business hours. I don't know
9 exactly what time he gets in, but it's late in the
10 day.

11 CHAIRMAN LA ROSA: Okay. So then he would be
12 available not today --

13 MR. REHWINKEL: Yes.

14 CHAIRMAN LA ROSA: -- but then yes tomorrow.

15 MR. REHWINKEL: Yeah, all day tomorrow. Yes.

16 CHAIRMAN LA ROSA: Okay.

17 MR. REHWINKEL: And those are all the
18 preliminary matters I just wanted to bring to your
19 attention before we got underway.

20 CHAIRMAN LA ROSA: Okay. Staff, is there any
21 issues with the second and third preliminary
22 matters that was just discussed, the printout that
23 is obviously in front of us, and the issue with the
24 witness?

25 MR. SANDY: The only thing I would ask, Mr.

1 Chair, is whether Mr. Smith is available after five
2 o'clock. I think maybe there is some appetite to
3 go a little bit later on in the evening, and I just
4 want to make sure whether he is completely not
5 available, or whether there is a window where once
6 he lands, he is comfortable he could maybe act as a
7 witness if that's an opportunity; and if not, then
8 so be it.

9 MR. REHWINKEL: Do you know what time he gets
10 in?

11 MR. SANDY: And maybe that's something we can
12 handle off-line on a break.

13 MR. REHWINKEL: Yeah.

14 CHAIRMAN LA ROSA: Yeah, I would like to know
15 that. I mean, part of the magic of making these,
16 you know, these hearings run smooth is, obviously,
17 trying to figure out the timing. We never know
18 when we are going to close, but knowing those --
19 that bit of information would be helpful in
20 obviously trying to calculate how long we go today
21 and up until what time.

22 So any issues, staff, with the printout? It
23 doesn't seem like there would be, but --

24 MR. SANDY: None that I am aware of, Mr.
25 Chair.

1 CHAIRMAN LA ROSA: Okay. All right.

2 Excellent.

3 All right. Well, then I think it's fair --
4 yes, sir.

5 MR. FRIEDMAN: I do have one preliminary
6 matters. Did we deal with the stipulated issues?
7 There were a number of issues that Public Counsel
8 and us had stipulated to. Other than -- other than
9 the 6 through 12, which is used an useful, we had a
10 couple on 19, 20 and 21 and 22 I thought we had
11 stipulated to, and I didn't know --

12 CHAIRMAN LA ROSA: So I haven't gotten there
13 yet, but after --

14 MR. FRIEDMAN: Oh, I'm sorry.

15 CHAIRMAN LA ROSA: -- opening statements, my
16 plan was to go to Type 1 and Type 2 stipulations.

17 MR. FRIEDMAN: Okay. All right. I am ahead.
18 Sorry.

19 CHAIRMAN LA ROSA: No worries. No worries.
20 We are moving quick, right? I got it.

21 So don't go too far, and let's go into opening
22 statements. I will throw it over to you, and then
23 obviously you already peaked and know that I am
24 going to go to stipulated issues afterwards.

25 So you are recognized, sir, for five minutes.

1 MR. FRIEDMAN: Thank you, Mr. Chairman and
2 Commissioners. Marty Friedman on behalf of
3 Sunshine Water Services Company.

4 Sunshine Water Services has filed this
5 application in order to allow it to recover the
6 reasonable expenses as adjusted based upon
7 identifiable changes, and to allow it to earn a
8 return on its investment used and useful in the
9 public service.

10 As part of that, and as the Commission has
11 approved in the past, are proforma projects that
12 are either already completed or are scheduled to be
13 completed before the end of this year. A few of
14 these proforma projects have garnered much
15 attention, and I want to address the two that seem
16 to have.

17 The first is PFAS. And as you know, the
18 regulation by the USEPA of PFAS is a relatively new
19 regulation, and Sunshine has already undertaken to
20 make water quality improvements consistent with
21 those standards. You may recall the testimony of
22 customer Dropkin, who stated that he wanted PFAS
23 out of the water and hoped that in the rate case we
24 would -- we would target that as well, which we
25 are.

1 The other project that has garnered a lot of
2 comments is the installation of AMI water meters.
3 That project has been in the works since the last
4 rate case four years ago, and AMI meter
5 installation began last year, and will be completed
6 before the end of this year.

7 The Commission has approved the installation
8 of AMI meters on three separate occasions and found
9 that the installation of AMI meters provide a
10 substantial benefit to the customers. OPC --
11 interestingly, OPC participated in those
12 proceedings, at least two of those, and didn't
13 present any opposition to AMI meters.

14 Among other benefits to customers of AMI
15 meters, it provides a customer with realtime access
16 to their consumption. They can set alerts for when
17 their consumption reaches a certain limit or if a
18 leak has been identified. This allows the customer
19 to monitor its usage when usage approaches a new
20 rate so that when it approaches a new tiered rate,
21 the customer can adjust his or her consumption
22 accordingly.

23 It also allows the customers who are not
24 full-time residents -- and there is a bunch of
25 them -- to monitor their usage when they are not in

1 residence. When they are up north, or wherever
2 they are during that six months or so, they can go
3 on-line and monitor their usage. If there happens
4 to be a leak, they can detect it. And because of
5 those benefits, this commission has never rejected
6 recovery for an AMI project.

7 Another issue you may hear a lot about is the
8 historical operation of issues at the Wekiva
9 Wastewater Treatment Plant. There were three prior
10 consent orders that Sunshine has entered into.
11 This Commission, in Sunshine's last rate case,
12 reduced Sunshine's ROE based upon the first two
13 consent orders, both of which DEP has now closed.
14 OPC now seeks to penalize Sunshine again in part
15 for those same consent orders. As evidenced by
16 staff Exhibit 113, which is the DEP responses, the
17 Wekiva Wastewater Treatment Plant is currently in
18 compliance with DEP requirements.

19 Sunshine has also requested the approval of
20 costs associated with customers who pay through
21 some electronic means. Currently, 40.7 percent of
22 Sunshine's customers pay through one of these
23 electronic means, and the customer incurs an
24 expense for doing that.

25 An argument has been made by OPC that the cost

1 causer should pay the expense -- that cost causer
2 should pay the expense. However, what should not
3 be overlooked is that Sunshine has a cost, if you
4 mail a check for your bill to Sunshine, Sunshine
5 incurs a cost to handle that check, and those
6 customers are not charged an additional fee. That
7 cost is embedded into customer rates. So as OPC
8 even admits, the 40 percent of the customers who
9 may pay electronically, that handling of that check
10 is not their cause, or paying for the customers who
11 are mailing their checks electronically.

12 What this request does is just levels the
13 playing field, so that customers who pay -- the
14 cost of customers who pay electronically are paid
15 by everybody, just like the cost the company incurs
16 for handling a mailed check is covered by
17 everybody, and it just levels the playing field.
18 If one is paying for the others, why shouldn't the
19 mail-in people pay for the electronic one?

20 As you may know, Sunshine -- Sunshine's parent
21 merged with Southwest Water Company, and that
22 merger closed in April of last year. As a result
23 of that merger, Sunshine expects future cost
24 savings. However, to accomplish those cost
25 savings, there are going to be certain expenses

1 necessary, and by their nature, the costs incurred
2 before the savings can recognized.

3 What Sunshine is asking for -- all Sunshine is
4 asking for is to be able to track those costs and
5 savings and defer them until the next rate case.
6 And in the next rate case, the Commission and OPC,
7 and anybody else who is an affected person, can vet
8 the reasonableness of those expenses and savings.
9 And so all we are doing -- all we are doing to do
10 at this time is track them. And once we track
11 them, we deal with them in the future for the
12 reasonableness of both. And if for some reason the
13 costs exceed the savings, you will not have
14 Sunshine asking for recovery of the costs, only to
15 recover the extent that the savings exceeds the
16 costs.

17 CHAIRMAN LA ROSA: Are we nearing the end of
18 your opening statement?

19 MR. FRIEDMAN: I am -- I am getting very
20 close, yes, one page. One minute.

21 For the first time in this case, we also have
22 the novel issues of value of service and
23 affordability in establishing the revenue
24 requirement. That's never been done in a rate
25 case -- in a water rate case. You will not hear

1 any evidence on those novel issues as they relate
2 to Sunshine, only argument of counsel.

3 It should be obvious that what is valuable or
4 affordable will vary greatly from customer to
5 customer. And this commission previously addressed
6 that exact thing, and found that affordability is
7 subjective in nature. What constitutes
8 affordability to one person may represent
9 unaffordability to another.

10 And this commission further found in that
11 order that it's implicit in the rates that are
12 approved by the Commission that the determination
13 that the resulting rates are affordable.
14 Importantly, you do not see the term affordability
15 or value in any of the testimony.

16 In conclusion, Sunshine has justified its
17 entitlement to its rate increase in accordance with
18 its filing and the Prehearing Order.

19 Thank you.

20 CHAIRMAN LA ROSA: Thank you. Let's move to
21 OPC for an opening statement.

22 MR. PONCE: Good morning, Commission.

23 Unlike in the electric and gas worlds, this
24 commission must consider the issue of value per
25 Florida Statute in water and wastewater rate cases.

1 In creating this mandate, the Legislature realized
2 that the constructed of value wasn't just an
3 academic one. This very case illustrates why.

4 For today, Sunshine is asking you to approve a
5 \$20 million proforma plant addition that the
6 company itself acknowledges delivers only a
7 fraction of benefits to the customer than it does
8 to the company.

9 Meanwhile, the company not only ignores, but
10 actively drops projects from its application that
11 would actually provide value to customers by fixing
12 overburdened systems. Some of these systems have
13 failed to provide value to customers for so long
14 that this very commission has previously found them
15 to provide unsatisfactory service.

16 As the evidence will show, those issues are
17 symptoms of a company that feels emboldened to
18 gorge itself at the capital trough at the expense
19 of its customers.

20 What do I mean by gorging at the capital
21 trough? In 2016, UIF, as Sunshine was then known
22 as, registered approximately \$10 million in capital
23 spending. That same year, the company asked the
24 Commission to consolidate its rates across its over
25 20 plus water and wastewater systems. In support

1 of this request, UIF argued that the consolidation
2 would achieve more affordable rates for all
3 customers, mitigate the rate impact of future
4 capital improvements, and save costs. In 2017,
5 this commission granted UIF's request.

6 UIF apparently saw this decision as the
7 go-ahead to begin gorging, because in 2017, UIF's
8 capital spending for a year jumped from that \$10
9 million number I gave you before to \$23 million.
10 That's more than a double increase. This amount
11 would decrease slightly overall in subsequent
12 years, but by 2022, the company was back to capital
13 spending of approximately \$23 million.

14 With such a leap in spending, a person could
15 be excused in thinking that UIF's customers were
16 about to get the best water and wastewater quality
17 service possible. They weren't. As found by this
18 commission on June 4, 2021, the company's
19 Pennbrooke water, Wekiva Hunt Club wastewater and
20 Mid-County wastewater systems were all deemed
21 unsatisfactory, so much so that it was -- that the
22 Commission was justified in penalizing the
23 company's overall ROE.

24 The company, apparently accepting this as a
25 cost of doing business, has since racked up a

1 seemingly endless stream of encounters with the
2 Florida Department of Environmental Protection.

3 Since the Commission's 2021 order, DEP has had
4 to issue the company at least a dozen return to
5 compliant -- return to compliance letters across
6 various water and wastewater systems. In one
7 system alone, the Wekiva Hunt Club Wastewater
8 Treatment Facility, DEP found 657 violations after
9 a series of inspections and subsequent review of
10 SCADA data. This led to a recommendation of over
11 \$1 million in civil penalties to be sought against
12 Sunshine in the rare step of a parallel criminal
13 investigation.

14 Fixing these recurring issues would seem to
15 explain the 2023 test year's capital spend of \$40
16 million, a \$17 million increase from 2022, and \$30
17 million increase since 2016. Shockingly, this is
18 not the case.

19 Instead of addressing customer complaints and
20 fixing recurring violations found by DEP, the
21 company is, instead, asking you to approve an
22 additional \$56 million in plant investments beyond
23 December 31, 2023. Approximately one-third of this
24 56 million ask is for AMI alone. This project
25 claims to replace aging manual meters with fancy

1 gold-plated AMI ones, working through wide-area
2 network and cellular services.

3 The evidence will show while the company
4 itself only considers this a nice-to-have project,
5 it still internally ranks AMI as a higher priority
6 than projects required to comply with the law or
7 its various consented orders.

8 This is not the first time a commission has
9 had to grapple with this issue. In 2023, the
10 Kentucky Public Service Commission faced a request
11 from Water Service Kentucky to deploy AMI. The
12 similars to this case are staging. Water Service
13 Kentucky is a Sunshine sister company and was using
14 the same vendor for its AMI meters, Neptune, also
15 using a contract negotiated by Corix, Sunshine's
16 parented company. Some of the witnesses in that
17 case are even the same as this one. But the
18 Kentucky commission saw the same issues that exist
19 in this case; failure by the company to demonstrate
20 substantial inadequacy with its current meters or
21 water service, speculative benefits to customers,
22 and failure to show that the so-called benefits of
23 AMI were actually useful to the customers.

24 We have already seen the company doesn't
25 respect DEP's rules as a cost of doing business,

1 but how about this commission's rules? Commission
2 Rule 25-30.433 requires that the method used by the
3 company to calculate rate base shall be a 13-month
4 average for Class A utilities. Despite this, the
5 company proposes to calculate accumulated
6 depreciation, a component of rate base, in an
7 annualized manner. By calculating accumulated
8 depreciation this way, the company creates a
9 mismatch between every other rate base component
10 calculated using the 13-month average.

11 A simple rule waiver request would have been
12 enough to address this issue, but the company has
13 so little respect for the Commission's rules that
14 it has not bothered with this minor procedural
15 step. This issue is worth approximately half a
16 million dollars for Sunshine's customers, money
17 that will be taken out of the customers pockets
18 should the company fail to comply with the
19 Commission's rule.

20 The company is also attempting to suck value
21 from customers without providing anything in return
22 by attempting to socialize payment method fees
23 across all customers. By including fees associated
24 with convenient forms of payment that are selected
25 by certain customers and overall utility operating

1 expenses, the company seeks to place all customers
2 on the hook for fees generated by less than half of
3 its customers.

4 Under cost causer, cost payer principle that
5 is a standard in our state, only those who use
6 payment methods that involve imposition of
7 additional convenience payment fees should have to
8 pay those fees, not every customer regardless of
9 that customer's choice.

10 CHAIRMAN LA ROSA: Mr. Ponce, are we getting
11 close to finishing your opening statement?

12 MR. PONCE: We are.

13 The Commission should stick to its precedent
14 and deny the company's attempt to enrich itself at
15 the expense of customers who can't -- who don't use
16 payment methods that involve extra fees.

17 Another are where this commission can return
18 value to customers is by addressing the company's
19 requested legal expenses. A big driver of these
20 expenses is the company's failures related to the
21 Wekiva Hunt Club Wastewater System.

22 Normally there is value to a customer in a
23 company defending itself from this kind of suit.
24 However, because of the company's recurring
25 disregard for DEP regulations and standards, the

1 Commission should either disallow this expense
2 entirely, or, at a minimum, the expenses should be
3 amortized pursuant to Rule 25-30.433.

4 In conclusion, Sunshine has requested that the
5 Commission approve an increase of \$4.5 million, or
6 19.9 percent in base revenues for its water
7 utility, and an increase of \$4.7 million, or 15.87
8 percent for its wastewater utility.

9 You will hear from our expert, Ralph Smith,
10 and his recommendation of a revenue increase of no
11 more than \$1.3 million for Sunshine's water
12 utility, and \$3.2 million for Sunshine's
13 wastewaters utility.

14 Other than listening to our expert, the
15 Commission can also listen to Sunshine's customers.
16 Sunshine's price is already the highest in the
17 area.

18 I pay as much for water as I do for
19 electricity, said customer Charles Bassin at one of
20 the hearings.

21 The new meter that they have installed, it
22 should save the company money, not increase it. It
23 should save labor, save lots of things for the
24 company. Why they pass these expenses to us, as
25 Mr. Nabil Gerges.

1 And finally, Sunshine Water Services has never
2 been safe or reliable. They have not been a good
3 partner for the community. They lied and told
4 untruths, or have not been forthright with
5 questions that we have asked and complained about,
6 said Sunshine customer Bill Trimble.

7 Thank you very much.

8 CHAIRMAN LA ROSA: Great. Thank you.

9 At this point, I would like to move to
10 stipulated issues, and I am going to go to staff.
11 Do we need to -- do we need a few minutes to get
12 ourselves in order?

13 MR. FAROOQI: No, we should be fine, Mr.
14 Chair.

15 CHAIRMAN LA ROSA: I am sorry? Yeah, let's --
16 then -- yes, let's go ahead and maybe take a quick
17 five-minute break and we can get ourselves
18 organized.

19 MR. SANDY: Yes, sir.

20 (Brief recess.)

21 CHAIRMAN LA ROSA: All right. It we want to
22 go ahead and maybe take our seats and we can jump
23 right back in order where we left off.

24 And we all have a printed copy of the proposed
25 stipulations. As I understand it, the parties have

1 proposed, in writing, Type 1 stipulations and Type
2 2 stipulations.

3 Are there Type 1 stipulations to Issues 35 and
4 38? And then there are Type 2 stipulations to
5 Issues 6 through 12, and 19 through 22.

6 Staff, are there exhibits in relations to
7 these proposed issues?

8 MR. FAROOQI: Yes, Mr. Chair. What's before
9 you is what we would like to introduce as a list of
10 proposed issue stipulations. We would like to
11 introduce that as Exhibit No. 220 and move for this
12 exhibit to be added to the record. And as you saw,
13 the list of proposed issue stipulations has been
14 circulated to the parties prior to this hearing.

15 CHAIRMAN LA ROSA: Okay. So then show that as
16 Exhibit 220, the exhibit is so marked.

17 (Whereupon, Exhibit No. 220 was marked for
18 identification.)

19 CHAIRMAN LA ROSA: Do the parties have any
20 objections to this exhibit?

21 MR. FRIEDMAN: No, sir.

22 CHAIRMAN LA ROSA: Okay. Seeing none, then.

23 (Whereupon, Exhibit No. 220 was received into
24 evidence.)

25 CHAIRMAN LA ROSA: Commissioners, is there a

1 motion to take up the stipulated issues and
2 exhibits and vote on approved stipulated issues?

3 COMMISSIONER CLARK: Move approval, Mr.
4 Chairman.

5 COMMISSIONER GRAHAM: Second.

6 CHAIRMAN LA ROSA: Hearing a motion, and
7 hearing a second.

8 All those in favor signify by saying yay.

9 (Chorus of yays.)

10 CHAIRMAN LA ROSA: Yay.

11 Opposed no?

12 (No response.)

13 CHAIRMAN LA ROSA: Show that they are added as
14 additional stipulations, or that they are added as
15 approved.

16 Are there additional stipulations to discuss
17 at this time?

18 MR. FAROOQI: Not at this time, Mr. Chair.

19 CHAIRMAN LA ROSA: Okay. All right. Then
20 let's move into witness testimony. Are we in the
21 right order to do that?

22 Let me ask, if there are witnesses in the
23 room, that I swear you in at this time. So if
24 there are witnesses in the room, do you mind please
25 standing and raise your right hand.

1 sworn to speak the truth, the whole truth, and nothing
2 but the truth, was examined and testified as follows:

3 EXAMINATION

4 BY MR. FRIEDMAN:

5 Q Mr. Elicegui, would you please state your full
6 name and business address?

7 A Shawn Elicequi, 7800 Rancharrah Parkway, Reno,
8 Nevada, 89511.

9 Q Did you prefile testimony in this matter?

10 A I am adopting the prefiled testimony of Steve
11 Lubertozzi.

12 Q And if I were to ask you each of the questions
13 that are in that prefiled testimony of Mr. Lubertozzi,
14 would your responses be the same?

15 A Yes, sir.

16 Q No changes or corrections?

17 A Pardon me?

18 Q No changes or corrections to that testimony?

19 A No changes or corrections.

20 MR. FRIEDMAN: I would like to ask that the
21 testimony be inserted into the record as though
22 read.

23 CHAIRMAN LA ROSA: So it as though read.

24 (Whereupon, prefiled direct testimony of
25 Steven M. Lubertozzi, adopted by Shawn Elicegui, was

1 inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and)
wastewater rates in Charlotte, Highlands, Lake,)
Lee, Marion, Orange, Pasco, Pinellas, Polk,)
and Seminole Counties by Sunshine Water)
Services Company)
_____ /

Docket No. 20240068-WS

DIRECT TESTIMONY

OF

STEVEN M. LUBERTOZZI

on behalf of

Sunshine Water Services Company

I. INTRODUCTION & PURPOSE

1

2 Q1. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

3 A1. My name is Steven M. Lubertozi. I am Senior Vice President of Rates, Regulatory and
4 Legislative Affairs for Nexus Water Group, Inc. (“NWG”), a holding company that indirectly
5 controls Sunshine Water Services Company (“SWS” or “Company”). My business address is
6 500 W. Monroe, Suite 3600, Chicago, Illinois 60661.

**7 Q2. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
8 BACKGROUND.**

9 A2. I graduated from Indiana University in 1990, and I am a Certified Public Accountant. I earned
10 my Master of Business Administration from Northwestern University’s Kellogg School of
11 Management. I am a member of the American Institute of Certified Public Accountants, and I
12 have been employed by a current affiliate of CII since June 2001.

13 I am a past Board Member of the National Association of Water Companies, a past Board
14 Member of the Illinois Chapter of the National Association of Water Companies, a past Board
15 Member of the Indiana Chapter of the National Association of Water Companies, and a past
16 Board Member of the Financial Research Institute.

17 Q3. WHAT ARE YOUR RESPONSIBILITIES FOR CII?

18 A3. I am responsible for managing and directing NWG’s economic, regulatory, and legislative
19 activities across North America.

**20 Q4. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY PUBLIC UTILITY
21 COMMISSIONS?**

22 A4. Yes. I have provided written and oral testimony before public utility commissions throughout
23 the United States, including the Florida Public Service Commission (“Commission”), on topics
24 ranging from the cost of equity, capital structure, cost of debt, acquisition adjustments,
25 divestment strategies, appropriate levels of operations and maintenance expense, parent

1 company allocations, affiliate transactions, income taxes, and almost every aspect of utility

2 operations.

3 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

4 A5. My testimony: (1) addresses the status of the merger of Corix Infrastructure (US) Inc.¹ (“Corix
5 US”) and SW Merger Acquisition Corp. (“SWMAC”, together, “Merger Parties”) (“Merger”);
6 (2) explains that neither the potential costs nor the benefits of the Merger have been reflected
7 in SWS’s proposed revenue requirement; (3) proposes deferral accounts to track benefits and
8 costs to achieve those benefits related to the Merger.

9 **Q6. WAS YOUR TESTIMONY PREPARED BY YOU OR BY SOMEONE UNDER YOUR
10 DIRECT SUPERVISION?**

11 A6. Yes.

12 **II. MERGER STATUS AND COMMITMENTS**

13 **Q7. PLEASE DESCRIBE THE MERGER OF CORIX US AND SWMAC.**

14 A7. On August 26, 2022, Corix Infrastructure Inc. (“CII”) and Corix US (the “Corix Parties”)
15 entered into a transaction agreement (“Transaction Agreement”) with IIF Subway Investment
16 LP, SWMAC, and SouthWest Water Company (“SouthWest”) (collectively the “SouthWest
17 Parties”). The Transaction Agreement provides a framework for combining CII’s water,
18 wastewater, and related businesses, with the water and wastewater businesses owned by
19 SWMAC. Because the Merger occurred at the Corix US level, SWS was not directly affected
20 by the Merger. SWMAC and Corix US had a common vision and mission and shared corporate
21 values. After the closing of the Merger, SWS will continue to strive to provide high-quality,
22 safe, reliable, and sustainable water and sewer service for its customers. Customers will receive
23 their existing services from the same local operational employees at SWS’ approved rates and

¹ Corix US has, since Merger closing, been renamed Nexus Water Group Holdings, Inc.

1 on the approved terms and conditions. The Merger does not change SWS' corporate status or
2 tariffs. While the parties to the Transaction Agreement have incurred transaction costs, they
3 will not seek to recover transaction costs from SWS customers. As of closing, SWS continues
4 to be directly owned and controlled by Nexus Regulated Utilities, Inc.² SWS will continue to
5 have access to the capital needed to make the investments necessary to provide reliable service
6 to its customers. Accordingly, the Merger has been and will be transparent and seamless to the
7 customers of SWS.

8 **Q8. CAN YOU PLEASE PROVIDE AN UPDATE AS TO THE STATUS OF THE**
9 **MERGER?**

10 A8. After entering into the Transaction Agreement, the Corix Parties and SouthWest Parties
11 submitted 27 applications for regulatory approvals, as required, across various state and federal
12 jurisdictions. The Merger has been approved in all applicable jurisdictions, and the Merger
13 was consummated on April 1, 2024. Since the merger only involved a fifty percent change in
14 ownership at the parent company level, and not a majority, no formal approval was required in
15 Florida.

16 **III. MERGER IMPACTS FOR RATE CASE**

17 **Q9. CAN YOU PLEASE PROVIDE AN UPDATE AS TO THE STATUS OF**
18 **INTEGRATING THE MERGER PARTIES?**

19 A9. While the Merger Parties could begin planning for integration, integration could not commence
20 until the Merger closed. As noted above, the Merger closed on April 1, 2024. Accordingly,
21 integration of the administrative and general functions that support the separate water and
22 wastewater operations of CII and Southwest has only just begun.

² Nexus Regulated Utilities, Inc. was known as Corix Regulated Utilities (US), Inc (“CRU US”) before Merger closing. CRU US was also formerly known as Utilities Inc.

1 The Merger is expected to produce financial benefits associated with increased scale. The
2 Merger Parties anticipate that the integration of the administrative and general functions that
3 support the operations of CII's operating subsidiaries, including SWS, with the administrative
4 and general functions of SouthWest will take several years. The Merger Parties have taken and
5 will continue to take a deliberate approach to planning for integration, and then executing on
6 integration plans to mitigate potential risks to customers. To this end, the Merger Parties have
7 established an Integration Management Office to supervise the projects necessary to ensure
8 continuity of service upon closing and integrate operations following closing of the Merger.
9 SWS also recognizes that, due to SouthWest's acquisition of the Ni Florida systems in 2021,
10 there is potential for integration benefits at the local operations level. Likewise, the Company
11 is assessing the operations of Ni Florida to determine if, where, and when integration of
12 operating activities within Florida can be attained.

13 **Q10. HAS SWS REFLECTED ANY IMPACTS OF THE MERGER IN ITS TEST YEAR**
14 **REVENUE REQUIREMENT IN THE CURRENT DOCKET?**

15 A10. SWS's proposed revenue requirement reflects neither all of the benefits associated with the
16 Merger nor the costs to achieve those benefits for several reasons. First, as described above,
17 the integration planning has started but integration will not occur until several years after the
18 Merger closed. Thus, the potential benefits of the Merger that may affect SWS in the current
19 rate case are not currently known and measurable. Third, while benefits are expected to accrue
20 over time, there will be costs to achieve the benefits, and costs of integration tend to precede
21 the accrual of benefits. Based on the above considerations, SWS is not able to reasonably
22 estimate at this time the costs and benefits that will accrue to SWS.

23 **Q11. DOES SWS PROPOSE ANY CUSTOMER PROTECTIONS IN THIS DOCKET TO**
24 **ADDRESS THE POTENTIAL IMPACTS OF THE MERGER NOT REASONABLY**
25 **KNOWN AT THIS TIME?**

1 A11. Yes. The Company proposes establishing two deferral accounts that capture the benefits and
2 costs to achieve integration benefits – one for administrative and general (“A&G”, i.e.,
3 Corporate or Support Services) and one for local operations. The Company recommends that
4 the Commission allow the Company to defer the benefits and costs to achieve these benefits of
5 integrating A&G functions, as well as for local operations, resulting from the Merger. The
6 Company proposes to call the A&G deferral the “Integration Customer Protection Deferral
7 Mechanism”, and the local operations deferral the “Local Integration Customer Protection
8 Deferral Mechanism”. These mechanisms will capture accrued benefits and incurred costs to
9 achieve integration benefits. The deferrals will be reviewed in each rate case, culminating in
10 a final review in the first rate case filing after the completion of the five-year period following
11 the Merger closing. SWS proposes that for each mechanism it may recover the costs of
12 integration only to the extent that the benefits of integration meet or exceed such costs (“Net
13 Benefits”). To the extent the costs of integration exceed benefits (“Net Costs”), SWS
14 acknowledges that it will not recover Net Costs. SWS will propose to return the deferred Net
15 Benefits to customers in future rate cases. After costs and benefits of integration are reflected
16 in a general rate case, SWS will discontinue deferring those costs and benefits (since they
17 would now be reflected in customer rates) and will track and defer only costs and benefits
18 incremental to those reflected in rates in order to avoid re-litigation of reflected impacts and
19 potential double-counting.

20 SWS believes the proposed deferral accounts provide customer protection for unknown scale
21 or timing of potential impacts of the Merger. The deferrals also provide flexibility from a
22 ratemaking perspective in the current rate case: should the Merger’s impacts not develop
23 according to initial plans, or new/unplanned benefits be identified and achieved, there will be
24 no risk with foregoing reflecting Merger impacts in the approved revenue requirement, as they
25 will be accrued to the benefit of customers. SWS, therefore, believes its approach is a

1 reasonable and prudent method to managing the uncertainty of the potential impacts of the
2 Merger that balances the interest of all parties, including the Company's customers. C2-357

3 **IV. CONCLUSION**

4 **Q12. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A12. Yes, it does. I however reserve the right to update this testimony should new information
6 become available in the future.

1 BY MR. FRIEDMAN:

2 Q And do you have a short summary, Mr. Elicegui?

3 A I do.

4 Q Would you provide it?

5 A Good morning, Commissioners. I have adopted
6 the prefiled direct testimony of Steve Lubertozzi. The
7 direct testimony addresses five issues.

8 First, it reports on the merger of Corix
9 Infrastructure U.S., Inc., and SW Merger Acquisition
10 Corp, which closed on April 1, 2024.

11 Second, the testimony notes that the revenue
12 requirement of Sunshine Water Services Company already
13 reflects merger savings associated with that
14 transaction. Namely, lower allocated costs, because the
15 Corix Chief Operating Officer position remained open for
16 a period during the test year because of the merger.

17 Third, the testimony notes that Sunshine's
18 revenue requirement does not reflect any transaction
19 costs or transition costs.

20 Fourth, the testimony supports the company's
21 proposal to track and defer transaction -- transition
22 costs, as well as merger benefits, so that this
23 commission, OPC, staff, and all stakeholders can review
24 those costs and benefits in a future proceeding.

25 Finally, fifth, I recommend that the

1 Commission adopt this proposal because it does not
2 prejudice any stakeholder's rights. It allows the
3 Commission staff and OPC a full opportunity to review
4 merger benefits and transition costs, and then ensure
5 that those costs and benefits are properly reflected in
6 future revenue requirements.

7 Thank you.

8 CHAIRMAN LA ROSA: Thank you.

9 BY MR. FRIEDMAN:

10 Q And there were no exhibits in connection with
11 your direct testimony, were there?

12 A No, sir.

13 Q Thank you.

14 MR. FRIEDMAN: He is available for
15 cross-examination.

16 CHAIRMAN LA ROSA: OPC.

17 MR. WATROUS: Thank you, Mr. Chair.

18 EXAMINATION

19 BY MR. WATROUS:

20 Q Good morning, Mr. Elicegui.

21 A Good morning.

22 Q And just to confirm, you are adopting Mr.
23 Lubertozzi's testimony and responses to discovery?

24 A That's correct.

25 Q Okay. And that includes depositions well?

1 A Yes, sir.

2 Q Thank you.

3 The merger transaction was between Corix and
4 Southwest, right?

5 A That's correct.

6 Q Okay. And when I refer to the merger, that's
7 what I am referring to, okay?

8 A Thank you.

9 Q And this merger closed on April 1st of 2024?

10 A Yes.

11 Q Okay. The complete integration of the merger
12 is going to take place multiple years after that date?

13 A That's correct.

14 Q And the company's knew there would be costs
15 associated with the decision to merge?

16 A Yes.

17 Q Okay. And you would agree the utility is
18 allowed to recover prudently incurred costs?

19 A Yes.

20 Q And those prudent costs are the capital
21 invested by the utility for the purposes of providing
22 water services?

23 A Yes, and may I expand on the answer?

24 Q Yes.

25 A Prudently incurred costs also include

1 reasonable O&M expenses that are necessary to deliver
2 services to customers.

3 **Q And the utility is expected to manage its**
4 **business in a manner that addresses changes in costs and**
5 **sales?**

6 A The utility is expected to manage its business
7 in a reasonable and prudent way.

8 **Q In a manner that addresses changes in costs**
9 **and sales?**

10 A Again, in a reasonably prudent way that
11 addresses changes in circumstances.

12 **Q Can you please answer the question with a yes**
13 **or a no? The utility is expected to manage its business**
14 **in a manner that addresses changes in costs and sales?**

15 A Yes.

16 **Q Thank you.**

17 **And the company is asking the Commission to**
18 **create two regulatory asset deferral accounts?**

19 A That's correct.

20 **Q Okay. And as of right now, the company cannot**
21 **provide the Commission with complete financial impacts**
22 **of the merger?**

23 A Yes. The complete financial impacts of the
24 merger of transition costs and benefits are not known at
25 this time.

1 **Q** **And Sunshine, nor its parent company, has a**
2 **defined list of accounts that would be placed into this**
3 **regulatory asset?**

4 **A** **That's correct.**

5 **Q** **And Sunshine cannot define the specific cost**
6 **categories in the specific regulatory asset deferral**
7 **accounts?**

8 **A** **No, the company can identify transition costs,**
9 **which fall into general categories.**

10 **Q** **Isn't it true that without any defined cost**
11 **categories, the Commission would be granting the company**
12 **a blank check?**

13 **A** **No.**

14 **Q** **Okay. And you believe lost revenue is an**
15 **appropriate category to be included in the regulatory**
16 **asset?**

17 **A** **The company has not requested to include lost**
18 **revenue in this regulatory asset.**

19 **Q** **But you believe lost revenue is an appropriate**
20 **category to be included in a regulatory asset?**

21 **A** **The company previously sought to include in a**
22 **regulatory asset lost revenue associated with reduced**
23 **sales in connection with COVID-19.**

24 **Q** **Okay. So you believe -- yes or no, you**
25 **believe lost revenue is an appropriate category to be**

1 included in a regulatory asset?

2 A The company believed that when it made the
3 request, yes.

4 Q Thank you.

5 I would now like to discuss the consolidation
6 of the board of directors.

7 Because of the consolidation, the company has
8 already identified savings in the board of directors
9 fees. The company has also identify the elimination of
10 three executive leadership positions, correct?

11 A Yes.

12 Q And that would be the CEO, COO and CFO of
13 Corix?

14 A That's correct.

15 Q I believe you had identified that the COO
16 costs were removed from this case earlier, is that
17 correct?

18 A No, the costs were not removed from the case.
19 The COO position was vacant during a portion of the test
20 year, therefore, the costs were not incurred during the
21 test year.

22 Q Thank you.

23 And there were savings associated with the
24 separation of the general counsel of Corix?

25 A Not during the test year.

1 **Q And there were savings associated with the**
2 **assignment of an office lease, I believe District Energy**
3 **business?**

4 A Not during the test year.

5 **Q Okay. And there were savings associated with**
6 **consolidation to one external auditor?**

7 A We anticipate savings after the test year
8 associated with the consolidation to a single external
9 auditor.

10 **Q Okay. And there were savings with insurance**
11 **cost reductions?**

12 A We anticipate savings associated with
13 insurance cost reductions after the test year and after
14 the closing of to the transaction.

15 **Q And the company did not update its filing to**
16 **reflect any of these cost savings?**

17 A Not to my knowledge.

18 **Q Okay. Thank you for your time today.**

19 MR. WATROUS: OPC has no further questions.

20 CHAIRMAN LA ROSA: Thank you.

21 I will go to Commission staff, are there
22 questions of the witness?

23 MR. SANDY: There are none, Mr. Chair.

24 CHAIRMAN LA ROSA: Okay. Great.

25 Commissioners, any questions?

1 Seeing none, I will go to redirect.

2 FURTHER EXAMINATION

3 BY MR. FRIEDMAN:

4 **Q In response to the last question about**
5 **including those cost savings, do you know at this time,**
6 **are those cost savings known and measurable as we sit**
7 **here today?**

8 A The cost savings associated with the reduction
9 of the COO are known and reflected in the test year
10 revenue requirement. Cost savings associated with the
11 elimination of the Corix CEO position and the Corix CFO
12 position are also known. They are being tracked by the
13 company and deferred by the company together with
14 transition costs.

15 **Q And on the question of lost revenues, is that**
16 **included in the request that Sunshine has filed?**

17 A No, sir.

18 MR. FRIEDMAN: That's all we have.

19 CHAIRMAN LA ROSA: Thank you.

20 Let's go ahead and, I guess, excuse the
21 witness and move to your next witness.

22 MR. FRIEDMAN: I mean, he has got rebuttal,
23 but yes.

24 CHAIRMAN LA ROSA: I am sorry?

25 MR. FRIEDMAN: He does have rebuttal

1 testimony.

2 CHAIRMAN LA ROSA: Okay.

3 MR. WHARTON: We would call Deborah Swain.

4 CHAIRMAN LA ROSA: Ms. Swain, when you are
5 settled, you are recognized to begin.

6 DEBORAH D. SWAIN

7 was called as a witness, having been previously duly
8 sworn to speak the truth, the whole truth, and nothing
9 but the truth, was examined and testified as follows:

10 EXAMINATION

11 BY MR. WHARTON:

12 Q Ms. Swain, will you state your full name and
13 business address for the record?

14 A Yes. My name is Deborah Swain, 2025 SW 32nd
15 Avenue, Miami, Florida.

16 Q Did you prefile direct testimony in this case?

17 A Yes, I did.

18 Q And if I were to ask you the questions in your
19 prefiled direct testimony, would your answers today be
20 the same?

21 A Yes, they would.

22 Q Do you have any changes or modifications to
23 that testimony at this time?

24 A I do not. There is some modifications to my
25 exhibit that I presented in rebuttal testimony.

1 **Q All right. We will do it at that time.**

2 MR. WHARTON: We would ask that the witness
3 testimony be inserted into the record as though
4 read.

5 CHAIRMAN LA ROSA: All right. Show the record
6 will reflect that.

7 (Whereupon, prefiled direct testimony of
8 Deborah D. Swain was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and)
wastewater rates in Charlotte, Highlands, Lake,)
Lee, Marion, Orange, Pasco, Pinellas, Polk,)
and Seminole Counties by Sunshine Water)
Services Company)

Docket No. 20240068-WS

DIRECT TESTIMONY

OF

DEBORAH D. SWAIN

on behalf of

Sunshine Water Services Company

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

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

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

6 A. I have a Bachelor of Science degree in Accounting from Florida State University. I have over
7 35 years of experience in utility management, accounting, finance, rate regulation, rate design
8 and system development. I have prepared and supervised cost of service studies for over 300
9 water and wastewater systems, calculated revenue deficiencies and revenue requirements,
10 and designed rates.

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

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

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

18 A. I am presenting this testimony and appearing on behalf of Sunshine Water Services Company
19 (Sunshine), the applicant for rate increase in the present docket.

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

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

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

25 A. Yes, I am sponsoring two exhibits. Exhibit DDS-1 contains MFR Volume I – Financial,

1 Rate and Engineering (except the E-14 schedule contained in Volume II, prepared by Dante
2 DeStefano, and the F schedules that were prepared and sponsored by Mr. Seidman) which
3 is being filed simultaneously in the Docket as required by PSC Rules. Exhibit DDS-2 is the
4 reconciliation schedule which is being filed with the Application, filed simultaneously in
5 the Docket as required by PSC Rules.

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

7 A. Yes, they were. As is customary, they were prepared from financial information provided
8 to my staff and me by Sunshine.

9 **Q. Are there any particular explanations you want to make with regard to the MFRs?**

10 A. Yes, I will point out several about which I would like to elaborate.

11 Rate Base Adjustments – Utility Plant in Service

12 (1) Allocation of Common Plant: As in prior cases, I show combined book balances in the
13 water utility plant as the starting point for general plant, then apply an allocation adjustment to
14 the general plant accounts based upon number of ERCs. The result is an equivalent reduction
15 in water utility plant and an increase in wastewater utility plant.

16 (2) Sandalhaven Intangible Plant: This adjustment moves the cost of the intangible plant
17 associated with the payment to the Englewood Water District (EWD) from a tangible plant
18 account to an intangible plant account.

19 (3)(a) Pro-forma Plant Adjustments: The adjustment to utility plant associated with the pro-
20 forma projects comprised several parts. The first is to reflect the additions to plant by NARUC
21 account.

22 (3)(b) Pro-forma Plant Retirements: Certain pro-forma plant additions required retirement of
23 replaced plant. We calculated the original plant cost for retirements applying the Handy
24 Whitman index, which is consistent with the methodology used by Sunshine when it records
25 the retirement on its accounting records.

1 (4) Non-Used and Useful (NUU): Although the MFRs present consolidated financial
2 information, adjustments for NUU required system-based calculations. These adjustments
3 pertained to Plant, Accumulated Depreciation, CIAC, Amortization of CIAC, Depreciation
4 Expense, and Property Tax Expense. The applicable MFR schedules include sections reflecting
5 the pertinent information by system for those plant accounts to which a NUU adjustment was
6 made. The percent used and useful for each system is consistent with the findings of Sunshine's
7 witness Frank Seidman.

8 Rate Base Adjustments – Construction Work in Progress (CWIP) As we are including the full
9 cost of pro-forma projects in utility plant in service, it is appropriate to remove CWIP from
10 inclusion in rate base.

11 Rate Base Adjustments – Accumulated Depreciation – Test Year

12 (1) Allocation of Common Plant: As was done for common plant, the associated
13 accumulated depreciation for common plant was shown fully in water, and then allocated from
14 water to wastewater based upon ERCs.

15 (2) Correct Over-Amortization of EWD: As the intangible asset associated with the
16 payment to EWD had been included in the incorrect account, it was depreciated over 10 years,
17 rather than the 40 years associated with intangible plant, requiring an adjustment.

18 (3) Reclassification of Summertree Retirement entry: The retirement entry was incorrectly
19 charged to Accumulated Depreciation for Organization Costs, and was therefore moved to
20 Accumulated Depreciation for Wells and Springs.

21 Rate Base Adjustments – Accumulated Depreciation – Pro-forma

22 (1) Annualization Adjustment: Each of the test year additions to plant was identified and
23 the accumulated depreciation was adjusted to reflect a full year. An equivalent adjustment to
24 depreciation expense was also made.

25 (2) Pro-forma Project Additions: Depreciation for one year was calculated for pro-forma

1 projects and included in accumulated depreciation as an adjustment.

2 (3) Adjustment for Retirements: As adjustments were made for retired plant in utility plant
3 in service, accumulated depreciation was adjusted by an equal amount.

4 Rate Base Adjustments – Contributions in Aid of Construction (CIAC)/ Amortization

5 (1) Over-amortization of CIAC: In Order No. PSC-2017-0361-FOF-WS, it was
6 determined that the company was over-amortizing certain CIAC accounts. The books continue
7 to include this over-amortization, and an adjustment was made to correct this balance.

8 (2) Pro-forma Retirement of CIAC: The retirement of contributed plant associated with
9 the pro-forma projects required an adjustment to reduce CIAC and also to reduce the
10 amortization of CIAC in an equal amount.

11 Rate Base Adjustments – Acquisition Adjustment

12 Acquisition adjustments on the books of the company were removed from rate base. Had these
13 adjustments been approved by the Commission, they would have been included in rate base.

14 Working Capital

15 Working capital was calculated using the balance sheet approach, including all appropriate
16 components.

17 **Q. Please elaborate on your adjustments to revenues and expenses.**

18 A. Revenues – Test Year

19 Two test year adjustments were made. One adjustment is to exclude revenue components that
20 are not pertinent to revenues included in the revenue requirement, for example accrued
21 revenues, guaranteed revenues and AFPI. The second adjustment to revenue components is to
22 reflect the annualized test year revenues calculated based upon current rates having been in
23 effect during the full test year.

24 Revenues – Pro-forma

25 An adjustment was made equal to the revenue increase needed to achieve the revenues

1 required.

2 Operating Expenses – Test Year

3 (1) Chemicals: An adjustment was made to reflect the analysis of chemical dosages the
4 company performed. The result is that the adjusted chemical expense for water and
5 wastewater is based upon the chemicals used during the test year.

6 (2) Excess Unaccounted for Water (EUW) and (3) I&I Adjustments: Adjustments for
7 systems experiencing EUW and excess I&I were made, using details for each applicable
8 system for purchased water, purchased wastewater, chemicals and power.

9 (4) and (5) Lobbying Expenses: Test year lobbying expenses including dues paid to NAWC
10 attributable to lobbying were removed.

11 (6) Regulatory Commission Expense: An adjustment was made to reflect the amount
12 allowed in the Order No. PSC-2021-0206-FOF-WS.

13 Operating Expenses – Pro-forma

14 (1) Purchased Water / Sewer Expense: Adjustment were made to reflect the impact of
15 rate increases imposed by providers of water and wastewater treatment. This is based upon
16 flows reflected in DDS-1 schedules F-1 and F-2, and the rates in effect at the end of the test
17 year.

18 (2) Purchased Sewer – EWD (Sandalhaven): An adjustment to reflect the volume of
19 purchased wastewater treatment was made. This is consistent with the testimony of
20 Sunshine witness Dante DeStefano, that it is appropriate to use the average flow in 2020
21 and 2021 as the basis to estimate test year flows, times the EWD gallonage rate.

22 (3) Amortization of Rate Case Expense: The adjustment reflects the current estimated
23 rate case expense amortized over four years.

24 (4) Other Pro-forma Adjustments:

- 25
- Sludge hauling – this adjustment reflects the sludge hauler’s price increase

- 1 • Chemicals – this adjustment reflects the increased cost of sodium hypochlorite
- 2 • Contractual Services corporate allocations – this adjustment reflects a reduction in
- 3 allocated cost consistent with the testimony of Sunshine witness Dante DeStefano,
- 4 • Contractual services - credit card processing – this adjustment reflects the estimated
- 5 annual cost of processing fees for online payments by customers, consistent with
- 6 the testimony of Sunshine witness Dante DeStefano,
- 7 • Insurances – these adjustment to all insurances reflects the increased cost imposed
- 8 by the insurance companies consistent with the testimony of Sunshine witness Dante
- 9 DeStefano,
- 10 • Sewer Rodding – This adjustment reflects the increased cost imposed by the sewer
- 11 rodding contractor, consistent with the testimony of Sunshine witness Dante
- 12 DeStefano.

13 (5) Salaries and Benefits: An adjustment was made to reflect the estimated cost of

14 salaries and benefits, consistent with the testimony of Sunshine witness Dante DeStefano,

15 (6) Repression Adjustment: As explained later in my testimony, I have made a

16 repression adjustment to billed gallonage to reflect the expected impact of the rate increase

17 on customer usage. This reduced consumption will result in a reduction of certain costs. I

18 have made an adjustment to purchased water, purchased power and chemical expense of

19 2.3128%, which is the overall reduction in total consumption expected.

20 Depreciation Expense – Test Year

21 (1) Amortization of Early Retirement: Consistent with the adjustment made to

22 accumulated depreciation, the retirement entry was incorrectly charged to depreciation

23 expense for Organization Costs, and was therefore moved to depreciation expense for Wells

24 and Springs.

25 (2) Over amortization and reclassification of Sandalhaven Intangible Plant (EWD):

1 Consistent with the adjustment to accumulated depreciation, as the intangible asset associated
2 with the payment to EWD had been included in the incorrect account, it was depreciated over
3 10 years, rather than the 40 years associated with intangible plant, requiring an adjustment.
4 Additionally, the amortization was reclassified from Wells & Springs to Intangible Plant.

5 (3) Non-Used and Useful: Based on the NUU determined by Sunshine witness Frank
6 Seidman, associated depreciation expense was reduced by the amount determined to be NUU.

7 (4) Over-amortization of CIAC: Consistent with the adjustment made to accumulated
8 amortization of CIAC, Order No. PSC-2017-0361-FOF-WS determined that certain CIAC
9 accounts were over-amortized in Lake Placid, Mid County and Sanlando, requiring an
10 adjustment to reduce the expense by that amount.

11 Depreciation Expense – Pro-forma

12 (1) Annualization of depreciation expense for test year plant additions, consistent with
13 the adjustment made to accumulated amortization, each of the additions to plant was
14 identified and the depreciation expense was adjusted to reflect a full year.

15 (2) Additional depreciation expense for pro-forma plant additions: The depreciation
16 expense for the first full year in service is reflected as an adjustment to increase depreciation
17 expense.

18 (3) Reduction to depreciation expense for retirements: An adjustment was made to
19 reduce depreciation expense for one full year after retirement of plant associated with the
20 pro-forma plant projects.

21 (4) Amortization of Pro-forma CIAC retirements: Amortization expense was adjusted
22 to remove one year of amortization expense for retired CIAC.

23 Amortization Expense

24 An adjustment was made to reclassify amortization of early retirements from depreciation
25 expense.

1 Taxes Other than Income Taxes – Test Year

2 An adjustment was made to reflect the regulatory assessment fees on annualized revenue,
3 consistent with the adjustments to test year revenues.

4 Taxes Other than Income Taxes – Pro-forma

5 (1) Payroll taxes: an adjustment was made to reflect pro-forma salary levels, consistent
6 with the testimony of Sunshine witness Dante DeStefano.

7 (2) Property taxes:

8 (a) Adjustments were made to reflect a full year of property taxes on plant added during the
9 test year, using the proportion of plant additions to taxable property.

10 (b) An adjustment was made to reduce property taxes by a proportionate amount for NUU
11 plant.

12 (c) An adjustment was made to increase property taxes associated with taxable pro-forma
13 projects.

14 (3) Regulatory Assessment Fees: An adjustment to increase regulatory assessment fees
15 associated with the final requested revenues was made.

16 Income Tax Expense

17 (1) Income tax expense was calculated based upon test year taxable income.

18 (2) Income tax expense was calculated based upon final requested taxable income.

19 **Q. Can you explain why you made additional adjustments to requested revenues?**

20 A. After calculating the revenue requirement for both water and wastewater, Sunshine made
21 the decision to limit the revenue increase to 19.9% over test year adjusted revenues. I
22 therefore made adjustments to reduce the overall water revenue increase to 19.9%.

23 **Q. What impact did this adjustment have?**

24 A. This reduction in the revenue increase reduced the repression adjustment to rates and
25 expenses. Regulatory Assessment Fees was reduced due to the lower taxable revenues.

1 Income tax expense was reduced due to the lower taxable net income.

2 **Q. Did you make any adjustment to the cost of capital?**

3 A. Capital Structure – Test Year

4 The capital structure proposed is a combination of consolidated company debt and equity,
5 and components that are on Sunshine’s books. The D schedules included in DDS-1 provide
6 the required information for the consolidated company information (schedules D-4, D-5,
7 and D-6). Schedule D-2 allocates those consolidated company components to Sunshine
8 based upon Sunshine’s rate base. The result is that the components on Sunshine’s books are
9 included as reflected on the books, with the adjustment described below, and the
10 consolidated components are included proportionately so that the blended capital structure
11 totals rate base. The final capital structure reconciled to rate base is shown on D-1.

12 Cost of Capital

13 The components in the capital structure were assigned cost rates based upon the actual cost.
14 The cost of equity was calculated using the leverage formula in Order No. PSC-2024-0165-
15 PAA-WS.

16 Capital Structure – Pro-forma

17 Current and Deferred Income Taxes – The pro-forma plant adjustment included a calculation
18 of the difference between book depreciation and tax depreciation. The tax impact of this
19 difference resulted in a pro-forma increase in deferred income taxes. This adjustment is
20 reflected in schedule D-2 in DDS-1, and thus included in the calculation of overall rate of return
21 on Schedule D-1.

22 **Q. What is recommendation regarding billing rates?**

23 A. Billing Rates

24 I am proposing that the rates be increased proportionately across the board. I am also applying
25 a repression adjustment to discretionary gallonage equal to 2% for every 10% of revenue

1 increase, consistent with the repression adjustment requested and allowed in Order No. PSC-
2 2017-0361-FOF-WS, and consistent with the amount allowed in other Commission cases. We
3 are proposing a revenue increase of approximately 19.9% in water revenues. Therefore, the
4 appropriate reduction in discretionary consumption based upon this increase would be 3.98%
5 to discretionary consumption, resulting in a reduction to all consumption of 2.3128%.
6 Discretionary consumption is determined to include consumption in billing blocks above the
7 lowest block, i.e. over 4000 gallons. The reduction in consumption and the increased rates to
8 compensate for this reduction is shown on schedule E-2, page 2 of 8. As mentioned earlier, a
9 corresponding adjustment to reduce the specifically affected expenses was made to recognize
10 the reduced consumption.

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

12 A. Yes, it does.

1 BY MR. WHARTON:

2 Q Ms. Swain, have you prepared a summary of your
3 direct testimony?

4 A Yes.

5 Q Please proceed.

6 A Sure.

7 The purpose of my direct testimony is to
8 present information supporting the original minimum
9 filing requirements with the exception of several B
10 schedules and E schedules, which were prepared by Mr.
11 DeStefano, and the F schedules, which were prepared by
12 Mr. Seidman, and subsequent revisions to those
13 schedules.

14 In my direct testimony, I explain some
15 adjustments made to the test year needed to establish
16 the revenue requirement. Some are corrections to the
17 test year. Others are proforma adjustment.

18 An example of a test year adjustment is the
19 removal of lobbying expenses, including the Gunster
20 firm. And example of proforma adjustments are the
21 proforma plant and all associated impacts, such as
22 retirements, depreciation and property taxes.

23 Other examples include known and measurable
24 increase in costs both before, during -- or excuse me,
25 during and after the test year. Examples would be

1 salaries and benefits that increased -- would increase
2 after the test year that are known and measurable, and
3 the annualization of cost increases experienced during
4 the test year, like purchased water and sewer utility
5 costs, and also depreciation expense due to additions
6 and retirements in plant during the year.

7 I also annualized revenues to reflect the
8 rates in effect at the time I prepared the MFRs. The
9 final revenue requirement was determined based on the
10 utility's books and records, adjusted as I described. I
11 limited the water increase to 19.9 percent at the
12 request of Sunshine. And in order to achieve the
13 requested revenues, I presented rates which were an
14 across-the-board increase. And as is Commission
15 practice, I calculated a repression adjustment to
16 recognize that an increase in rates is expected to
17 result in a reduction of discretionary consumption.
18 This required that the rates be adjusted slightly, and
19 then certain usage impacted expenses were decreased to
20 fully recognize the reduced usage.

21 The original MFRs included the repression
22 adjustment for water. These schedules were prepared by
23 me and under my direction based on information provided
24 by the utility, and were prepared in accordance with
25 Commission rules.

1 Q Does that conclude your summary?

2 A Yes, it does.

3 MR. WHARTON: Mr. Chairman, we would tender
4 the witness for cross.

5 CHAIRMAN LA ROSA: Thank you.

6 OPC.

7 EXAMINATION

8 BY MR. PONCE:

9 Q Good morning, Ms. Swain.

10 A Good morning.

11 Q Thank you for being here today. I just have a
12 couple of questions for you.

13 A Okay.

14 Q If we could go to page J40 on Case Center.

15 Isn't it true that in your MFRs, you apply a
16 proforma adjustment starting on this page for test year
17 additions?

18 A Yes, I did. This is a proforma adjustment. I
19 mentioned in my summary that I made an adjustment to
20 annualize the expenses associated with the depreciation
21 on plant that was added during the test year. This is
22 the corresponding plant proforma addition rate base
23 proforma addition. This would be a increase in
24 accumulated depreciation and, therefore, a reduction in
25 rate base.

1 **Q** Doesn't this adjustment carry over to revise
2 **MFR B-3, which is page J84?**

3 **A** It does. It's identical to what I show on the
4 expenses, yes.

5 **Q** And again, these adjustments are to annualize
6 **depreciation?**

7 **A** Right.

8 **Q** Okay. Isn't it true that you did not make a
9 **corresponding adjustment to plant in service?**

10 **A** I did not -- excuse me, but the plant in
11 service is shown as a 13-month average. The adjustment
12 I made was only to the depreciation, which is a known
13 and measurable expense associated with that plant.

14 **Q** Are you familiar with Rule 25-30.433? And
15 **this is F2-2545.**

16 **A** And what section are you referring to? Could
17 you --

18 **Q** **Subsection (5).**

19 **A** And perhaps be specific for me since I don't
20 have it memorized by section.

21 **Q** **It should be on the screen in a minute.**

22 **CHAIRMAN LA ROSA:** Yeah, it should be on the
23 **screen in front of you. Is the screen in front of**
24 **you reflecting the --**

25 **THE WITNESS:** There it is. Yeah, it is now.

1 BY MR. PONCE:

2 Q And I am referring to subsection (5).

3 A Okay.

4 Q If you could read that out loud?

5 A I do have a lag here. I am still on section
6 (1).

7 CHAIRMAN LA ROSA: You may have to scroll
8 down.

9 THE WITNESS: Oh, I can scroll. Thank you. I
10 am allowed to use it. Thank you.

11 BY MR. PONCE:

12 Q If you could read subsection (5) for me,
13 please?

14 A We are having technical difficulties.

15 Q No rush.

16 A Okay. Thank you.

17 Subsection (5): The averaging method used by
18 the Commission to calculate rate base in cost of capital
19 should be a 13-month average for Class A utilities, and
20 a simple beginning and end-of-year average for Class B
21 and C utilities.

22 Q Thank you.

23 Isn't it true, then, that by annualizing
24 depreciation, you are no longer in compliance with this
25 rule?

1 A The test year is in compliance with this rule.
2 What makes it change is the proforma adjustments, just
3 like, as we add proforma plant and retirements on the
4 depreciation -- excuse me -- the accumulated
5 depreciation, the retirement of CIAC, that's a proforma
6 adjustment beyond the test year. So, no, the test year
7 is 13-month average. The proforma looks to the future.

8 **Q Well, isn't depreciation a component of rate**
9 **base?**

10 A Yes, it is, and it is reflected in a test
11 year. My test year numbers are 13-month average with a
12 proforma adjustment for annualizing depreciation, a
13 proforma adjustment to reflect one year of depreciation
14 on proforma plant, one year of amortization of CIAC to
15 reflect proforma plant that's retired or contributed,
16 and there is a host of others.

17 Working capital, for example, is a component
18 of rate base. And the working capital -- working
19 capital components include deferred debits. So where
20 the company found -- or the OPC found that there was
21 certain expenses that were incurred in the test year, so
22 that should be spread over a longer period of time, then
23 the -- those amounts were put working capital as a
24 deferred debit and expended over that period of time.

25 So there are shifts to the test year to

1 reflect known and measurable changes and to -- and to
2 reflect also all the proforma adjustments.

3 Q So I appreciate the explanations, but if you
4 can answer yes or no, I would appreciate it.

5 By annualizing depreciation, aren't you
6 creating a mismatch with any component of rate base
7 which you did not also annualize, such as plant
8 in-service?

9 A Absolutely not.

10 Q And just to be clear, I understand your
11 position, but isn't it true that you or Sunshine did not
12 file a petition asking for a waiver of this rule?

13 A This is not a waiver of the rule. This is a
14 very typical proforma adjustment. As a matter of fact,
15 so typical, that Sunshine has applied it in the cases
16 that I looked at in the last 10 years. So, no, it
17 doesn't require a waiver. It's not in conflict with the
18 rule. It is a proforma adjustment that looks to the
19 future and applies the future as an adjustment to the
20 test year.

21 Q So I could take it that your answer is no, the
22 company did not file a waiver request?

23 A Correct. We did not file a waiver as is it
24 was not necessary.

25 Q So if I am understanding your position, then,

1 if this rule was not filed in a prior case, then the
2 Commission has waived that rule, and the company can
3 just do what it wants in that area?

4 A No, absolutely not. We don't need a waiver of
5 a rule that we are not out of compliance with. We are
6 not out of compliance with that rule. We absolutely
7 filed this rate case with a test year 13-month average,
8 as it requires, and made proforma adjustments.

9 The proforma adjustments are commonly and
10 typically allowed for future plant, as we are doing in
11 this case. The plant is going to be constructed by the
12 end of this year, this calendar year. And those things
13 are included in rate base and separate from the test
14 year.

15 Q If we can go to F2-1971.

16 And I have shown you this letter before, but
17 please take a moment to -- take a moment to
18 refamiliarize yourself. I only have one question about
19 this.

20 A Okay.

21 Q In formulating the MFRs that you sponsor, you
22 did not rely on this letter, is that correct?

23 A This letter appears to be a request for an
24 extension of time for a rate case from 2012. I don't
25 see the relevance to this case.

1 Q Well, just yes or no, you didn't rely on it in
2 **formulating --**

3 A I did not rely on it.

4 Q Okay. Moving on to net sal -- I have a couple
5 **of questions for you about net salvage.**

6 A Okay.

7 Q Do you agree that depreciation and --
8 **depreciation expenses in the filing should be adjusted**
9 **to correct for the company overlooking the requirement**
10 **in Rule 25-30.140 to include net salvage in the**
11 **calculation of these rates?**

12 A No, I don't, for a few reasons. One, I
13 realize that it's in the rule, but in my many years of
14 experience doing accounting for utilities filing rate
15 cases, analyzing their books, providing assistance, I
16 have not seen that applied.

17 Not to say it's not in the rule, but if the
18 Commission made a determination that this rule should be
19 applied, when there is a change in accounting
20 depreciation method, it's done prospectively. It's not
21 done by accounting, it's not done historically. It's
22 not a correction to an error on the books. It's a
23 change in accounting methodology.

24 So if an adjustment or determination is made
25 that the Commission is going to start applying the

1 salvage, then it should be done in the future.

2 Q So just to be clear, isn't it true that in
3 preparing the MFRs specifically B-13, you did not make
4 an adjustment for net salvage required by the
5 Commission's depreciation rule for the following
6 accounts: 341, 345, 346, 391 and 395 --

7 A That's correct.

8 Q -- and 396 as well? Excuse me.

9 A That's correct. I did not make those
10 adjustments, and I have never seen it done in the past.

11 Q If we could turn, then, to F2-980.

12 A It's not there yet for me. There it goes.

13 Okay.

14 Q Are you there?

15 A Yes, I am.

16 Q Can you please read the two lines that start
17 at subparagraph (2)(a)?

18 A Okay. What does that look like?

19 CHAIRMAN LA ROSA: We are on page three.

20 THE WITNESS: Okay.

21 MR. PONCE: I am sorry, I didn't --

22 CHAIRMAN LA ROSA: (2)(a) on page three is
23 what you are referring to --

24 MR. PONCE: Correct.

25 CHAIRMAN LA ROSA: -- just to make sure the

1 witness is in the right area.

2 BY MR. PONCE:

3 **Q That's it right on the screen there.**

4 A I am getting there. (2)(a), I see it.

5 Okay. You are talking about the one that
6 starts, the average service life and salvage components
7 for each class of utility are as follows?

8 **Q Correct. And then paragraph (a).**

9 A Water system guidelines average service lives.

10 **Q Now, if you can go two more pages down, this**
11 **is F2-984, and I will also ask you to read out paragraph**
12 **(b) there.**

13 A Wastewater guideline -- excuse me, wastewater
14 system guidelines average service lives.

15 **Q Okay. Isn't it true that Sunshine has**
16 **implemented the guideline the way it's prescribed by**
17 **this rule?**

18 A We have applied the guideline rates in this
19 rule.

20 **Q Now, if we could go to F2-986. Just two more**
21 **pages down, (3)(a), please -- if you could read that,**
22 **please?**

23 A (3)(a), okay. Average service life
24 depreciation rates based on guideline lives and salvages
25 shall be used in any Commission proceeding in which

1 depreciation rates are addressed, except for those
2 utilities using depreciation rates in accordance with
3 the requirements listed in subsection (6) and (7) of
4 this rule. A utility shall also implement the
5 applicable guideline rates for any new plant to be
6 placed in service.

7 **Q Isn't it true that Sunshine did not request**
8 **any exceptions to these prescribed depreciation**
9 **guideline rates?**

10 A I did not request any change in rates filing
11 this case, and I am not aware of any in prior cases
12 where it was requested. However, it's consistently been
13 applied without the salvage rates since inception.

14 **Q In other words, there is nothing in this**
15 **filing or a separate petition to use service lives in**
16 **lieu of the guideline lives?**

17 A I am sorry, where are you reading that?

18 **Q If you can go to paragraph (b) if you want to**
19 **read that, (3)(b).**

20 A A utility may implement applicable guideline
21 rates without specific approval by the Commission.
22 Guideline rates, if implemented in any -- for any
23 account, must be implemented for all accounts. If a
24 utility implements applicable guideline rates outside of
25 a rate proceeding, the utility shall provide written

1 notification to the Director of Economics within 30 days
2 of such implementation.

3 **Q And then it would be (6)(a) would be the next**
4 **part of that.**

5 A At the time a utility applies for a change in
6 its revenue rates and charges, it may also petition for
7 average service life depreciation rates different from
8 those in the above schedule if it can justify the
9 service lives that the utility is proposing in lieu of
10 the guideline lives. That justification shall be in the
11 form of historic data, technical information or utility
12 planning for the affected accounts and subaccounts.
13 Common causes of the need for different depreciation
14 rates include composition of account, adverse
15 environmental conditions, high growth and regulatory
16 changes.

17 **Q So let me ask it again. There is nothing in**
18 **this filing or a separate petition to use service lives**
19 **in lieu of the guideline lives, is there?**

20 A There is not a separate petition. However,
21 there is a several-decade long history of the utility
22 using rates -- complying with the rule, using rates that
23 excluded the salvage, having it reviewed and approved
24 uniformly throughout all the years the utility relied on
25 that in its bookkeeping.

1 We have continued to follow the rule without
2 the salvage rates, as is the practice for water and
3 sewer utilities. I understand it may not be the
4 practice for all utilities, but it is for water and
5 sewer utilities.

6 **Q Okay. I think I only have one more reading**
7 **rainbow segments here. If we can go to (7)(a).**

8 A Okay. All righty.

9 **Q If you wouldn't mind reading (7)(a) and (b),**
10 **please?**

11 A A Class A, B or C utility may apply for
12 guidelines for a proposal for implementation of
13 remaining life depreciation rates if the utility has
14 maintained both plant activity data by account and
15 accumulated provision for depreciation reserve data by
16 account, function or total depreciable plant generally
17 in accord with the Uniform System of Accounts for either
18 at least 10 years or since the inception of the utility,
19 whichever is less.

20 **Q And (b), please.**

21 A Yeah. (b) is: To provide time for study
22 development, any application for remaining life
23 guidelines should be submitted at least six months
24 before the filing of a test year in connection with a
25 request for revenue -- for a revenue rate increase.

1 **Q Isn't it true that Sunshine did not make an**
2 **application for remaining life depreciation rates under**
3 **subsection (6)(b)?**

4 A It did not, but as I said, the decades-long
5 practice of using the depreciable lives without the
6 salvage was relied on by the utility in its books and
7 records.

8 And as I mentioned earlier, I have not seen a
9 water and sewer utility, in my experience, that applied
10 those salvage rates. And the utility relied on that
11 when continuing to keep its books that way. As a matter
12 of fact, that is generally and commonly disregarded, the
13 salvage rates, by water and sewer utilities.

14 And as I said before, if there is a decision
15 that it's going to be applied, if something changes,
16 then that should be done prospectively.

17 **Q And just more generally, you didn't seek any**
18 **kind of rule waiver either, correct?**

19 A I'm sorry, say that again.

20 **Q And Sunshine also didn't seek any kind of**
21 **general rule waiver, correct?**

22 A We did not. We relied on the decades of
23 rulings by the Commission allowing the rates that the
24 company employed.

25 **Q If we can go back to F2-983. And if you**

1 scroll down to the bottom of this page, you can see the
2 guideline rates for account 341, 345, 346.

3 A Yes.

4 Q You would agree that the depreciation rates
5 for these accounts require the application of a net
6 salvage percentage, correct?

7 A As -- yes, I agree that's what the rule says.
8 However, again, that's not been the practice of the
9 Commission for water and sewer utilities.

10 Q You would agree that Sunshine was required to
11 apply the net salvages -- net salvage percentages shown
12 for these water accounts in determining your
13 depreciation expenses for these water accounts and the
14 associated accumulated depreciation?

15 A No, I don't agree. As I said, we relied on
16 the Commission's practice and the decades of rate
17 rulings, and applied the rates as we understood them.

18 Q If we can go to F2-985, which is the above
19 page. And again, there are guidelines rates displayed
20 for accounts 391, 395 and 396, correct?

21 A Correct. And what page is that on?

22 Q F2-985.

23 A I am getting there. Okay. Yes.

24 Q And you would agree the depreciation rates for
25 these accounts require the application of a net salvage

1 **percentage, correct?**

2 A I agree that the rule indicates that there is
3 a net salvage life -- net salvage value. However,
4 again, we relied on decades of Commission practice and
5 prior rate rulings to apply the rates as we understood
6 them.

7 Q So if I am understanding correctly, your
8 position is that Sunshine was not required to apply the
9 net salvage percentages shown for these accounts in
10 determining your depreciation expenses for 391, 395 and
11 396?

12 A Yes, that's correct.

13 Q Along with the associated accumulated
14 depreciation?

15 A Correct.

16 Q In formulating MFR B-13, is it fair to say
17 that you did not apply any net salvage percentage
18 adjustment to the depreciation rates applicable to the
19 UPIS and proforma balance account -- balances in water
20 accounts 341, 345, 346, and wastewater accounts 391, 395
21 and 396?

22 A That's correct, I did not.

23 And let me tell you, this is a timing
24 difference, because at the time that an item in one of
25 those accounts, for example a vehicle is sold, it's

1 reached the usefulness to the utility and then they
2 decide they are going to sell it, and there is proceeds
3 from that sale. Those proceeds are then used to reduce
4 the depreciation that's written off when the asset is
5 written off. So it's simply a timing difference.

6 **Q So if I am understanding you correctly, it's**
7 **that timing difference that justifies the way you**
8 **formulated these MFRs?**

9 A Yes. And if we applied the rates with the
10 salvage value, then at the time of the sale, then the
11 reduction at that time to depreciation for retirement of
12 that asset would be less because we would have already
13 done that reduction over a period of time.

14 And by period of time, I am talking about five
15 or six years, 10 years, 12 years. So it's not a 40-year
16 asset. It's -- the asset is sold, there is a
17 recognition that there is -- that there is proceeds, if
18 any, and at that time it all trues up. It's just a
19 timing difference.

20 **Q If we could turn to page E28672.**

21 MR. SCHULTZ: What was that number again?

22 MR. PONCE: That was E28672.

23 THE WITNESS: I don't know what that is.

24 Okay.

25 BY MR. PONCE:

1 Q Do you recall sponsoring this interrogatory?

2 A I do.

3 Q Without reviewing each of the responses for
4 the other accounts, power operated equipment and
5 communication equipment, is it fair to say your answer
6 was the same with respect to looking at any reports and
7 selected orders and the company's records as to the
8 reasons why you made no adjustment for net salvage?

9 A Yes. This is what I was able to determine at
10 that time.

11 Q Okay. So when we use a 20-percent rate, does
12 that mean you are using a five-year life?

13 A Yes.

14 Q If we can turn then to F2-983. We are looking
15 at 341.

16 CHAIRMAN LA ROSA: Did you say 293 or 283?

17 MR. PONCE: Excuse me?

18 CHAIRMAN LA ROSA: Did you say 293 or 283?

19 BY MR. PONCE:

20 Q I mean, 341. On that page there, there is,
21 like, 304, 310 and 311 on the left?

22 A I have got it figured out now.

23 Q Yeah, it should be account 341.

24 A Yep.

25 Q That's account 341 for transportation

1 equipment. Can you explain to me why you believe the
2 company is authorized to use a five-year life while
3 ignoring the application of the net salvage percentage?

4 A Yes. Actually, we had an opportunity to take
5 a look at it, and the company is using a six-year life
6 for light vehicles, and a five-year life for heavy
7 vehicles.

8 The documentation all said five years, but
9 there is a segregation on the utility's books between
10 heavy and light. I am not sure when that started. But,
11 for example, the item -- line item above it, office
12 furniture and equipment and computers, I have seen many
13 times, for example, in prior Sunshine or Utilities Inc.
14 of Florida cases, where computer software was a longer
15 life than what's prescribed in the rule.

16 So there is an evaluation and determination
17 sometimes that makes it a little bit different, but
18 anyway, we were able to take a look at that.

19 Q When you sponsored your Interrogatories 105,
20 108 and 111 in the previous exhibit that we looked at,
21 would you agree that you used the exact same language
22 for each category as in -- for each category of plant as
23 in using a 20-percent rate for all of them?

24 A I did, and it was after that that we -- that
25 we were able to determine -- as a matter of fact, I

1 think it was reviewed in a Commission audit that we saw
2 that there was a distinction between heavy and light
3 vehicles on the company's books.

4 **Q Can you explain that distinction, please?**

5 A Yes. Light vehicles, we depreciate over six
6 years, and heavy vehicles, heavy -- heavy vehicles, we
7 depreciate over five years.

8 **Q And then for power operated equipment, would**
9 **you agree that you were using a 10-year life for some of**
10 **those assets?**

11 A I am going to have to look. No, I believe I
12 had that at a 12-year life.

13 **Q Just to return quickly to something I asked.**
14 **Just to be clear, you are using a five-year life for all**
15 **of these categories?**

16 A Okay. Transportation -- there is, you know,
17 several different categories. Transportation equipment,
18 we are using -- the rule prescribes six years. We are
19 using six years for light equipment, but five years for
20 heavy equipment. Power operated equipment, we are using
21 12 years, and that's what it states in the rule. And
22 communication equipment, we are using 10 years, which is
23 what's in the rule.

24 **Q Excuse me, if we can go back to E28672.**

25 **Again, that was E28672.**

1 **And there is three interrogatories I want to**
2 **ask about, the first one being 105.**

3 A Okay.

4 **Q Aren't you using the five-year life in 105,**
5 **for transportation?**

6 A For the purpose of the annualized
7 depreciation, I did use five years. The company is
8 using a combination of five years and six years on their
9 books.

10 **Q So it's just for the purposes of this**
11 **interrogatory that you used five years?**

12 A No, not for the interrogatory. For the MFRs,
13 I did annualized depreciation and annualized
14 depreciation expense, my schedule -- in my schedule, I
15 used five years.

16 **Q And if we could scroll down to 10 --**
17 **Interrogatory 108.**

18 **Same question, you are using a five-year life**
19 **in this answer as well for accounts 345 and 395?**

20 A Let me read what it says. It keeps blinking
21 out on me. 108 -- I have a hard copy.

22 Power operated equipment is -- 108, I used 12
23 years. And I know in my response, I did a copy and
24 paste error. I put 20 percent, and I am sorry, I went
25 back on my own and corrected it to 8.33 percent, and

1 that's 12 years.

2 Q Okay. That clarifies it.

3 A Yeah.

4 Q Not to belabor the point, but if you could
5 look at 111 and see if the same error happened there?

6 A Yes, 111 should have been 10 percent, not
7 20 percent.

8 Q I am looking at the answer, it looks like
9 20 percent here. Based on a review of the readily
10 available company accounting records, Sunshine has
11 utilized 20 percent depreciation rates for accounts 346
12 and 396?

13 A Yes, and that is incorrect. I was -- that was
14 a copy/paste error. It should have been 10 percent.

15 Q If we could turn to F2-783. This is a staff
16 workpaper. And it looks like the work here shows both
17 10-year and 12-year lives for account 395.7.

18 A 395.7. Okay. Yes, I see that.

19 Q Okay. Doesn't it violate had the Commission's
20 rules to use the more accelerated recovery rate of 10
21 years?

22 A The utility is using --

23 Q I am sorry, if you could start off with a yes
24 or no?

25 A No. I am looking at the workpaper, but I

1 believe that the utility is applying the correct rates.

2 **Q So there is no overstatement by the utility of**
3 **depreciation expense, then?**

4 A Not that I am aware of. There may be some
5 assets that the utility is depreciating over a shorter
6 life because that's how it's been reflected in prior
7 cases, but I am not aware of what the details are behind
8 that difference.

9 **Q 10 years -- but 10 years life isn't in**
10 **compliance with the rule, right?**

11 A Say that again.

12 **Q A 10-year life isn't in compliance with the**
13 **rule, is that correct?**

14 A The rule is 12 years unless there is some
15 reason in why it's something else. And I am not sure if
16 in history -- I have looked at every case to see if, in
17 history, a different life was prescribed for certain
18 types of power operated equipment. So I don't -- they
19 are not going to arbitrarily do it.

20 **Q Now in sponsoring the interrogatories we have**
21 **been talking about, you mentioned reviewing certain**
22 **Commission orders, is that correct?**

23 A Yes.

24 **Q If we could turn to F2-4049. This is a**
25 **April 23, 2023, order setting rates for the Class A**

1 **Pluris Wedgefield system. Are you familiar with this**
2 **order?**

3 A No, I am not.

4 Q So when you were reviewing orders, you didn't
5 have a chance to review one?

6 A I looked at our utility orders, not other
7 utility orders. I note that this is a very, very recent
8 one, a 2024 order, Proposed Agency Action, but, no, I
9 have not reviewed it.

10 Q When formulating your interrogatory responses
11 that we have been talking about, did you recalculate
12 solely for the net salvage percentages by using the
13 five-year lives that you had it correctly on there?

14 A Did I do what? I am sorry.

15 Q So in your response to these interrogatories,
16 did you make any recalculations using the five-year
17 life?

18 A Oh, yes, we were -- we were asked to do some
19 recalculations. I worked with Mr. DeStefano on it, and
20 he is the one that prepared the final schedule for that.

21 Q Is it your position that the Commission should
22 let you use the accelerated rates is, or should they
23 leave the record open for you to recalculate the correct
24 lives and net salvage adjustments?

25 A It's my position that if the Commission makes

1 a determination that the utility should change its
2 accounting method for depreciation, that it should be
3 prospectively and not retroactively. Again, the utility
4 has relied on the findings and practice of the
5 Commission in establishing and using its depreciation
6 rates. If there is an error, the utility correct it.

7 We did find -- as a matter of fact, when I
8 described some of the test year corrections, I did find
9 errors in some of the utility depreciation and corrected
10 it. So if it's an error, then it's corrected. If it's
11 a change in Commission practice, it ought to be done
12 prospectively.

13 Q If we could go back to E28672? If you could
14 scroll down to the response?

15 A Which number?

16 Q It's what's on the screen here. I guess
17 Interrogatory 105.

18 A Oh, No. 105. Okay.

19 Q If you could read starting at "the Company".
20 If it helps you, that's where the mouse cursor -- the
21 second one. You were right, where the mouse cursor is
22 at.

23 A Oh, okay.

24 The Company also reviewed every water and
25 wastewater 2023 annual report on the Florida PSC's

1 website. None have been reported use of net salvage
2 value.

3 **Q So in review of these orders -- if you would**
4 **keep going. Excuse me.**

5 A None reported use of net salvage percentage
6 for these accounts.

7 **Q If you can keep going. Sorry.**

8 A In review of select rate cases and PSC staff
9 workpapers for other water and wastewater utilities, we
10 found that none were -- none where depreciation rates
11 were adjusted by a net salvage percentage.

12 **Q So it's fair to say that there was some kind**
13 **of review of other orders -- of orders for other**
14 **utilities?**

15 A Yeah. I did an on-line search for any order
16 that might state salvage and couldn't find one. And I
17 note again the Pluris one I think you pulled up is -- if
18 that is a salvage value example, it's 2024.

19 **Q Okay. So basically, if I am understanding**
20 **correctly, if there is a practice that deviates from the**
21 **Commission's rule, that practice should trump the**
22 **Commission's rule when making these calculations?**

23 A You are going to have to repeat that for me
24 again.

25 **Q So if I am understanding your testimony, you**

1 said that it's been consistent prior practice to
2 calculate these accounts the way that the company has
3 calculated them, is that correct?

4 A Yes. That's correct.

5 Q So in other words, when there is a practice of
6 doing it, something one way, the rule says something
7 different, the practice should trump the rule, is that
8 your testimony?

9 A No. My testimony is that we relied on
10 Commission practice over decades in the company's books
11 and records, and how the rate case was filed, and if the
12 determination is made that there is going to be a
13 change, it should be prospectively.

14 And I -- I want to mention, without giving too
15 much about my age, but I have been doing this for over
16 40 years, and really, this is the first time I have seen
17 that this has become an issue.

18 MR. PONCE: Nothing further. Thank you.

19 CHAIRMAN LA ROSA: Thank you.

20 Let's go to staff.

21 MR. FAROOQI: Thank you, Mr. Chair.

22 EXAMINATION

23 BY MR. FAROOQI:

24 Q And good morning, Ms. Swain.

25 If we could switch to page J83. I wanted to

1 discuss the Schedule B-3 revised version of the schedule
2 of adjustments to operating income.

3 A Okay.

4 Q This was prepared by you, correct?

5 A Yes.

6 Q And you see line 26 through 30, regarding a
7 purchased sewer adjustment?

8 A Yes.

9 Q Okay. And an adjustment to annualize EWD
10 charges was added, correct?

11 A Yes. That's right.

12 Q And this is in regard to the Englewood Water
13 District?

14 A Correct.

15 Q And the usage for 2023 was significantly lower
16 than the average usage in 2020 and 2021, correct?

17 A That's right.

18 Q And the usage for 2022 was not used in the
19 calculation of the average usage, correct?

20 A Correct.

21 Q And the 2022 or 2023 usage are not being taken
22 into consideration when calculating this averaging
23 adjustment, correct?

24 A That's correct. And Mr. DeStefano is the one
25 that really analyzed this, and we went over it and

1 discussed it and he gave me the information. But I
2 believe that there was a problem with the meter that
3 persisted. It began in 2022, and it persisted through
4 2023. So we went prior to 2022, looked at the average
5 before those years to try and come up with a better
6 usage factor. So that's why we disregarded 2022.

7 **Q And this was a technical problem with the**
8 **meter?**

9 A Apparently, yes.

10 MR. FAROOQI: That's -- I have no further
11 questions.

12 THE WITNESS: Okay.

13 CHAIRMAN LA ROSA: Thank you.

14 Commissioners, are there any questions for the
15 witness?

16 Commissioner Fay, you are recognized.

17 COMMISSIONER FAY: Thank you, Mr. Chairman.

18 And just a few quick questions.

19 Ms. Swain, I appreciate you being here. I am
20 trying to process some of the questioning that came
21 on the net salvage part of this. I know that -- I
22 don't want to push you in kind of the legal world.
23 I mean, from preparing these things, you obviously,
24 on the accounting side, put a lot of work into it
25 if and it's something I wouldn't want to do, so I

1 commend you on your preparation on this. But with
2 that said, it does seem like there are some
3 components in your preparation where you do run
4 into the complexities of previous Commission
5 decisions, or standards, maybe, however you want to
6 refer to them, and then potentially what the rule
7 would require for something.

8 So how do you go through that process to get
9 to -- and you don't need to go through all the ones
10 that we discussed, but just in general, how do you
11 manage that process to get to a number to put on
12 the spreadsheet when you may have some
13 interpretation that could occur there?

14 THE WITNESS: Yeah. It's a bit different for
15 this client because we have been doing rate cases
16 for them for so many years. So we have -- I have
17 templates of the MFRs, and I always start with the
18 existing template from the prior rate case.

19 So we have adjustments that we made before, I
20 am able to look at them and see if I still need to
21 make them. For example, I mentioned that there was
22 a depreciation error that I had to correct. The
23 utility in the previous case incorrectly put the
24 fees that they had paid to the Englewood Water
25 District in a tangible asset that had a 10-year

1 life, and it should have been an intangible asset
2 with a 40-year life, because there is nothing
3 tangible to it. It's a payment for the opportunity
4 to be able to connect to them. Like an impact fee.
5 So I made that correction. And how do I know that?
6 I didn't review their books in that great a detail,
7 but it was an adjustment I needed to make the last
8 time.

9 Over-amortization of CIAC, there is three
10 utilities that they continue to amortize CIAC years
11 after the CIAC net had already reached a zero
12 balance, and they were still on the books. Now the
13 utility has corrected it, but I was able to see
14 that.

15 So there is a lot of things that are carried
16 over, but there are triggers to make sure that I am
17 picking up what I need to. And of course, then,
18 after I pull all the information from the general
19 ledger from the utility into my template, which is
20 quite a process, then I can look and see if there
21 is things that just don't look right; they didn't
22 come over right, or they changed a lot in the last
23 rate case. And he then I will spend a lot of time
24 with the utility going through those, identifying
25 where there may need to be some corrections. And

1 those seem to pop out pretty quickly. Sometimes
2 OPC catches them and we fix them. But for this
3 client, it's quite a bit easier.

4 If I had a brand new client and a brand new
5 set of books, it would be a little bit -- it would
6 be more arduous from that standpoint. But one
7 thing is for sure, when I have a Commission
8 practice, and it's been applied over and over and
9 over again, I don't go back to the rule and check
10 and make sure that I am applying that correctly
11 because it's as it has been.

12 This rule on depreciation has been there since
13 1986, I think. So in all those years, that was not
14 applied. I don't know what it was before 1986, I
15 don't recall, but certainly, we didn't apply
16 salvage.

17 I don't know if that answered your question.

18 COMMISSIONER FAY: It does in part. So then
19 when you speak to the Commission precedent or the
20 previous decisions, I appreciate your point of when
21 you have the same utility, you are going to go back
22 to kind of the original structure as to what's
23 submitted. Are you referring to other Commission
24 decisions, or other Commission precedent, or are
25 you just speaking to Sunshine?

1 THE WITNESS: Well, I do rate cases for other
2 utilities, so I do have those as well. I don't do
3 an exhaustive search through other recent order
4 unless it's brought to my attention by the
5 attorney, or by the utility. It's -- you know, I
6 rely on what was done in our prior cases, or the
7 cases that I have been involved in.

8 COMMISSIONER FAY: And then if the Commission
9 makes an interpretation that some adjustment should
10 be made, is that -- and this could be not even in
11 this docket, just other dockets that you testify
12 in, then going forward, you apply of that
13 adjustment to the future calculations typically?

14 THE WITNESS: We would discuss it and see how
15 applicable it is to this utility. Way before that,
16 the utility has to make a determination as to
17 whether its books need to be changed, because
18 that's where I am starting. And something like
19 salvage is a significant change.

20 And again, it's just a timing difference, so
21 it does catch up. But if there is a determination
22 after review in a final action by the Commission
23 that recognizes the utility should have been
24 applying salvage -- although, they haven't in the
25 40 odd years I have done it -- then the utility

1 would go ahead and implement that. But again,
2 it's -- when there is a change in accounting
3 method, it's prescribed that it should be done in
4 the future and not retroactively.

5 COMMISSIONER FAY: Okay. Great. And I think
6 your attorney also has 40 years experience, so
7 between the two of you, I think --

8 THE WITNESS: I think he has five more years
9 experience than I do.

10 COMMISSIONER FAY: I didn't want to take
11 anything away from Mr. Friedman.

12 Mr. Chairman, just one last question.

13 CHAIRMAN LA ROSA: Sure. Go ahead.

14 COMMISSIONER FAY: So in your question with
15 OPC regarding that specific 20-percent net salvage
16 allocation that you corrected to a 10-percent, and
17 you mentioned that's a copy-and-paste. It's not --

18 THE WITNESS: Yeah.

19 COMMISSIONER FAY: That's not a calculation --
20 that's not an interpretation of the rule and a
21 calculation distinction between what you put on
22 paper and what they are putting forward, it's
23 merely just a technical kind of transfer?

24 THE WITNESS: It is. I -- you know, I
25 realized when I reviewed it for preparation for

1 that they are trying to raise today on salvage rates?

2 A Two-part question, two-part answer.

3 Yes, I recall that, in particular the last two
4 cases, that UIF filed. OPC was a party in the case. It
5 went to hearing. And in neither of those cases did OPC
6 raise the issues regarding the annualization of
7 depreciation nor the salvage value in those -- in those
8 cases. I did exactly the same thing in those cases, and
9 there was no adjustment to my annualized depreciation,
10 nor an imposition of the salvage adjustment.

11 Q Now, you have, during the course of
12 cross-examination, looked at a lot of the work product
13 you have done, you have looked at administrative code
14 rules and, again, asked a lot of questions. Did
15 anything occur during that process that made you think
16 you need to further refine or correct your testimony or
17 the opinions you have given?

18 A No.

19 Q And does it remain your testimony that what
20 was filed by you on behalf of Sunshine in this case is
21 consistent with the PSC's rules and the PSC practice and
22 treatment of the utility in the past?

23 A Yes, it does.

24 Q Let me ask you, does the company use remaining
25 life or average life --

1 A Average -- excuse me, they use average life.

2 MR. WHARTON: Okay. That's all we have, Mr.
3 Chairman.

4 CHAIRMAN LA ROSA: Great. Thank you, and --

5 MR. PONCE: Mr. Chairman?

6 CHAIRMAN LA ROSA: Yes, sir.

7 MR. PONCE: I have just something very brief
8 based on testimony that we got when Commissioner
9 Fay asked a couple of questions that I would have a
10 couple of questions about.

11 CHAIRMAN LA ROSA: So you are asking if you
12 can ask a question after -- something that got
13 triggered by Commissioner Fay?

14 MR. WHARTON: Rerecross?

15 CHAIRMAN LA ROSA: Yeah, that's typically out
16 of order. I would prefer that we didn't operate
17 that way.

18 MR. PONCE: Okay.

19 CHAIRMAN LA ROSA: Thank you.

20 All right. Ms. Swain, you are excused
21 temporarily. Obviously, we will see you a little
22 bit later in rebuttal.

23 It is a little bit after 11:15, 11:17 or so.
24 Let's take quick break, allow the court reporter to
25 have a little bit of time to rest.

1 I am going to target a 12:30 lunch, just so
2 that we are all on the same page as we are looking
3 into the next couple of hours. So let's go ahead
4 and break for seven minutes -- 10 minutes, let's
5 say, and get back together a few minutes before
6 11:30.

7 MR. FRIEDMAN: How long will our lunch break
8 be?

9 CHAIRMAN LA ROSA: Let's say -- let's say 45
10 minutes. Is that good enough? 45 minutes. So if
11 we get 12:30, that means 1:15 will we will be back
12 in the swing of things.

13 So let's take a seven-minute break and be back
14 at 11:31.

15 (Brief recess.)

16 CHAIRMAN LA ROSA: All right. If we can start
17 to take our seats and pick up where we left off.

18 All right. I am going to go to Sunshine. We
19 did not add -- enter the exhibits of the witness.

20 MR. WHARTON: Yes --

21 CHAIRMAN LA ROSA: Yes. Go ahead and turn the
22 mic on. Yep.

23 MR. WHARTON: We would move into the record
24 Debbie's exhibits -- which I have hidden the list
25 from myself.

1 MS. HELTON: Those are exhibits, I think, 10
2 and 11, as marked on the CEL, Mr. Chairman.

3 MR. WHARTON: Okay.

4 CHAIRMAN LA ROSA: All right. Show --

5 MR. WHARTON: Yeah, 10 and 11.

6 CHAIRMAN LA ROSA: Show them entered into the
7 record.

8 (Whereupon, Exhibit Nos. 10 & 11 were received
9 into evidence.)

10 CHAIRMAN LA ROSA: All right. I will throw
11 it -- or keep it over with you guys to introduce
12 your next witness. Yep. I have got it as
13 DeStefano.

14 MR. FRIEDMAN: He is next?

15 CHAIRMAN LA ROSA: Yes.

16 MR. FRIEDMAN: Our next witness is Frank
17 Seidman, and we have stipulated to the introduction
18 of his testimony into the record, and I would like
19 to ask now that Mr. Seidman's testimony be inserted
20 into the record as though read, and that his
21 exhibits be admitted.

22 CHAIRMAN LA ROSA: Seeing no objection, show
23 that entered into the record.

24 MR. FRIEDMAN: Thank you.

25 CHAIRMAN LA ROSA: Sure.

1 (Whereupon, prefiled direct testimony of Frank
2 Seidman was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and) Docket No. 20240068-WS
Wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk and Seminole Counties by Sunshine Water)
Services Company)
_____ /

DIRECT TESTIMONY

OF

FRANK SEIDMAN

on behalf of

Sunshine Water Services Company

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

2 A. My name is Frank Seidman, dba as Management and Regulatory Consultants,
3 consultants in the utility regulatory field. My address is 2408 Carefree Cove, Tallahassee,
4 FL 32308.

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

6 A. I hold the degree of Bachelor of Science in Electrical Engineering from the University
7 of Miami. I have also completed several graduate level courses in economics at Florida
8 State University, including public utility economics. I am a Professional Engineer, retired
9 status, in the state of Florida. I have over 50 years of experience in utility regulation,
10 management, and consulting. This experience includes nine years as a staff member of
11 the Florida Public Service Commission (FPSC), two years as a planning engineer for a
12 Florida telephone company, four years as Manager of Rates and Research for a water and
13 sewer holding company with operations in six states, and three years as Director of
14 Technical Affairs for a national association of industrial users of electricity. I have been
15 providing rate and regulatory consulting services in Florida for over 30 years.
16 Specifically, with regard to the water and wastewater industry, I have participated in the
17 preparation and presentation of numerous rate cases, most of which were considered by
18 the Florida Public Service Commission. I have also prepared cases before the Sarasota
19 County Commission. Many of the cases before the FPSC were made final through the
20 Proposed Agency Action procedures; others went to public hearing in which I presented
21 direct and/or rebuttal testimony. I have prepared or participated in the preparation of all
22 phases of water and wastewater financial, rate and engineering sections of the Minimum
23 Filing Requirements (MFRs), including used and useful. I have also participated in many
24 of the water and wastewater rulemaking procedures before the FPSC. I have also
25 prepared several original cost studies accepted by this Commission in setting rates.

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

2 A. I am presenting this testimony and appearing on behalf of the applicant, Sunshine Water
3 Services Company (Sunshine).

4 **Q. For what purpose were you retained by the applicant?**

5 A. I was retained to prepare the used and useful analyses for each of the systems through
6 which Sunshine provides service and the required schedules in the MFRs pertaining to
7 used and useful. These are identified in the MFRs as the “F” schedules.

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

9 A. The purpose of my direct testimony is to present the results of my Used and Useful
10 analyses of the individual systems that make up Sunshine and to sponsor the Engineering
11 Schedule Section of Volume I of the Minimum Filing Requirements, also known as the
12 “F” Schedules. Volume I, except for the “F” Schedules, is sponsored by Company
13 Witness Swain as Exhibit DDS-1 and has been simultaneously filed in this Docket as
14 required by PSC rules.

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

16 A. Yes. I am sponsoring Exhibit (FS-1) which is a summary of my education and my
17 experience as it pertains to water and wastewater regulation. I am also sponsoring Exhibit
18 (FS-2) which is a summary of the Used and Useful (U&U), Excess Unaccounted for
19 Water (UAW) and Excess Inflow & Infiltration (I&I) percentages of all the individual
20 systems included in this filing. As previously stated, I am also sponsoring the
21 Engineering Section of Volume I, which is being introduced by Company Witness
22 Swain, and which has been filed in the Docket as required by PSC Rules.

23 **Q. Would you please summarize the results of your used and useful analyses?**

24 A. Yes. As previously stated, the results of the used and useful analyses are contained in the
25 “F” schedules section of each of the MFRs for each of the various systems.

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

2 **A.** Yes, it does.

1 MS. HELTON: And are we moving Mr. Seidman's
2 exhibits into the record as well, CEL No. 12 and
3 13?

4 MR. FRIEDMAN: I thought I did.

5 MS. HELTON: Oh, did you? Okay, I am sorry, I
6 didn't hear that. I am having a hard time hearing
7 you.

8 CHAIRMAN LA ROSA: Yeah, let's just make sure
9 we are clarifying, 12 and 13?

10 MR. FRIEDMAN: That's correct.

11 CHAIRMAN LA ROSA: Okay.

12 (Whereupon, Exhibit Nos. 11 & 12 were received
13 into evidence.)

14 CHAIRMAN LA ROSA: Are you introducing Mr.
15 DeStefano?

16 MR. FRIEDMAN: I am sorry?

17 CHAIRMAN LA ROSA: So that was Seidman, right?
18 So you just entered Seidman into the record, but is
19 DeStefano our witness here?

20 MR. FRIEDMAN: Yes, I am just getting ready to
21 call him.

22 CHAIRMAN LA ROSA: Oh, gotcha. You are
23 looking at me like you were a little confused.

24 MR. FRIEDMAN: Oh, no, I am just making sure
25 we didn't -- about what our timing was.

1 CHAIRMAN LA ROSA: Okay.

2 MR. SANDY: Mr. Chair, if I may, I believe OPC
3 has an issue they would like to have addressed.

4 CHAIRMAN LA ROSA: Yeah. Sure. Go ahead.

5 MR. PONCE: Just a point of clarification
6 before we move on, since we are talking about
7 moving exhibits.

8 Exhibits 1 and 4, and 63 through 114 on the
9 CEL, those have already been moved into the record?

10 MR. SANDY: Yes, that is my understanding, Mr.
11 Chairman. Those were addressed this morning in the
12 preliminary matters, and it's my understanding they
13 were moved into the record.

14 MR. PONCE: I just wanted to double check.
15 Thank you.

16 MR. SANDY: Yes, sir.

17 CHAIRMAN LA ROSA: Yes.

18 All right. So we are good?

19 Mr. Friedman, you are recognized to introduce
20 your witness.

21 MR. FRIEDMAN: Thank you.

22 Whereupon,

23 DANTE M. DeSTEFANO

24 was called as a witness, having been previously duly
25 sworn to speak the truth, the whole truth, and nothing

1 but the truth, was examined and testified as follows:

2 EXAMINATION

3 BY MR. FRIEDMAN:

4 Q Mr. DeStefano, would you please state your
5 name state your business address?

6 A Yeah. Dante DeStefano, 500 W. Monroe Street,
7 Suite 3600, Chicago, Illinois, 60661.

8 Q And, Mr. DeStefano, did you prefile direct
9 testimony in this case?

10 A Yes.

11 Q If I were to ask you the questions in your
12 testimony, would your responses be the same?

13 A Yes.

14 Q Did you also prefile any exhibits?

15 A Yes. DMD-1 through DMD-5.

16 Q Thank you.

17 MR. FRIEDMAN: I would like to ask that Mr.
18 DeStefano's testimony be inserted into the record
19 as though read.

20 CHAIRMAN LA ROSA: All right. Show the record
21 to reflect that.

22 MR. FRIEDMAN: Thank you.

23 (Whereupon, prefiled direct testimony of Dante
24 M. DeStefano was inserted.)

25

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and)
wastewater rates in Charlotte, Highlands, Lake,)
Lee, Marion, Orange, Pasco, Pinellas, Polk,)
and Seminole Counties by Sunshine Water)
Services Company)

Docket No. 20240068-WS

DIRECT TESTIMONY

OF

DANTE M. DeSTEFANO

on behalf of

Sunshine Water Services Company

BACKGROUND

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Q. Please state your, name, profession, and business address.

A. My name is Dante M. Destefano, and I am Director of Regulatory Affairs for Nexus Water Group, Inc. (“NWG”), a holding company that indirectly controls Sunshine Water Services Company (“SWS” or “Company”). My business address is 500 W. Monroe Street, Suite 3600, Chicago, Illinois 60661-3779.

Q. State briefly your educational background and experience.

A. I have been employed by NWG since October 2018. I graduated from Rutgers University with a Major in Accounting and am a Certified Public Accountant in the State of New Jersey. Prior to joining NWG, I was employed by American Water for 10 years - first as a Senior Accountant in the Accounting Department for two years, then in the Rates and Regulatory Department for eight years. During my last eight years with American Water, my duties consisted of preparing and assisting in regulatory filings and related activities for the Eastern Division. My responsibilities included preparing work papers and exhibits, providing testimony in support of rate applications and other regulatory filings, and addressing rate and tariff related matters. I also assisted with preparation of multi-year budgets and other budget modeling responsibilities.

Q. Have you previously testified before any public utility commissions?

A. Yes. I have provided testimony before regulatory Commissions in New Jersey, New York, North Carolina, Kentucky, Tennessee, and South Carolina.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is 1) to sponsor the billing analysis, allocation schedules, the Water Services Corporation (“WSC”) Operating Agreement, and Corix Infrastructure Inc. (“CII”) Cost Allocation (“CAM”) Manual, 2) provide explanation for various pro-forma adjustments, 3) explain the cost allocation process for the Test Year, and 4) describe and

1 support certain customer initiatives and proposed tariff changes.

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

3 A. Yes, I am sponsoring several exhibits:

- 4 • Exhibit DMD-1 is the Corix Infrastructure Inc. CAM Manual (filed confidentially –
5 redacted copy attached).
- 6 • Exhibit DMD-2 is the cost detail supporting the Meter Installation Fee tariff change
7 for the Company’s Water Sheet 19.0.
- 8 • Exhibit DMD-3 is the Schedule E-14 billing analysis, which is being filed
9 simultaneously in the Docket as required by Commission Rules.
- 10 • Exhibit DMD-4 are the allocation schedules required by Commission Rule 25-
11 30.436(4)(h), which is being filed in the Application as required by Commission
12 Rules which is being filed simultaneously in the Docket.
- 13 • Exhibit DMD-5 is the WSC Operating Agreement required by Commission Rule 25-
14 30.436(4)(h), which is being filed in the Application as required by Commission
15 Rules which is being filed simultaneously in the Docket.

16 **Q. Were these Exhibits prepared by you or your staff under your supervision and control?**

17 A. Yes, they were, except for the WSC Operating Agreement and the CAM Manual, which are
18 business records of Sunshine Water Services (formerly Utilities, Inc. of Florida).

19 **TEST YEAR AND PRO-FORMA ADJUSTMENTS**

20 **Q. What is the Test Year authorized to be used for this proceeding?**

21 A. The Company submitted its Test Year letter request on April 19, 2024 (“TY Letter”),
22 receiving approval by the Commission on May 6, 2024. The TY Letter stated the Company's
23 utilization of a Calendar Year 2023 Historic Test Year in this rate case filing. As
24 contemplated by FAC 25-30.430(2)(c), the Company proposes several pro-forma
25 adjustments to the results of the Historic Test Year, as described in Company Witness

1 Swain's direct testimony and later in my direct testimony.

2 **Q. Please explain the Company's approach to its pro-forma salary & wages, payroll taxes,**
3 **and benefits expense adjustments.**

4 A. The Company gathered a list of the payroll and benefits data for its staff in the Test Year and
5 updated the employee listing for those filled and vacant positions at the time of this filing,
6 populating the relevant salary, health benefit elections and costs, and applicable payroll tax
7 rates as of the filing of this rate case. The Company added other wages such as overtime,
8 on-call, holiday, and call out pay at the level experienced in the Test Year by that employee
9 position. These pro-forma costs were compared to the Test Year results to compute the pro-
10 forma adjustments for NARUC accounts 601/701, 604/704, and 408.

11 **Q. Please explain the Company's computation of pro-forma Insurance Expense.**

12 A. The Company adjusted the Test Year for known changes in costs for insurance policy
13 premiums that became known or effective during or after the Test Year. SWS identified the
14 annualized policy premiums and calculated the portion allocable to SWS, depending on the
15 entities supported by and method of direct assignment of costs for each policy, which
16 supports a \$75,055 pro-forma adjustment across NARUC accounts 756 to 759 and \$97,358
17 across NARUC accounts 656 to 659.

18 **Q. Please explain the Company's computation of pro-forma Sludge Hauling Expense.**

19 A. The Company adjusted the Test Year for known changes in costs from a sludge hauling
20 vendor. SWS recalculated the Test Year's invoiced activity from the vendor at the new rates
21 (effective in 2024), which supports a \$27,388 pro-forma adjustment to NARUC account 711.

22 **Q. Please explain the Company's computation of pro-forma Sewer Rodding Expense.**

23 A. The Company adjusted the Test Year for known changes in costs from a sewer rodding
24 vendor. SWS recalculated the Test Year's invoiced activity from the vendor at the new rates
25 (effective in 2024), which supports a \$9,071 pro-forma adjustment to NARUC account 775.

1 **Q. Please explain the Company's computation of pro-forma Purchased Sewer Treatment**
2 **Expense.**

3 A. The Company identified that the Test Year flows for its purchased sewer treatment vendor
4 for its Sandalhaven system, Englewood Water District (“EWD”), were not representative of
5 ongoing expected flows based on the water metered activity of SWS customers in the system.
6 The Company then averaged its last two years of Sandalhaven flows before the impacts of
7 Hurricane Ian were felt in September 2022 (2020-21), and adjusted the Test Year flows to
8 this average, priced out at EWD’s current purchased sewer treatment rate. The resulting Test
9 Year adjustment of \$245,389 was made to NARUC account 710.

10 **Q. Please explain the Company's computation of pro-forma cellular service costs related**
11 **to the AMI pro-forma project, which adjusts Miscellaneous Expense.**

12 A. The Company adjusted the Test Year to account for the annual cellular service and
13 subscription costs from the AMI vendor. SWS calculated the costs based on recent invoiced
14 activity from the vendor times the number of estimated affected meters in the AMI project,
15 which supports a \$45,080 pro-forma adjustment to NARUC account 675.

16 **Q. Please describe how allocated costs were recorded for the Test Year.**

17 A. SWS is supported by WSC for its support services functions and the related costs. SWS’s
18 ultimate parent for the Test Year, CII, provided support and corporate services to and through
19 WSC that supported SWS’s Test Year operations. As detailed in the CAM Manual, CII and
20 WSC costs were combined and processed through a two-tier allocation, with the WSC
21 allocation by Equivalent Residential Connection (“ERC”) as the second and final tier for
22 SWS. These costs are recorded in NARUC accounts 634/734 in the Test Year books for
23 SWS.

24 For certain regional employees who provided support for SWS operations in the Test Year,
25 they costs were also allocated to SWS based on ERCs for the business units supported by the

1 employee for the services provided. These costs were recorded in the applicable NARUC
2 account for the costs being allocated, such as Salaries (601/701), Benefits (604/704) and so
3 on.

4 **Q. How has the Company reflected pro-forma Corporate and Support Services costs in**
5 **the proposed revenue requirement?**

6 A. The Company compiled the Test Year gross CII and WSC costs to provide various Corporate
7 and Support Services and allocated the costs through the Tier 1 and Tier 2 allocations, using
8 the most current allocators for each tier as of the end of the Test Year, consistent with the
9 CAM Manual process. The Company removed certain costs from the Test Year gross
10 amounts to be allocated, such as Corporate Development and Business Development costs.
11 The Company compared the resulting pro-forma Corporate and Support Services expenses
12 to the Test Year book amounts and identified decreases of \$92,462 for NARUC account 634
13 and \$85,968 for NARUC account 734.

14 **CUSTOMER INITIATIVES AND TARIFF CHANGES**

15 **Q. Please explain the company's current options for customers to pay their water or sewer**
16 **bill.**

17 A. Customers can currently make payments using a variety of methods, such as paper check, e-
18 check, debit card, or credit card. Electronic payment methods can be processed via the
19 Company's mobile app and web pay portal, MyUtilityAccount, and can be used for auto-pay
20 setup. Customers can also trigger payments through their bank account (auto-draft) or
21 initiate payment over the phone with the Company's Customer Experience team.

22 Despite this array of payment options, not all methods are free from payment processing, or
23 transaction, fees. Customers who pay over the phone, through the web portal or app, or auto-
24 pay via debit/credit card or e-check are charged a fee based on the payment amount, customer
25 classification (residential, non-residential), and payment method (e-check, credit card, debit

1 card). These fees are charged to customers at the point of transaction by the Company's
2 third-party vendor, First Billing Services ("FBS"). None of the fees or transaction data is
3 managed or maintained within the Company's billing system.

4 **Q. Please describe the company's proposal for addressing third-party payment processing**
5 **fees.**

6 A. In recent years, customers have become more comfortable with making electronic payments
7 and eschewing paper checks. With the rise of online shopping, partially driven by necessity
8 due to COVID-19 restrictions, customers are opting for the simplicity and convenience of
9 electronic payments.¹ In 2018, the number of check payments fell below the number of
10 automated clearing house ("ACH") debit transfers for the first time ever.² Customers have a
11 growing expectation for fee-free electronic transactions. Consumer advocates also have long
12 urged utilities and their regulators to remove burdensome processing fees for customers.³
13 The Company believes it is appropriate to offer fully fee-free payment options for its
14 customers, recovering the costs to process payments from all customers through its cost of
15 service, as is currently done for existing fee-free methods such as checks.⁴ Removing these
16 transaction fees provides additional flexibility to customers to choose the most effective
17 payment option for their situation.

18 **Q. Please explain how fee-free payment options would benefit customers.**

19 A. Removing transaction fees from all payment methods would lead to increased customer
20 satisfaction. Customers would be able to freely select the best method of payment for their
21 particular situation, without a penalty for selecting the most convenient option. Customers
22 would be better able to take advantage of incentives such as rewards points or cashback with

1 <https://www.digitalcommerce360.com/2021/02/15/ecommerce-during-coronavirus-pandemic-in-charts>

2 <https://www.federalreserve.gov/newsevents/pressreleases/files/2019-payments-study-20191219.pdf>

3 <https://www.nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-with-debit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>

4 It should be noted that payment by paper check is not necessarily fee-free, due to postage and mailing costs borne by the customer.

1 their credit card provider, automate their monthly payments to better manage their home
2 budget and avoid payment delays, leverage security features and protections provided by
3 their bank, and to circumvent a lack of checking or savings account.⁵

4 **Q. How would the Company account for transaction fees not charged directly to**
5 **customers?**

6 A. The Company proposes that FBS directly bill the Company for the transaction fees it would
7 otherwise directly charge to customers. FBS would generate a monthly invoice based on the
8 same billing structure used currently for customer payments, shown in Figure 1 below. These
9 invoiced transaction fees would be included as a billing expense within the Company's cost
10 of service and recovered in rates from all customers.

11 **Figure 1: FBS Transaction Fee Schedule**

- 
- **Residential Accounts:**
 - Echeck, Debit/Credit \$0 - \$75 = \$1.99 fee
 - Echeck, Debit/Credit \$75.01 - \$5,000 = \$2.25 fee
 - **Non-Residential Accounts:**
 - Debit/Credit \$1.00 - \$5,000 = 2.45% fee
 - E-Check - \$2.25
 - **Auto Payments**
 - Credit/Debit = reference fee structure listed above
 - Echeck = \$0.99 fee

12
13 **Q. Please explain why it is reasonable for the company to include the cost of transaction**
14 **fees in its cost of service.**

15 A. The Company expects a change to fee-free payments will provide overall benefits to both its
16 customers and the Company's administrative and operating practices. Providing customers

5 <https://www.fdic.gov/news/press-releases/2018/pr18077.html>

1 with better options for paying their bill can remove a disincentive to make a payment,
2 improve the adoption of electronic and paperless billing practices, and otherwise lower the
3 need for calls and contacts with the Customer Experience team. Minimizing billing or
4 payment-related calls as well as collections actions can allow the Company to better manage
5 its administrative resources and control its operating costs.

6 **Q. Have other affiliates of SWS adopted this practice and received recovery of the costs in**
7 **their revenue requirements?**

8 A. Yes. SWS affiliates in Texas and North Carolina have adopted this practice and receive
9 recovery of the third-party processing fees in their revenue requirements.

10 **Q. What amount of third-party transaction fees is the Company including in its cost of**
11 **service in the current proceeding?**

12 A. SWS is requesting recovery of \$386,919 of payment processing fees in its revenue
13 requirement. This amount was calculated based on the payment activity identified for SWS
14 customers in the Test Year, using the fee schedule in Figure 1 above. This amount was
15 included as a pro-forma adjustment across NARUC accounts 636/736.

16 **Q. Is the Company proposing changes to miscellaneous charges or fees?**

17 A. Yes, the Company proposes to update its meter install fees on water tariff sheet 19.0 in order
18 to reflect current costs for meters and labor related to these activities. The fee is derived "at
19 cost", and includes the cost of the meter, cellular connector, meter box, dual check valve,
20 couplings, and labor for the installation. Exhibit DMD-2 presents the components of the
21 proposed tariff meter installation rate of \$591.83 for a 5/8" meter, as well as the calculations
22 for larger meters where the fee is also based on the actual cost.

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

24 A. Yes. However, I reserve the right to update or amend this testimony should additional
25 information become available in the future.

1 BY MR. FRIEDMAN:

2 Q Mr. DeStefano, do you have a short summary?

3 A Yes, I do.

4 Q Thank you.

5 A The purpose of my direct testimony is to
6 present information and exhibits supporting the original
7 minimum filing requirements, or MFRs, and other
8 Commission filing requirements included in -- including
9 the Water Service Corporation, or WSC, affiliate
10 operating agreement as DMD-5; the Corix Infrastructure,
11 Inc., CII, cost allocation manual, or CAM as Exhibit
12 DMD-1; MFR Schedule E-14, or the billing analysis, as
13 Exhibit DMD-3; the cost allocation schedules as Exhibit
14 DMD-4.

15 My direct testimony further supports the MFRs
16 by explaining several proforma sense adjustments,
17 including salary and wages, benefits, payroll taxes,
18 insurance, sledge hauling, sewer rotting, purchased
19 sewer treatment, AMI meter cellular service and
20 corporate support services. My testimony explains the
21 process of allocating cost to the utility at both the
22 corporate and regional levels.

23 My direct testimony confirms the test year can
24 be used in this proceeding -- to be used in this
25 proceeding as calendar year 2023. My direct testimony

1 also describes and supports certain customer initiatives
2 and tariff changes.

3 My testimony supports the proposal of
4 transitioning from the customer to the utility the
5 payment processing fees for payments to a third party
6 vendor. I note that especially since the COVID
7 pandemic, customers expect to not bear these fees at the
8 point of payment. I explain that by transitioning these
9 fees to the utility, customers will benefit and increase
10 their flexibility to select the payment option that
11 meets their needs, especially for those who have limited
12 ability to use other available payment options, and it's
13 consistent with the consumer association's push to
14 remove the burden of these fees to customers. I explain
15 that transition would be consistent with how other
16 payment processing costs, such as paper checks, are
17 handled currently.

18 My testimony also proposes and supports a
19 change the meter installation charges as supported by
20 sponsored Exhibit DMD-2. These sponsored exhibits were
21 prepared by me or under my recollection, except the CAM
22 and WSC agreement, which are business records of the
23 utility.

24 Thank you.

25 MR. FRIEDMAN: We tender him for

1 cross-examination.

2 CHAIRMAN LA ROSA: OPC.

3 MR. WATROUS: Thank you, Mr. Chairman.

4 EXAMINATION

5 BY MR. WATROUS:

6 Q Good morning.

7 A Good morning.

8 Q I will go ahead and jump right on into
9 questions.

10 So you sponsored discovery in this case
11 relating to plant additions and capital spending?

12 A I believe so. Which one are you referring to?

13 Q Well, I will ask a second question just to
14 establish, and then I will get to what I am referring
15 to.

16 You have also answered staff auditors'
17 questions relating to plant additions as well?

18 A I believe that's correct, yes.

19 Q Okay. I am going to direct the attention to
20 Interrogatory 42. I can show your affidavit which would
21 be own E28626.

22 A Okay.

23 Q Scroll down a little bit. Yeah. And can you
24 see that you are responsible for No. 42?

25 A Yes.

1 Q Okay. Thank you.

2 And now I would like to scroll to 28622 -- or
3 E28622. If you please go down to 44 -- or 42. Right
4 there. Yeah.

5 And so with that, to confirm, this question
6 was asking you for the total aggregate spend and
7 budgeted plant on an annual basis, is that correct?

8 A Just allow me a moment to catch up on that.
9 Okay, I see the question and response.

10 Q Okay. And now can we scroll down just one
11 page? Can you see this all right?

12 A Yes.

13 Q Okay. Wonderful.

14 And so to confirm, again, this is the total
15 aggregate spend in budgeted plant on an annual basis?

16 A Yes, that's what this represents.

17 Q Okay. And there is pre and post consolidation
18 in here as well?

19 A If you are referring to the consolidated rate
20 case in 2016, then yes.

21 Q Yes. And those consolidated rates went into
22 effect in 2017?

23 A That's correct.

24 Q Okay. And 2023 is the test year Sunshine is
25 asking the Commission to base rates on?

1 A 2023 is the test year in this case, correct.

2 Q Okay. And subject to check, the 2023 test
3 year is the highest capital spend by over \$16.9 million?

4 MR. FRIEDMAN: Objection. Any question that
5 has subject to check is inappropriate, because if
6 this witness goes back and checks tomorrow, there
7 is no way for him to correct what was said. Ask a
8 question to the best of somebody's knowledge, and
9 they will answer yes or no. Subject to check is
10 not an appropriate question.

11 Thank you.

12 CHAIRMAN LA ROSA: Staff?

13 MS. HELTON: I tend to agree with Mr.
14 Friedman, Mr. Chairman.

15 CHAIRMAN LA ROSA: Okay. Sustained.

16 BY MR. WATROUS:

17 Q Okay. Well, then I will ask this way: The
18 2023 test year is the highest capital spend by over
19 \$16.9 million?

20 A I would have to calculate it out, but I see
21 2023 as about \$40.1 million in spend.

22 Q Okay. Thank you.

23 I would like to switch to your AMI meter
24 installation charges. Currently, the five-eighths by
25 three-fourths meter installation charges are \$201.21?

1 A Allow me a second to get to that schedule.

2 Q Okay. I believe we can also bring you to MFR
3 E-10, which would be J146 in the overall.

4 A Okay. I see that schedule.

5 Q And the company is proposing the five by eight
6 by three-quarter meter installation charges to jump up
7 to \$591.83?

8 A Yes. I am not sure when the current charge
9 was established. I believe it was many years ago. And
10 there is multiple reasons that that number is outdated,
11 and we are proposing a change.

12 Q Okay. And part of the reason being is the
13 installation of AMI meters?

14 A We would -- we have included the cost of an
15 AMI meter into the total calculation, but there is other
16 moving parts, increases in components of the meter as
17 well as labor costs.

18 Q Okay. So if the advanced meter infrastructure
19 project is disallowed, the \$591 that you have requested
20 would be decreased?

21 A Potentially, but I am not sure by how much --
22 how much the other pieces of that number would move, if
23 any.

24 Q Okay. Thank you.

25 I would like to switch to the fee-free payment

1 plan now. Are you familiar with the cost causer
2 principle?

3 A Yes.

4 Q And you would agree that the cost causer
5 principle is the customers who cause costs to the system
6 should pay for those costs?

7 A That's the general principle, but in practice,
8 there is few places to my knowledge that it actually
9 plays out that way.

10 As you mentioned, in 2016 we filed a
11 consolidated rate case and consolidated our rates across
12 our systems. So we have -- the idea of, say, single
13 tariff rates, or consolidated rates, would kind of
14 override that principle because of the benefits that it
15 provides.

16 Q Okay. And with this fee-free payment plan,
17 there are still multiple payment options, correct?

18 A The company is not expecting to change any of
19 its payment options it offers to customers.

20 Q Okay. And some of those have fees?

21 A Some of those have fees up front to customers.
22 All of those payment options have fees that the company
23 pays to process the payments to varying degrees.

24 Q Okay. But there are some without those
25 transaction fees?

1 A Up front to customers, that's true.

2 Q Okay. And this fee-free plan socializes
3 payment transaction fees across all customers?

4 A What it does is it treats the costs the same
5 as all of our other payment processing methods that are
6 available to customers, like paper checks, auto
7 payments, direct payments from banks, and things like
8 that. So the cost to do the payment processing, which,
9 in all those other methods, is borne by the company.
10 This would be treated the same way.

11 Q Okay. And can you please answer with a yes or
12 no? The company is proposing to spread the transaction
13 fees out amongst all customers?

14 A Correct. Just as it does with its other
15 payment processing methods.

16 Q And that's regardless of how the customer
17 chose to pay?

18 A I am sorry, I am not following the question.
19 Can you rephrase that?

20 Q Okay. So there are some payment options that
21 incur a charge to the customer initially?

22 A Correct.

23 Q There are some that do not cause the customer
24 a charge initially?

25 A Currently, yes.

1 Q Okay. And that's regardless how they chose to
2 pay, the fees will be spread out amongst all the
3 customers?

4 A In -- if you are saying in the future state
5 where these costs are included, or paid by the company,
6 then, yes, all those costs would be borne by the
7 company.

8 Q And you would collect that from the
9 ratepayers, correct?

10 A It would be collected across all the
11 ratepayers, yes.

12 Q Okay. And if the Commission were to deny this
13 socialization, or fee-free payment plan, it would reduce
14 the company's requested proforma expense by at least
15 \$300,000?

16 A I believe the number we had in the case was
17 386,000, approximately.

18 Q Okay. Thank you.

19 I now want to talk to you about the directors
20 and officers liability insurance.

21 The directors and officers liability insurance
22 was placed in NARUC account 659, is that right?

23 A I believe that's, yeah, other insurance
24 policies. So that's where it would be put.

25 Q Okay. And just to be clear, Nexus is the

1 ultimate parent company?

2 A That's correct.

3 Q And Nexus has no public shareholders?

4 A Correct.

5 Q Nexus does have private investors?

6 A That's my understanding, yes.

7 Q Okay. And then directors and officers
8 liability insurance protects the directors and officers
9 personal assets as well?

10 A In part, yes, I believe that's true.

11 Q And it protects the company overall?

12 A It protects the company as, say, a named
13 claimant or defendant in a claim, for example.

14 Q And the directors and officers liability
15 insurance is managed at the Nexus level?

16 A Yes, all -- virtually all the insurance
17 policies are managed across the Nexus business, yes.

18 Q Okay. And then direct assigned some of those
19 costs to each subsidiary?

20 A Yeah, they get pushed down to the subsidiaries
21 as a direct charge. Correct.

22 Q Okay. And Sunshine is asking for the Florida
23 ratepayers to pay for the entirety of the allocated
24 share?

25 A We have, I believe, a proforma adjustment in

1 B-3 that adjusts to the proforma amount, like kind of
2 the most current annualized amount that we had at the
3 time of filing is included in the case.

4 Q Okay. And you are asking for the customers to
5 pay that share that you have put in that amount?

6 A That amount is included in our revenue
7 requirement, correct.

8 Q Okay. And directors and officers insurance
9 can help investors by reimbursing the company from legal
10 defense costs?

11 A It provides protection for defense costs that
12 might be incurred in certain proceedings, yes.

13 Q And it can help by reimbursing the company's
14 settlements from claims made against the company?

15 A I am not sure about that.

16 Q Okay. And the directors and officers
17 insurance the company is requesting to cover, it does
18 cover crime, correct?

19 A I believe there is a corollary or supplemental
20 piece of the policy that addresses crime, like theft and
21 fraud. Those kind of things.

22 Q Okay. Does that include environmental crimes
23 as well?

24 A I am not aware.

25 Q Thank you. One moment, please.

1 Can we please go back to the master number
2 **E28623? Do you see that?**

3 A Yes.

4 Q And for the -- if we can slide over to the
5 **2023 year.**

6 **Has the 2023 amount already been spent?**

7 A The amount here would have been based on our
8 actual spend that we tracked for the year, yes.

9 MR. WATROUS: Okay. Thank you. No more
10 questions.

11 CHAIRMAN LA ROSA: Thank you.

12 Let's go to staff.

13 EXAMINATION

14 BY MR. SANDY:

15 Q **Good morning, sir.**

16 A Good morning.

17 Q **I have got some clarifications questions --**
18 **some clarification questions for you.**

19 **Were you here earlier when Ms. Swain was on**
20 **the witness stand?**

21 A Yes.

22 Q **Okay. You heard her mention that there were**
23 **some metering issues, I believe she referred to. Do you**
24 **recall that?**

25 A For the EWD interconnect?

1 Q Yes, sir.

2 A Correct.

3 Q Okay. You are familiar with those metering
4 issues?

5 A Not significantly more than maybe Ms. Swain.
6 So the -- my understanding of that -- my
7 recollection, I should say, of that adjustment is that
8 that system was significantly impacted by Hurricane Ian
9 at the end of 2022, I think it was around September of
10 '22, which significantly changed the consumption
11 patterns in that system, and that trickled into our 2023
12 impacts. There were still issues to the system that
13 were being addressed at our -- or excuse me, issues or
14 impacts to customers in that system that trickled into
15 2023.

16 So based on those potential -- that potential
17 noise in the data, so to speak, we looked back at the
18 prior years before the storm and used that as the basis
19 for the proforma adjustment.

20 Q If I could -- if you will humor me, what do
21 you mean when you say that it changed the consumption
22 patterns after the storm?

23 A I am trying to recollect. I had conversations
24 with our operations team to understand what the impacts
25 to the system were. My recollection is that there were

1 some customers that were displayed that had to be
2 disconnected, so we kind of lost active customer count
3 for a stretch after the storm. And that would have, you
4 know, all else equal, would have affected our flow
5 patterns in that system.

6 **Q Okay. For what it's worth, is that why the**
7 **utility relied on the 2020 and 2021 information for**
8 **rendering its record? In other words, are 2020 to 2021,**
9 **I guess, more representative of that area in usage as**
10 **opposed to 2023? I am just trying to understand what**
11 **the difference is.**

12 **A Sure. Yeah. So, yeah, when there is a storm**
13 **event like that, or there is significant impacts, we**
14 **definitely may try to understand if the resulting flows**
15 **that we see, the data that we see is representative, as**
16 **you are saying, for kind of a normal period, a**
17 **year-to-year period.**

18 We think that the 2020 and '21 flows were more
19 consistent with years prior it that, first of all. And
20 that '22 and '23 appeared to be aberrations, so we went
21 back to '20 and '21.

22 **Q Since 2023, have the customers whom you**
23 **referenced as lost or were disconnected, are they now**
24 **reconnected?**

25 **A I am not sure exactly. I believe some -- at**

1 is least some have, but I am not sure it's fully back up
2 to speed yet, but I am not close to that operational
3 information.

4 MR. SANDY: Okay. No further questions,
5 Mr. Chair.

6 CHAIRMAN LA ROSA: Great. Thank you.

7 Commissioners, are there any questions of the
8 witness?

9 Seeing none, will send it back to the company
10 for redirect.

11 MR. FRIEDMAN: Thank you, Mr. Chairman.

12 FURTHER EXAMINATION

13 BY MR. FRIEDMAN:

14 Q Do some customers get bills electronically?

15 A Yes, a good portion of customers do.

16 Q And some customers get bills by paper bills?

17 A Correct.

18 Q Does it cost more for the company to send
19 paper bills than it does to send electronic bills?

20 A Yes. There is printing and mailing costs,
21 postage costs for the company to send paper bills, and
22 paper notices and all similar documents.

23 Q Does the company have a separate charge that
24 it adds on to the people who cause that extra expense of
25 having to send a paper bill?

1 A No. It's just, as I mentioned before, that
2 kind of rolls into our normal cost of service, and the
3 cost is spread across all customers.

4 MR. FRIEDMAN: That's all I have. Thank you.

5 CHAIRMAN LA ROSA: Great. Thank you.

6 Do we need to move --

7 MR. FRIEDMAN: Yes.

8 CHAIRMAN LA ROSA: Yes.

9 MR. FRIEDMAN: That would be exhibits, on the
10 CEL -- it's Exhibits DMD-1, 2, 3, 4 and 5. On the
11 CEL, those would be 5, 6, 7, 8 and 9.

12 CHAIRMAN LA ROSA: Great. All right.

13 MR. FRIEDMAN: I would move those into
14 evidence.

15 CHAIRMAN LA ROSA: Show them moved into the
16 record.

17 MR. PONCE: No objection.

18 CHAIRMAN LA ROSA: No objection. Show those
19 moved into the record.

20 (Whereupon, Exhibit Nos. 5-9 were received
21 into evidence.)

22 CHAIRMAN LA ROSA: All right. Sir, well, you
23 are released for the time being.

24 Sunshine, I will throw it back to you for your
25 next witness.

1 Altamonte Springs, Florida, 32779.

2 Q What's your position with the company?

3 A Senior Vice-President.

4 Q Did you cause prefiled direct testimony to be
5 filed in this case?

6 A Yes.

7 Q And if I were to ask you the questions in your
8 prefiled testimony, would your answers be the same?

9 A Yes.

10 Q Do you have a correction to that prefiled
11 testimony?

12 A Yes. I have one correction.

13 Q Why don't you go ahead and make that?

14 A The rule referenced on page two, line 15 in my
15 direct testimony should be 25-30.437(3).

16 Q And does that complete your corrections or
17 modifications?

18 A Yes.

19 MR. WHARTON: I would ask that the witness's
20 testimony be inserted into the record as though
21 read with the correction duly noted.

22 CHAIRMAN LA ROSA: Let the record reflect
23 that.

24 (Whereupon, prefiled direct testimony of Sean
25 Twomey was inserted.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and)
Wastewater rates in Charlotte, Highlands, Lake,)
Lee, Marion, Orange, Pasco, Pinellas, Polk,)
And Seminole Counties by Sunshine Water)
Services Company)
_____ /

Docket No. 20240068-WS

DIRECT TESTIMONY

OF

SEÁN TWOMEY

on behalf of

Sunshine Water Services Company

BACKGROUND

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Q. Please state your, name, profession, and business address.

A. My name is Seán Twomey. My present position is Senior Vice President, Nexus Water Group Inc., and I am President of Sunshine Water Services Company (“SWS” or “Company”). My business address is 200 Weathersfield Ave., Altamonte Springs, Florida, 32714.

Q. State briefly your educational background and experience.

A. Please see Exhibit ST-01 Seán_Twomey_Resume.

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

A. Yes, I have presented testimony in multiple dockets before the Nevada Public Utilities Commission.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to 1) summarize the drivers for and relief requested in this rate application, 2) provide an overview of the Company’s operations and capital planning process, 3) present documentation supporting the additional engineering information required by Commission Rule ~~25-30.440~~ **25-30.473 (3)**, its proposed program to replace aging infrastructure, and the many pro-forma capital projects including in the filing, 4) explain the Company’s staffing and compensation changes since the last rate case, 5) detail the proposed customer initiatives and tariff changes, and 6) note SWS’s proposal regarding its recent parent company merger.

Q. Besides yourself, who else is sponsoring testimony and exhibits in SWS’s rate case application?

A. The following witnesses for SWS are submitting direct testimony - as well as supporting exhibits where applicable:

- Deborah D. Swain, Vice President of Milian, Swain & Associates, Inc. – testimony is provided to present information supporting the financial basis for SWS’s request to increase its rates and charges as presented in the Minimum

1 Filing Requirements, to provide supporting schedules to show the basis for
2 the requested rates and charges.

3 • Dante M. DeStefano, Director, Regulatory Affairs - testimony is provided to
4 1) to sponsor the billing analysis, allocation schedules, the Water Services
5 Corporation (“WSC”) Operating Agreement, and Corix Infrastructure Inc.
6 (“CII”) Cost Allocation (“CAM”) Manual, 2) provide explanation for various
7 pro-forma adjustments, 3) explain the cost allocation process for the Test
8 Year, and 4) describe and support certain customer initiatives and proposed
9 tariff changes.

10 • Frank Seidman, d/b/a Management and Regulatory Consultants - testimony is
11 provided to present the results of Used and Useful analyses of the individual
12 systems that make up SWS and to sponsor the Engineering Schedule Section
13 of the Minimum Filing Requirements, also known as the “F” Schedules.

14 • Steven M. Lubertozi, Senior Vice President of Rates, Regulatory and
15 Legislative Affairs - testimony is provided to 1) address the status of the
16 merger of Corix Infrastructure (US) Inc.¹ (“Corix US”) and SW Merger
17 Acquisition Corp. (“SWMAC”, together, “Merger Parties”) (“Merger”); (2)
18 explain that neither the potential costs nor the benefits of the Merger have
19 been reflected in SWS’s proposed revenue requirement; (3) propose deferral
20 accounts to track benefits and costs to achieve those benefits related to the
21 Merger to allow net benefits to flow to customers.

RELIEF REQUESTED

23 **Q. Why has SWS filed for rate relief at this time?**

24 **A.** The Company strives to continue to provide safe and reliable water and wastewater service to

1 Corix US has, since Merger closing, been renamed Nexus Water Group Holdings, Inc.

1 its customers. The Company's last rate case was filed on June 30, 2020 and effective in May
2 2021, and has filed for Index and Pass-Through Mechanism relief in the years since.
3 However, due to a variety of factors, the Company is not able to meet its ongoing operating
4 and capital investment needs at currently approved tariff rates. The Company has incurred
5 economic pressures with certain costs such as chemicals, insurance, and maintaining market-
6 competitive wages and health benefits. Most significantly, the Company is faced with
7 significant capital investment needs for its aging water and wastewater infrastructure, as well
8 as ever-increasing environmental and safety standards in operating its utility systems. As
9 discussed further later in my direct testimony, the Company is in the process of investing
10 approximately \$56 million in its infrastructure to support its provision of safe and reliable
11 service, as part of its total investment of over \$104 million since the end of 2021 (the end of
12 the pro-forma period in SWS's last rate case).

13 In order to continue providing these essential utility services, the Company must have rates
14 that allow it to continue to provide adequate service. The Company cannot defer capital
15 investments, must continue to fairly compensate employees, and ensure its financial stability.
16 Without appropriate rate relief, the Company's ability to continue to provide environmentally
17 safe, reliable, and efficient water and wastewater services to its customers and meet its
18 financial obligations will be adversely affected.

19 **Q. How is the pro-forma investment divided between Water and Wastewater?**

20 A It is expected just over 74% of the pro-forma investment will be spent on Water infrastructure
21 and the balance on Wastewater infrastructure.

22 **Q. What is the revenue requirement requested by the Company in this proceeding?**

23 A. First, I will emphasize that the Company is not requesting to recover its full required revenue
24 requirement in this rate case. The schedules and exhibits provided with this filing support a
25 required revenue requirement of \$28,096,232 for water service and \$22,920,518 for

1 wastewater service. However, the Company is limiting the requested changes to water rates
2 to instead recover 19.9% above present rate revenues, which amounts to \$27,481,702 in water
3 revenues, to reflect management's discretion on its request for recovery.

4 The Company proposes an increase in total revenue requirements of \$9,276,111 or 17.66%
5 over pro-forma present rate service revenues of \$52,526,028, for a total revenue requirement
6 request of \$61,802,139. This represents a \$4,561,183 or 19.90 % increase in water revenue
7 over present rate revenue of \$22,920,518, and an \$4,714,928 or 15.93% increase in
8 wastewater revenues over present rate revenue of \$29,605,510. Please see the direct testimony
9 of Company Witnesses Swain and DeStefano for more detail on the components of these
10 revenue requirement calculations.

11 COMPANY OPERATIONS & CAPITAL PLANNING

12 **Q. Can you describe SWS?**

13 A. SWS's head office is located in Altamonte Springs, Florida. The Company has 86 employees
14 that work in the State to provide potable water to over 35,000 customers and wastewater
15 service to over 30,000 customers.

16 SWS has 22 water systems of varying size and age, with the source water from SWS's wells
17 for all but 3 systems, which rely on purchased potable water from third party providers.
18 Historically, treatment in all systems was minimal, but SWS is constructing a treatment
19 system at Pennbrooke to address high levels of Iron and Manganese. In addition, the Company
20 has started construction on a PFAS treatment facility in our Orangewood system. These
21 systems are capital intensive and will require increased operation oversight when they come
22 online in 2024.

23 The Company has eleven wastewater treatment plants of varying complexity, size, and age.
24 In addition, the Company has seven collection systems that send the wastewater to third
25 parties for treatment. Where possible, the Company continues to send treated effluent to

1 outside entities for reuse purposes, thus reducing the impact on the water basins within which
2 we serve.

3 **Q. How does SWS maintain and manage its assets?**

4 A. To maximize the useful lives and functionality of our assets, SWS follows a set of internal
5 preventative maintenance guidelines and our newly adopted Remove and Replace program
6 (“R&R”), which identifies assets at the end of useful life to prioritize for replacement. These
7 guidelines help to ensure the SWS systems remain in good operating condition and minimize
8 service disruption risks. In turn, SWS has adopted and continues annually scheduled
9 inspections and maintenance programs to meet all state and federal guidelines to deliver safe
10 and reliable drinking water and safe effluent disposal. Scheduled Inspections and Maintenance
11 Programs of capital assets are shown below in the Table 1.

Type of Equipment	Maintenance Program
Facility and Electrical Insp.	Annually
Towers / GSTs	Internal and external inspection at 5-year intervals
Hydrant Inspection Hydrant Painting	Exercise annually Hydrants are painted as needed
Water Distribution Valves	Exercised triennially
Hydro-pneumatic tanks	Internal and external inspection at 5-year intervals
Sewage Collection System	10% of collections lines per year are cleaned, with 100% inspected and cleaned within 10 years
Lift Stations	Annual inspection and cleaning per checklist
Fats, Oils and Grease (FOG) Insp.	Annual inspection of facilities
Backflow Prevention	Annual inspection of devices
Wells and Intake Pump Equipment	Annual inspection
Water main Replacement	Based on break frequency, pressure problems, customer complaints
Wastewater/Manholes Water/Confined Space	Receiving manholes, receiving Flow from Force Mains = annual inspection
PRVs	Annually
Air Release Valves	Annually
Chemical feed systems and tanks	Chemical feed equipment is visually inspected for leaks and proper operation at each visit and as part of annual facility inspections. Items are repaired or replaced as needed
Standby Generators	Annually

1

2 **Q. How has SWS planned for the replacement of assets that have exceeded or are**
3 **approaching the end of their service lives?**

4 A. In 2023, SWS directed Kimley-Horn and Associates (K-H) to review and revise the 5-year
5 capital improvement plan that was initially developed in 2019. As it was in 2019, the purpose
6 of the plan is to identify infrastructure replacement projects that need to be accomplished
7 during the next five years. In conjunction with our internal Asset Management Plan (AMP),
8 this updated plan continues to guide the Company's decisions on how and where to deploy
9 capital in order to maintain high quality service to our water and wastewater customers.
10 Several projects identified in that plan have been include in the pro-forma projects listed in
11 Exhibit ST-02 and details of the projects have been included in Exhibits ST-03 to ST-26.

12

CAPITAL PROJECTS

13 **Q. Can you describe some of the key projects included as Pro-Forma Projects in the**
14 **Company's filing, to be placed in-service after the Test Year?**

15 A. Yes. While SWS has included 24 projects in its pro-forma project list, it currently has three
16 large projects on-going which make up over 66% of the capital investment included in our
17 pro-forma capital projects request. Those three projects are:

18 1. Pennbrooke Water Treatment Plant and Storage Tank upgrades to treat iron and
19 manganese. Compliance project.

20 2. AMI Meter installation project to replace all meters with Advanced Meter Infrastructure-
21 capable meters and related equipment. Repair and Replace project.

22 3. Central Florida Expressway (CFX) Authority US 27 water and sewer infrastructure
23 relocation project. Third-party required project.

24 **Q. How many of your pro-forma projects were mandated by a State or Federal entity, such**
25 **as the CFX projects mentioned above?**

1 A. SWS has included seven projects that fit that description. These projects make up over 21%
2 the total capital costs requested in our pro-forma projects.

3 **Q. Has the Company had to fund these projects?**

4 A. Yes, due to the Right of Ways where our infrastructure resides, the Company is responsible
5 for relocating its infrastructure. Although not ideal, SWS has access to capital through our
6 parent company, resulting in non-interrupted service to our customers.

7 **Q. How many projects included in the Company's pro-forma projects are compliance
8 related?**

9 A. The Company has included six projects that are required to remain in compliance with an
10 external entity. Specifically:

- 11 1. ST-07 – Cross Creek Compliance Improvements
- 12 2. ST-13 – CR561 WTP Improvements
- 13 3. ST-18 – Wekiva EQ aeration improvements
- 14 4. ST-19 – Pennbrooke Iron and Manganese WTP upgrades
- 15 5. ST-22 – Sandalhaven Force Main Relocation
- 16 6. ST-24 – Oranewood PFAS Treatment

17 The Company continues to work with DEP and other entities to ensure we annually review
18 and address any current or future compliance issues.

19 **Q. How many projects are to repair and or replace aging infrastructure?**

20 A. Of the pro-forma projects included, 10 of the 24 (41%) can be classified as Repair and or
21 Replace projects. The Company continues to identify areas of our system that are in need of
22 repair and proactively works to address these issues before they system starts to fail and
23 interrupts service to our customers.

24 **Q. Have you included any major projects that were not included in your Test Year Letter?**

25 A. Yes, the Company has included a Ground Water Storage Tank project needed in Lake County.

1 The Company is close to being out of compliance with its Consumptive Use Permit (CUP)
2 and had to prioritize this project to 2024.

3 **Q. Have you omitted any major projects that were included in your Test Year Letter?**

4 **A.** Yes, we omitted two large sewer projects that were included in our Test Year Letter,
5 specifically the Mid-County WWTP project estimated at approximately \$29MM and the Lake
6 Groves WWTP Improvements estimated at \$8.7MM.

7 **Q. Are you sponsoring any other exhibits?**

8 **A.** Yes, I am sponsoring multiple exhibits. For each of Exhibits ST-02 through ST-26, I have
9 provided a brief description of the project scope, the justification for the project, the placed
10 in-service date for those projects that have been completed, the planned completion date for
11 those projects that are ongoing, and the total project expenditure. I have attached supporting
12 documentation to each exhibit in those instances where the documentation is currently
13 available.

14 **Q. Were you responsible for preparing MFR Volume III which consists of the additional
15 engineering information required by Commission Rule 25-30.440?**

16 **A.** Yes. The information was compiled by me or by my staff under my direct supervision and
17 control.

18 **Q. Can you provide a description of each pro-forma capital project?**

19 **A.** Yes, the following information describes the scope of each project, its estimated cost, the
20 actual or estimated placed in-service date, and the exhibits associated with each project.

21

22 - ST-03: Tierra Verde 13th Street Bridge FM Replacement:

23 Replacement of existing 13th Street SE 8-inch diameter force main. It will include a
24 subaqueous crossing under Mud Bayou in place of the existing aerial crossing along the
25 bridge. Cost \$514,923.

1 - ST-04: Tierra Verde Madonna Bridge Line Relocation:
2 Replacement of an existing subaqueous force main crossing under Madonna Boulevard. The
3 force's main replacement is required to accommodate the Pinellas County replacement of the
4 Madonna Boulevard Bridge. The existing force main crossing will be grout filled and
5 abandoned in place and replaced with another subaqueous crossing. Cost \$503,709.

6 - ST-05: Cypress Lakes – VT SCADA 16 RTU Installations:
7 The scope of this project includes the installation of 16 Remote Terminal Units (RTU) with
8 solar panel back-up for battery. The RTU's will replace existing system monitoring equipment
9 using 3G wireless communication SCADA systems that are obsolete. The existing vendor
10 (C&A) has offered no upgrade to the outdated systems. The C&A monitoring equipment was
11 replaced at SWS's Orangewood, Lake Tarpon, Cypress Lakes, Labrador, and Lake Placid
12 systems to allow for continuous monitoring of critical assets. Cost \$262,682.

13 - ST-06: Eagle Ridge Headworks Improvements:
14 The Eagle Ridge Wastewater Treatment Plant is undergoing a comprehensive upgrade to
15 enhance its operational efficiency and enable the plant to remain in compliance. The project
16 encompasses a series of critical improvements, starting with the bypass and subsequent
17 maintenance of the existing surge tank. This will be followed by the removal of the outdated
18 screen and the installation of a temporary bar screen to ensure continuous operation. A
19 significant aspect of this upgrade is the overhaul of the odor control system, which involves
20 the removal of the old system and the installation of a new, more effective solution along with
21 the necessary piping. Structural enhancements include bracing for the screen platform and
22 additional concrete pads to support new equipment. These upgrades are designed to not only
23 improve the plant's functionality but also to ensure it meets the latest standards in wastewater
24 treatment and environmental care. Cost \$1,006,114.

25 - ST-07: Cross Creek Compliance Improvements:

1 The Cross Creek compliance improvements project represents a significant overhaul of the
2 wastewater treatment facility's effluent discharge system. The project encompasses the
3 installation of an electrically actuated butterfly valve, upgrades to electrical and control
4 systems, replacement of an aluminum flap gate with an inline check valve, alterations to
5 underground piping, the addition of a new effluent flow meter, and the integration of level
6 sensors into the ground storage tank. These enhancements will be integrated into the SCADA
7 system for improved operation and monitoring, concluding with an extensive start-up and
8 testing period to verify adherence to compliance standards. Cost \$165,114.

9 - ST-08: Mid-County Riviera States LS, FM, and GM Crossing Removal:

10 The FDOT is currently in the process of completing its design to widen and construct fly-
11 overs along US Hwy 19N through the Mid-County Service Area located in Pinellas County,
12 FL. Based on the Pre-Phase III FDOT Utility Submittal Plans dated November 2019, the
13 proposed roadway improvements conflict with the existing 10-inch gravity main owned and
14 operated by Sunshine Water Services at the intersection of US Hwy 19N and Riviera States
15 entrance. The existing 10-inch diameter gravity main conveys flow in the service area east of
16 US-19, within the Riviera States Development, and discharges to the gravity system west of
17 US Hwy 19N. The first phase of this project consists of the installation of 1,300 linear feet of
18 8-inch PVC SDR 26 gravity sewer, installation of seven proposed manholes and all associated
19 restoration. The second phase consists of the rehabilitation of the existing Lift Station #4,
20 which includes replacement of pumps, valve vault, valve vault top slab, wet well top slab, wet
21 well piping, fitting, valves and lining of the existing wet well. Cost \$2,138,069.

22 - ST-09: Mid-County Wilshire Manhole Replacement:

23 A section of the gravity system upstream of Lift Station #7 of the Mid-County sanitary sewer
24 collection system runs parallel to Curlew Creek. Over time, the creek bank has eroded and
25 exposed the cone and part of the riser of two brick manholes that were below ground when

1 the structures were originally constructed. Cost \$320,904.

2 - ST-10: LUSI Construction 2nd Lower Floridan Well:

3 Design, permit and construct a lower Floridan aquifer (LFA) well in the LUSI North system
4 on utility owned property adjacent to the Oranges subdivision where an existing upper
5 Floridan aquifer well is located. The existing well and three others in the area have a high
6 TTHM formation potential and are used only as backup wells to avoid Stage 2 DBP
7 exceedances. This method of operation decreases the available capacity needed to meet
8 current and projected demands for potable service. The LFA well will resolve the shortfall
9 and will assist in mitigating impacts to MFLs established by the water management district.
10 Cost \$2,151,519.

11 - ST-11: LUSI CFX US 27 Sewer Relocates:

12 The Central Florida Expressway (CFX) has designed the CFX 516 toll road that will intersect
13 with US Hwy 27 in the LUSI South service area where an interchange with ramps will be
14 constructed. The Utility has an existing 12” sewer force main within the US Hwy 27 FDOT
15 right-of-way on the west and east sides, respectively, that traverse the limits of the project.
16 As a result, over 6,000 LF of force main will need to be relocated to avoid conflicts. This
17 project will include design, permitting, construction, engineering and inspection services.
18 SWSC must provide these realigned services prior to the Central Florida Expressway
19 Authority phased schedule so that SWSC does not disrupt the construction schedule and incur
20 financial penalties from the authority. Cost \$4,474,320.

21 - ST-12: LUSI CFX US 27 Water Relocates:

22 The Central Florida Expressway (CFX) has designed the CFX 516 toll road that will intersect
23 with US Hwy 27 in the LUSI South service area where an interchange with ramps will be
24 constructed. The Utility has an existing 16” potable water main within the US Hwy 27 FDOT
25 right-of-way on the west and east sides, respectively, that traverse the limits of the project.

1 As a result, over 3,000 LF of water main will need to be relocated to avoid conflicts. This
2 project will include design, permitting, construction, engineering and inspection services.
3 SWSC must provide these realigned services prior to the Central Florida Expressway
4 Authority phased schedule so that SWSC does not disrupt the construction schedule and incur
5 financial penalties from the authority. Cost \$3,369,201.

6 - ST-13: LUSI CR561 WTP Upgrades:

7 The CR 561 Water Treatment Plant (WTP) is getting close to permitted capacity. This project
8 is designed to expand the capacity of the facility through the addition of a 750,000-gallon
9 ground storage tank, additional high service pumping, and associated electrical and site
10 improvements. The project will include the necessary engineering, permitting, bidding and
11 construction of the modifications to the CR561 WTP. Cost \$1,882,650.

12 - ST-14: Weathersfield WTP Generator Replacement:

13 The Weathersfield system serves potable water to approximately 1,200 connections. The
14 existing emergency generator was originally installed in 1998 and has outlived its service life.
15 Design, permitting and construction will include upgrading the existing 208V service to a
16 standard 240V service that will be accompanied by a new service disconnect, automatic
17 transfer switch, controls and instrumentation and a new generator. The new generator will
18 provide an increased ability to assure continuity of service during a loss of commercial power.
19 Cost \$1,285,148.

20 - ST-15: Weathersfield Hydro Tank Replacement:

21 The existing 10,000-gallon hydro pneumatic tank at the water treatment plant is 17 years old.
22 During the most recent 5-year FDEP required inspection, the tank failed to pass the minimum
23 steel shell thickness rendering the tank unsafe to operate. To ensure the safety of staff and the
24 general public as well as the operational condition of the water treatment plant, the tank is
25 scheduled to be replaced. Cost \$102,201.

1 - ST-16: Golden Hills WTP Generator Replacement:

2 The Golden Hills WTP provides potable water to approximately 531 connections and is a
3 standalone system. The existing propane gas emergency generator was originally installed in
4 1992 and has outlived its service life. Design, permitting and construction will include a new
5 service disconnect, automatic transfer switch, well control panels, PLC with a SCADA RTU,
6 controls and instrumentation and a new generator. The new generator will provide an
7 increased ability to assure continuity of service during a loss of commercial power. The
8 addition of a SCADA RTU will provide remote monitoring of the system and an improved
9 response time in the event of an emergency. Cost \$740,055.

10 - ST-17: Sanlando F5 Force Main:

11 The Sanlando F-5 lift station receives wastewater discharges from the east side of the
12 Sanlando system, east of I-4, and The Springs subdivision, west of I-4. The wastewater is
13 then pumped through the F-5 force main, which conveys the flow to the Wekiva WWTF for
14 treatment. Approximately 40% of the Adjusted Average Daily Flow (AADF) treated at the
15 Wekiva Plant is pumped through the F-5 force main making this pipeline a critical asset in the
16 delivery of service. The existing force main is 12” in diameter and consists of class 200 PVC
17 pipe that is subjected to high pressures, elevating concerns around potential pipe failures
18 related to fatigue. The new force main will be 16” in diameter, which will lower the pipeline
19 pressures and be constructed of C-905, DR 25 PVC pipe commonly used in the industry today.
20 Cost \$3,811,775.

21 - ST-18: Sanlando Wekiva EQ Aeration Improvements:

22 A new floating mixer has been installed in the EQ tank to improve the aeration process and to
23 mix the tank contents to prevent any accumulation of solids. The mixer is powered by a
24 portable generator that operates during the day while staff are present. A permanent power
25 source needs to be established to allow more flexibility in the number of hours that the mixer

1 can operate. This project will provide for the supply and install of the floating mixer and
2 design and construction of the power source. Cost \$139,854.

3 - ST-19: Pennbrooke Water Quality Improvements:

4 A water quality analysis report was completed to evaluate concerns with iron and hardness
5 levels at the Pennbrooke Water Treatment Plant. The analysis included a review of multiple
6 technologies to evaluate the most cost-effective option for removing these constituents in
7 response to customer complaints. This project is for the design and construction of the
8 modification of the Water Treatment Plant to replace the existing iron sequestration system
9 and install technology for iron and hardness removal. This design also includes the addition
10 of a high service pump station, two new ground storage tanks and a raw water well to meet
11 current regulatory requirements. Cost \$9,488,944.

12 - ST-20: AMI Meter Installation Project:

13 SWS is currently in the process of upgrading its territory to an Advanced Metering
14 Infrastructure (AMI) metering system. AMI, also referred to as smart meters, is an integrated
15 system of meters and information systems that enables communication between meters and
16 utilities. Many utilities around the world in the gas, electricity, and water sectors are
17 implementing some form of AMI. The primary goal of the AMI system is to improve
18 communication between utilities and customers. A major motivation for using AMI is that it
19 promotes conservation, can improve emergency response, and brings valuable information
20 that allows the utility to respond faster to its service territory. As part of this program, SWS
21 is implementing a customer engagement portal. This enables customers to conveniently
22 access and monitor their water consumption data via a secure online portal. The portal makes
23 customers more aware of how and when they use water and provides insights into on-premises
24 leaks.

25 The project consists of replacing the existing water meters in the Florida water system with

1 Neptune cellular-based AMI water meters by locating and raising existing meter boxes,
2 replacing fittings and appurtenances as required to ensure proper fit and operation of the newly
3 installed cellular based AMI water meters. Cost \$20,071,422.

4 - ST-21: Vactor Truck:

5 Purchase of a 2024 Kenworth tractor chassis and 2024 Vactor 2100i to be used in the
6 maintenance of the various collection systems, including lift stations: 1) Assist in locating
7 facilities using subsurface excavation capabilities, 2) Assist in the repair of water main and
8 force main breaks and clearing sewer gravity main blockages. Staff are readily able to respond
9 to an emergency that results in a lesser impact to property, assets and the environment. The
10 new vactor truck replaces a 2007 International that had outlived its service life as determined
11 through cost prohibitive repairs relative to the value of the vehicle. Cost \$573,587.

12 - ST-22: Sandalhaven Force Main Relocation:

13 The scope of this project includes comprehensive engineering services, design, permitting,
14 and construction of a 4-inch High Density Polyethylene (HDPE) force main. The new sewer
15 force main will be 830-foot in length. Subsequently, the construction of four (4) new above-
16 grade ARV assemblies will take place, complete with a supporting slab and protective
17 chamber. Four (4) existing below-grade Air Release Valve assemblies will be removed as part
18 of the project. Cost \$368,081.

19 - ST-23: Buena Vista Lane Water Main Relocation:

20 The water main adjustments/relocations are required to accommodate the Pasco County
21 paving and drainage improvements project (Project No. RSQ-ML-19-088). The existing water
22 main will be adjusted and/or relocated to avoid conflicts with the proposed infrastructure and
23 maintain a minimum cover of three feet. Cost \$431,956.

24 - ST-24: Orangewood Remediation PFAS:

25 In 2020, SWS conducted statewide tests of their production wells to ascertain if these wells

1 contained concentrations of per- and poly-fluoroalkyl substances (PFAS). Upon testing these
2 wells, SWS discovered that six of the seven wells in the Orangewood Public Water System
3 (PWS) had PFAS concentrations greater than the 2016 United States Environmental
4 Protection Agency (USEPA) Health Advisory Level (HAL) of 70 parts per trillion (ppt). The
5 engineering report provided recommendations on alternate ways to treat drinking water for
6 the identified contaminants. In January of 2022, Kimley-Horn submitted a Treatability
7 Technical Memorandum (TTM) to SWS that outlined selective anion exchange (IX) as the
8 treatment technique to be employed at each of the existing well sites in this system. Well BV-
9 3 owned and operated by the Company was chosen as the first well where the full-scale pilot
10 is going to be installed. Work includes, but is not limited to, construction of two (2) ion
11 exchange resin vessels, ion exchange resin, one (1) well pump replacement including
12 wellhead modifications and column piping replacement, bag filter assembly, piping, fittings,
13 valves, instrumentation, concrete slab and support structures, variable frequency drives
14 (VFD), control panel upgrades, SCADA system, motor disconnects, conduit, and all
15 appurtenances necessary to make a complete working system. Cost \$1,837,292.

16 - ST-25: Curlew Creek Lift Station Gravity Main Rehabilitation:

17 This project site is located at the outer edge of a bend in Curlew Creek. Currently, there is
18 extensive side bank erosion directly downstream from SWS's sheet pile retaining wall, which
19 has exposed the Company's gravity sewer main on the creek side. The engineer consultant
20 recommends constructing a new sheet pile retaining wall & concrete cap beam from 10'
21 upstream of the existing sheet pile retaining wall to 10' downstream of the Company's next
22 downstream manhole. The existing sheet pile retaining wall & concrete cap beam should be
23 incorporated into the new sheet pile retaining wall & concrete cap beam. The new sheet pile
24 retaining wall that runs parallel with Curlew Creek should have upstream and downstream
25 end walls that turn well back into the existing side bank to prevent erosion at the upstream

1 and downstream ends of the sheet pile retaining wall. Cost \$645,480.

2 - ST-26: UIF Jansen Water Main Relocation

3 The water mains throughout the Jansen subdivision are located within the Seminole County
4 right-of-way. Seminole County has recently presented a plan to construct a sidewalk with a
5 gravity wall along Linneal Beach Road from Oranole Road to Playa Way. The County's
6 construction project conflicts with the location of the Utility's existing 4" AC water main on
7 the south side of Linneal Beach Road, which requires the relocation of the existing water main
8 to the north side and five water services over approximately 700LF. Design and construction
9 costs Cost \$215,160.

10 **Q. Do the capital costs noted in Exhibits ST-03 through ST-26 include capitalized time and**
11 **interest incurred during construction?**

12 A. Yes, interest that has accrued or will accrue on the capital used to construct each capital project
13 has been added, reflecting the cost of capital for the amount of capital required for each project
14 and the duration of the project's construction period. Additionally, the estimated amount of
15 capitalized time spent by SWS employees in conjunction with each project has been added to
16 the project cost.

17 **SWS STAFFING AND COMPENSATION**

18 **Q. Please explain how SWS is staffed and changes in employees supporting SWS's services**
19 **since its last rate case.**

20 A. Since its last rate case, the Company has continued to evaluate the staff which supports SWS's
21 local operations. Separate from any parent company restructuring, SWS has recently adjusted
22 its personnel structure related to services such as finance, regulatory,
23 communications/external affairs, HSE, GIS, and project management. Since the Company's
24 last rate filing in 2020, SWS has increased the Full Time Employee headcount by one. The
25 focus of the team continues to be on day-to-day operations and any changes are made with

1 the delivery of safe and reliable services to our customers as our priority. A review in 2023
2 led to management refocusing our support/office team on community involvement and
3 communications, operations oversight, and capital deployment as we aim to allocate our
4 resources to areas that facilitate community engagement and support operational excellence.
5 This was achieved with same number of FTE's on staff as at the start of 2023. Management
6 believes that the greater emphasis on operations oversight by senior personnel (e.g., two
7 Directors of Operations) will strengthen the depth, knowledge sharing, and communications
8 with the team in the field, as Field Operators will have more access to experienced operations
9 personnel.

10 **Q. Has SWS experienced issues with filling operations positions?**

11 A. Yes, it is a constant struggle at SWS (and within the industry) to fill all open operations
12 positions, as the supply of licensed operators, as well as entry-level applicants, has not kept
13 up with demand in recent years. To address this issue, the Company has initiated an Operator-
14 In-Training program to draw non-utility people to the industry. It is a 16-week program to fill
15 two positions, with the goal of creating an inflow of talent for full-time positions that may
16 open up in the future and establish a new track for operator development. The Company has
17 recently hired two team members with no previous experience in the industry to join our
18 Wekiva WWTP operations team.

19 **Q. Has SWS instituted changes in how it strategizes and provides compensation and**
20 **benefits?**

21 A. Since the last rate case, the Company and its affiliates have assessed its compensation
22 philosophy and practices, identifying and implementing certain necessary changes. SWS
23 strives to provide safe and reliable service at affordable rates, but this includes a duty to our
24 customers to have a talented team in place to provide quality service – now and into the future.
25 To attract and retain top talent, SWS must be competitive in the national, regional, and local

1 markets. Attracting and retaining top talent has always been a challenge, and the evolution of
2 the employee-employer relationship requires management to regularly assess its total rewards
3 offerings, including compensation. The company compensation structure for employees
4 includes some or all the following – base pay, variable pay, benefits (health insurance, leave,
5 retirement, and other compensation). To remain competitive in the employment market, SWS
6 identifies and targets the market midpoint or median (as applicable for each position) for total
7 compensation.

8 **Q. How are pay ranges set for SWS employees?**

9 A. When SWS’s parent, Nexus Regulated Utilities, Inc. (“NRU”), established the first pay ranges
10 in 2017, the process started by grouping entry-level roles together and identifying a common
11 market midpoint. That datapoint was used to establish the midpoint for what became Grade
12 1 level and set a minimum and a maximum of the grade based a statistical analysis. Once the
13 appropriate min, mid and max for Grade 1 were determined, best practices from the Society
14 of Human Resources Management (“SHRM”) were followed to establish the
15 midpoints/ranges for hourly grades (Grade 1 – Grade 8) and salary grades (Grade 9 – Grade
16 16). After conducting compensation research to identify the market midpoint for each
17 position, each position was aligned to the Pay Grade closest to the Market Midpoint for the
18 position. The compensation research focused on the most current AWWA Compensation
19 Survey Data, which pools information from a broad range of water and wastewater utilities
20 across the country.

21 In 2021, NRU’s People & Culture Team in the Support Services function endeavored to
22 update the Market Midpoint analysis and pay ranges, focusing on entry point wage rates. The
23 completed analysis resulted in a one-time market adjustment to be implemented for operations
24 positions throughout NRU’s Business Units. While the People & Culture Team’s resulting
25 recommendations and a required entry point of 95% of the midpoint for each Grade were

1 provided to the Business Unit management, the local management team was given discretion
2 above the entry point as to the eventual wage adjustments applied to each employee.

3 **Q. When were the entry point and market pay adjustments to the Grades updated for**
4 **SWS?**

5 A. The changes were implemented during 2021 for SWS.

6 **Q. Please explain why the Company decided to implement the Market Pay Adjustment.**

7 A. There are multiple factors that were considered in implementing the Market Pay Adjustment
8 for the operations staff.

9 **1. To remain competitive within the job market in our industry.** The most recently
10 published AWWA Compensation Survey Data identified new market midpoints for our
11 operator roles. The study also identified a jump in compensation of more than ten percent
12 (10%) for our Operator I position since the last compensation review. NRU's (and now,
13 NWG's) compensation philosophy is to remain competitive with the market: While our
14 midpoints are reflective of the market, our actual pay among our operations employees
15 (Field Techs, Operators) has lagged the market midpoint.

16 **2. To remain competitive within the job market across other industries.** With the effects
17 of COVID-19, there has been increased volatility within the job market in general. We
18 see hourly positions within retail, quick-service restaurants and other industries increasing
19 significantly as the economy recovers and employers overcome labor shortages. When it
20 comes to entry-level talent, the list of industries that we compete against for talent has
21 expanded. Other industries are also interested in the types of candidates that we hire for
22 our Field Tech and Operator roles. Ensuring we're paying competitively at the time of
23 hire and appropriately based on the work being performed ensures we can attract and
24 retain talent in the near and long-term.

25 **3. Appropriately value new and recent hires relative to their experience and the market.**

1 By moving employees to the adjusted entry points, we're placing our entry level
2 employees in appropriate proximity to the midpoint based on their skills and experience.
3 It is a priority to do so as soon as practical to ensure we retain and pay employees
4 appropriately when they become competent within their positions and perform all required
5 tasks capably.

6 **4. To continue to provide uninterrupted service.** Our operations team are the most critical
7 members of our team – when Florida went into various lockdowns during the pandemic,
8 our operations team continued to report to work when most of the workforce transitioned
9 to remote work – without these employees, SWS would not be able to provide this
10 essential service to the communities in which we operate.

11 **5. To reduce field employee turnover.** Our most critical staff are our field staff – improved
12 pay helps reduce staff turnover by appropriately compensating employees for the work
13 they perform and staying competitive to other potential employers.

14 **Q. Did the Company change the On-Call and Call-Out compensation structure since the**
15 **last rate case filing?**

16 **A.** Yes. NRU affiliates including SWS made a change in the Company's on-call pay structure
17 for field operations staff. SWS increased on-call pay benefits in February 2022. This increase
18 was made across all NRU business units and was necessary to ensure a competitive pay
19 structure for our workforce. During a typical on-call week, field staff are prepared to be called
20 out for emergency work during all hours, including night and weekend hours. The low per
21 diem on-call rate was a frequent topic of objection made by field employees. In an effort to
22 retain skilled and valued employees, NRU increased daily on-call compensation to an amount
23 based on an employee's overtime rate. Under the new on-call pay structure, field employees
24 are paid their overtime rate for each weekday On-Call and twice their overtime rate for each
25 weekend day On-Call, compared to the previous flat \$15/day rate. In addition, call-out rates

1 changed from no minimum pay (only being charged for the hours worked) to a minimum 2
2 hours pay at the overtime rate for weekdays and double the overtime rate on weekends.

3 **CUSTOMER-FOCUSED AND TARIFF INITIATIVES**

4 **Q. Is the Company proposing any customer-focused initiatives to be authorized in this rate
5 case filing?**

6 A. Yes. Please see testimony of Company Witness DeStefano for description of the Company's
7 proposal regarding payment processing fees. The Company believes this proposal creates
8 direct customer benefits by providing its varied payment options on the same terms.

9 **Q. Is the Company proposing any miscellaneous fee changes in this filing?**

10 A. Yes. The Company has reviewed its need for updates to its meter installation fees and is
11 proposing updates to the fee based on current costs of materials and labor experienced by the
12 Company. This tariff rate change is discussed in further detail in the direct testimony of
13 Company Witness DeStefano.

14 **PARENT COMPANY MERGER**

15 **Q. Did a parent company of SWS recently agree to and consummate a merger?**

16 A. Yes. On April 1, 2024, Corix US and SWMAC were merged, resulting in the entity Nexus
17 Water Group, Inc. Because the merger occurred at the Corix US level, SWS was not directly
18 affected by merger. As of the merger closing, SWS continues to be directly owned by its pre-
19 merger parent company, Corix Regulated Utilities (US) Inc., now renamed Nexus Regulated
20 Utilities, Inc.

21 **Q. Has SWS reflected any changes related to the merger in its revenue requirement?**

22 A. No. However, please see the direct testimony of Company Witness Lubertozi for the
23 Company's proposal in this docket related to the potential impacts of the merger.

24 **Q. Has SWS included the legacy SWMAC systems in this rate case filing?**

25 A. No, SWS eventually plans to bring the two Ni Florida systems into the SWS company, but

1 determined that the proximity to merger closing and need for an entity consolidation
2 application filing and approval have proved too complex to achieve in time for inclusion this
3 filing.

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

5 A. Yes, it does. I reserve the right to update, supplement, or amend my testimony should relevant
6 information come available in the future.

1 BY MR. WHARTON:

2 Q Please provide a summary of your direct
3 testimony.

4 A Yes. Chair, Commissioners, thanks for having
5 me here today.

6 The purpose of my direct testimony is to
7 provide an overview of the company's operation and
8 capital planning process. The company has 22 water
9 systems in varying size and age. We have to source
10 water from our wells for all but three of the systems.
11 We rely on purchased potable water from third-party
12 vendors for the others.

13 Historically, treatment in all systems has
14 been minimal. We are constructing a treatment system at
15 Pennbrooke to address high levels of iron and manganese,
16 which has been a source of customer complaints in the
17 past. In addition, the company has completed
18 construction, and has started commissioning the PFAS
19 treatment facility in our Orangewood system. These
20 systems are capital intensive and will require increased
21 operation oversight when they come on line.

22 The company has 11 treatment plants in varying
23 complexity size and age. In addition, the company has
24 seven collection systems that send wastewater to third
25 parties for treatment.

1 I also summarize the drivers for relief --
2 drivers for and relief requested in this rate
3 application. The company's last filed rate application
4 in 2020, and in the intervening years, the company has
5 invested over \$100 million in infrastructure to support
6 its provision of safe and reliable service. We continue
7 to experience an increase in infrastructure costs, and
8 this is reflected in the increased spending over the
9 past several years.

10 In this application, the company has filed for
11 a revenue requirement supporting an increase of over 22
12 percent in water rates. However, the company has agreed
13 that final -- that the final increase be limited to 19.9
14 percent in this filing. And the company has requested a
15 15.93 percent increase in sewer rates.

16 I also present documentation supporting the
17 additional engineering information regarding our
18 proposed program to replace aging infrastructure, and
19 the various proforma capital projects included in the
20 filing. The company has included 24 proforma projects
21 in our filing, seven of which making it 20 percent of
22 the total project amount were mandated by state and
23 federal entities. One such example is a relocation of
24 water and sewer lines to accommodate the new toll road
25 in Lake County, referred to as the CFX project.

1 Two compliance projects I mentioned already
2 are Pennbrooke are manganese water treatment plant
3 upgrades and the Orangewood PFAS treatment system. Both
4 of these projects improve the quality of water being
5 distributed and consumed by our customers.

6 Another project included in our filing is the
7 meter replacement project, which touches over 37,000
8 customers. With over 90 percent of the meter fleet past
9 their depreciation life, the company has elected to move
10 forward with replacement of the entire fleet rather than
11 having meters run to fail. The company has selected a
12 well-known and proven meter and technology provider to
13 replace this aging fleet, that being Neptune AMI Meter
14 Solution. And the company is well on its way to
15 replacing all of its water meters in the state.

16 Since the last rate case, the company has
17 continued to evaluate staff which supports our local
18 operations. Since that filing, we have increased the
19 full-time employee head count by one, despite
20 considerable growth and investment in recent years. The
21 focus of the team continues to be day-to-day operations,
22 and any changes are made with the delivery -- are made
23 with delivery of safe and reliable services to our
24 customers as our priority.

25 Thank you.

1 CHAIRMAN LA ROSA: Thank you.

2 BY MR. WHARTON:

3 Q Does that conclude your summary?

4 A Yes.

5 MR. WHARTON: We would tender the witness for
6 cross.

7 COMMISSIONER GRAHAM: Thanks.

8 OPC.

9 EXAMINATION

10 BY MR. PONCE:

11 Q Good afternoon, Mr. Twomey.

12 A Good afternoon.

13 Q So just to clarify, you mentioned that you
14 were Vice-President in your current position, but aren't
15 you also the business unit president for Sunshine Water
16 Services Company?

17 A Yes.

18 Q Okay. And if we can go to C5-773.

19 I just want to make sure that the following is
20 still correct. You mentioned on your resume that you
21 are responsible for all facets of the business,
22 including culture, is that correct?

23 A Where exactly are you -- what line?

24 Q If you scroll down.

25 A Yes.

1 Q Operations?

2 A Yes.

3 Q Finance?

4 A Yes.

5 Q Business development?

6 A Yes.

7 Q Health, safety and environmental compliance?

8 A Yes.

9 Q Legislative and regulatory matters?

10 A Yes.

11 Q Land improvement?

12 A Yes.

13 Q Stakeholder relationships?

14 A Yes.

15 Q And customer engagement and experience?

16 A Yes.

17 Q So it's fair to say, then, that means you are
18 responsible for overseeing things like day-to-day
19 operations, budget development and executing capital
20 plans?

21 A Yes, with the support of my team.

22 Q Okay. So as business unit president, you are
23 the link between operations and executive leadership?

24 A Yes, along with other senior leaders on my --
25 on the Sunshine team.

1 **Q What exactly does that mean, being the link**
2 **between operations and executive leadership?**

3 A Well, I am delegated to manage the business
4 unit, to manage all of the items you just mentioned, and
5 to deliver safe and reliable services to our customers.

6 **Q You are also an engineer, is that correct?**

7 A Yes, I went to school for an engineering
8 degree.

9 **Q And before becoming Sunshine's business unit**
10 **president, you also served as business unit president**
11 **for the Great Basin Water Company in Nevada, is that**
12 **correct?**

13 A Correct.

14 **Q And for the Bermuda Water Company?**

15 A Correct.

16 **Q And finally for Canadian Water Utilities?**

17 A Correct.

18 **Q Speaking of that last utility, is it fair to**
19 **say that you spent most of -- or most of your career in**
20 **Calgary working on water utilities?**

21 A Yes, I think it was most of my career.

22 **Q Would it be fair to say, then, that your**
23 **success in overseeing these other companies brought you**
24 **here to Florida?**

25 A I don't know. I would have to ask those who

1 hired me, but I do think my experience with the company,
2 and that's with the Nexus group of companies, that led
3 to be, I guess, an eligible candidate for the president
4 role.

5 **Q Okay. For your testimony today is to provide**
6 **support for, among other things, 24 proposed capital**
7 **projects?**

8 A Yes, I am providing support for 24 proforma
9 projects.

10 **Q Would it be fair to say, then, that you are**
11 **familiar with these projects, not just for today's**
12 **presentation, but for actually executing them in your**
13 **role as business unit president?**

14 A As you mentioned, I am responsible for most
15 all aspects of the BU. And in that, I designate certain
16 tasks to certain people on my team, such as execution of
17 projects, project management being a key component.

18 **Q And let me rephrase, then, for ensuring the**
19 **execution of these projects?**

20 A Yes, I would say it's my responsibilities to
21 make sure they are executed in the correct manner.

22 **Q Okay. Is it fair to say, then, that you are**
23 **familiar with how Sunshine assigns priority to these**
24 **projects?**

25 A Since I took on this role in December of 2023,

1 I have been responsible for prioritizing projects, yes.

2 Q So that would include, then, knowing why some
3 projects are critical -- let me rephrase -- knowing,
4 then, which projects are highest priority.

5 A Yes. When I took on the role, I reviewed the
6 capital projects that were designated for 2024, and I
7 prioritized them accordingly.

8 Q And that includes which projects were merely
9 nice to have?

10 A No.

11 Q So as part of prioritizing projects, you
12 wouldn't prioritize projects by most to least important?

13 A Yes. You didn't ask that, though.

14 Q Okay. That's fine.

15 So you are basically the person who is most
16 responsible for this entire case that we have here
17 today?

18 A You are making me out to be very important
19 there. I rely on a lot of people here to pull this case
20 together. As you have just heard from Witness Swain,
21 the amount of work she does is astronomical. So I pull
22 a team together and rely on, you know, the correct
23 people to pull together certain aspects of the case, and
24 then it's put forward, I guess, under my direction from
25 there.

1 Q I am sorry, could you -- if you could reduce
2 that to a yes or no?

3 A Can you repeat the question, then? I got
4 carried away.

5 Q So you are basically the person who is most
6 responsible for this entire case that we have here
7 today?

8 A Yes. As the business unit president, I am
9 responsible for the rate case filed.

10 Q So it's fair to say, then, as the business
11 unit president for this rate case, you are like the
12 captain of the ship?

13 A Yes.

14 Q You mentioned in the summary of your testimony
15 that Sunshine has a cap -- is self-imposing a cap on its
16 water revenues ask. As part of this application, isn't
17 Sunshine asking for less than what Sunshine believes it
18 needs to recover to meet its allowed return?

19 A Yes.

20 Q Put another way, Sunshine is not requesting to
21 recover its full revenue requirement for water?

22 A That is correct.

23 Q Why so?

24 A Upon review of the case when we compiled it,
25 and in conjunction with the senior leadership at Nexus

1 Water Group, we felt that a rate increase capped at 19.9
2 percent was the right thing to do in this instance.

3 **Q Why do you say it's the right thing to do in**
4 **this instance?**

5 A Felt that that was the right ask of our
6 customers for this rate case.

7 **Q Isn't this -- isn't Sunshine doing this, at**
8 **least in part, because of the inflationary needs that**
9 **are affecting Sunshine's customers?**

10 A I would say we are always conscious of
11 providing a service for our customers, and they are
12 always front of mind when we develop such rate cases and
13 put them forward to the Commission to decide on rate
14 increases.

15 **Q Is that a yes or no?**

16 A Can you repeat the question?

17 **Q Isn't Sunshine doing this, at least in part,**
18 **because of the inflationary needs that are affecting**
19 **Sunshine's customers?**

20 A Yes.

21 **Q In other words, Sunshine made the decision to**
22 **intentionally try to keep its rates down at least for**
23 **water?**

24 A Yes.

25 **Q Isn't this because you are acknowledging that**

1 **affordability is a legitimate question in setting the**
2 **level of your rates?**

3 A No.

4 Q Well, if affordability isn't an issue, then
5 **why does it matter what the customer's inflationary**
6 **needs are?**

7 A Can you say that again? Let me think through.

8 Q You just told me that Sunshine was not
9 **acknowledging that affordability is a legitimate**
10 **consideration in setting the level of your rates. So I**
11 **asked: If affordability isn't an issue, then why does**
12 **Sunshine care about what's going on with its customers**
13 **and inflation?**

14 A So again, we reviewed that, and we thought
15 that in the best interest of our customers at this time,
16 we felt that a rate increase capped at 19.9 percent was
17 the best thing to do.

18 Q But while still acknowledging that your
19 **customers are being affected by inflation?**

20 A I mean, I am sure in the 10 different counties
21 that we serve, there is different pressures that each of
22 our customers experience.

23 Q Okay. In your direct testimony, you mentioned
24 **that the company is in the process of investing \$56**
25 **million in its infrastructure, is that correct?**

1 A Yes.

2 Q And that consists of the 24 proforma projects
3 that you are asking this commission to approve of?

4 A Yes.

5 Q This is with a historical test year of 2023?

6 A Yes.

7 Q If we can go to E28623.

8 Were you here when Mr. DeStefano described
9 this discovery response?

10 A Describe it?

11 Q Yes.

12 A Yes, I was in the room when he testified -- or
13 testified to it.

14 Q Sure.

15 A I don't recall the description. Pardon me if
16 I missed that.

17 Q Well, just looking at the -- looking at these
18 numbers here, isn't it true that Sunshine already spent
19 40 million in capital spending for the year 2023?

20 A Yes. I mean, this represents it is that the
21 capital spending for the year in 2023 was \$40.1 million.

22 Q Isn't this the highest amount since Sunshine
23 had its rates consolidated in 2017, according to this?

24 A Yes, on the sheet here in front of me, that is
25 correct.

1 **Q** **In fact, since Sunshine had its rates**
2 **consolidated in 2017, hasn't Sunshine's capital**
3 **spending, on average, been in excess of what it was**
4 **before consolidation?**

5 **A** I would have to go back. I mean, it
6 consolidated in 20 -- I think the rates were in effect
7 in 2018, right?

8 **Q** **The application was in 2016, and it was**
9 **granted in 2017.**

10 **A** 2017. Yeah, so for -- since consolidation --
11 I am sorry, can you repeat your question? I got
12 distracted on the dates.

13 **Q** **Since Sunshine -- isn't it true that since**
14 **Sunshine had its rates consolidated in 2017, hasn't**
15 **Sunshine -- excuse me -- hasn't Sunshine's capital**
16 **spending on average been far in excess of what it was**
17 **before rate consolidation?**

18 **A** Yeah. I mean, if I look at the three years
19 prior to consolidation here, I think that statement is
20 true. But I don't know what it looks like for the years
21 prior to 2014.

22 **Q** **Okay. Including -- included in this**
23 **application -- excuse me, let me ask -- rephrase this.**

24 **Doesn't this indicate that Sunshine has taken**
25 **advantage of rate consolidation to max out its capital**

1 **spending as much as possible?**

2 A No.

3 **Q Why do you say that?**

4 A Well, let me give you an example in this rate
5 case.

6 We were -- we have included a capital project,
7 F5 it's referenced as. It's to replace pipe, right?
8 This pipe, it hasn't failed just yet, but pipe in the
9 area has failed. In 20 -- one of the consent orders, I
10 think it's 2018, maybe it's 2020, we had pipe that
11 failed because we didn't proactively replace it. So
12 there was years that you referenced where we weren't
13 spending.

14 The Commission has sent a very clear signal
15 that we need to be proactive in replacing failing
16 infrastructure, to the point where we had an ROE
17 reduction because of that. So we understand -- I
18 understand the implications of that.

19 So the company no longer sits and waits for
20 things to fail, as is evidenced by the proforma projects
21 we put forward here. F5 being a per example, and AMI
22 meters being another one.

23 So, no, I would say that in the intervening
24 years, as we have come into the Commission to ask for
25 rates, I think we are more and more proactive in

1 replacing failing infrastructure. We can no longer
2 allow this to run to fail. There is heightened
3 sensitivity around environmental issues, which I agree
4 with. And we continue to look at those issues and try
5 and get ahead of it. That results in a cost. And I
6 don't think there is anybody in this room here who will
7 argue that costs have gone up on the capital side
8 significantly since the pandemic.

9 And to take the exhibit you have on the screen
10 here. In 2019, you can see we spent \$10 million. I can
11 tell you, in the business units where I was -- that you
12 spoke to, where I was in the preceding years, there was
13 a lull in capital spend in those years, 2020 and beyond.
14 And it rebounded in the outer years. And you are seeing
15 that here, candidly. That's what's happened in 2023, in
16 my opinion, is that it's a rebound from the COVID
17 pandemic, where things just slowed down.

18 It is not the company's -- like, an outlier
19 like that is not something we aim for. That is not some
20 strategy. It's a rebound from the COVID years, in my
21 opinion.

22 **Q So your testimony is that going from \$10**
23 **million in 2016 to \$40 million in the historical test**
24 **year, before we even get to this application, just**
25 **represents the company being more proactive about**

1 **repairs?**

2 A Not repairs. No.

3 **Q And --**

4 A It's about proactive replacement of failing
5 infrastructure.

6 **Q And then this \$40 million in 2023, that's not**
7 **including the 56 million amount that's going beyond the**
8 **historical test year in your application?**

9 A Actually, I believe some of that does.

10 **Q How much?**

11 A I don't know, but the projects that are in my
12 proforma testimony, or that is submitted, are projects
13 that will be completed within 24 months post test year.
14 Many of them, I don't know how many, but have started in
15 2023. And we have incurred capital expense in 2023. I
16 can say that to be true for the AMI meter project, for
17 instance.

18 **Q And that amount that's going into 2024 is that**
19 **20 million there?**

20 A Is that what?

21 **Q That would include, then, going into 2024, the**
22 **20 million spent there?**

23 A I am sorry, can you reask? I don't quite
24 understand the question.

25 **Q So if some of that 2023 \$40 million represents**

1 **your application, doesn't that also mean that the 2024**
2 **amount does as well?**

3 A Well, yeah. Sorry. I get you now.

4 Yes, our proforma projects are for the 24
5 months post test year. So, yes, '24 capital spend is
6 some of that \$19 million, again through August, is
7 included. A lot of it is not.

8 I will give the example of the Mid-County
9 project, which is a wastewater treatment plant that I
10 think you referred to in your opening statement that we
11 pulled. That capital spend is right in there. It's
12 also in 2023, for that matter. It's its a long ongoing
13 project, and we continue to have capital spend in '23,
14 '24 and '25 --

15 **Q But you don't --**

16 A -- and we expect to have it in '26, too.

17 **Q But you don't know the exact amount?**

18 A No, not off the top of my head. There is --
19 I -- but it's easily determined, I am sure. I guess we
20 are a bit late in the process now, but, no, I don't know
21 that number.

22 **Q And as the business unit president, it's not**
23 **within your responsibility to know that number?**

24 A I can get you that number, but I don't know it
25 off the top of my head. Sorry, there has been a lot of

1 information crammed in these past few weeks. To
2 remember what I have spent on Mid-County in 2024 is
3 beyond me right now.

4 Q Let's go to E29596. And that's what that
5 looks like. So this is one of the ones that we have the
6 handouts for.

7 This is the handout where, if you are looking
8 at the first page, the first page just looks like a
9 normal -- normal, you know, printed page, and the other
10 pages are longer. Are we on the same page here? No pun
11 intended. This would be the fourth page of the handout.

12 MR. REHWINKEL: Mr. Chairman, I had promised
13 that we would try to identify the Case Center page
14 of these documents. I was asked by your legal
15 staff to make sure that we keep the record intact,
16 and that when we are talking about documents, that
17 we can tie it to Case Center.

18 So I believe that this is from Exhibit 101,
19 yes, and 29 -- okay, you have it up there, 29596 is
20 the 2024 document, is that what we are --

21 CHAIRMAN LA ROSA: So just for clarification,
22 the printed out paperwork that we have in front of
23 us is a continuation of the chart that is populated
24 on Case Center?

25 MR. REHWINKEL: It's an excerpt from it,

1 really, is a better way. There are tables that are
2 stripped out of here that, you know, go on for
3 miles.

4 CHAIRMAN LA ROSA: Understood.

5 MR. REHWINKEL: And I think Mr. Ponce has
6 selected the excerpt that has the information he
7 wants to ask about. And I think the last page is
8 -- there is five pages, there is an 8.5x11 and then
9 four --

10 CHAIRMAN LA ROSA: Yes.

11 MR. REHWINKEL: -- the front page, I think is
12 the oldest, going back to 2020, and the last one is
13 2023, 2024, and Mr. Ponce can clarify.

14 MR. PONCE: Yes, the last -- the last page, if
15 you are able to see the spreadsheet, the
16 spreadsheet has years on the tabs. And on the last
17 page, that year is 2024 on that tab.

18 When I say last page, to make it maybe a
19 little easier, if look at the top left, the blue
20 column, it will say, person responsible for
21 updates, date updated last 10/20/23.

22 CHAIRMAN LA ROSA: Yeah, I see '23 on mine.

23 MR. PONCE: Is anybody having any issues
24 following along?

25 BY MR. PONCE:

1 **Q Mr. Twomey, do you understand where I am**
2 **asking you to look at?**

3 A Yes, I see the printout. I just want to be
4 clear, though, that this is not a full representation of
5 the documentation that was provided. I understand what
6 you are saying, but there is some key information. We
7 don't need all the columns to the right, but there is
8 some key information I would say is not on this exhibit
9 as printed. So I do have -- I don't know what's the
10 right way to phrase it, but some concerns not all the
11 information is here to discuss it with the right
12 context.

13 MR. PONCE: To be clear, in order to make this
14 legible on the printed page, we did have to cut off
15 the columns to the right?

16 CHAIRMAN LA ROSA: Understood.

17 MR. PONCE: Those columns are represented,
18 although not legible, in the exhibit that we
19 uploaded, so --

20 CHAIRMAN LA ROSA: Yeah, so --

21 MR. PONCE: The Commission, and the parties --

22 CHAIRMAN LA ROSA: Let's try this slowly.
23 Can -- is it possible to zoom in? I don't know
24 what our limitations are specifically on Case
25 Center.

1 MR. SCHULTZ: What's on the screen is about as
2 zoomed in as it gets in Case Center.

3 MR. PONCE: And a just to be clear,
4 unfortunately that's how it comes out in Case
5 Center, but we have provided the full exhibit to
6 your staff and all the parties, so...

7 CHAIRMAN LA ROSA: I don't know the questions
8 that you are going to ask, obviously, so I don't
9 know how relevant the rest of the columns are and
10 necessary to review, but I understand where the
11 witness is coming from, stating that some of that
12 information may be important.

13 MR. PONCE: That's fair. Yes.

14 BY MR. PONCE:

15 **Q With that being said, if we can go all the way**
16 **to the bottom. If you are looking at the numbers on the**
17 **left, the blue column, it is FL124.**

18 A Sorry, on the last page?

19 **Q Yes.**

20 A Thank you.

21 **Q When I said column, I meant row. Excuse me.**
22 **So it's row FL124.**

23 A I am sorry, apologies. Was there a question?

24 **Q Yes, I was just --**

25 **CHAIRMAN LA ROSA: I think we are there.**

1 BY MR. PONCE:

2 Q So we see hear the name of this project is FL
3 Cost Center AMI meters, that's under the project name
4 column all the way to the right at the end. This
5 represents the AMI project, is that correct?

6 A Yes.

7 Q And now if we look at the priority level
8 column, which is to the left right after the blue
9 columns, you see that there is a three there, is that
10 correct?

11 A Yes. So to understand this -- and, you know,
12 I am glad you brought up this sheet here.

13 First of all, you really have to see it in
14 Excel format, because along with this tab in 2024, you
15 have got tabs for '23, '22, '21 and 2020. So when this
16 project first made it onto our budgeting process back in
17 2020, five years ago, which is part of this exhibit, I
18 think you got to first understand what the project was.
19 Like, what was the -- where we were coming from with
20 that. And it was identified that we needed to do a
21 meter replacement project.

22 And when this project was kicked off in 2020,
23 which is not, again, on this, but initially when it was
24 kicked off, this project was done as a study project to
25 analyze its benefits in 2020. And when we were doing

1 that analysis, we explored a lot of different options,
2 be it the type of meter and the benefits that it brings
3 to our customers, such as leak detention that, you know,
4 for the customer, and the utility for non-revenue water.
5 We got water theft. We got on-line monitoring and usage
6 for our customers.

7 Now, what's not presented in this document,
8 which was produced as POD 10, as I have it, it's a
9 living document. It's a financial document that's
10 updated annually for, you know, for budgeting purposes,
11 I should say. And as you can see, and you got to look
12 at it all together from 2020 through '21, through '22
13 through '23 through '24, you will take the phase the
14 project was in, for example.

15 So in 2024, it was a study phase. So
16 unfortunately, some of this information just wasn't
17 updated. It also has a completion date of December of
18 2024. When I started in December of 2023, I mean, on
19 day one, I knew this wasn't being completed in 2024, and
20 everybody did. I signed a contract with the -- one of
21 the contractors for this project on May 11th of 2024 to
22 install antennas, like.

23 So I guess where I am going with this is that
24 to infer that I somehow prioritized this as a low
25 priority, or whatever words you want to choose around it

1 is just simply inaccurate. As this started as a lower
2 priority in study phase, and when I came in here, it was
3 one of the highest priorities for the company and our
4 customers, as we had a 90-percent depreciated asset.
5 And we cannot afford to have meters run to fail and
6 continue to expect to provide safe and reliable water to
7 our customers. So to infer on one data point that this
8 somehow was not a priority for Sunshine is just not
9 right.

10 And I would say that, you know, the Commission
11 really put it best in Dockets 20170166-WS,
12 20220026-23-WU and 202300171-WU, this -- the Commission
13 stated the following: That based on the information
14 provided above, we recognize that upgrading the meters
15 to AMI will benefit the customers. We recognize that
16 the ability to monitor for leakage, water theft and pay
17 bills on-line is a benefit for the customers.
18 Therefore, we find the proposed AMI meter program is
19 warranted.

20 And we believe that with AMI, it is something
21 that our customers will benefit from. And we are not
22 the leading edge here. We are simply following some of
23 the larger utility --

24 MR. PONCE: I have got to object. This is way
25 beyond the scope of the question I asked, which is,

1 isn't that a number three?

2 CHAIRMAN LA ROSA: I don't disagree, so
3 sustained.

4 BY MR. PONCE:

5 Q Okay. Let me ask you the question again,
6 Mr. Twomey.

7 Isn't that a number three that we are talking
8 about there?

9 A Yes.

10 Q It looks like it's on the screen now. They
11 have been able to get the actual spreadsheet, so we no
12 longer have to rely on this. So this is the complete
13 spreadsheet.

14 A Yeah.

15 Q And that's a number three?

16 A Yes, as I said in my previous answer.

17 Q And you mentioned this is updated
18 year-by-year, so actually let's just go back to 2020.
19 If you can click that 2020 tab, please. If we can go,
20 then, to row FL106. Isn't this, again, the AMI meter
21 project?

22 A Yes.

23 Q Number three there again, right?

24 A Yes. That's what I said in my previous
25 response. It started as a number three in study phase.

1 Q Okay. Well, it started as number three, so
2 let's go to 2021, row FL106.

3 So presumably still number three. Is it still
4 in the study phase here?

5 A Yep.

6 Q Let's go to 2022. It is now the last one,
7 FL108. Still number three?

8 A Still in -- yes, it's number three and in
9 study phase.

10 Q 2023.

11 COMMISSIONER FAY: Mr. Chairman?

12 CHAIRMAN LA ROSA: Yes.

13 COMMISSIONER FAY: I apologize to interrupt.
14 Can I just get a clarification from OPC? Are we
15 outside the -- what you have provided here now
16 within this table? So when we go to the top left
17 and it's 2022 or 2021 as updated, you are
18 referencing these tabs and not this sheet in front
19 of us?

20 MR. PONCE: That's correct. I am referencing
21 the tabs.

22 COMMISSIONER FAY: Okay. Thank you.

23 CHAIRMAN LA ROSA: Yeah, thank you. That's a
24 good question.

25 BY MR. PONCE:

1 **Q** **So we are talking about the 2023 tab. I think**
2 **it is now row 132, if I have got that right. Still**
3 **number three?**

4 A Yeah, I can't quite tell the row number, but
5 it's up there as number three, study phase and estimated
6 column for uncertainty.

7 **Q** **Finally, we hit 2024 -- or we are back to**
8 **2024, and again, still number three?**

9 A Yes, it's number three in study phase, it's
10 estimated amount, and that was to be completed in
11 December 2024.

12 Again, I am not necessarily proud to be
13 pointing out some data we didn't update here, but, you
14 know, it's obviously well moved beyond the study phase
15 and whatnot.

16 The important information for us here, in
17 creating these documents that was put forward during
18 discovery, was for budgeting purposes, truly. And if
19 you look to the right, you will see all the green
20 columns, that's the information that was pertinent. If
21 you go -- I am not sure who is controlling it, but all
22 the way to the right there. Yeah. That's the pertinent
23 information that our corporate are looking for in 2024.

24 **Q** **If we could go back to E28623. I know that's**
25 **going to appear weird, but --**

1 MR. SCHULTZ: What was that number again?

2 Sorry.

3 MR. PONCE: E28623. And if we can scroll all
4 the way to the bottom, just for when -- I think
5 that's just the last page of this.

6 So it looks like this interrogatory -- or if
7 you can scroll up, excuse me. And then one more
8 after this one. I am sorry, we have gone back
9 to -- I am basically trying to get to the page
10 where it's dated, which should be, I think it's --
11 there we go. Scroll down. Well, never mind, let's
12 go to the next page, excuse me.

13 BY MR. PONCE:

14 Q So it looks like this interrogatory was being
15 worked October 2024, or this request for prod -- yes,
16 the interrogatory?

17 A So this is for the financial capital spend,
18 right? That's what this is referencing?

19 Q This is for everything that was provided in
20 response to this interrogatory, October 2024.

21 A I guess I am not entirely sure what was fully
22 included in --

23 Q I am just trying to figure out when did this
24 project -- appa -- so this was provided to us in October
25 2024. Does that mean in October '24, AMI was still just

1 **in the study phase?**

2 A I am saying it wasn't updated. We were well
3 beyond the study phase.

4 Q Okay. And just to be clear, isn't priority
5 **three the nice to have category?**

6 A I believe that's how your witness put it,
7 yeah.

8 Q Well, I am asking you. Isn't priority three
9 **the nice to have category?**

10 A Again, anything that makes it on to our
11 capital list we deem to be necessary.

12 Q Do you remember, Mr. Twomey, that you were
13 **deposed in this matter on October 30th, 2024?**

14 A Yes, I recall.

15 Q Do you remember that I asked you: So I guess
16 **we can say, then, that category three, that's a nice to**
17 **have category?**

18 A Yes, I recall.

19 Q Do you remember answering that differently?

20 A Yes, I remember acknowledging how you phrased
21 it.

22 Q **Well, we can get the transcripts.**

23 MR. PONCE: It's 12:30, weren't we actually
24 supposed to break for lunch?

25 CHAIRMAN LA ROSA: Maybe.

1 MR. PONCE: Would it be a good time to break
2 for lunch?

3 CHAIRMAN LA ROSA: So I was waiting for your
4 line of questioning to change. How much -- how
5 much --

6 MR. PONCE: I think we got the answer that we
7 were looking for.

8 CHAIRMAN LA ROSA: How many more questions do
9 you have for Mr. Twomey?

10 MR. PONCE: On this issue? There is quite a
11 few questions on this.

12 CHAIRMAN LA ROSA: Okay. Then let's go ahead
13 and take that break. It's, right now, 12:35. So
14 let's say at 1:20. 1:20 we will be back and ready
15 to roll. So 1:20 we will break until then.

16 Thanks.

17 MR. WHARTON: Chairman La Rosa, let me ask you
18 this question. We should not talk to the witness
19 over lunch because he is on the stand, that's the
20 way the PSC operates?

21 CHAIRMAN LA ROSA: I will go to staff for
22 normal operating procedures for something of this
23 nature.

24 MS. HELTON: I have actually never been asked
25 that question, Mr. Chairman. I think that's

1 probably the best practice not to -- not to coach
2 the witness during lunch.

3 CHAIRMAN LA ROSA: Yeah.

4 MR. WHARTON: We are going to talk to him. We
5 are not going to talk to him about the
6 substantive --

7 CHAIRMAN LA ROSA: Within reason, right.

8 MR. WHARTON: Okay.

9 CHAIRMAN LA ROSA: I am assuming that there is
10 a lunch and other things that are going to happen,
11 so, yeah. You don't have to stay muted during
12 lunch.

13 All right. 1:20 we will see everybody. Thank
14 you.

15 (Lunch recess.)

16 (Transcript continues in sequence in Volume
17 2.)

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CERTIFICATE OF REPORTER


STATE OF FLORIDA)
COUNTY OF LEON)

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

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

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

DATED this 17th day of February, 2025.


DEBRA R. KRICK
NOTARY PUBLIC
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EXPIRES AUGUST 13, 2028