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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 3
PAGES 375 - 597

PROCEEDINGS: HEARING

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

DATE: Wednesday, February 12, 2025

TIME: Commenced: 9:⁰0 a.m. # 2/12/25
Concluded: 12:05 p.m.

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

REPORTED BY: DEBRA R. KRICK
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

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

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

4 CHAIRMAN LA ROSA: All right. Good morning,
5 everybody. Is everybody well rested? Ready to
6 rock and roll today? I can see the smiles and the
7 cheers, so I will take that as an affirmative.

8 So just to kind of catch up where we are. We
9 have OPC with a witness ready to go. I need to
10 swear in this witness, but I will let you maybe go
11 ahead and introduce the witness, and then I will --
12 or just announce the witness, and then I will go
13 ahead and swear him in.

14 MR. WATROUS: OPC calls Mr. Ralph Smith to the
15 stand.

16 CHAIRMAN LA ROSA: Excellent.

17 Mr. Smith, if you don't mind standing up and
18 raising your right hand. I appreciate you being
19 ready to go.

20 Whereupon,

21 RALPH C. SMITH

22 was called as a witness, having been first duly sworn to
23 speak the truth, the whole truth, and nothing but the
24 truth, was examined and testified as follows:

25 THE WITNESS: I do.

1 CHAIRMAN LA ROSA: Excellent. Thank you.
2 OPC. I will let you go ahead and take it from
3 there.

4 EXAMINATION

5 BY MR. WATROUS:

6 **Q Good morning, Mr. Smith. Can you please state**
7 **your full name, first and last, for the record?**

8 A My name is Ralph C. Smith.

9 **Q Okay. And on whose behalf are you testifying?**

10 A On behalf of the Office of Public Counsel.

11 **Q Okay. And did you cause to be filed prefilled**
12 **direct expert testimony, consisting of 35 pages, on**
13 **November 21st, 2024?**

14 A Yes.

15 **Q Okay. And do you have any corrections to your**
16 **prefiled testimony?**

17 A Yes, I do. We filed an errata sheet, and
18 those have corrections to some of the specific
19 adjustments. And then I also would like to correct some
20 numbers mentioned on page four and five of my testimony
21 that have the summary result numbers to correspond with
22 our revised Exhibit RCS-2 that was provided.

23 **Q And with those corrections, if I were -- can**
24 **you please tell us those corrections?**

25 A Sure.

1 The answer on the top page four, I would like
2 to update those numbers to correspond with the RCS-2
3 revised that was provided, and I will go through them
4 one by one, and then I will just read how it should
5 read.

6 So on line one, it should say --

7 **Q And hold on one second.**

8 MR. WATROUS: Can we please go to master
9 C-62010 so that the Commission can see it?

10 CHAIRMAN LA ROSA: Yeah, let's do it -- let's
11 do it that way.

12 MR. WATROUS: Thank you.

13 BY MR. WATROUS:

14 **Q Mr. Smith, you may continue.**

15 A Okay. So on line one, it currently reads
16 Exhibit RCS-2. It should read Exhibit RCS-2 Revised.

17 On line two, it currently reads 1.352 million.
18 That should be revised to 1.396 million.

19 On line three, it currently reads 5.89
20 percent. That should be revised to 6.09 percent.

21 Also on line three, it currently reads 22.958
22 million. That should be revised to 22.928 million.

23 On line four, RCS-2 should say RCS-2 Revised.

24 On line five, it currently reads 3.284
25 million. That should read 3.321 million.

1 On line five, it currently reads 11.05
2 percent. That should read 11.20 percent.

3 And also on line five -- on line six, I am
4 sorry, it reads 29.727 million. That should read 29.661
5 million.

6 If it would be helpful, I can just read that,
7 those two sentences again with the proper numbers, if
8 anybody wants me to do that.

9 **Q I don't think --**

10 **CHAIRMAN LA ROSA: I don't think so. I think**
11 **we all --**

12 THE WITNESS: Okay. And then there is similar
13 corrections to numbers on the top of page five.

14 BY MR. WATROUS:

15 **Q Which would be master C6 2011.**

16 A Yeah, on line one, it currently reads RCS-2,
17 that should read RCS-2 Revised.

18 On line three, the 1.351 million should be
19 1.396 million.

20 Also on line three, the 3.283 million should
21 be 3.321 million.

22 On line five, the 3.210 million should be
23 3.168 million.

24 And on line six, the 1.418 million should be
25 1.381 million.

1 Q Thank you, Mr. Smith.

2 And with those corrections, if I were to ask
3 you the same questions today, would your answers be the
4 same?

5 A Yes, they would.

6 MR. WATROUS: Okay. Mr. Chair, I would ask
7 that Mr. Smith's testimony be entered into the
8 record as though read.

9 CHAIRMAN LA ROSA: Let the record reflect
10 that.

11 (Whereupon, prefiled direct testimony of Ralph
12 C. Smith was inserted.)

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 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.

DOCKET NO.: 20240068-WS

FILED: November 21, 2024

DIRECT TESTIMONY

OF

RALPH SMITH, CPA

ON BEHALF OF THE CITIZENS OF THE STATE OF FLORIDA

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Exhibits:

RCS-1, Qualifications Appendix

RCS-2, Revenue Requirement and Adjustment Schedules for 2023 Test Year

DIRECT TESTIMONY

OF

RALPH SMITH

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 20240068-WS

I. INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS?

A. My name is Ralph Smith. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory consultant at the firm Larkin & Associates, PLLC (“Larkin”), Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan, 48154.

Q. PLEASE DESCRIBE THE LARKIN FIRM.

A. Larkin is a Certified Public Accounting and Regulatory Consulting Firm. The firm performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.). Larkin has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings, including numerous electric, water and wastewater, gas, and telephone utility cases.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION (“FPSC” OR “COMMISSION”)?

1 A. Yes, I have testified before the Commission previously. I have also testified before several
2 other state regulatory commissions.

3

4 **Q. HAVE YOU PREPARED AN EXHIBIT DESCRIBING YOUR QUALIFICATIONS**
5 **AND EXPERIENCE?**

6 A. Yes. I have attached Exhibit RCS-1, which is a summary of my regulatory experience and
7 qualifications.

8

9 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

10 A. Larkin was retained by the Florida Office of Public Counsel (“OPC”) to review the rate
11 request of Sunshine Water Services Company (“Sunshine,” “SWS” or “Company”).
12 Accordingly, I am appearing on behalf of the Citizens of the State of Florida (“Citizens”).

13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A. I am presenting OPC's overall recommended revenue requirement in this case. I also
16 sponsor the OPC's recommended adjustments to the Company's proposed rate base and
17 operating income.

18

19 **Q. WHAT EXHIBITS HAVE YOU ATTACHED TO YOUR TESTIMONY?**

20 A. I have attached the following exhibits:

21 RCS-1, Qualifications Appendix; and

22 RCS-2, Revenue Requirement and Adjustment Schedules for 2023 Test Year.

23

24 **Q. ARE ANY ADDITIONAL WITNESSES APPEARING ON BEHALF OF THE**
25 **FLORIDA OFFICE OF PUBLIC COUNSEL IN THIS CASE?**

1 A. No.

2

3 **II. SUNSHINE'S REQUESTED REVENUE INCREASES**

4

5 **Q. PLEASE BRIEFLY SUMMARIZE THE REVENUE INCREASE THAT HAS BEEN**
6 **REQUESTED BY SUNSHINE.**

7 A. Sunshine has requested that the Commission approve an increase of \$4,561,183, or 19.9%,
8 in base revenues for its water utility and an increase of \$4,701,373, or 15.87%, in base
9 revenues for its wastewater utility. Sunshine's revenue increase requests have been
10 calculated by the Company on its MFR Schedules B-1 – REVISED and B-2 – REVISED.

11

12 **Q. WHAT REVENUE DEFICIENCY FOR ITS WATER UTILITY WAS**
13 **CALCULATED BY SUNSHINE?**

14 A. As reproduced on Exhibit RCS-2, Schedule A, page 1, and shown in column A, Sunshine
15 calculated a revenue deficiency for its water utility of \$5,175,376 and has reduced that
16 amount by \$614,193 to get its requested water utility revenue increase of \$4,561,183.

17

18 **Q. HAVE YOU REPRODUCED THE CALCULATION OF SUNSHINE'S**
19 **REQUESTED REVENUE INCREASE?**

20 A. Yes. On Exhibit RCS-2, Schedule A, pages 1 and 2, in column A, I have reproduced
21 Sunshine's requested water and wastewater revenue increases of \$4,561,183 and
22 \$4,701,373, respectively, using information that was presented by Sunshine.

23

24 **Q. WHAT REVENUE INCREASES FOR SUNSHINE'S WATER AND**
25 **WASTEWATER UTILITIES DO YOU RECOMMEND?**

Exhibit RCS-2 Revised

1 A. As shown on ~~Exhibit RCS-2~~, Schedule A, page 1 of 4 in column B, for the water utility, I
2 recommend a revenue increase of no more than ~~\$1.351 million~~ **\$1.396 million**, which is an increase of
3 approximately ~~5.89%~~ **6.09%** over adjusted revenues at current rates of ~~\$22.958 million~~ **\$22.928 million**.

Exhibit RCS-2 Revised

4 As shown on ~~Exhibit RCS-2~~, Schedule A, page 2 of 4 in column B, for the wastewater
5 utility, I recommend a revenue increase of no more than ~~\$3.284 million~~ **\$3.321 million**, which is an
6 increase of approximately ~~11.05%~~ **11.20%** over adjusted revenues at current rates of ~~\$29.727~~ **\$29.661**
7 million.

8
9 **III. ORGANIZATION OF TESTIMONY**

10
11 **Q. HOW ARE THE DISCUSSIONS THAT ARE BEING ADDRESSED IN YOUR**
12 **TESTIMONY ORGANIZED?**

13 A. In Section IV, I present my overall revenue requirement recommendation for Sunshine,
14 showing the revenue requirement excess for the 2023 test year recommended by Citizens.
15 Exhibit RCS-2 presents the schedules and calculations in support of the base rate revenue
16 requirement.

17 In Section V I discuss my proposed rate base and net operating income adjustments which
18 impact the revenue requirement.

19 Finally, in Section VI, I discuss Sunshine's proposal related to merger costs and savings.

20
21 **IV. OVERALL REVENUE REQUIREMENT RECOMMENDATION**

22
23 **Q. WHAT REVENUE REQUIREMENT ARE YOU RECOMMENDING FOR**
24 **SUNSHINE?**

Exhibit RCS-2 Revised

1 A. As shown on ~~Exhibit RCS-2~~, Schedule A, pages 1 and 2, the OPC's recommended
2 adjustments in this case result in a recommended revenue increase for Sunshine of no more
3 ~~than \$1.351 million~~ **\$1.396 million** for the water utility and a revenue increase of no more than ~~\$3.283~~ **\$3.321**
4 million for the wastewater utility. As shown on Schedule A, pages 1 and 2, in column C,
5 ~~respectively, those increases are \$3.210 million~~ **\$3.168 million** less than the base rate revenue increase of
6 ~~\$4.56 million~~ **\$1.381 million** requested by Sunshine for its water utility and ~~\$1.418~~ less than the base rate
7 revenue increase of \$4.701 million requested by Sunshine for its wastewater utility.

8

9 **Q. PLEASE DISCUSS THE EXHIBIT YOU PREPARED IN SUPPORT OF YOUR**
10 **TESTIMONY.**

11 A. Exhibit RCS-2 consists of Summary Schedules A, A-1, B, B.1, C, C.1 and D and
12 Adjustment Schedules B-1 through B-6 and C-1 through C-22.

13

14 **Q. WHAT IS SHOWN ON SCHEDULE A, PAGE 1, OF EXHIBIT RCS-2?**

15 A. Schedule A, page 1 presents the revenue requirement calculation for Sunshine's water
16 utility, giving effect to all of the adjustments I am recommending in this testimony.

17

18 **Q. WHAT IS SHOWN ON SCHEDULE A, PAGE 2, OF EXHIBIT RCS-2?**

19 A. Schedule A, page 2 presents the revenue requirement calculation for Sunshine's
20 wastewater utility, giving effect to all of the adjustments I am recommending in this
21 testimony.

22

23 **Q. WHAT IS SHOWN ON SCHEDULE A, PAGE 3, OF EXHIBIT RCS-2?**

24 A. Schedule A, page 3 presents a reconciliation of the revenue requirement calculation for the
25 water utility showing the estimated impacts of OPC recommendations.

1 Q. WHAT IS SHOWN ON SCHEDULE A, PAGE 4, OF EXHIBIT RCS-2?

2 A. Schedule A, page 4 presents a reconciliation of the revenue requirement calculation for the
3 wastewater utility showing the estimated impacts of OPC recommendations.

4
5 Q. WHAT IS SHOWN ON SCHEDULE A-1?

6 A. Schedule A-1, pages 1 and 2, show the gross revenue conversion factor (“GRCF”) for
7 Sunshine’s water and wastewater utilities, respectively. The GRCF is used to convert net
8 operating income into equivalent revenue requirement amounts. For purposes of this case,
9 I have used a GRCF of 1.40261 for the water and wastewater utility, which is the same
10 GRCF as that used by Sunshine.

11
12 Q. WHAT IS SHOWN ON SCHEDULE B?

13 A. Schedule B, page 1, presents OPC’s adjusted rate base that incorporates each of the
14 adjustments impacting rate base that are recommended by OPC in this case for the water
15 utility. Page 2 presents OPC’s adjusted rate base for the wastewater utility.

16
17 Q. WHAT IS SHOWN ON SCHEDULE B.1?

18 A. Schedule B.1, page 1, presents each of the adjustments impacting rate base that are
19 recommended by OPC in this case for the water utility. Page 2 presents each of the rate
20 base adjustments that are recommended for the wastewater utility.

21
22 Q. WHAT IS SHOWN ON SCHEDULE C OF EXHIBIT RCS-2?

23 A. OPC’s adjusted net operating income is shown on Schedule C. Page 1 of Schedule C shows
24 adjusted operating income for the water utility. Page 2 shows adjusted operating income
25 for the wastewater utility. The presentation on Schedule C incorporates each of the

1 adjustments impacting net operating income that are recommended by OPC in this case.

2 The OPC's adjusted results for net operating income are shown on Schedule C in column

3 C.

4

5 **Q. WHAT IS SHOWN ON SCHEDULE C.1 OF EXHIBIT RCS-2?**

6 A. Schedule C.1 summarizes each of the adjustments impacting net operating income that are

7 recommended by OPC in this case. The first two pages of Schedule C.1 show the

8 adjustments to net operating income for the water utility. Pages 3 and 4 of Schedule C.1

9 show the adjustments to net operating income for the wastewater utility.

10

11 **Q. WOULD YOU PLEASE DISCUSS SCHEDULE D?**

12 A. Schedule D presents the adjusted capital structure and overall rate of return.

13

14 **Q. WHAT RETURN ON EQUITY DID SUNSHINE USE?**

15 A. Sunshine used an ROE of 10.36 percent based on applying the leverage formula that is

16 used by the Commission.

17

18 **Q. WHAT RETURN ON EQUITY HAVE YOU USED?**

19 A. As shown on Schedule D, I have used an ROE of 10.35%, by applying the leverage formula

20 from Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024. This is slightly different

21 than the ROE used by Sunshine due to adjustments to the capital structure.

22

23 **V. RECOMMENDED ADJUSTMENTS TO RATE BASE AND NET**
24 **OPERATING INCOME**

25

1 Q. WOULD YOU PLEASE DISCUSS EACH OF THE ADJUSTMENTS THAT YOU
2 ARE RECOMMENDING THAT AFFECT THE RATE BASE AND NET
3 OPERATING INCOME IN SUNSHINE'S FILING?

4 A. Yes, I will address each adjustment below.

5 **A. RATE BASE ADJUSTMENTS**

6 Q. ON WHAT SCHEDULES IN EXHIBIT RCS-2 DO YOU SHOW RATE BASE
7 ADJUSTMENTS?

8 A. Exhibit RCS-2 shows rate base adjustments on Schedules B-1 through B-6.

9 B-1, AMI Meter Installation Project

10 Q. HAS SUNSHINE PROPOSED A PRO FORMA ADJUSTMENT TO RATE BASE
11 FOR INCLUSION OF AN AMI METER INSTALLATION PROJECT?

12 A. Yes. As described in the testimony of Sunshine witness Twomey and shown in Exhibit ST-
13 20 to his testimony, SWS has proposed including in water utility rate base \$20,071,423 for
14 an AMI meter installation project, which the Company has indicated was projected to be
15 completed by December 31, 2025. Included in the Company's AMI project is replacing
16 existing water meters in its Florida water system with Neptune cellular-based AMI water
17 meters, raising existing meter boxes, replacing fittings and appurtenances, and installing a
18 communications network. Company Exhibit ST-20 contains the following description of
19 the project:

20 Sunshine Water recognized a need to change how we collect and serve
21 meter reading information to our customers. Sunshine Water collects meter
22 reads manually and the meters from which they are collecting read data have
23 served their useful life. Additionally, Sunshine Water Services' parent
24 company (now Nexus Water Group) has been working with the local
25 leadership team and plans to move to a more efficient way of providing
26 billing and consumption information to our customers as facilitated through
27 this project. Noting the above factors, it was decided that delaying this

1 project would lead to potential increases in meter malfunction, risk of
2 inaccurate or more frequently estimated reads, customer dissatisfaction and
3 complaints, and increased operating expenses. This strategic project will
4 improve service quality and operational efficiency (thus mitigating
5 operating expense increases) and, hence, was selected and prioritized by
6 Sunshine Water.

7

8 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO REMOVE THE AMI METER**
9 **INSTALLATION PROJECT.**

10 A. As shown on Exhibit RCS-2, Schedule B-1, the amount proposed by Sunshine for inclusion
11 in rate base for an AMI installation project is being removed from water utility rate base

12

13 **Q. WHAT AMOUNT SHOULD BE REMOVED FROM RATE BASE FOR THE AMI**
14 **METER INSTALLATION PROJECT?**

15 A. As shown on Exhibit RCS-2, Schedule B-1, the entire \$20.071 million rate base amount
16 related to Sunshine's AMI Meter Installation Project should be removed from rate base.

17

18 **Q. ARE THERE ADDITIONAL RATE BASE ADJUSTMENTS FOR**
19 **ACCUMULATED DEPRECIATION RELATED TO THE AMI METER**
20 **INSTALLATION PROJECT?**

21 A. Yes. As shown on Exhibit RCS-2, Schedule B-1, I have removed approximately \$1 million
22 of accumulated depreciation related to the related to the AMI Meter Installation Project.

23

This increases rate base by approximately \$1 million.

24

25 **Q. WHAT IS THE TOTAL RATE BASE ADJUSTMENT FOR THE REMOVAL OF**
26 **THE AMI METER INSTALLATION PROJECT?**

1 A. As shown on Exhibit RCS-2, Schedule B-1, the total adjustment to remove the AMI Meter
2 Installation Project from rate base decreases rate base by approximately \$19.068 million
3 for the water utility.

4

5 **Q. WAS THE COMPANY'S "BUSINESS CASE" FOR AMI PROVIDED IN**
6 **RESPONSE TO DISCOVERY?**

7 A. Yes. The Corix Utilities Florida "AMI Business Case Evaluation Summary Report" dated
8 January 12, 2021 ("AMI Business Case") was provided in response to OPC Production of
9 Documents (POD) 5.

10

11 **Q. WHAT BENEFITS OF AMI WERE IDENTIFIED IN THE COMPANY'S AMI**
12 **BUSINESS CASE?**

13 A. The "key benefits" identified in the Company's AMI Business Case, which are indicated
14 to represent 88% of all quantified benefits, are as follows:

- 15 • Meter Reading: Elimination of manual meter reading - \$656K/year (65% of benefits)
16 • Billing: Reduction in billing exceptions and manual bill processing - \$112K/year (11%
17 of benefits)
18 • Operations: Reduced field trips to connect/disconnect service by using virtual disconnect
19 - \$75K/year (7% of benefits)
20 • Revenue Assurance: Reduction in System/Customer Leaks and Consumption on Inactive
21 Accounts - \$56K/year (5% of benefits)

22

23 **Q. ARE THOSE BENEFITS REFLECTED IN THE 2023 TEST YEAR?**

24 A. No.

1 Q. ARE ALL OF THOSE BENEFITS REFLECTED IN PRO FORMA
2 ADJUSTMENTS PROPOSED BY THE COMPANY IN ITS REVENUE
3 REQUIREMENT REQUEST?

4 A. No. It appears that none of the benefits quantified by the Company in its AMI Business
5 Case are reflected either in the 2023 test year or in pro forma adjustments in the Company's
6 proposed revenue requirement. Thus, there is a concern of a severe mismatch from the
7 Company's proposed inclusion of costs, but no inclusion, or a seriously deficient inclusion
8 of the related benefits.

9
10 Q. WHAT TOTAL CAPITAL COST WAS ASSUMED IN THAT "BUSINESS
11 ANALYSIS"?

12 A. A total capital cost of \$8.289 million over 20 years was assumed in the Company's
13 "Business Case" for AMI as summarized in the following table:

Capital Cost Summary	20 year cost
Meters & Modules	\$ 5,802,989
Endpoint Installation Costs	\$ 885,908
Network Costs	\$ 890,980
Project Management Costs	\$ 150,750
System Implementation Costs	\$ 324,211
Contingency	\$ 234,612
Total Capital Cost	\$ 8,289,450

14

15 Moreover, of that total amount of \$8.289 million of capital cost, the Company's AMI
16 Business Case appears to estimate that capital investment amounts of \$4,663,998 and
17 \$3,615,352 are invested in the first two years (assumed in the Business Plan to be 2022 and
18 2023), for a net total of \$8,279,350 of capital spending in those years. The Company's AMI
19 Business Case assumes \$10,100 of avoided capital benefits in the second year (assumed in
20 the plan to be 2023).

1 **Q. DOES THE COMPANY’S AMI BUSINESS CASE INDICATE THAT THOSE**
2 **CAPITAL COSTS ARE ONLY ESTIMATES AND DO NOT REPRESENT**
3 **ACTUAL COSTS OR PRICING FROM ANY SPECIFIC VENDORS?**

4 A. Yes. The Company’s AMI Business Case indicates that: “[a]ll Costs represented should be
5 considered estimates only and should not be construed as actual costs or pricing from any
6 specific vendor. The pricing used for vendor provided items should be considered
7 budgetary only until confirmed directly from the vendors themselves.”

8
9 **Q. HOW DOES THE APPROXIMATELY \$8.289 MILLION CAPITAL COST FOR**
10 **THE AMI PROJECT THAT WAS IDENTIFIED IN THE COMPANY’S AMI**
11 **BUSINESS CASE COMPARE WITH THE CAPITAL COST THAT SUNSHINE**
12 **HAS PROPOSED TO INCLUDE IN RATE BASE IN THE CURRENT CASE?**

13 A. As discussed above, in the current case Sunshine has proposed to include \$20.071 million
14 in rate base as utility plant in service related to Sunshine’s AMI Meter Installation Project.
15 There is a concern that with a cost of over \$20 million, the analysis done in the Company’s
16 2021 Business Case for AMI, which is based on an assumed cost of approximately \$8.289
17 million, is no longer applicable.

18
19 **Q. IS THE INSTALLATION OF AMR METERS AN ALTERNATIVE TO THE**
20 **COMPANY’S “AMI BUSINESS CASE”?**

21 A. Yes. In my experience, most water utilities have used AMR meters as the replacement for
22 older meters. AMR meters can result in savings from avoiding manual meter reading.
23 Moreover, initial capital costs for an AMR meter installation could be lower than the cost
24 for a complete conversion of existing meters to AMI. This is notable because the
25 Company’s AMI Business Case appears to not have considered as an alternative an AMR

1 meter installation. Not considering an AMR meter installation as an option in a cost-benefit
2 analysis of alternatives to replace existing water utility meters could be viewed as a serious
3 deficiency in the analysis.

4

5 **Q. HAVE AMI METERS AND A RELATED COMMUNICATIONS ANTENNA BEEN**
6 **INSTALLED BY SUNSHINE TO DATE?**

7 A. Based on SWS witness Twomey's October 30, 2024 deposition, it was stated that the
8 Company's contractor was installing AMI meters first in Seminole County. It therefore
9 appears that AMI meters and a related communications antenna may have been installed
10 to-date in Seminole County. During his deposition, Mr. Twomey mentioned that
11 approximately 132 AMI meters have been installed at the Company's Lake Placid service
12 area.¹ That Lake Placid installation of the 132 AMI meters is apparently being viewed as
13 an AMI pilot project.² The Company is apparently using the Lake Placid AMI installation
14 as a pilot project to work through issues, such as one or more of the AMI meters that were
15 installed not reading water usage or sending out the communication signals that the
16 Company was expecting from the AMI deployment.³

17

18 **Q. APPROXIMATELY HOW MANY OF THE TOTAL AMI METERS DOES THE**
19 **LAKE PLACID INSTALLATION REPRESENT?**

20 A. The Lake Placid AMI installation was 132 meters, which Mr. Twomey stated was "the
21 entire size for that utility as a pilot."⁴ That would represent approximately 0.3%, i.e., less

¹ Twomey deposition transcript, at 78.

² Id.

³ Twomey deposition transcript, at 78-79.

⁴ Twomey deposition at 78.

1 than one percent, of the total approximately 37,000 AMI meters that would constitute a
2 complete conversion.

3

4 **Q. DURING HIS DEPOSITION, DID MR. TWOMEY HAVE AN ESTIMATE OF**
5 **APPROXIMATELY HOW MUCH OF THE COMPANY'S TOTAL AMI PROJECT**
6 **HAD BEEN INSTALLED, AND IN WHAT AREAS IT HAS BEEN INSTALLED?**

7 A. Yes. During his deposition, Mr. Twomey stated that the installation was starting in
8 Seminole County and he thought it would be continuing in Lake County.⁵ He estimated
9 that approximately 10% of the total AMI installation has been installed.⁶

10

11 **Q. BEFORE INCURRING OVER \$20 MILLION OR MORE FOR A COMPLETE**
12 **AMI INSTALLATION, SHOULD A THOROUGH INVESTIGATION OF THE**
13 **LAKE PLACID AMI PILOT PROJECT, AND ANY OTHER AMI**
14 **INSTALLATIONS THAT HAVE BEEN COMPLETED TO-DATE, AND A**
15 **THOROUGHLY RE-DONE COST BENEFIT ANALYSIS BE REQUIRED?**

16 A. Yes. An investigation and report on the Lake Placid AMI pilot program installation,
17 including costs incurred and identification of quantifiable benefits, if any, should be
18 required. An updated status report on the Company's Seminole County AMI installation,
19 including costs, benefits, and problems encountered, should also be required once that
20 installation has been completed. Additionally, the cost-benefit analysis which was
21 presented in the Company's AMI Business Case, which appears to be outdated and based
22 on seriously understated assumptions about the total capital cost, should be redone. The
23 evaluation of the Lake Placid pilot project and any other AMI installations that have been

⁵ Twomey deposition at 89.

⁶ Id.

1 completed to-date, and a thoroughly redone cost benefit-analysis should be required to be
2 presented to the Commission and evaluated prior to the inclusion of any AMI project
3 amounts in Sunshine’s rate base.

4

5 **Q. WHY SHOULD THE COST OF THE AMI PROJECT BE REJECTED FOR RATE**
6 **BASE INCLUSION IN THE CURRENT CASE?**

7 A. The cost of the AMI project should be removed from rate base for several reasons. First,
8 this is not a required project. Unlike most of the Company’s other post-test year plant
9 additions, the AMI project is not required to comply with federal, state, or local government
10 requirements. The AMI project is discretionary with management. The company’s own
11 internal documents produced in response to OPC’s Request for Production No. 10 (“POD
12 10”) note that the project is a priority 3, or in the “nice to have” category.

13 Second, there are doubts that the project will be fully completed by December 31, 2025.
14 Sunshine’s only prior experience with constructing an AMI network has been a small pilot
15 program. As such, it should be no surprise that the company has failed to secure the permits
16 it requires in most of its service area. These aren’t just conceptual issues but are manifesting
17 in delays acknowledged by Sunshine itself. On the 2022 and 2023 tabs of POD 10, the
18 AMI project reflected an estimated in-service date of February 29, 2024. However, on the
19 2024 tab, the AMI project reflects a new estimated in-service date of December 31, 2024.
20 Subsequently, according to Mr. Twomey’s Exhibit ST-20, the estimated completion date
21 has again slipped to September 30, 2025. Finally, based on Sunshine’s response to Staff
22 ROG 27, the completion date for the installation of the AMI network and meters have been
23 yet again pushed back to February 15, 2025, and October 30, 2025, respectively.

24 Third, the AMI project does not appear to be needed to provide safe and reliable water
25 service to Sunshine’s utility customers in Florida. The Company is currently providing

1 water utility service without AMI meters. Moreover, the installation of AMI meters and
2 related infrastructure for water utilities has not been common in the industry, or at least as
3 far as I am aware for Commission-regulated Florida water utilities.

4 Fourth, there are concerns about the overall cost of the project as being excessive and
5 unnecessary, including the installation of a communications network. The Company has
6 failed to demonstrate that a less costly solution, such as using AMR meters, would be
7 sufficient. Moreover, the Company has failed to demonstrate any benefits of the projects
8 to ratepayers and why ratepayers should be required to pay for the new communications
9 network that the Company proposes for its AMI project. Sunshine has not even been able
10 to show the breakeven analysis between installing its own network versus solely relying
11 on third-party cellular service.

12 Fifth, if the cost of the project were allowed to be included in rate base in the current case,
13 there would be a mismatch of costs and benefits. Costs of the project, which are significant,
14 would be included in the water utility revenue requirement, but the speculative benefits
15 from the project, including potential improvements in efficiency and any related cost
16 savings or other benefits of the project, if materialized, would occur in periods beyond
17 2025. To the extent that there are speculative benefits, Sunshine expects that these benefits
18 will be effectively cancelled out due to the reassignment of its current meter reading
19 workforce to other areas of the company.

20 Sixth, there is no evidence that Sunshine's customers themselves want AMI. Sunshine has
21 not performed any customer inquiry, including polling or focus groups, on this issue.
22 Sunshine is so insensitive to their customers' preferences and needs that they are not even
23 allowing for customers to opt out from AMI. In contrast with Sunshine's approach, where
24 electric utilities have installed AMI meters, there has typically been an option for customers
25 to opt out from having an AMI meter installed.

1 For all of these reasons, the amount of pro forma rate base additions for the Company's
2 proposed AMI project should be removed.

3 B-2, Reverse Meter Retirements

4 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO REVERSE METER**
5 **RETIREMENTS.**

6 A. As shown on Exhibit RCS-2, Schedule B-2, the \$496,885 rate base amount should be added
7 to rate base to reflect the reversal of meter retirements.

8

9 **Q. ARE THERE ADDITIONAL RATE BASE ADJUSTMENTS FOR**
10 **ACCUMULATED DEPRECIATION RELATED TO THE REVERSAL OF METER**
11 **RETIREMENTS?**

12 A. Yes. As shown on Exhibit RCS-2, Schedule B-2, I have added approximately \$496,885
13 million of accumulated depreciation related to the meter retirements reversal. This
14 decreases rate base by \$496,885.

15

16 **Q. WHAT IS THE TOTAL RATE BASE ADJUSTMENT TO REVERSE METER**
17 **RETIREMENTS?**

18 A. As shown on Exhibit RCS-2, Schedule B-2, the net adjustment to reverse meter retirements
19 is \$0 for the water utility.

20

21 B-3, Accrued Revenues Adjustment

22 **Q. PLEASE EXPLAIN THE OPC'S ACCRUED REVENUES ADJUSTMENT.**

23 A. As shown on Exhibit RCS-2, Schedule B-3, I have removed \$17,080 for water and \$22,116
24 for wastewater from rate base, resulting in a total rate base reduction of \$39,196. Sunshine

1 Witness Swain sponsored Exhibit C to the Sunshine's Application which contains
2 reconciliation schedules for account balance differences between the MFR schedules and
3 Sunshine's 2023 Revised Annual Report filed with the Commission on June 27, 2024.
4 Given those reconciliation schedules and the 2023 Revised Annual Report,⁷ the December
5 31, 2022, Accrued Revenues balance should be zero instead of the \$509,541 amount
6 reflected on MFR Schedule A-18, also sponsored by Utility Witness Swain.

7

8 B-4, Miscellaneous Deferred Debits – 13 Month Average

9 **Q. PLEASE EXPLAIN OPC'S MISCELLANEOUS DEFERRED DEBITS**
10 **ADJUSTMENT.**

11 A. As shown on Exhibit RCS-2, Schedule B-4, I have decreased SWS's proposed water utility
12 rate base by \$53,896 and SWS's proposed wastewater utility rate base by \$50,116,
13 resulting in a total rate base reduction of \$104,012 to reflect a corrected calculation of the
14 13-month average test year amounts for Miscellaneous Deferred Debits. Sunshine Witness
15 Swain sponsored Exhibit C to Sunshine's Application which contains reconciliation
16 schedules for account balance differences between the MFR schedules and Sunshine's
17 2023 Revised Annual Report filed with the Commission on June 27, 2024.⁸ Given those
18 reconciliation schedules and the 2023 Revised Annual Report, the December 31, 2022,
19 Miscellaneous Deferred Debits balance should be \$2,253,551 instead of the \$3,605,711
20 amount reflected on MFR Schedule A-18 also sponsored by Utility Witness Swain.

21

⁷ Pg. 20 Schedule F-1(a) of the pdf file at the following web link:
<https://www.floridapsc.com/pscfiles/library/Financials/WS251-DOCS/ANNUAL-REPORTS/WS251-23-AR.pdf>

⁸ *Id.*

1 B-5, Rate Base Impact of Test Year Annualization Adjustments

2 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
3 **SCHEDULE B-5.**

4 A. As shown on Exhibit RCS-2, Schedule B-5, rate base is increased by \$187,796 for
5 Sunshine's water utility and by \$330,459 for Sunshine's wastewater utility to reflect the
6 impact of annualization adjustments. The adjustment amounts were calculated from
7 information presented on the Company's MFR Schedule A-3 - REVISED, page 3, line 43.
8 Rate base for is increased by a total of \$518,255 for the impact of annualizations.

9
10 B-6., Miscellaneous Deferred Debits - Impact of Expense Adjustments

11 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
12 **SCHEDULE B-6.**

13 A. As shown on Exhibit RCS-2, Schedule B-6, rate base is increased by \$132,580 for SWS's
14 water utility and by \$123,267 for SWS's wastewater utility to reflect the impact of
15 operating expense adjustments on Miscellaneous Deferred Debits.

16
17 **B. NET OPERATING INCOME ADJUSTMENTS**

18 **Q. ON WHAT SCHEDULES DO YOU PRESENT NET OPERATING INCOME**
19 **ADJUSTMENTS?**

20 A. On Exhibit RCS-2, adjustments to operating expenses that affect net operating income are
21 presented on Schedules C-1 through C-22.

1 C-1, Payment Convenience Processing Fees

2 **Q. WHAT HAS THE COMPANY PROPOSED FOR PROCESSING FEES THAT ARE**
3 **ASSOCIATED WITH CERTAIN CUSTOMER SELECTED FORMS OF**
4 **PAYMENT?**

5 A. The Company has proposed, rather than charging the cost-causer, to include fees associated
6 with convenient forms of payment that are selected by certain customers in overall utility
7 operating expenses, and thereby have all of its customers paying for the extra costs
8 associated with payment methods that are selected by some customers.

9

10 **Q. HAS THE COMMISSION REQUIRED WATER AND WASTEWATER UTILITY**
11 **CUSTOMERS USING CONVENIENT PAYMENT METHODS TO PAY FOR THE**
12 **EXTRA COSTS ASSOCIATED WITH THOSE PAYMENT METHODS?**

13 A. Yes. Certain forms of payment of a customer's utility bill, such as payment by credit card,
14 may entail additional fees. How to pay a utility bill is a choice customers have. Pursuant to
15 the cost-causer, cost-payer principle, the Commission has required water and sewer utility
16 customers using payment methods for convenience that involve the imposition of
17 additional fees to pay for those additional fees, rather than having the additional
18 convenience payment fees be socialized and borne by all of the utilities' customers,
19 including customers who pay their utility bills using payment methods that do not entail
20 the additional fees.

21

22 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO PAYMENT PROCESSING FEES.**

23 A. As shown on Exhibit RCS-2, Schedule C-1, I have removed \$200,501 for water and
24 \$186,418 for wastewater, which reduces operating expense in total by \$386,919. For the

1 water and wastewater industry, the Commission has consistently found that charging the
2 cost of payment convenience fees, such as those associated with making payments by credit
3 cards, etc., to the specific customers using those forms of utility bill payment will ensure
4 that the remaining customers do not subsidize those customers who choose to pay using an
5 alternative payment option.⁹ The cost-causer, cost-payer principle requires that the
6 customers who are paying their utility bills using convenient payment methods of the
7 customer's choice that involve fees should be responsible for the payment of those fees,
8 not the general body of customers who pay using payment methods that do not entail
9 incurrence of the convenience fees.

10

11 C-2, FL DEP Penalty Accrual Inadvertently Included as an Expense

12 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE FLORIDA DEP PENALTY**
13 **ACCRUAL.**

14 A. As shown on Exhibit RCS-2, Schedule C-2, I have removed \$165,188 for water and
15 \$153,584 for wastewater, which reduces operating expense in total by \$318,772.
16 Ratepayers should not be charged for penalty amounts, such as this.

17

18 C-3, Directors and Officers Insurance

19 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR DIRECTORS AND OFFICERS**
20 **LIABILITY EXPENSE.**

21 A. This adjustment reduces jurisdictional D&O Liability ("DOL") insurance expense by the
22 amount shown on Exhibit RCS-2, Schedule C-3, to reflect an allocation to shareholders for
23 half of the cost of the D&O insurance. DOL insurance protects shareholders from the

⁹ See, e.g., pages 5-6 <https://www.floridapsc.com/pscfiles/library/Orders/2017/01297-2017.pdf> and page 11 <https://www.floridapsc.com/pscfiles/library/Orders/2017/03503-2017.pdf>

1 decisions they made when they hired the Company's Board of Directors and the Board of
2 Directors in turn hired the officers of the Company. There is no question that DOL
3 insurance, which Sunshine has elected to purchase, is primarily for the benefit of
4 shareholders. Since shareholders are the primary beneficiaries, they should be responsible
5 for the costs associated with acquiring this coverage. The Company will inevitably argue
6 that the cost is a necessary expense which protects ratepayers. Nevertheless, the cost of the
7 premiums associated with acquiring DOL insurance, while considered to be a necessary
8 business expense by many, is in reality a necessary business expense designed to protect
9 shareholders from their past decisions. Notwithstanding that shareholders are the primary
10 beneficiaries, I am recommending that this business expense be shared equally between
11 shareholders and rate payers.

12

13 **Q. HAS THIS BEEN AN ISSUE IN PREVIOUS RATE CASES IN FLORIDA?**

14 A. Yes. This issue was addressed in the Gulf Power Company rate case.¹⁰ In that case, the
15 Commission determined that the cost for DOL insurance should be shared equally between
16 shareholders and ratepayers. In the Progress Energy Florida ("PEF") case,¹¹ the
17 Commission allowed PEF to place one half the cost of DOL insurance in test year expenses,
18 noting that other jurisdictions make an adjustment for DOL insurance and that the
19 Commission has disallowed DOL insurance in wastewater cases.

20

¹⁰ See Order No. PSC-12-0179-FOF-EI, issued April 3, 2012, Docket No. 11-0138-EI, In re: Petition for increase by Gulf Power Company, at p. 101.

¹¹ See Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI, In re: Petition for increase in rates by Progress Energy Florida, Inc. at p. 99.

1 **Q. WHAT IF THE COMMISSION HAD NOT DISALLOWED HALF THE COST IN**
2 **THE GULF AND PEF DOCKETS, WHAT WOULD YOU THEN RECOMMEND**
3 **IN THIS CASE?**

4 A. I would still be recommending to the Commission that there be either a complete
5 disallowance, or at the very least an equal sharing, because the cost associated with DOL
6 insurance benefits shareholders first and foremost. Unlike an unregulated entity, criteria
7 exist for recovery of costs, such as prudence and benefit. The benefit of DOL insurance is
8 the protection shareholders receive from directors' and officers' imprudent decision
9 making. The benefit of this insurance clearly inures primarily to shareholders, some of
10 whom generally are the parties initiating any suit against the directors and officers. The
11 Commission's decisions on this question in the Gulf Power and PEF rate case dockets were
12 fair, and those decisions should be followed in this Docket.

13

14 **Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING?**

15 A. I am recommending an adjustment to remove \$22,427 from operating expenses. This
16 adjustment allocated to water and wastewater results in a decrease of \$11,637 from water
17 and \$10,790 from wastewater.

18

19 C-4, Florida Foundation Donation and Chambers of Commerce Dues

20 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO REMOVE AMOUNTS PAID TO**
21 **CHAMBERS OF COMMERCE .**

22 A. The adjustment shown on Exhibit RCS-2, Schedule C-4, removes \$10,000 from operating
23 expenses for a charitable contribution to the Florida Chamber Foundation. This adjustment
24 allocated to water and wastewater results in a decrease of \$5,189 from water and \$4,811

1 from wastewater. The Florida Chamber Foundation is a charitable organization, and
2 ratepayers should not be charged for the cost of charitable contributions or donations.
3 Further, the Company paid \$3,000, \$1,200, and \$489 to the Florida Chamber of Commerce,
4 Inc.,¹² Seminole County Regional Chamber,¹³ and South Lake Chamber of Commerce,¹⁴
5 respectively. The Commission has disallowed chamber of commerce dues because they do
6 not provide a direct benefit to the ratepayers.¹⁵ Consequently, those chamber of commerce
7 dues amounts are also being removed on Schedule C-4.
8

9 C-5, Depreciation Expense Related to AMI Meter Installation Project

10 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO DEPRECIATION EXPENSE**
11 **RELATED TO THE AMI METER INSTALLATION PROJECT.**

12 A. As shown on Exhibit RCS-2, C-5, I am recommending an adjustment to remove \$1,003,571
13 in depreciation expense from operating expenses for the water utility. This adjustment
14 relates to the removal of Sunshine's proposed rate base adjustment for the AMI project.
15

16 **Q. IS THERE A CORRESPONDING RATE BASE ADJUSTMENT RELATED TO**
17 **THE ADJUSTMENT FOR DEPRECIATION EXPENSE RELATED TO THE AMI**
18 **METER INSTALLATION PROJECT?**

19 A. Yes. As shown on Exhibit RCS-2, Schedule B-1, there is a related adjustment that
20 decreases plant (and decreases rate base) and decreases accumulated depreciation (and
21 increases rate base) to reflect the removal of the AMI Meter Installation Project.

¹² See <https://www.causeiq.com/organizations/florida-chamber-of-commerce,590248200/>.

¹³ See <https://www.causeiq.com/organizations/seminole-county-chamber,593646781/>.

¹⁴ See <https://www.causeiq.com/organizations/south-lake-chamber-of-commerce,590573859/>.

¹⁵ Order No. PSC-93-0101-FOF-WS, issued February 25, 1993, in Docket No. 911188-WS, In Re: Application for Rate Increase in Lee County by Lehigh Utilities, Inc., p. 20.

1 C-6, Depreciation Expense Related to Reversing Meter Retirements

2 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO DEPRECIATION EXPENSE**
3 **RELATED TO REVERSING METER RETIREMENTS.**

4 A. As shown on Exhibit RCS-2, C-6, I am recommending an adjustment to add \$24,844 of
5 depreciation expense to operating expenses for the water utility. This adjustment also
6 relates to the removal of Sunshine’s proposed rate base adjustment for the AMI project,
7 discussed above.

8
9 **Q. IS THERE A CORRESPONDING RATE BASE ADJUSTMENT RELATED TO**
10 **THE ADJUSTMENT FOR DEPRECIATION EXPENSE RELATED TO**
11 **REVERSING METER RETIREMENTS?**

12 A. Yes. As shown on Exhibit RCS-2, Schedule B-2, there is a related adjustment which
13 increases plant (and increases rate base) and increases accumulated depreciation (and
14 decreases rate base) to reflect reversing the meter retirements.

15
16 C-7, AMI Meter Installation Project – Cellular Services

17 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CELLULAR SERVICES RELATED**
18 **TO THE AMI METER INSTALLATION PROJECT.**

19 A. As shown on Exhibit RCS-2, C-7, I am recommending an adjustment to remove \$45,080
20 for the cellular services related to the Company’s AMI project from operating expenses for
21 the water utility. This adjustment also relates to the rejection of costs related to Sunshine’s
22 proposed AMI project, discussed above.

1 C-8, Interest Synchronization

2 **Q. WHAT IS THE PURPOSE OF YOUR INTEREST SYNCHRONIZATION**
3 **ADJUSTMENT ON EXHIBIT RCS-2, SCHEDULE C-8?**

4 A. The interest synchronization adjustment allows the adjusted rate base and cost of debt to
5 coincide with the income tax calculation. Since interest expense is deductible for income
6 tax purposes, any revisions to the rate base or to the weighted cost of debt will impact the
7 test year income tax expense. OPC's proposed rate base and weighted cost of debt differ
8 from the Company's proposed amounts. Thus, OPC's recommended interest deduction for
9 determining the income tax expense will differ from the interest deduction used by
10 Sunshine in its filing.

11
12 **Q. HOW HAVE YOU ADJUSTED INCOME TAX EXPENSE TO REFLECT THE**
13 **IMPACT OF THE OTHER ADJUSTMENTS TO PRE-TAX NET OPERATING**
14 **INCOME?**

15 A. On Exhibit RCS-2, Schedule C.1, I calculate the impact of state and federal income tax
16 expenses resulting from the recommended adjustments to pre-tax operating revenues and
17 expenses. The result is carried forward to the Net Operating Income Summary on Exhibit
18 RCS-2, Schedule C.

19
20 C-9, Wekiva Legal Proceeding

21 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE WEKIVA LEGAL**
22 **PROCEEDING.**

23 A. As shown on Exhibit RCS-2, C-9, I am recommending an adjustment to remove \$210,838
24 in legal expenses from operating expenses for the wastewater utility.

1 **Q. PLEASE EXPLAIN WHY THIS ADJUSTMENT IS NEEDED.**

2 A. This type of legal proceeding is atypical in that it should not be expected to occur on a
3 recurring basis. As such, pursuant to Rule 25-30.433(9), F.A.C., non-recurring expenses
4 shall be amortized over five years.

5

6 C-10, Lamella Case Legal Expenses

7 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE LAMELZA CASE LEGAL**
8 **EXPENSES.**

9 A. As shown on Exhibit RCS-2, C-10, I am recommending an adjustment to remove \$6,933
10 in legal expenses from operating expenses. This adjustment allocated to water and
11 wastewater results in a decrease of \$3,597 from water and \$3,336 from wastewater.

12

13 **Q. PLEASE EXPLAIN WHY THIS ADJUSTMENT IS NEEDED.**

14 A. This case relates to an alleged inquiry associated with “some sort of water utility box.”¹⁶
15 The outcome remains uncertain given that the case is still ongoing, including whether
16 Sunshine could be awarded attorney’s fees if it were to prevail. For these reasons, the legal
17 costs associated with this case should be excluded in the instant case.

18

19 C-11, Retired Executive Benefits Case Legal Expenses

20 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE BENEFITS CASE LEGAL**
21 **EXPENSES.**

¹⁶ See Sunshine’s Response to OPC’s Interrogatory 5.

1 A. As shown on Exhibit RCS-2, C-11, I am recommending an adjustment to remove \$9,220
2 in legal expenses from operating expenses. This adjustment allocated to water and
3 wastewater results in a decrease of \$4,784 from water and \$4,436 from wastewater.

4

5 **Q. PLEASE EXPLAIN WHY THIS ADJUSTMENT IS NEEDED.**

6 A. This case relates to multiple parties claiming to be the intended beneficiary of a Corix
7 employee who passed away. The customers should not pay legal costs associated with the
8 failure of a former Corix employee to identify beneficiaries associated with their 401k plan
9 or life insurance because this has nothing to do with the provision of water or wastewater
10 services. As such, the legal costs associated with this case should be excluded in the instant
11 case.

12 C-12, PFAS Case Legal Expenses

13 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE PER- AND**
14 **POLYFLUOROALKYL SUBSTANCES (PFAS) CASE LEGAL EXPENSES.**

15 A. As shown on Exhibit RCS-2, C-12, I am recommending an adjustment to remove \$209 in
16 legal expenses from operating expenses. This adjustment allocated to water and wastewater
17 results in a decrease of \$109 from water and \$101 from wastewater.

18

19 **Q. PLEASE EXPLAIN WHY THIS ADJUSTMENT IS NEEDED.**

20 A. This class-action case relates to PFAS contamination from aqueous film-forming foams
21 for which the Company's sister and service company, Water Service Corporation, is one
22 among many plaintiffs. The damage award amount, if any, and whether the Water Service
23 Corporation could be awarded attorney's fees are still open issues. For these reasons, the
24 legal costs associated with this case should be excluded from this proceeding.

1 C-13, Charitable Contributions

2 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CONTRIBUTIONS.**

3 A. As shown on Exhibit RCS-2, C-13, I have removed \$10,490 for water and \$9,753 for
4 wastewater of contributions from operating expenses, resulting in a total decrease of
5 \$20,243. Shareholders, not ratepayers, should bear the cost of charitable donations.

6

7 C-14, Lobbying Portion of Senior VP Salary Responsible for Legislative Affairs

8 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO REMOVE AN ALLOCATED**
9 **LOBBYING ACTIVITIES PORTION OF THE COMPANY'S SENIOR VICE**
10 **PRESIDENT'S SALARY.**

11 A. As shown on Exhibit RCS-2, C-14, I am recommending an adjustment to remove \$16,056
12 from operating expenses for an estimated portion of Mr. Lubertoizzi's salary related to
13 lobbying and legislative advocacy. During his deposition, an estimate of the portion of time
14 devoted to lobbying and legislative advocacy was not clearly stated. Therefore, an estimate
15 has been used. Mr. Lubertoizzi's job title is Senior Vice President of Rates, Regulatory and
16 Legislative Affairs for Nexus Water Group, Inc. ("NWG"), a holding company that
17 indirectly controls Sunshine Water Services Company. Based on the job responsibilities,
18 an estimation of one-third of the annual salary is related to lobbying and legislative
19 advocacy, which is a cost that should be borne by shareholders, not ratepayers. This
20 adjustment allocated to water and wastewater results in a decrease of \$8,331 from water
21 and \$7,725 from wastewater.

1 C-15, Depreciation Expense - Test Year Annualization Adjustments

2 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
3 **SCHEDULE C-15.**

4 A. This adjustment decreases water utility depreciation expense by \$187,796 and decreases
5 wastewater utility depreciation expense by \$330,459 for the impact of test year
6 annualization. The Company's test year amounts of depreciation expense should be used,
7 rather than annualized amounts, since the test year plant in rate base is based on using a
8 13-month average.

9

10 **Q. ISN'T DEPRECIATION EXPENSE ANNUALIZED FOR PRO FORMA**
11 **ADJUSTMENTS TO UTILITY PLANT?**

12 A. Yes, but that is only for pro forma additions of utility plant that occur after the end of the
13 test year. For the test year itself, the rate base amount for utility plant and accumulated
14 depreciation are based on a 13-month average, not on year-end amounts. Consequently,
15 annualizing depreciation expense on test year utility plant creates a mismatch. For
16 consistency with the test year rate base amounts of utility plant and accumulated
17 depreciation, depreciation on test year plant should be at the 13-month average test year
18 amounts, not on year-end annualized amounts.

19 C-16, Consolidation of Board of Directors Fees

20 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
21 **SCHEDULE C-16.**

22 A. This adjustment decreases water utility expense by \$30,327 and decreases wastewater
23 utility expense by \$28,120 to reflect the savings in board of directors fees that have resulted
24 from consolidation.

1 C-17, Weather and Hurricane Costs

2 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
3 **SCHEDULE C-17.**

4 A. This adjustment decreases water utility expense by \$26,978 and decreases wastewater
5 utility expense by \$25,014 to reflect the amortization over a five-year period of costs
6 associated with hurricanes and other weather events, in accordance with Commission
7 practice concerning ratemaking treatment for unusual or infrequently occurring events.¹⁷

8 C-18, Sewer Maintenance Repairs

9 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
10 **SCHEDULE C-18.**

11 A. This adjustment decreases wastewater utility expense by \$29,879 to remove sewer
12 maintenance repairs expense related to the pro forma Wekiva WWTF Aerator Installation
13 project. The amount is from the Company's response to Staff Interrogatory No. 101(c).
14 This expense is being removed because it appears, based on Sunshine's response to Staff's
15 Interrogatory no. 101(c), that this amount was also included in the pro forma Wekiva
16 WWTF Aerator Installation project.

17 C-19, Annualized Wastewater Utility Revenues

18 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
19 **SCHEDULE C-19.**

20 A. This adjustment increases wastewater revenues by \$47,433 to reflect calculated annualized
21 revenues. As shown on Exhibit RCS-2, Schedule C-19, the OPC's calculation of
22 annualized wastewater utility revenues using information from the Company's MFR

¹⁷ Rule 25-30.433(9), F.A.C.

1 Schedule E-2 - REVISED, pages 4 through 8, of \$29,367,332 is \$1,389,919 more than the
2 test year recorded amount of \$27,977,413. The OPC's revenue annualization adjustment
3 of \$1,389,919 is \$47,433 more than SWS's corresponding adjustment amount of
4 \$1,342,487. Thus, the amount of wastewater utility revenue proposed by the Company
5 should be increased by \$47,433, as shown on Schedule C-19.

6 C-20, Water Utility Reuse Revenues

7 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
8 **SCHEDULE C-20.**

9 A. This adjustment increases water utility reuse revenue by \$25,639, based on the calculations
10 shown on Exhibit RCS-2, Schedule C-20. Revenue related to the Reuse Residential Base
11 Facility Charge (BFC) is increased by \$7,213. Revenue related to the Reuse Residential
12 Gallonage Charge (GC) Per 1,000 Gallons is increased by \$18,426 for a total adjustment
13 to increase Water Reuse Revenue by \$25,639.

14 C-21, Miscellaneous Revenues

15 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
16 **SCHEDULE C-21.**

17 A. The Company's 2023 test year amounts of Miscellaneous Revenue listed on Exhibit RCS-
18 2, Schedule C-21, are based on rates set a number of years ago and have not reflected
19 increases related to inflation. This adjustment increases test year water utility
20 Miscellaneous Revenue by \$37,763 and wastewater utility Miscellaneous Revenue by
21 \$35,110 to reflect 15.26% increases based upon the Composite 2020-2023 Price Index
22 Factor. The rates for those Miscellaneous Revenue items are set outside of base rates and
23 are subject to being adjusted annually by the impacts of inflation. The Miscellaneous

1 Revenues are a source of revenue that offsets the amount of revenue that needs to be
2 collected from customers in base rates. Consequently, updating the test year amounts of
3 Miscellaneous Revenue is appropriate and necessary to determine the amount of base rate
4 revenue deficiency that is needed in the current rate case.

5 C-22, Revenue Regulatory Assessment Fee Factors Impact From Revenue Adjustments

6 **Q. PLEASE EXPLAIN THE ADJUSTMENT SHOWN ON EXHIBIT RCS-2,**
7 **SCHEDULE C-22.**

8 A. As shown on Exhibit RCS-2, Schedule C-22, the revenue adjustment amounts are increased
9 by 4.5% for the impact of the Regulatory Assessment Fee (“RAF”). Taxes other than
10 income taxes expense for the water and wastewater utility are increased by \$1,699 and
11 \$4,868, respectively.

12

13 **Q. WHY IS IT NECESSARY TO INCREASE THE TEST YEAR AMOUNTS BY THE**
14 **4.5% RAF?**

15 A. Corresponding regulatory assessment fee adjustments are necessary for the previous
16 recommended revenue adjustments..

17

18 **VI. MERGER COSTS AND SAVINGS**

19

20 **Q. HAS THE OWNERSHIP OF THE COMPANY CHANGED?**

21 A. Yes. SWS witness Lubertozi’s Direct Testimony describes the status of the merger
22 between Corix Infrastructure (US) Inc. (“Corix US) and SW Merger Acquisition Corp.
23 (“SWMAC”). His Direct Testimony at page 2 states that “neither the potential costs nor
24 the benefits of the merger have been reflected in SWS’s proposed revenue requirement.

1 SWS proposes using deferral accounts to track benefits and costs to achieve those benefits
2 related to the merger for consideration in a future SWS rate case. On page 3 of his Direct
3 Testimony, Mr. Lubertozzi indicates that the merger has been approved in all applicable
4 jurisdictions. He states that, since the merger only involved a 50% ownership change at the
5 parent company, and not a majority, no formal approval was required in Florida. He states
6 that the merger was consummated on April 1, 2024.

7

8 **Q. WHAT HAS THE COMPANY PROPOSED FOR MERGER SAVINGS AND**
9 **BENEFITS?**

10 A. As described on pages 5-6 of Mr. Lubertozzi's Direct Testimony, SWS proposes
11 establishing two deferral accounts to track the benefits and costs to achieve benefits related
12 to the Merger. He proposes that in a future rate case, it may request recovery of the costs
13 to achieve benefits, but only up to the amount of the related merger benefits. He indicates
14 that the deferrals would be reviewed in each SWS rate case, culminating in a final review
15 in the first SWS rate case filing after the completion of the five-year period following the
16 merger closing. He indicates that SWS will not request recovery of net costs and will
17 propose to return any deferred net Merger benefit to customers in future rate cases.

18

19 **Q. WHAT DO YOU RECOMMEND CONCERNING SWS'S PROPOSED TRACKING**
20 **OF MERGER COSTS?**

21 A. It came to light during Mr. Lubertozzi's deposition that SWS has attempted to defer costs
22 that were incurred prior to the consummation of the Merger. I recommend that no costs
23 that were incurred or recorded by SWS prior to the Merger consummation date of April 1,
24 2024, be allowed to be deferred.

25

1 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

2 A. Yes, it does. However, I reserve the right to file supplemental testimony and respond to
3 material information that becomes available after my testimony is filed. This includes, but
4 is not limited to, any revisions of the Cost Allocation Manual affecting the Company or
5 any Commission Staff Testimony, such as the Staff Audit Report.

Ralph Smith
Testimony Corrections

Page	Line	Reads	Should Read
32	5	Schedule C-19.	Schedule C-19. Per the OPC's response to Staff interrogatory 3, this adjustment is being revised to \$8,903 to not include the AFPI revenue and to only include the guaranteed revenue amount.
32	6	Water Utility Reuse Revenues	Wastewater Utility Reuse Revenues
32	9	water utility	wastewater utility
32	13	Water Reuse Revenue	Wastewater Reuse Revenue.
33	4	rate case.	rate case. This adjustment is being revised to reflect the amounts that were impacted by the June 2024 rate adjustment. The revised adjustment amounts are an increase of \$7,817 for water and \$7,268 for wastewater, as noted on page 6, lines 12-13 of Ms. Swain's rebuttal testimony.

1 BY MR. WATROUS:

2 Q Okay. And, Mr. Smith, did your prefiled
3 testimony in this docket also contain two exhibits
4 labeled RCS-1 and RCS-2?

5 A Yes, it did.

6 Q Okay. And just for staff, I believe that's in
7 the CEL as Exhibit 40 and 41.

8 Do you have any corrections to make to your
9 exhibits?

10 A We did provide a revised version of RCS-2, and
11 that has been labeled as RCS-2 Revised.

12 Q Okay. And those erratas were provided to the
13 parties and staff as well.

14 Mr. Smith, have you prepared a summary of your
15 testimony today?

16 A Yes.

17 Q Okay. Can you please provide that summary?

18 A Sure.

19 My testimony addresses the revenue requirement
20 and revenue increase for the company's water and
21 wastewater utilities. I do recommend a number of
22 adjustments to the company's application. I won't run
23 through all those, which are listed on the table of
24 contents in my testimony, but I do want to call
25 attention to some of the more important ones that are

1 still in dispute.

2 The company is requesting over \$20 million in
3 rate base for a new AMI installation, whereby they would
4 replace all of their existing meters, approximately
5 37,000 meters, with new AMI meters despite not having
6 shown that there is an issue with the accuracy of their
7 existing meters. And I have noted in my testimony
8 several concerns about this AMI program, including the
9 cost escalation since the original estimate and cost
10 benefit analysis was done by the company. The fact that
11 the schedule has slipped for installing these meters.
12 And perhaps more importantly, the total lack of any
13 offsetting benefits reflected in the rate case.

14 So based on those concerns, we recommend
15 removing the \$20 million out of rate base for the AMI
16 meters, and make the other corresponding adjustments.

17 One of the other issues that's still in
18 dispute involves convenient paying methods. Currently,
19 if customers pay using debit or credit cards, there is
20 an additional charge assessed to those customers who
21 choose to pay using those convenient payment methods,
22 and the company wants to increase operating expenses by
23 something like 380 some odd thousand dollars for that.
24 We recommend disallowing that company adjustment.

25 We have cited two orders on page 21 of my

1 testimony that involve similar convenient payment fees
2 for other utilities, for other water and wastewater
3 utilities in the state of Florida. And in both of those
4 orders, the Commission explicitly noted that keeping the
5 fees on the customers who choose those payment methods
6 will ensure that the utility's remaining customers are
7 not subsidizing those customers who choose to pay using
8 the debit and credit card payment options.

9 Again, there is a number of other adjustments
10 discussed in my testimony. I think those are a couple
11 of the bigger impact items that are still in dispute.
12 And that concludes my summary.

13 **Q Thank you, Mr. Smith.**

14 MR. WATROUS: At this time, OPC tenders
15 Mr. Smith for cross-examination.

16 CHAIRMAN LA ROSA: Great. Thank you.

17 Sunshine, you are recognized.

18 MR. FRIEDMAN: Thank you very much.

19 EXAMINATION

20 BY MR. FRIEDMAN:

21 **Q Mr. Smith, we met earlier this morning, I**
22 **believe.**

23 **Isn't it true that this is your first**
24 **experience in analyzing a water and wastewater case in**
25 **Florida?**

1 A No.

2 **Q All right. What other water and wastewater**
3 **cases have you analyzed in Florida?**

4 A Based on my memory, I recall analyzing, I
5 think it was Florida City's water and wastewater. That
6 was done several years ago.

7 **Q Florida City's. What do you -- define**
8 **several.**

9 A Probably over a decade.

10 **Q Okay. Isn't it true that you have no**
11 **experience in operating a water and wastewater utility**
12 **in Florida?**

13 A That's true.

14 **Q And isn't it true that you have no**
15 **qualifications, such as an engineering degree, or any**
16 **certifications to operate a water and wastewater utility**
17 **in Florida?**

18 A I have never operated a water or wastewater
19 utility in Florida, and I don't have an engineering
20 degree.

21 **Q Or any other certifications?**

22 A Well, I have had considerable experience as a
23 rate analyst. Since 1979, I have done literally dozens
24 of water and wastewater utility rate cases in various
25 jurisdictions all over the country.

1 Q And don't --

2 A I don't operate them. I address revenue
3 requirements in the context of rate cases.

4 Q And all those states have different
5 regulations on how you calculate the revenue
6 requirement, do they not?

7 A Typically, there is some differences between
8 each jurisdiction. I should mention that we have also
9 done management audits of water and wastewater
10 utilities.

11 Q You said we. I guess let me start out. I
12 would like to know what you, your experience, what you
13 did, because I can't cross-examination -- cross-examine
14 we. I can only cross-examine you.

15 And also, if you would, if you could answer
16 the question yes or no, if it's a question you can
17 answer yes or no, and then please feel free to expand on
18 that if you feel necessary within the confines of the
19 question. That will speed this along. Are you okay
20 with that?

21 A Yes.

22 Q All right. Isn't it true that you previously
23 had no experience with AMI water meters in Florida?

24 A I have had no previous experience with AMI
25 water meters in Florida, yes.

1 **Q And you personally did not analyze the cost**
2 **difference between AMR and AMI meters, did you?**

3 A No, I did not personally analyze that, but we
4 did look at the company's cost benefit analysis and
5 expected to see that comparison shown, because most of
6 the other water utilities across the country that we are
7 familiar with are not doing a wholesale rollout of AMI.
8 They are using AMR meters when they upgrade from the old
9 types of meters that had to be manually read.

10 **Q Again, you said we, and I would just -- I**
11 **would ask that you respect your answer to what you do**
12 **and what you know, again, because I can't cross-examine**
13 **those other people.**

14 A Okay. I am speaking for me. I do work with a
15 group of analysts at Larkin & Associates. I am the head
16 of -- I work with two other rate analysts and a research
17 associate. We typically work as a team, and I am
18 usually the one that ends up sponsoring the testimony.
19 I am referring to other experience in which I personally
20 have experience.

21 **Q All right. And back -- to be clear, you don't**
22 **have -- you have not done a cost differential between**
23 **AMI and AMR meters for this case, have you?**

24 A I didn't personally do that, but I would --

25 **Q Would you please say yes or no first -- would**

1 **you answer yes or no first, and then if you feel**
2 **compelled to explain --**

3 A The answer is, no, I did not personally do
4 that, but we did look at the company's cost benefit
5 study and expected to see that, and it wasn't presented.

6 Q **And you said we again. I hate to keep saying**
7 **this, but I am concerned about we.**

8 A Okay. I will try to use I. Again, I am used
9 to describing because we work as a group.

10 Q **Doesn't -- don't AMI meters provide customers**
11 **with valuable realtime information on their consumption?**

12 A Yes, AMI meters do have that capability. In
13 my experience, customers typically are not that
14 interested in seeing their realtime water usage. I know
15 there is a lot of interest in the electric utility
16 industry about seeing realtime usage, because rates for
17 a number of electric utilities now provide time-of-use
18 options whereby structuring their water usage -- I mean
19 their electric usage, they can obtain savings. If they
20 use electricity in off-peak period, many electric
21 utilities have lower rates during those off-peak
22 periods. Whereas, for water utilities, there is
23 typically no time-of-day differentiation in the
24 volumetric rates.

25 So in my experience, customers are not really

1 that interested in seeing, you know, hourly or 15-minute
2 intervals of their water usage.

3 **Q You didn't poll the customers in Florida,**
4 **customers of Sunshine Water Services, to make that**
5 **statement, did you?**

6 A No, I did not personally poll customers. And
7 we did look at all the documentation the company
8 provided, and saw no extensive demand for customers to
9 have that type of information.

10 **Q Did you hear the customer who testified that**
11 **he wanted that type of information, and complained about**
12 **the quality of service with the utility because they**
13 **didn't provide realtime, did you hear that testimony?**

14 A I did not hear that, no, not personally. I am
15 aware that, you know, there are ways of reading a water
16 utility meter, so customers potentially have access to
17 that information now. All they have to do is, if there
18 is a big water usage on their system, they can go out to
19 their meter, they can see the dial spinning and probably
20 look up on Google how to interpret that. So they do
21 essentially have access. If they want to go out and
22 read their meter, they can see how much water they are
23 using. It's not -- it doesn't pop up on their smart
24 phone, but there are ways of reading water meters that
25 are currently accessible to customers.

1 Q The water meter doesn't send an alert when it
2 gets to a certain amount, does it?

3 A Pardon me?

4 Q The water meter doesn't ring or sound an alarm
5 when it hits a certain consumption for the month, does
6 it?

7 A Typically the old water meters don't do that,
8 no. But they do have a, typically a dial that's
9 spinning. And you can go out there and look at the dial
10 and estimate how many -- how many gallons are being
11 used. So if a customer really wants to see how much
12 water usage, they can go out and look at their meter.

13 Q What about all the customers that are
14 snowbirds that live up north six months of the year, how
15 do -- I mean, they can't come down and look at their
16 meter every day, can they?

17 A Not personally, I wouldn't think. But, I
18 mean, if they have neighbors they are willing to share
19 access to, they could ask their neighbor, like, can you
20 go look at my meter and tell me how much water is being
21 used. If they are not there, you would think that maybe
22 not so much water is being used. If they have an
23 irrigation system, or something of that nature, that
24 goes on automatically, you know, that type of usage
25 would be showing up in the meter.

1 Q And isn't that the reason why somebody who
2 isn't here all the time would want to do that, would be
3 able to go on-line and be able to know in realtime when
4 his water system goes, on or if he has a leak in his
5 irrigation system, wouldn't that be helpful to the
6 customer?

7 A It could be helpful to some customers. But
8 again, we are not seeing the overwhelming demand for
9 that type of information that of would justify incurring
10 this type of cost at this point in time.

11 Q And you say we don't see a demand. I mean,
12 what do you mean? You expect the customers to all be
13 here with pickets saying, we need to have AMI meters? I
14 mean, I am trying to figure out what you mean.

15 A What I mean is that so far there has not been
16 a demonstration that the company's current meters are
17 producing inaccurate readings, so I am not seeing a
18 need, or a compelling need for an expedited replacement
19 of all 37,000 meters at this point. If the meters are
20 continuing to produce accurate readings, there is no
21 need for a wholesale change-out, especially to AMI. So
22 we are just not seeing that.

23 I do acknowledge that there is probably a few
24 customers that would appreciate having some information
25 on their water usage, but it doesn't -- to me, that

1 doesn't justify incurring over \$20 million to change out
2 all the 37,000 meters.

3 **Q Are you aware that Sunshine has got tiered**
4 **water rates?**

5 A Yes.

6 **Q All right. And so wouldn't it be beneficial**
7 **to a customer to be able to set an alarm when they got**
8 **near a higher tier, so that if they needed to cut their**
9 **irrigation system off one time, that they could do that?**

10 A As I understand it, the tiered water rates do
11 apply, and they apply to usage on a monthly basis, which
12 is the billing cycle. So having information on an
13 hourly basis would seem unnecessary, but I would think
14 it could be valuable that they have, for a customer to
15 have information knowing when they are approaching a
16 tier.

17 **Q In preparing your testimony on the AMI meter**
18 **issue, did you review any PSC orders where they have**
19 **considered AMI meters for water utilities?**

20 A We did review --

21 **Q Whoa --**

22 A I did review whatever PSC orders were provided
23 to me by the OPC or referenced in discovery.

24 **Q So you didn't do any independent search**
25 **yourself of decisions of this commission on AMI water**

1 **meters?**

2 A I am not sure what you mean by independent. I
3 did ask OPC about that, if they were aware of other
4 water utilities in Florida that had AMI meter programs,
5 and to provide me with whatever other information that
6 they were aware of and they have done by their legal
7 research. And my understanding is that there have been
8 a few really small utilities where they did -- they did
9 install AMI meters. But again, my experience throughout
10 the United States, including big water utilities, like
11 American Water, and what used to be known as Aqua
12 America, and now they are known as Essential Utilities,
13 they are not engaging in mass rollouts of AMI meters.

14 So it is available. It can produce cost
15 savings, and it does have some benefits. But the cost
16 benefit justifications provided by the company, in my
17 professional opinion, do not justify including over \$20
18 million in rate base with no offsetting benefits
19 whatsoever being reflected in the rate case. There is a
20 total mismatch between cost and benefits in this
21 instance, which I think is inconsistent with some of the
22 other prior Commission decisions on small utilities that
23 did have an AMI meter program.

24 **Q In Florida?**

25 A In Florida, yeah. I noticed that one, at

1 least in particular, when they did allow AMIs, which
2 were done -- they were in place during the test year,
3 there was a corresponding proforma adjustment to reduce
4 expenses for some of the savings that were produced by
5 those meters.

6 So that is in stark contrast to Sunshine's
7 case, where only the costs are being included, including
8 over \$20 million in rate base, and there is no benefits
9 that we have been able to identify that have been
10 reflected, including any reductions to operating
11 expenses.

12 **Q Okay. So are you aware that the utility is**
13 **going to repurpose those meter readers for -- to do**
14 **maintenance work at the utility, instead of hiring new**
15 **maintenance workers?**

16 A Sunshine is --

17 **Q Whoa. Whoa.**

18 A Yes, Sunshine has indicated that when they
19 install the AMI meters, which may be by the end of
20 2025 -- that's still a bit doubtful -- that then they
21 will not need workers to go out and manually read the
22 meters, and that should provide some savings.

23 Sunshine indicated that they are not going to
24 terminate those meter readers; rather, they are going to
25 reassign them to other job duties. But there is no

1 savings reflected in the test year anywhere, as far as
2 we can tell, corresponding to this improvement in
3 technology that the company is proposing to make and to
4 charge ratepayers for.

5 **Q Wouldn't repurposing those meter readers be**
6 **offset by having to hire new maintenance people? I**
7 **mean, you got meter readers here you are going to put in**
8 **this pile as a maintenance guy, or you are going to take**
9 **some meter readers out and hire new maintenance people,**
10 **what's the difference?**

11 **A** The difference is that this new technology is
12 supposed to produce savings. The company's cost benefit
13 analysis identified all kinds of expected savings, and
14 there is none of that reflected in the operating
15 expenses. It's simply a big, over \$20 million cost,
16 that the company wants to include in rate base that
17 there is no offsetting savings anywhere reflected in
18 this rate case. There is a severe mismatch, and that's
19 a major concern, and that appears to be inconsistent
20 with at least one of the other Commission orders, where
21 a small utility had an AMI program and had reflected
22 adjustments to reduce operating expenses for some of the
23 benefits.

24 **Q Could we have Exhibit F1-3?**
25 **Do you see this order?**

1 A I do see it. Yes.

2 Q All right. Is this one of the orders that you
3 reviewed in analyzing the reasonableness of the AMI
4 meter replacement program?

5 A This is one of the orders that addressed a
6 small utility's AMI program.

7 Q All right. And you say small. So you think
8 -- so you are saying, in Florida, 1,600 customers is a
9 small utility?

10 A Sits a Class C, if I recall correctly, versus
11 Sunshine, which is a Class A. So, yeah, there is a big
12 size difference.

13 Q So you think Wedgefield was a Class C?

14 A Class B. I am sorry.

15 Q Thank you.

16 Would you bring up F1-24, please?

17 Is this one of the other orders that -- I may
18 have messed up. It had a pop-up while I was having to
19 click --

20 A I do see it on --

21 Q Wait. Wait. Wait. I am talking to the
22 gentleman back here, the technology guy trying to help
23 me figure out. No, I have got it. It just didn't pull
24 up. No, this is the Wedgefield order. That's a
25 different one.

1 MS. HELTON: You may not have it only auto
2 direction.

3 MR. FRIEDMAN: Oh, okay. Thank you.
4 Better late than never.

5 CHAIRMAN LA ROSA: All good. Thank you.

6 MR. FRIEDMAN: All right. Okay. Well, that
7 one didn't pop -- F1-24 didn't pop up for me.

8 MS. HELTON: Brian, redirect it one more time.

9 MR. FRIEDMAN: It hadn't -- I still got
10 Wedgefield up on my computer. Oh, there it goes.
11 Thank you.

12 BY MR. FRIEDMAN:

13 Q F1-24, Mr. Smith, is this one of the other
14 orders that you looked at?

15 A Yes, I have looked at this order. I think
16 this is the Polk County Pinecrest Utilities, LLC, which
17 is a Class C. I did look at this.

18 Q Okay. May I have FL59, please? Is this one
19 of the orders you looked at as well?

20 A What just popped up on my -- yes, it's F1-59.
21 This is the Leighton Estates Utilities.

22 Q Okay. Would you turn to -- or scroll down to
23 F1-61?

24 A Yeah, I think I have it.

25 Q Well, I think I told you the wrong one. I am

1 **sorry, it's 62. Scroll one more time down to 63. I am**
2 **trying to get this system figured out.**

3 **All right. Tell me when you are at 63.**

4 A I think I have it. Are you looking at a
5 particular sentence?

6 Q **Do you see the last paragraph, the utility**
7 **requested?**

8 A Yes, I do see that.

9 Q **Could you read that paragraph for me? It runs**
10 **a little bit into the next page as well.**

11 A Sure. I am going to read it off my paper
12 copy, which I think is identical.

13 The utility requested to transition all of its
14 existing standard five-eighths pipe three-quarters inch
15 meters to Advanced Meter Infrastructure, in parens, AMI
16 meters. The utility indicated that switching to AMI
17 meters would allow the utility to electronically obtain
18 the meter readings, provide realtime data accessibility,
19 reduce customer service related calls, and associated
20 work order trips. Customers would gain the ability to
21 monitor water usage, set leak detection alarms, and
22 receive utility communications through a system
23 application which would benefit customers.

24 Q **And then if you would just read the last**
25 **paragraph on that same page?**

1 A Based on the information provided above, we
2 recognize that upgrading the meters to AMI will benefit
3 Leighton's customers. We recognize that the ability to
4 monitor for leakage, water theft and pay bills on-line
5 is a benefit to the customers, therefore, we find the
6 proposed AMI meter program is warranted.

7 **Q Did you find any orders of this commission**
8 **that denied a request to install AMI meters for water**
9 **and sewer -- water utilities?**

10 A No, I didn't identify any orders that denied
11 the AMI installation. I did notice on the one that we
12 have been reading from that the Commission did reduce
13 the utility's proposed cost by about 25 --

14 MR. FRIEDMAN: I object -- please, I asked a
15 simple question, and he keeps going back to
16 something else that he has already made his point
17 on. We have heard him a dozen sometimes about that
18 point. And I think he needs to stick to the
19 question I asked and not go off on some tangent
20 that he just happens to want to address --

21 CHAIRMAN LA ROSA: Okay, and --

22 MR. REHWINKEL: Mr. Chairman --

23 MR. FRIEDMAN: -- instruct him to answer.

24 CHAIRMAN LA ROSA: Understood.

25 MR. REHWINKEL: Mr. Friedman asked him about

1 denial, and Mr. Smith told Mr. Friedman about a
2 subset of denial, which was, and that's a direct
3 answer to his question and within the scope of what
4 he was asked.

5 CHAIRMAN LA ROSA: Yeah, I -- I --

6 MR. FRIEDMAN: I asked him a simple question.

7 CHAIRMAN LA ROSA: I know there has been a few
8 questions, right, that may have seemed like they
9 have gone off, right? So let's just -- if the
10 witness, we can try to stay on track. I, you know,
11 I will interrupt if I see that it's going too far
12 off on track, but I understand where both of you
13 guys are coming from.

14 Let's continue.

15 BY MR. FRIEDMAN:

16 **Q Didn't the Office of Public Counsel**
17 **participate in some of these three cases where AMI**
18 **meters were approved?**

19 A I would have to go back and check the orders
20 to see if they participated.

21 **Q In those three orders, did you see in those**
22 **orders any requirement for analyzing the difference**
23 **between AMR and AMI meter installation?**

24 A No, I didn't.

25 **Q Did you analyze the use of AMI meters by**

1 **governmental utilities in Florida?**

2 A No.

3 **Q Am I correct that one of the reasons you**
4 **oppose the installation of AMI meters is that they are**
5 **not needed to provide safe and reliable service?**

6 A That is correct. The company is currently
7 providing safe and reliable service with its existing
8 meters. AMI meters are not needed for that purpose.
9 They are --

10 **Q So you would agree here, then, as we sit here**
11 **today, that Sunshine provides safe and reliable service?**

12 A On the water side, I think Sunshine has been
13 providing safe and reliable service, from the
14 information I have seen.

15 **Q You proposed to remove the full meter -- full**
16 **meter project and add back the old meter cost, is that**
17 **correct?**

18 A Can you repeat the question, please?

19 **Q Yes. You are proposing to remove the full**
20 **meter replacement project and add back the old meter**
21 **cost?**

22 A We proposed to reverse the company's
23 adjustments related to the AMI meter program.

24 **Q And you understand that the AMI meter**
25 **replacement is well under way, do you not?**

1 A I am not sure if I would agree well on its
2 way. I know the company has done a small pilot, I
3 think, involving 400 some meters. And I think
4 Mr. Twomey provided an estimate that it was about 10
5 percent complete. So I am not sure I would consider 10
6 percent complete well on its way. I mean, I think the
7 company has done some replacements yet, but it appears
8 that the majority of it is still remaining to be
9 completed.

10 **Q All right. Well, with the replacement -- with**
11 **the meter replacement, some had been done, we disagree**
12 **on the magnitude of that. Shouldn't some portion of**
13 **those additions be added to rate base for the new**
14 **meters?**

15 A Not in the fact situation that we are looking
16 at here. If any AMI meters were to be added to rate
17 base, then a proportional amount of the anticipated
18 benefits, which were identified in the company's cost
19 benefit study, should be reflected. And also keep in
20 mind that the cost benefit study was looking at a total
21 cost of about \$8 million, and the company's cost has now
22 ballooned out to over 20 million. So I think it would
23 be one-sided to include only costs and not reflect any
24 benefits, and that still doesn't address the escalation
25 of the cost concern.

1 Q My question was just a simple question. I am
2 taking out a meter, an old-fashioned meter, and I am
3 putting in a new meter. What if I just put in another
4 regular meter, wouldn't I get rate base for the new
5 meter I put in, less any salvage, less retirement,
6 wouldn't I?

7 A Yes, in general, the replacement of a meter
8 would have an impact on rate base, but it wouldn't be
9 \$20 million of increased rate base.

10 Q And you haven't analyzed how much that would
11 be, have you?

12 A We have looked at --

13 Q Oh, there you go again. You said we.

14 A I am sorry. I have looked at the data that
15 was provided on the functioning of the company's
16 existing meters and did not see widespread problems with
17 the meters being inaccurate. So the current meters are
18 functioning to provide safe and adequate water service,
19 and I don't see the justification, adequate
20 justification or proper matching associated with a \$20
21 million rate base addition based on everything we have
22 looked at -- everything I have looked at in this current
23 rate case.

24 Q But you have not taken into consideration,
25 have you, the replacement of an old meter with a new

1 **meter?**

2 A I would say we have taken that into
3 consideration, and it doesn't cost \$20 million --

4 **Q I'm asking you about --**

5 A -- to replace the old meters, which are still
6 adequately functioning and providing accurate water
7 usage readings.

8 **Q Should we wait until all the water meters fail**
9 **to replace them?**

10 A No.

11 **Q So if we replace a failing water meter -- what**
12 **if we have a substantial amount of water meters that**
13 **need replacing, would you suggest we put in**
14 **old-fashioned meters?**

15 A No. We think that the company should update
16 its cost benefit analysis based on updated information,
17 including the results of its pilot program, where 400
18 and some odd meters were replaced, I think in Lake
19 Placid and one of the other smaller systems, and should
20 reevaluate totally the cost benefit based on the updated
21 information, which is a much higher cost, and should
22 recalculate updated amounts for each of the types of
23 anticipated benefits, and should decide do we really
24 need to do AMI at this point, or is AMR or some other
25 alternative more cost-effective for the company and its

1 37,000 customers in Florida?

2 Q Did -- have you been working in an office long
3 enough where they had Selectric typewriters?

4 A Can you repeat the question?

5 Q Have you been working long enough where you
6 remember typewriters?

7 A Say the last word again.

8 Q Typewriter.

9 A It type lawyers.

10 Q Typewriter. Typewriter.

11 A Yes.

12 Q And -- so if you are -- if you have got
13 typewriters in your office and they are starting to
14 fail, would you buy new typewriters or would you buy a
15 computer?

16 A Well, I can say that when I started working in
17 1979, we had an IBM Selectric typewriter, I believe that
18 was replaced, and then eventually we went to IBM PCs,
19 and started using PCs more or less. I think we
20 eventually phased out the typewriter.

21 We also had some kind of in between thing,
22 which it wasn't a typewriter. It was some kind of
23 typing keyboard that printed out stuff on a -- an
24 attached printer that had the perforated paper. So we
25 kind of gradually transitioned based on technology

1 improvements and what was cost-effective to implement at
2 that point in time.

3 Q Let's move to the convenience fee. Isn't
4 there a cost to the utility of processing bill payments
5 that are made by check?

6 A Yes.

7 Q And today, aren't those costs being paid by
8 all customers, whether they mail a check or with whether
9 they pay electronically?

10 A It's my understanding that the cost for
11 processing a check is an operating expense that's
12 borne -- these included in the revenue requirement.
13 Yes.

14 Q But you don't think it would be -- level the
15 playing field to have all the customers pay for the
16 people that pay electronically?

17 A No, I think providing additional payment
18 methods for the convenience of customers who want to use
19 those types of payments, I think, is a good thing, but
20 in every Commission decision that addressed a similar
21 situation that we have been able to identify, the
22 Commission has said that keeping the convenience payment
23 charges on the customers that are choosing to use those
24 alternative payment methods assures that remaining
25 customers do not subsidize those customers who choose to

1 pay using the alternative payment methods, including
2 debit and credit card payments.

3 **Q Well, aren't the people paying electronically**
4 **subsidizing the people that are sending in checks?**

5 A I wouldn't say so. No.

6 **Q All of the customers are paying for people to**
7 **mail in checks, is that correct?**

8 A I am not sure I would agree with that
9 entirely. I think once the check is received by the
10 utility, the cost of processing the check is an
11 operating expense, but the customer who chooses to pay
12 by mailing in a check, that customer that chooses that
13 payment method incurs the cost of postage, possibly an
14 envelope, and then for replacing their checks.

15 **Q I frankly don't care what the customer cost**
16 **is. I am directing you to the utility's cost that is**
17 **spread over all of its customers. People that pay by**
18 **check are subsidized by people that pay electronically,**
19 **aren't they?**

20 A Again, I don't agree with the subsidization
21 comment. I do agree that once the check is received by
22 the utility, that the cost of the utility for processing
23 that check becomes an operating expense, and that's
24 included in the revenue requirement.

25 **Q So under your cost causer theory, shouldn't**

1 **the customers that cause that cost pay that?**

2 A Again, if customers are -- I would say the
3 additional payment methods are an additional option
4 that's made available for the convenience of the
5 customers. And for the customers that use those more
6 convenient payment methods, that benefit them, that its
7 justified to keep the cost of using those alternative
8 payment methods on the customers that are using those
9 payment methods.

10 Q **So those payment methods would electronically**
11 **cost the company less than if people mailed a check,**
12 **correct?**

13 A Not necessarily.

14 Q **Did you hear Mr. DeStefano testify about that,**
15 **or read it in his testimony?**

16 A I think he made a comment to that effect, but
17 didn't back it up with any -- any data on the cost of
18 the customer service department. I mean, the cost of
19 the customer service department are what they are, and
20 Mr. DeStefano didn't show any reduction, to my
21 knowledge, in customer service costs related to
22 customers who are paying using these alternative payment
23 methods.

24 They still have to be processed on the
25 company's side, and there are some costs associated with

1 that. And Mr. DeStefano, to my knowledge, hasn't
2 quantified any cost reduction to the company related to
3 customers using alternative payment methods. The costs
4 are still there. They are still being included in the
5 revenue requirement. I haven't seen any reduction
6 associated with that.

7 **Q So what evidence have you looked at, factual**
8 **evidence have you looked at that analyzes the cost to**
9 **the company of processing electronically payment versus**
10 **a check? You haven't looked at anything, have you?**

11 A The cost to electronically --

12 **Q Answer yes or no, and then you can go on in**
13 **your explanation.**

14 A I have looked at the company's responses to
15 discovery in the rate case and the company's
16 application, and that did include information on the
17 costs of using convenient payment methods, and
18 quantified the cost of using those payment methods as a
19 basis for the existing charges which are assessed to the
20 customers who choose to use those payment methods for
21 their own convenience, or for other reasons that benefit
22 those customers who choose those payment methods.

23 **Q And right now, that's about 40.7 percent of**
24 **the customers that use electronic methods, is it not?**

25 A 40.7 percent I think is the number the company

1 provided, yes.

2 Q What about bills, some people get their bills
3 electronically and some people get their bills in paper
4 format. Don't you think it costs more to generate a
5 paper bill than an electronic bill?

6 A I would think so, yes.

7 Q Do you think those customers who get paper
8 bills should be surcharged the cost of doing that under
9 your cost causer theory?

10 A No, I don't think so. I think the company
11 should tell its customers that electronic billing is
12 available, and customers who choose electronic billing
13 can presumably result in some cost savings. And then
14 once those cost savings are realized, those can be
15 reflected in the company's operating costs.

16 Again, we haven't seen any quantified
17 reductions in operating costs related to electronic
18 billing. There is no proforma adjustment in the case
19 for customers who receive electronic billings producing
20 less customer service costs on the company.

21 Q Do you know what it costs to mail a bill?

22 A Not the exact number. I would imagine it
23 includes --

24 Q Do you know --

25 A -- cost of an envelope, cost of postage, and

1 then some processing time for printing it.

2 **Q Let's move on to something else.**

3 **Do you know what and who the company's D&O**
4 **insurance covers?**

5 A What and who?

6 **Q Yes.**

7 A I don't recall the exact specifics, but I
8 believe it covers officers and directors.

9 **Q So you believe. You haven't looked at the D&O**
10 **insurance policy of Sunshine, have you -- I mean, of**
11 **Corix, have you?**

12 A I believe we have -- I have looked at that, if
13 it was provided in response to discovery.

14 **Q But you don't recall, sitting here today, what**
15 **acts and what persons that covers, is that correct?**

16 A Did you say I don't recall? I don't recall
17 right at the moment. I believe the policy does specify
18 -- contain specifics of the officers and directors that
19 are covered, and the types of items that are covered.

20 **Q Have you ever been an executive officer or**
21 **board member for a for-profit organization?**

22 A Not for a large company, not for a publicly
23 traded company. I mean, I have had side businesses of
24 which I was essentially the main executive.

25 **Q And I guess you wouldn't need D&O insurance**

1 **for that, would you?**

2 A I didn't feel the need for D&O insurance for
3 those side ventures, no.

4 Q **But you wouldn't accept a position as a**
5 **director in a major corporation that didn't provide D&O**
6 **insurance, would you?**

7 A Probably not, but it would depend on a number
8 of other factors, including the compensation and an
9 assessment of the potential risk.

10 Q **Are you a lawyer, is that correct? You have a**
11 **law degree?**

12 A I do have a law degree, and I am a lawyer
13 licensed in Michigan.

14 Q **Do you have any experience as a lawyer with**
15 **civil and criminal litigation in Florida?**

16 A No.

17 Q **So that would -- I assume by that, that also**
18 **involves -- you are not familiar with class action**
19 **lawsuits at the federal level in Florida?**

20 A I am hesitating on answering that, because a
21 number of years ago, when the Environmental Protection
22 Agency was enforcing Clean Air Act violations, I don't
23 recall if any of those that I was involved in involved
24 Florida utilities. I don't recall specifically.

25 And, again, I have not represented as an

1 attorney any litigation matters in Florida whatsoever.
2 My function in Florida has strictly been as a rate
3 analysis in utility operating income and revenue
4 requirement witness for OPC.

5 **Q Am I correct that you are recommending that**
6 **the legal cost that the company incurred for defending a**
7 **personal injury lawsuit be excluded?**

8 A I think that's right based on the being fact
9 circumstances. And I think the dollar amount was
10 relatively small, but we still have excluded that item,
11 yes.

12 **Q And you excluded it why?**

13 A I believe it's explained in my direct
14 testimony. I can find that if you bear with me for a
15 second. I think it's -- are you referring to the
16 Lamelza case? Is that on -- the one that's talked about
17 on page 27?

18 **Q Uh-huh.**

19 A Yeah, the reason we gave for excluding that
20 one was --

21 **Q You said we again.**

22 A I -- the reason I gave for excluding that one
23 was stated on page 27 of my testimony. The case relates
24 to an alleged inquiry associated with some sort of water
25 utility box. The outcome remains uncertain, given the

1 case is still ongoing, including whether Sunshine could
2 be awarded attorneys fees if it were to prevail. And
3 for that reason, we removed that expense.

4 **Q And what's your expertise in knowing in what**
5 **instances attorneys fees are recoverable in Florida?**

6 A My knowledge of that is based on discussions
7 with the OPC's attorneys. I don't recall reviewing
8 specific cases on recovery of attorney fees; although,
9 there -- I think we did that at some point.

10 **Q All right. And so let me ask you this: Under**
11 **what circumstances would attorneys fees be recoverable**
12 **in Florida?**

13 MR. WATROUS: I'm going to object. He is
14 asking a non-attorney in Florida to answer whether
15 attorney fees were recoverable under Florida law.

16 MR. FRIEDMAN: He has made an opinion that
17 they may be recoverable. He just made a statement
18 that they may be recoverable. And he is now
19 admitting that he has got no idea what he based
20 that on. That's not -- he made the statement. All
21 I am doing is questioning him what his basis for
22 making that statement is.

23 CHAIRMAN LA ROSA: Understood.

24 Staff, I am going to look to you on the legal
25 side of this question.

1 MS. HELTON: Mr. Chairman, I think that he can
2 ask him if he knows the answer.

3 CHAIRMAN LA ROSA: Yes. I would agree with
4 staff, allow the question if he knows the answer
5 specifically.

6 THE WITNESS: I don't know for sure if the
7 attorney's fees would be recoverable in this
8 particular instance, but based on discussions with
9 OPC counsel, it seemed like that was a possibility,
10 that they might be recoverable, but I am not sure.

11 BY MR. FRIEDMAN:

12 Q Does OPC have any personal injury lawyers on
13 staff?

14 A I don't think so.

15 Q As we sit here today, you cannot say for a
16 fact that those attorneys fees will be recoverable, can
17 you?

18 A I can't say --

19 MR. WATROUS: I'm going to object. That's
20 asked and answered.

21 CHAIRMAN LA ROSA: Can you rephrase the
22 question? It was an asked question.

23 BY MR. FRIEDMAN:

24 Q I could start out the sentence with, just to
25 be clear, don't you agree that as we sit here today,

1 **that you can't say that those attorneys will be**
2 **recoverable by the utility?**

3 A I can't say for sure that they would be
4 recoverable. Again, when I filed the testimony, we
5 thought that there was a possibility that they might be,
6 and that was one of our reasons for recommending the
7 exclusion.

8 Q **Wouldn't you agree that normally, attorneys**
9 **fees in defending legal actions against the company are**
10 **recoverable?**

11 A Can you repeat the question?

12 Q **Yeah. As a general concept, wouldn't you**
13 **agree that legal fees incurred in defending a legal**
14 **action are recoverable?**

15 A I don't know if I can say whether they would
16 be recoverable or not. I think in some instances, based
17 on my general knowledge, it seemed like they may be
18 recoverable, but I am not sure of the particular
19 instances in Florida law whether they would or would not
20 be recoverable.

21 Q **Would you define what you mean by lobbying as**
22 **you use that term in your testimony?**

23 A Can you refer me to a page?

24 Q **I think it's 28, line eight. Maybe not.**

25 A What was the term again?

1 **Q Lobbying.**

2 A Lobbying, okay.

3 Again, as a general concept, I think lobbying
4 involves the attempt to influence legislation or
5 government action.

6 **Q So by that definition, wouldn't it be true**
7 **that just monitoring legislation is not lobbying?**

8 A The mere activity of monitoring legislation, I
9 don't view that as lobbying, per se. I think it's an
10 activity that could be done in support of lobbying, or
11 just done to keep informed of what's going on.

12 **Q Isn't lobbying beneficial to customers?**

13 A Not all the time. There can be instances
14 where it could be beneficial, or it could be an issue
15 where the interest of the customers and the interest of
16 the entity doing the lobbying are inapposite. So it
17 might be beneficial, or it might be severely detrimental
18 to customer interests, depending on the particular item.

19 **Q It could be severely beneficial or severely**
20 **non-beneficial?**

21 A It could be helpful to a company doing the
22 lobbying and its customers, or it could be being done to
23 benefit the company and result in additional costs and
24 judgment to customers. It depends on a particular item.

25 **Q But am I correct that you are recommending**

1 **that any lobbying costs be excluded?**

2 A No. We made an adjustment to remove a portion
3 of estimated lobbying costs, and I believe that relates
4 to the discussion on page 29.

5 Q **But you didn't analyze whether that -- if the**
6 **lobbying took place, what it was about and who it**
7 **benefited?**

8 A No, we made an estimate based on, I think it
9 was Mr. Lubertozzi's job functions.

10 Q **Okay. But you made it based on his job**
11 **functions, but you didn't analyze to the extent that,**
12 **assuming he did do lobbying, whether that lobbying was**
13 **beneficial to customers, did you?**

14 A Again, we didn't have information about all
15 the details of what the lobbying was involving, so we --
16 we didn't do that type of granular analysis. But in
17 general, in my experience, lobbying costs are below the
18 line item disallowed for ratemaking purposes. So based
19 on his job functions, we used that as an estimate of the
20 portion that appeared to be related to lobbying, and
21 recommended that that be reflected as an adjustment to
22 remove those expenses.

23 Q **So in your mind, all the lobbying costs should**
24 **be removed whether they are beneficial to the customer**
25 **or not? A simple yes or no.**

1 A Yes. And in my experience with utility
2 ratemaking, lobbying costs are typically required to be
3 accounted for subaccount to account 426, where they
4 would end up being below the line and not included. But
5 utilities don't always account for all their lobbying,
6 especially if it's related to a person's job function,
7 and put it into that account. So we thought this
8 adjustment was necessary to reflect lobbying costs as an
9 item that's not included in operating expenses that are
10 included in the utility's revenue requirement.

11 **Q So it to be perfectly clear, it doesn't matter**
12 **to you when you remove the lobbying expense whether that**
13 **expense was incurred that would have benefited the**
14 **customers or not? Yes or no?**

15 A Generally not. Generally as a category of
16 costs, lobbying expenses are not included in utility
17 revenue requirements. They are reflected as a
18 below-the-line item --

19 **Q I am asking what -- you are giving an opinion.**
20 **I am asking you, should all lobbying costs be taken out**
21 **even if they are beneficial to the customer?**

22 A Generally, yes, it's my experience in utility
23 regulation that they are below the line, and I think
24 that's a good public policy and should be continued.

25 **Q Would you define guaranteed revenues as they**

1 **relate to Sunshine?**

2 A My understanding of guaranteed revenues are
3 that guaranteed revenue means a charge designed to cover
4 the utility's costs, including but not limited to the
5 cost of operation, maintenance, depreciation and any
6 taxes, and to provide a reasonable return to the utility
7 for facilities, a portion of which may not be used and
8 useful to the utility or its existing customers.
9 Guaranteed revenues are designed to help the utility
10 recover a portion of its costs from the time capacity is
11 reserved until the customer begins to pay monthly
12 service rates.

13 And that, I believe, is out of the
14 Commission's definitions under 25-30.515. That's what
15 where I got my understanding.

16 **Q All right. So simply put, it's to allow the**
17 **utility to recover for non-used and useful plant that**
18 **they weren't allowed to include it in rate base,**
19 **correct?**

20 A I think that's basically what it's for, yes.

21 CHAIRMAN LA ROSA: Mr. Friedman, I am going to
22 stop you there, because I am not sure where that
23 noise is coming from, but I want to make sure it's
24 not distracting.

25 MR. FRIEDMAN: It's not me.

1 CHAIRMAN LA ROSA: I know it's not you.

2 MR. FRIEDMAN: I didn't even hear it. At
3 least that's something.

4 CHAIRMAN LA ROSA: At some point, it was --
5 yeah. Yeah, some type of warning of some sort.

6 Do we have any idea what that is? I think
7 that's kind of similar to what we heard yesterday.
8 Maybe it just clears. Everything needs a backup,
9 it sounds like.

10 All right. Let's -- yeah, let's proceed.

11 BY MR. FRIEDMAN:

12 Q Yeah, Mr. Smith, since guaranteed revenues are
13 related to non-used and useful plant, why would they not
14 be below the line?

15 A They are a part of total utility operating
16 revenue, and we identified one prior Commission decision
17 that's cited in my testimony where they were treated as
18 love above the line revenue, and we are trying to follow
19 that decision.

20 Q How about all the decisions in the prior cases
21 for Sunshine, where they did not put the guaranteed
22 revenues above the line, did you look at any of those
23 orders?

24 A We were aware that there were --

25 Q Whoa. Whoa. Whoa. We. We. We.

1 A I was aware that there were some inconsistent
2 treatments in the Commission decisions, and we viewed
3 this item as an item that's included in above the line
4 total utility operating revenue, operating income. And
5 on the basis of that one decision, which I think was
6 fairly recent, we recommended that it be treated above
7 the line for Sunshine in the current case.

8 **Q But there is no inconsistency in how this**
9 **commission has handled guaranteed revenues for the last**
10 **three Sunshine rate cases, has there been?**

11 A Based on my knowledge of looking back at the
12 prior Sunshine cases, it appears that it was not
13 included as an above-the-line revenue item in those
14 cases. So it looks like the Commission hasn't been
15 totally consistent among all water utilities that have
16 guaranteed revenue as to how they should be treated in
17 the revenue requirement. And had it not been for that
18 recent case that treated it above the line, I think we
19 probably would not have been recommending that it be
20 treated above the line in the current case.

21 **Q Well, you would agree, would you not, that for**
22 **annual reporting purposes, guaranteed revenues are below**
23 **the line?**

24 A For annual reporting purposes, it's my
25 understanding that guaranteed revenues are included in

1 the amount of total utility operating income.

2 Q And then you go down further, and isn't it
3 deducted?

4 A We did look at an annual report of Sunshine
5 Water Company for the year 2023, and it indicates that
6 guaranteed revenues are being added back to net utility
7 operating income to get to total utility operating
8 income.

9 Q But net operating -- net operating income --
10 at the very top, do you see -- and I am looking at FL --
11 I mean, sorry F1-96. Do you see it at the top?

12 A I see it now, yes.

13 Q And it says, operating revenues, and then
14 under that, they deduct guaranteed revenues and AFPI, do
15 you see that?

16 A I do see that, yes, and that --

17 Q And didn't you agree earlier in your revised
18 testimony that AFPI is below the line?

19 A We agreed that the AFPI should not be included
20 in operating revenues for ratemaking purposes.

21 Q And isn't AFPI just another way to recover for
22 non-used and useful plant, just like guaranteed revenue
23 is?

24 A I think there is a distinction between the
25 AFPI and the guaranteed revenue. And like I said, we

1 noted that other Commission decision that included the
2 guaranteed revenue in utility operating income, utility
3 total operating income.

4 **Q In spite of the fact that their annual**
5 **reporting that -- the annual report prepared by the**
6 **Commission has it as less?**

7 A The annual report shows that it's added to net
8 utility operating income to get to total utility
9 operating income.

10 **Q But for revenue purposes -- achieved rate of**
11 **return purposes, it's not included, is it? That would**
12 **be the next page F1-97. And we can go through the math**
13 **if you have got a calculator.**

14 A For achieved rate of return purposes, it was
15 not included in the annual report.

16 **Q All right. Let's move to the issue of merger**
17 **deferral. Is that something you are familiar with?**

18 A Of what? Can you repeat that?

19 **Q Merger deferral.**

20 A Merger deferrals?

21 **Q Yes. I just want to take your mind into a**
22 **different subject.**

23 **And what's your position on whether the**
24 **company should be able to track costs and savings to**
25 **deal with in a future rate case related to the merger?**

1 A We -- I generally recommend against that, and
2 also recommend that any costs incurred before the
3 closing date not be allowed to be included in any
4 deferrals.

5 **Q What would happen if a utility generates cost**
6 **savings due to merger integration activity in between**
7 **rate cases that don't occur in the test year?**

8 A If they are quantifiable in the context of a
9 rate case, and I believe there are some that are
10 quantifiable in the current rate case, our
11 recommendation -- my recommendation is to have those
12 reflected. If there are additional savings that occur
13 between rate cases, those would be picked up in the next
14 rate case when the revenue requirement is reset.

15 **Q But for that, let's assume that right after**
16 **the end of a rate cases, there a giant big cost savings**
17 **due to the merger. The utility is going to continue to**
18 **get the benefit of that cost savings until the next rate**
19 **case, correct?**

20 A Yes, if there is no deferrals, those would
21 benefit the utility during the period between rate
22 cases. But it is my understanding that the utility is
23 proposing to offset those savings with implementation
24 costs.

25 **Q Do you not think that's reasonable?**

1 A We -- I believe it would be preferable to just
2 reflect all of the quantifiable savings related to the
3 merger that are known at this time as adjustments in the
4 rate case.

5 **Q And if we don't know them, then --**

6 A If you don't know them, then they can't be
7 quantified. If they are known and quantified at this
8 time, they should be reflected this revenue requirement.

9 **Q And -- but if they are not, and it happens**
10 **tomorrow, then they get the -- the company is going to**
11 **get the benefit of that savings until the next rate**
12 **case, correct?**

13 A If savings are realized that are not reflected
14 in this revenue requirement, as well as costs, those
15 would be the responsibility of the company and its
16 investors is between rate cases.

17 **Q That would enjoy the benefits of that cost**
18 **savings, customers would not, correct?**

19 A Under that scenario they would not. And then
20 they wouldn't also be absorbing the costs that the
21 company would be recording as a regulatory asset, which
22 would build up between now and the next rate case.

23 **Q And -- so you don't think it's fair to track**
24 **the costs and the savings at the same time, match under**
25 **your matching principle, you don't think that we ought**

1 to match those two together, and since it can't be done
2 except by deferral, that we do a deferral?

3 A I think that's one way of dealing with it. I
4 am not saying that that's totally unfair. Just that the
5 way the company has proposed it, though, they are going
6 to track all to the costs in a regulatory asset, so that
7 could become a burden to customers. And then they are
8 tracking savings in some manner that's not totally
9 specified.

10 And then this will be an issue, then, that has
11 to be grappled with in the next rate case versus what I
12 believe is the preferable alternative of reflecting all
13 quantifiable savings now in the current rate case, and
14 reflecting those in the current rate case, and then
15 dealing with any cost savings that are known and
16 measurable and quantifiable in the next rate case,
17 dealing with the cost savings in that rate case and
18 passing those through to customers in that rate case,
19 rather than having the cost savings in the next rate
20 case be offset by a bunch of deferred costs that the
21 company has accumulated in the period between rate
22 cases.

23 It is an alternative, but I believe what we
24 are recommending is preferable and would be more
25 beneficial to customers, and more fair.

1 Q Would you not agree that, to the extent a cost
2 savings involves a cost expense, that it should be
3 offset?

4 And here's what I am thinking about. I am a
5 simple guy. All right. So I don't need this officer.
6 I don't need a COO -- two COOs, I am going to let this
7 one COO go, but to let that person go, I am going to
8 have to give him a severance. Now, do you not -- I am
9 going to save money in the future, but I am going to
10 have to pay some money today to get to pay this employee
11 a severance. Do you not think those should be matched
12 under your matching principle?

13 A Again, I am generally in favor of the matching
14 principle, but there is certain cost savings that are
15 known to have resulted from the merger, including having
16 -- you don't need duplicative executives in some of the
17 top executive positions. And whatever those net savings
18 are, that can be identified and quantified in the
19 context of the current rate case, let's reflect them in
20 this rate case.

21 And what I don't favor is having the company
22 defer a bunch of implementation costs, integration costs
23 between rate cases, and then asking for customers to pay
24 for that in the next rate case. I think if that's not
25 done, then the company may enjoy a couple of years. If

1 it has net savings, that will enure to the company and
2 its investors. And then all of the savings that have
3 manifested in the test year in the next rate case will
4 be available to be passed through to customers without
5 any of offsets. I believe that's a preferable paradigm
6 for dealing with this type of situation.

7 **Q Even though the reasonableness of the costs to**
8 **accomplish those savings would be vetted completely by**
9 **the OPC and the Commission in that prior -- in that next**
10 **rate case?**

11 A The company would still be deferring operating
12 costs, putting them into a regulatory asset, and tееing
13 them up for recovery in the next rate case. And in
14 general, I don't favor that type of cost deferral
15 between rate cases. I think it will result in customers
16 potentially getting less savings passed through to them
17 in the next rate case.

18 **Q Even though it's fully vetted in the next rate**
19 **case?**

20 A The costs will be reviewed, but they should
21 have been -- under normal accounting, they would be
22 reflected as an operating expense, so they would not
23 show up as a regulatory asset that becomes an additional
24 burden to customers in the next rate case.

25 **Q And if those expenses incurred in the test**

1 **year, then they would be allowed to be included in the**
2 **revenue requirement?**

3 A If they are included in the test year in the
4 next rate case, I would presume they would also be
5 vetted in the next rate case. So that eliminates having
6 an additional accumulation of costs in the next rate
7 case that needs to be vetted, and which could
8 potentially represent an additional burden on customers
9 in that next rate case.

10 **Q And you understand that to the extent that**
11 **costs -- merger costs exceeded merger savings, that**
12 **Sunshine would not seek to recover the costs that**
13 **exceeded savings?**

14 A I understand that that's the statement that
15 Sunshine has made. However, having seen the types of
16 cost deferrals in other utility rate cases, it puts the
17 burden on consumer advocates like the OPC to have to go
18 through and vet all those costs, which ratepayers would
19 not have otherwise incurred but for the deferral.

20 **Q Isn't that what OPC does, vet costs?**

21 A If the costs are in operating expenses in a
22 test year, then they would be vetted in the rate case.
23 But not having these deferrals eliminates the burden on
24 ratepayers and the ratepayer representatives from having
25 to vet another category of costs that should have -- are

1 related to operating expenses that occur in the in
2 between years.

3 It's just rolling forward a bunch of cost
4 deferrals that, under normal accounting, would be
5 accounted for as operating expenses in those intervening
6 years and, therefore, those costs would not be showing
7 up in the next rate case if there is no deferral
8 allowing those costs to be deferred. And that would be
9 our recommendation in the current case.

10 **Q Let's switch to reuse rates.**

11 **What assets are used to produce reuse rates --**
12 **I mean, reuse service --**

13 A Can you repeat --

14 **Q -- what assets produce reuse service? What**
15 **assets does the utility have that results in having the**
16 **ability to provide reuse service?**

17 A I am sorry, I don't understand the question.
18 I am not sure I heard it properly, and I don't --

19 **Q What asset does the utility have that produces**
20 **reuse water?**

21 A The assets that produce reuse water would
22 generally be some part of the company's wastewater
23 treatment.

24 **Q And you have recommended making an adjustment**
25 **to the reuse rates, is that correct?**

1 A We recommended reflecting some additional
2 revenue from reuse water to keep it on parity with the
3 lowest tier of water, of potable water charges, because
4 that's the alternative.

5 **Q And this is an adjustment you propose to make**
6 **prospectively. It's not something you made in past**
7 **reuse rates, correct?**

8 A It's an adjustment we are recommending in the
9 current rate case to maintain the current parity that
10 exists between the rates charged for reuse water on the
11 wastewater side, and the rates for the lowest tier of
12 potable water usage.

13 In other words, if a customer wants to use
14 water for an irrigation purpose, one option is to use
15 reuse wastewater if it's available. The other option is
16 to use potable drinking water for irrigation purposes.
17 So between those two options, we believe it's in the
18 public interest to keep the reuse water rates on a
19 parity level, so if those two options are both
20 available, the customer that wants to use that for
21 irrigation use, which would be the primary function of
22 reuse water, that they will choose to use the reuse
23 water that's available on the wastewater utility side
24 and not forego that and use potable water for their
25 irrigation purpose because the rates are cheaper.

1 In other words, we want to maintain the same
2 parity that's currently in place. So if an irrigation
3 customer has that choice, they will choose to use the
4 reuse water option rather than sprinkle the potable
5 water on their landscaping.

6 **Q And that's a rate design issue, not a revenue**
7 **requirement issue, is it not?**

8 A It involves aspects of both. It involves
9 reflecting a higher amount for reuse water, which means
10 that the revenue requirement then -- the revenue
11 requirement increase for the wastewater side is
12 correspondingly reduced because some portion of that,
13 beyond what the company had proposed in its filing, is
14 being addressed in the reuse water revenue.

15 **Q But it doesn't increase the revenue**
16 **requirement itself, does it?**

17 A It does not. No.

18 **Q And so do you think that -- you represent all**
19 **the customers, correct?**

20 A The Public Counsel represents all the
21 customers in -- all the citizens in the state of Florida
22 to advocate for issues that are in the public interest.

23 **Q Including those customers whose rates are**
24 **going to go up because of this adjustment you are going**
25 **to make?**

1 A Again, based on the public policy of incenting
2 customers -- or not disincenting customers that have an
3 irrigation use to choose that the reuse water option
4 rather than a lower priced option of using potable water
5 for their irrigation needs, that recommendation is being
6 made, and we think it's in the public interest, and that
7 my understanding is a function of the Public Counsel to
8 advocate issues that the Public Counsel believes are in
9 the public interest.

10 **Q Even if it's adverse to some of the customers?**

11 A Again, I just explained the rationale for it,
12 where an irrigation customer has an option, for their
13 landscaping, to use potable water, potable drinking
14 water or to use wastewater -- wastewater reuse water,
15 which is not suitable for drinking, that we would like
16 to keep the rate parity that currently exists intact, so
17 those types of customers won't be incented to forego
18 using the re -- the wastewater reuse water for
19 irrigation and, instead, choose to use potable drinking
20 water to sprinkle on their landscaping just because the
21 rates are cheaper.

22 **Q Right. So they made -- you made that policy**
23 **decision, notwithstanding the fact that it's adverse to**
24 **a large number of customers?**

25 A It's not --

1 MR. WATROUS: Objection, asked and answered.

2 THE WITNESS: -- it just maintains --

3 MR. FRIEDMAN: He hasn't answered anything.

4 CHAIRMAN LA ROSA: He -- and I know we are
5 kind of revolving around the same --

6 MR. FRIEDMAN: And I am getting to the end.

7 CHAIRMAN LA ROSA: I am sorry?

8 MR. FRIEDMAN: I am getting to the end.

9 THE WITNESS: Yeah, it's not adverse to
10 anybody. It just maintains the same parity that
11 currently exists, which we believe is good public
12 policy -- I believe it's good public policy.

13 Sorry.

14 BY MR. FRIEDMAN:

15 **Q You recommend amortizing it weather related**
16 **costs over five years, is that correct?**

17 A Can you refer me to where that is?

18 CHAIRMAN LA ROSA: Mr. Friedman, it sounds
19 like we are going to go down a different line of
20 questioning. I want to be fair to all involved,
21 the court reporter and witness --

22 MR. FRIEDMAN: I got three questions.

23 CHAIRMAN LA ROSA: How many?

24 MR. FRIEDMAN: Three.

25 CHAIRMAN LA ROSA: Okay. I'm going to -- and

1 I am not trying to rush you. I am just trying to
2 make sure that we take a break at some point in
3 time.

4 MR. FRIEDMAN: I understand. I would like one
5 as well, sir.

6 CHAIRMAN LA ROSA: Okay. All right. If we
7 are -- if we are whittling down to a handful of
8 questions, we will transition then. So let's --
9 yeah, let's continue --

10 MR. FRIEDMAN: Hopefully it won't take too
11 long.

12 CHAIRMAN LA ROSA: -- and know it's coming.

13 BY MR. FRIEDMAN:

14 Q C-17.

15 A Page what?

16 Q Schedule C-17.

17 MR. WHARTON: C-17.

18 THE WITNESS: Page 17?

19 BY MR. FRIEDMAN:

20 Q No. I don't enunciate very well, and that's
21 my problem. C, as in cat, 17. Your schedule number.
22 It's not -- I am sorry. It's not the exhibit number, on
23 your Exhibit C-17.

24 A Is that the RCS-2 Revised?

25 Q Yes.

1 **CHAIRMAN LA ROSA:** And we have got it up here
2 on the screen, if I am not mistaken. I thought we
3 did.

4 **THE WITNESS:** Okay. I am waiting for it to
5 come up. I haven't been able to find it in my
6 paper copy.

7 **BY MR. FRIEDMAN:**

8 **Q** You just don't recall off the top of your head
9 that your amor -- you recommended amortizing those costs
10 over five years?

11 **A** I do recall something of that nature, and I
12 would like to focus on the specifics.

13 **MR. REHWINKEL:** It's C6-2158.

14 **CHAIRMAN LA ROSA:** Okay. Is this -- yeah, if
15 we can just confirm that --

16 **THE WITNESS:** Oh, C-17. Oh, I am sorry. I
17 just didn't hear you properly. Okay, I have it
18 now. I know what you are talking about. I
19 apologize for not recognizing what the C-17, that's
20 the schedule number.

21 **BY MR. FRIEDMAN:**

22 **Q** And I do not enunciate as well as I used to.
23 Did you read Mr. DeStefano's rebuttal
24 testimony discussing weather expenses, where he
25 testified that the expense is largely from refilling

1 **generators during weather events? Do you recall reading**
2 **that?**

3 A I do recall that generally. I don't recall
4 the specifics of what they said.

5 Q **Okay. You don't have any reason to dispute**
6 **that, do you?**

7 A I don't recall the specifics, and I think we
8 are still recommending the five-year amortization.

9 Q **But my question was you don't have any reason**
10 **to dispute Mr. DeStefano's testimony that it's largely**
11 **from refilling generators, do you?**

12 A I don't have any reason to dispute that
13 sentence, no.

14 MR. FRIEDMAN: That's all we have. Thank you.

15 CHAIRMAN LA ROSA: Great. It's 10:33 now.

16 Let's go ahead and take a 10-minute break and be
17 back in our seats at a quarter until 11:00 ready to
18 rock and roll.

19 (Brief recess.)

20 CHAIRMAN LA ROSA: All right. If we can start
21 to find our seats and get back in order.

22 All right. So let's just kind of catch up
23 really quickly where we are. We were -- our
24 witness is there in the -- on the witness stand.

25 Sunshine has just concluded, I believe. And we are

1 going to give staff an opportunity to question the
2 witness.

3 Staff, you are recognized.

4 MR. SANDY: Yes, Mr. Chair, good morning. We
5 have no questions for Mr. Smith.

6 CHAIRMAN LA ROSA: Okay. All right. Well,
7 that was quick.

8 So then let's bring it to us as Commissioners.
9 Commissioners, any questions for Mr. Smith?

10 Seeing none, we will send it back to OPC for
11 redirect.

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

13 FURTHER EXAMINATION

14 BY MR. WATROUS:

15 Q Mr. Smith, do you remember when Mr. Friedman
16 asked you about the use of "we"? Do you recall that?

17 A I do.

18 Q Okay. And can you tell the Commission if the
19 use of the word "we" in any way referred to work or
20 analysis that you were not involved in?

21 A On this case, I was basically supervising all
22 the work, and I am the one sponsoring the testimony.

23 Within our office, I do work with a group of
24 two other rate analysts and a research associate, and
25 some of the details were performed by them under my

1 supervision. That's kind of what was referring to as
2 "we".

3 Q And Mr. Friedman asked you about repurposing
4 the meter readers. Do you recall that?

5 A I do.

6 Q Okay. Did you see any evidence or analysis
7 presented that the utility had made a business case, or
8 that Sunshine had made a business case that it would
9 need to maintain the meter readers if it couldn't be
10 repurposed -- retire the meter readers -- hire the meter
11 readers, my apologies. I can restate that if you would
12 like.

13 A At page 10 of my direct testimony, I identify
14 items that were identified as cost savings in the
15 company's business case, and that included \$656,000 per
16 year for meter reading, elimination of manual meter
17 reading.

18 Q Okay. And Mr. Friedman asked you about OPC's
19 participation in previous AMI cases, do you recall?

20 A I do.

21 Q And, Mr. Smith, are you familiar with the
22 impact of rate case expenses in a small rate case?

23 A In general, I am aware that for a utility with
24 only a few hundred customers, rate case expense can
25 become a very large item of impact on the per customer

1 rate impacts.

2 Q And in the Leighton case that was brought up,
3 and the Pinecrest case that was brought up, do you know
4 whether the small size of the utilities like them can
5 prohibit the OPC from intervening to address an issue
6 like AMI if it would generate rate case expense that
7 would more than -- more than be the benefit of
8 prevailing in the single issue?

9 A I haven't personally discussed with OPC their
10 criteria for getting into rate cases, but I would think,
11 as a general matter, OPC is concerned about impacts on
12 customers, and rate impacts, and the impacts of large
13 rate increases, and with systems that only have a couple
14 hundred to a couple thousand customers, the rate expense
15 can start overwhelming all the other considerations in
16 the rate case. So I would think that OPC would want to
17 be judicious about the cases in which they are
18 participating in, and may want to forego participation
19 in these tiny water utility cases based on just what you
20 noted, the impact on rate case expense.

21 Q And Mr. Friedman had asked about guaranteed
22 revenues, do you recall?

23 A I do.

24 Q Okay. And was there -- or is there a rule on
25 this, or is it a policy reflected in differing orders?

1 A I believe there is a definition of guaranteed
2 revenues in the rule. And it looks like there may have
3 been differing treatments in differing rate cases, not
4 necessarily a one-size-fits-all.

5 **Q Okay. And Mr. Friedman had asked you about**
6 **the matching principle, do you recall?**

7 A I do.

8 **Q Okay. And if you are matching vaguely defined**
9 **costs and vaguely defined savings, does that really meet**
10 **the common understanding in the accounting process of**
11 **the matching principle?**

12 A No. It -- the concept that's proposed by the
13 company is pretty vague. And under normal accounting
14 standards, the matching would have them match the
15 operating expenses with the period in which they are
16 incurred by treating those as expenses. And any savings
17 that were actually realized in the period incurred would
18 be reflected as, presumably as reduction to actual
19 recorded operating expenses in those same periods. But
20 the accounting would focus on actual identifiable,
21 documentable costs that would normally be recorded for
22 accounting purposes. It wouldn't typically be involved
23 in recording accounting costs for items that are of the
24 nature of an avoided costs which was never incurred.

25 **Q Thank you, Mr. Smith.**

1 MR. WATROUS: OPC has no more questions, and
2 OPC would ask that Mr. Smith's previously
3 identified exhibits, which I believe are 40 and 41
4 on the CEL, be entered into the record.

5 CHAIRMAN LA ROSA: Is there objection? And I
6 know that there was a revised RCS-2, is that
7 included in that?

8 MR. WATROUS: Yes.

9 CHAIRMAN LA ROSA: I am looking over to
10 Sunshine to see if there is objection. Is there
11 objection?

12 MR. FRIEDMAN: Oh, no, I don't have any
13 objection to the exhibits. I am sorry.

14 CHAIRMAN LA ROSA: Deep discussion there, so I
15 was confused.

16 MR. FRIEDMAN: No. I apologize.

17 CHAIRMAN LA ROSA: All right. Seeing no
18 objection, show that that is entered into the
19 record.

20 (Whereupon, Exhibit Nos. 40 & 41 were received
21 into evidence.)

22 MR. WATROUS: And I would ask that Mr. Smith
23 be excused.

24 CHAIRMAN LA ROSA: He may be excused.

25 Thank you, sir.

1 MR. FRIEDMAN: Mr. Chairman, I did have some
2 exhibits that I asked the witness about. To the
3 extent that they are orders, do we really need to
4 move them in?

5 MS. HELTON: No.

6 CHAIRMAN LA ROSA: Okay.

7 MR. FRIEDMAN: Thank you. That was what I was
8 hoping your answer would be.

9 CHAIRMAN LA ROSA: Okay. Awesome. Great.

10 Mr. Smith, thank you again. You are excused.

11 (Witness excused.)

12 CHAIRMAN LA ROSA: All right. Let's move now
13 to rebuttal, and I will ask Sunshine to present
14 its --

15 MR. FRIEDMAN: Yes, Shawn Elicegui.

16 CHAIRMAN LA ROSA: Mr. Elicegui, when you are
17 settled, you are recognized, you guys may begin.

18 THE WITNESS: Thank you, Mr. Chairman.

19 Whereupon,

20 SHAWN M. ELICEGUI

21 was recalled as a witness, having been previously duly
22 sworn to speak the truth, the whole truth, and nothing
23 but the truth, was examined and testified as follows:

24 EXAMINATION

25 BY MR. FRIEDMAN:

1 **Q Would you state your name and business address**
2 **again please?**

3 A Shawn Elicequi. 7800 Rancharrah Parkway,
4 Reno, Nevada, 89511.

5 **Q And were you sworn yesterday, were you not?**

6 A Yes, I was.

7 **Q Did it you prefile rebuttal testimony in this**
8 **case?**

9 A I have adopted the prefiled rebuttal testimony
10 of Steve Lubertozzi.

11 **Q And if I were to ask you the questions that**
12 **were asked of Mr. Lubertozzi, would your answers remain**
13 **the same?**

14 A Yes.

15 **Q And you do not have any exhibits, is that**
16 **correct?**

17 A That's correct.

18 MR. FRIEDMAN: I would like to ask that Mr.
19 Lubertozzi's testimony, as adopted by Mr. Elicequi,
20 be admitted into the record as though read.

21 CHAIRMAN LA ROSA: All right. So ordered.

22 (Whereupon, prefiled rebuttal testimony of
23 Steven M. Lubertozzi, adopted by Shawn Elicequi, was
24 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

REBUTTAL TESTIMONY

OF

STEVEN M. LUBERTOZZI

on behalf of

Sunshine Water Services Company

I. INTRODUCTION & PURPOSE

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

A1. My name is Steven M. Lubertozi. I am Senior Vice President of Rates, Regulatory, and Legislative 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, Suite 3600, Chicago, Illinois 60661.

Q2. DID YOU PREFILE DIRECT TESTIMONY IN THIS PROCEEDING?

A2. Yes.

Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A3. My rebuttal testimony will address the following topics that Office of Public Counsel (“OPC”) Witness Smith discussed: (1) Lobbying Portion of Senior VP Salary Responsible for Legislative Affairs, (2) Consolidation of Board of Director Fees, and (3) Merger Costs and Savings.

Q4. WAS YOUR REBUTTAL TESTIMONY PREPARED BY YOU OR BY SOMEONE UNDER YOUR DIRECT SUPERVISION?

A4. Yes.

II. LOBBYING PORTION OF SENIOR VP SALARY RESPONSIBLE FOR LEGISLATIVE AFFAIRS

Q5. SHOULD THE COMMISSION INCLUDE IN SWS’ REVENUE REQUIREMENT ALL ALLOCATED COSTS ASSOCIATED WITH THE SALARY OF THE SENIOR VICE PRESIDENT OF RATES, REGULATORY AND LEGISLATIVE AFFAIRS?

A5. Yes. The Commission should reject Witness Smith’s recommendation to exclude certain costs associated with this position from SWS’ revenue requirement because it is based on an incorrect assumption and not supported by evidence. Witness Smith assumes that the Senior Vice President of Rates, Regulatory and Legislative Affairs spends approximately one-third of

1 the individual's time engaging in lobbying or legislative activity. To the contrary, I am not
2 registered as a lobbyist in any jurisdiction. I did not spend any time during the test year
3 lobbying. Indeed, my primary responsibility involves regulation – either directly, as in this
4 case, or indirectly in supporting the efforts of business units in interacting with regulatory
5 agencies such as the Commission. I am responsible for monitoring certain legislation and
6 assessing its impact on NWG, its subsidiaries, and our customers.

7 **III. CONSOLIDATION OF BOARD OF DIRECTORS FEES**

8 **Q6. SHOULD THE COMMISSION REJECT WITNESS SMITH'S RECOMMENDATION**
9 **TO REDUCE SWS' WATER AND WASTEWATER REVENUE REQUIREMENT TO**
10 **REFLECT A LOWER AMOUNT OF ALLOCATED DIRECTOR'S FEES?**

11 A6. Yes. As stated in my direct testimony, the Merger¹ is expected to produce financial benefits,
12 and the Merger Parties have taken and will continue to take a deliberate approach to planning
13 for integration, and then executing on integration plans to mitigate potential risks to customers.
14 Witness Smith's analysis misses the mark on a deliberate and comprehensive approach to
15 identifying and capturing impacts of the Merger. First, Witness Smith splits the estimated
16 savings evenly between the CII and SouthWest customers, which is not based on any applicable
17 allocation method, which could result in insufficient benefits flowing to SWS's customers.
18 Second, Witness Smith ignores any potential cost to achieve merger savings that have been
19 incurred that would offset his estimated savings. Third and most importantly, SWS's proposed
20 deferrals are designed to protect customers and ensure that the proper amount of net benefits
21 flows to SWS's customers. SWS's proposed deferrals capture identified benefits of
22 integration, as well as any costs to achieve those benefits, which, if allowed in the current case
23 – with a historic test year and limited information on Merger benefits – would establish the

¹ As defined in Steven M. Lubertozzi's Direct Testimony, Page 2, lines 4 - 5.

1 deferrals for disposition in a future proceeding and avoid piecemeal or inconsistent reflection
2 of merger impacts.

3 **IV. MERGER COSTS AND SAVINGS**

4 **Q7. IF THE COMMISSION AUTHORIZES THE DEFERRAL OF MERGER SAVINGS**
5 **AND COST INCURRED TO ACHIEVE THOSE SAVINGS, SHOULD THE**
6 **COMMISSION AUTHORIZE THE DEFERRAL OF COST INCURRED BEFORE**
7 **APRIL 1, 2024?**

8 A7. Yes. First, proper execution requires planning. The parties to the Merger appropriately began
9 planning for post-merger integration activities before April 1, 2024. This activity was prudent.
10 Accordingly, reasonable costs incurred before April 1, 2024, that result in merger savings
11 should be deferred. Second, OPC and all stakeholders, including the Commission, will have
12 the opportunity to review the reasonableness and necessity (i.e., assess whether the parties to
13 the Merger prudently incurred such costs) in a subsequent rate setting proceeding. Therefore,
14 it is premature to determine a cutoff date before any party can review documents supporting
15 costs to achieve Merger savings incurred before April 1, 2024. OPC, Commission Staff, and
16 the Commission can review all costs SWS submits as part of future rate setting proceedings.

17 **V. CONCLUSION**

18 **Q8. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

19 A8. Yes, it does. I, however, reserve the right to update this testimony should new information
20 become available in the future.

1 BY MR. FRIEDMAN:

2 Q Mr. Elicegui, would you give us a brief
3 summary, please, of your rebuttal testimony?

4 A Yes, I will. I will try to be brief. Thank
5 you.

6 Good morning, Commissioners. My rebuttal
7 testimony addresses three issues raised by OPC witness
8 Ralph Smith. I address proposed adjustment C-14,
9 proposed adjustment C-16, and Mr. Smith's position on
10 integration costs incurred before April 1, 2024.

11 With respect to adjustment C-14, I ask that
12 the Commission not remove any portion of Mr.
13 Lubertozzi's allocated salary from revenue requirement.
14 This adjustment is, in my view, neither justified nor
15 appropriate. Mr. Lubertozzi engaged in no lobbying
16 during the test period. Indeed, his primary function is
17 regulatory in nature. He develops regulatory strategy.
18 He files and supports rate cases. He supports tariff
19 filings. And he supports filings in rulemaking
20 proceedings. He does monitor legislation in 20 states
21 and two provinces, and assess the impact of those -- of
22 legislation on the company's operations.

23 I did acknowledge in my deposition that he
24 spends a de minimis amount of time, less than 80 hours,
25 less than four percent of his time during the test

1 period, supporting lobbying activity by outside
2 lobbyists. He provides them information so that they
3 can advocate for or against legislative change on behalf
4 of the company's customers. I don't believe this
5 activity justifies an adjustment to revenue requirement.

6 With respect to C-16, I ask that the
7 Commission not remove any portion of allocated
8 directors' fees incurred during the test period, which
9 were reasonable and necessary to support Sunshine's
10 operations as a proxy for merger savings. The problem
11 with this proposed adjustment, this proposed proforma
12 adjustment, is it does not take into consideration any
13 costs duration the test year incurred to achieve merger
14 savings, or any proforma costs incurred to achieve
15 merger savings.

16 Instead, this proposal highlights the need to
17 adopt Sunshine's defer and track mechanism. That
18 mechanism will allow the Commission, OPC and staff to
19 fully vet merger costs, i.e., only transition costs, and
20 merger benefits in a subsequent proceeding. It's
21 evenhanded. It doesn't prejudice any party. And it
22 ensures a holistic analysis to the assessment to merger
23 benefits and the costs to achieve those benefits, allows
24 the Commission to ensure that future revenue
25 requirements reflect both the costs to achieve benefits

1 and benefits.

2 Thank you for your time.

3 MR. FRIEDMAN: We tender Mr. Elicegui for
4 cross-examination at this time.

5 CHAIRMAN LA ROSA: Great. Thank you.

6 We are going to ahead and send over to OPC,
7 but before we do that, I just -- I should have
8 maybe done this right out of the break. It's 11
9 o'clock literally on the dot now as we are
10 speaking. I know, of course, we have got some
11 rebuttal. Ideally, if we are only going to be an
12 hour-and-a-half-ish, we can probably power through
13 without taking a lunch. Obviously, we have got to
14 do some admin stuff at the end of all this, but I
15 just want to be cognitive of that. And I will
16 just, obviously, keep close tabs as thing are
17 moving a log.

18 It's 11 o'clock now, and normally I would
19 break around the 12 o'clock hour, but I will push
20 that out and see if we can try to get -- finish up
21 before that. Is that okay? Okay. All right.
22 Excellent.

23 So let's go ahead and turn it over to OPC for
24 questions.

25 EXAMINATION

1 BY MR. WATROUS:

2 Q Good morning, Mr. Elicegui.

3 A Good morning.

4 Q I will go ahead and jump right on into
5 questions.

6 So when it comes to lobbying, isn't it true
7 that lobbying activities are only permissible after
8 being reviewed and approved by legal counsel?

9 A Yes. The company has a policy that ensures
10 legal review of lobbying engagements.

11 Q And you are the individual who reviews
12 engagements with third-party paid lobbyists?

13 A Either me or a member of my team. That's
14 correct.

15 Q Okay. And either you or a member of your team
16 provide a quarterly lobbying expenditure report to, I
17 believe, the executives?

18 A During the test year, I provided quarterly
19 paid lobbying expenditure reports to the Corix audit
20 committee.

21 Q And isn't it true that lobbying activities are
22 made by the individual who engaged these lobbyists?

23 A Decisions to engage lobbyists are made by
24 business unit presidents. That's correct.

25 Q Okay. And that would be Mr. Twomey?

1 A I don't recall whether Mr. Twomey was the
2 business unit president during a portion of the test
3 year. To the extent he was, he would have made
4 decisions to engage lobbyists after he joined Sunshine.

5 **Q Okay. And the president before Mr. Twomey, he**
6 **would have also made those decisions to engage?**

7 A That's correct.

8 **Q Okay. And Mr. Lubertozzi interacted with**
9 **lobbyists?**

10 A As indicated in my deposition, Mr. Lubertozzi
11 reviewed his calendar for the test year and identified
12 less than 80 hours of time spent either meeting with
13 lobbyists or providing lobbyists information that they
14 could use to advocate on behalf of the company and its
15 customers for legislative change.

16 **Q So that's a yes?**

17 A Yes.

18 **Q Okay. And Sunshine, in the 2023 test year,**
19 **had retained eight lobbyists, is that correct?**

20 A I know that Sunshine engaged the law firm of
21 Gunster during the test year.

22 **Q Okay. Can I ask to go to master page number**
23 **F2-606? And this would be Exhibit 23 for OPC. I**
24 **believe it's labeled OPC 22, even though it's 23 in the**
25 **CEL. And it's apparently Exhibit No. 143 at the top,**

1 FPSC Exhibit No. 143.

2 And, Mr. Elicegui, can you see that this is
3 on-line Sunshine's 2023 calendar year for the executive
4 lobbyist search?

5 A I see that it appears to be a report
6 identifying registered lobbyists on behalf of Sunshine
7 water services.

8 Q And can we slide one page down, please, to the
9 Sunshine Water Services?

10 And can you see those lobbyists for Sunshine
11 Water Services?

12 A I see a list of individuals identified as
13 lobbyists, yes.

14 Q Okay. And can you please read those aloud?

15 A Ronald A. Brise, David W. Childs, Kevin
16 Cleary, withdrawn on 6/6/2023. Julie H. Fess. Kyle
17 Langan. Eileen Halloran Stuart. Larry J. Williams.

18 Q Thank you.

19 Now I would like to go to OPC 24, which would
20 be on master F2-610.

21 Okay. And can you see that this is on-line
22 Sunshine's lobbyist search for the calendar year 2023
23 for the legislative branch?

24 A I see that this appears to be a report of
25 registered lobbyists.

1 Q And then can we scroll down to the Sunshine?
2 I believe it's a little farther down. And right here.
3 And the Sunshine Water Services here, you read
4 off everyone except for Chris James Bailey Snow in the
5 previous one, correct?

6 A Yes.

7 MR. WATROUS: Okay. Thank you. OPC has no
8 further questions.

9 CHAIRMAN LA ROSA: Thank you.
10 Staff?

11 MR. SANDY: No questions for this witness,
12 Mr. Chair.

13 CHAIRMAN LA ROSA: Commissioners?
14 Seeing no questions, let's go back to Sunshine
15 for redirect.

16 All right. Having no redirect. Sir, you are
17 excused.

18 THE WITNESS: Thank you, Mr. Chairman.
19 (Witness excused.)

20 CHAIRMAN LA ROSA: There is nothing else to
21 enter into the record, just --

22 MR. WATROUS: OPC has those two exhibits that
23 we brought up search, which would be Exhibit 143
24 and Exhibit 144.

25 CHAIRMAN LA ROSA: Is there objections with

1 those two exhibits, 143 and 144, the two that were
2 justice displayed in questioning?

3 MR. FRIEDMAN: I guess not. I mean, they are
4 just screen shots of -- it's hearsay basically.
5 There was no testimony. He all they asked him to
6 do was read off these names. They didn't try to
7 associate these names with the Gunster firm, who
8 they said they had hired.

9 I don't see any probative value to something
10 to just say five or six or eight people were listed
11 on here without identifying who they are and what
12 they do. I think it's hearsay, and I object.

13 CHAIRMAN LA ROSA: So you do object?

14 MR. FRIEDMAN: I do object to hearsay, yes.

15 CHAIRMAN LA ROSA: Okay. Staff, I --

16 MR. WATROUS: Hearsay is admissible under 120.

17 MR. FRIEDMAN: Only if it goes to support
18 something that's already in evidence. You can't
19 use it in and of itself as a basis of any decision.

20 CHAIRMAN LA ROSA: Understood.

21 MS. HELTON: Both Mr. Friedman and Mr.
22 Watrous, I think, are right. Hearsay is admissible
23 under Chapter 120, but it must be corroborated by
24 other evidence that is not hearsay in the record.
25 So my suggestion, Mr. Chairman, is to let it in.

1 Give it the weight its due, depending upon whether
2 it's corroborated elsewhere.

3 CHAIRMAN LA ROSA: I agree. That's what I am
4 going to -- that's what I am going to allow. We
5 will give it the weight that it's do.

6 MR. FRIEDMAN: Thank you.

7 CHAIRMAN LA ROSA: All right. Then show that
8 entered into the record, 143 and 144.

9 (Whereupon, Exhibit Nos. 143 & 144 were
10 received into evidence.)

11 CHAIRMAN LA ROSA: All right. Let's move to
12 the next witness. Sunshine, you can call your next
13 witness for rebuttal.

14 MR. WHARTON: The company would call Ms.
15 Swain.

16 CHAIRMAN LA ROSA: Ms. Swain, you guys are
17 recognized to get started once you are ready.

18 Whereupon,

19 DEBORAH D. SWAIN

20 was recalled as a witness, having been previously duly
21 sworn to speak the truth, the whole truth, and nothing
22 but the truth, was examined and testified as follows:

23 EXAMINATION

24 BY MR. WHARTON:

25 Q Ms. Swain, would you restate your name and

1 **business address?**

2 A Deborah Swain, 2025 SW 32nd Avenue, Miami,
3 Florida.

4 Q **And you have previously been sworn in this**
5 **case?**

6 A I have.

7 Q **Did you cause rebuttal testimony to be filed**
8 **in this case, prefiled rebuttal testimony?**

9 A I did.

10 Q **And if I were to ask you the questions to your**
11 **refiled rebuttal testimony, would your answers be the**
12 **same, or do you have any modifications or corrections?**

13 A I do have -- I have two corrections.

14 Q **Go ahead and make those.**

15 A Okay. I originally misnumbered my exhibit as
16 DDS-2 and it should be DDS-3. That was referenced and
17 should be corrected on page six, line 16, line 22; page
18 eight line two, line eight and line 10.

19 And then on page four, line 21, I listed an
20 order, a PSC order, and it was the incorrect reference.
21 It should, where I stated Order No. PSC-2004-0363-SC-SU,
22 it should read PSC-2007-0130-SC-SU.

23 MR. WHARTON: Mr. Chairman, I would ask that
24 the witness's testimony be inserted into the record
25 as though read with those corrections made.

1 CHAIRMAN LA ROSA: So ordered.

2 (Whereupon, prefiled rebuttal testimony of

3 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

REBUTTAL 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. and
3 head up the firm's finance, accounting and management team. My business address is 2025
4 SW 32nd Ave., Suite 110, Miami, Florida 33145.

5 **Q. Have you previously prefiled direct testimony in this proceeding?**

6 A. Yes.

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

8 A. The purpose of my rebuttal testimony is to present information on behalf of Sunshine Water
9 Services Company ("SWS" or the "Company") to refute certain the issues and arguments
10 presented by Office of Public Counsel ("OPC") Witness Ralph Smith.

11 **Q. What issues will you be addressing in your testimony?**

12 A. I address the following issues, referencing Witness Smith's schedule numbers

- 13 • B-3, Accrued Revenues Adjustment
- 14 • B-4, Miscellaneous Deferred Debits – 13 Month Average
- 15 • B-5, Rate Base Impact of Test Year Annualization Adjustments
- 16 • B-6, Miscellaneous Deferred Debits - Impact of Expense Adjustments
- 17 • C-8, Interest Synchronization
- 18 • C-15, Depreciation Expense - Test Year Annualization Adjustments
- 19 • C-19, Annualized Wastewater Utility Revenues
- 20 • C-20, Water Utility Reuse Revenues
- 21 • C-21, Miscellaneous Revenues

22 **Q. Please explain your positions on each of the issues you list above.**

23 A. B-3, Accrued Revenues Adjustment and B-4, Miscellaneous Deferred Debits – 13 Month
24 Average

25 Witness Smith is not arguing that these accounts are not appropriate to include in the working

1 capital allowance, but has proposed an adjustment to remove the December 31, 2022, book
2 balance because it does not reconcile with the December 31, 2022, Annual Report filed by
3 the Company. There is no specific requirement to provide a reconciliation to the prior year
4 Annual Report, only the current year that is represented by the test year used in the rate case
5 filing. Both the 2022 and 2023 Annual Reports are prepared using the Company's general
6 ledger, so the differences in presentation for the Annual Reports are generally in allocations
7 between water and wastewater and ledger account groupings. The MFRs were prepared with
8 allocations and groupings consistent with prior MFR filings. This is pertinent to the
9 adjustments recommended by Witness Smith for both Accrued Revenues and Deferred
10 Debits.

11 Accrued Revenues are listed separately in the MFRs and 2023 Annual Report, where in the
12 Annual Report it is grouped with Customer Accounts Receivable in 2022. Both are includable
13 in the working capital allowance. The 2022 Annual Report shows the balance reported in
14 customer accounts receivable on Schedules F-1(a) and F-11 is \$6,380,616. The MFRs show
15 a balance in accounts receivable of \$5,871,075 and accrued revenues of \$509,541, which
16 totals \$6,380,616, the amount reported in the 2022 Annual Report.

17 Miscellaneous Deferred Debits are also grouped differently in the 2022 Annual Report than
18 in the MFRs and 2023 Annual Report. The 2022 Annual Report groups miscellaneous assets
19 into two groupings, split between the F-12 and the F-14 schedules. On the MFRs, the total is
20 included in two line items, Deferred Rate Case Expense, which is not includable in the
21 working capital allowance, and Other Miscellaneous Deferred Debits, which is includable.
22 Witness Smith's proposed value for Miscellaneous Deferred Debits, however, includes
23 Deferred Rate Case Expense. As the values used in the MFRs are consistent with the
24 includable accounts directly from the general ledger, the Company's 13-month average
25 calculation is correct and proper for this case.

1 **B-5, Rate Base Impact of Test Year Annualization Adjustments, C-15, Depreciation**
2 **Expense - Test Year Annualization Adjustments**

3 The proforma adjustment to annualize depreciation has been included and allowed in SWS'
4 predecessor companies' rate increase filings that have been submitted as far back as our
5 records are available. The concept is that depreciation expense is similar to other expenses
6 incurred during the test year for which there are known and measurable changes eligible for
7 a pro-forma adjustment. The spreadsheet file I prepared includes a schedule to identify the
8 plant additions incurred during the test year, and calculate the depreciation for the part of the
9 year not included in test year expenses. What sets this pro-forma adjustment apart from other
10 expense categories is that depreciation expense has an offsetting rate base component,
11 accumulated depreciation. For consistency, the Company included the additional
12 accumulated depreciation which occurs as a result of the additional depreciation expense. The
13 result is that accumulated depreciation is an annualized amount and not a 13-month average,
14 which benefits customers due to lowering rate base. Although I recognize that this component
15 is no longer a 13- month average, I believe that the adjustment to accumulated depreciation
16 should be made.

17 **Q. Do you have a list of the orders or dockets where this adjustment was allowed?**

18 A. I did not do an exhaustive search, but in all of the SWS predecessor cases found where the
19 adjustment was requested, it was allowed. The ones I identified were: ORDER NO. PSC-
20 2021-0206-FOF-WS (UIF), ORDER NO. PSC-2017-0361-FOF-WS (UIF), ORDER NO.
21 PSC-2009-0372-PAA-SU, ORDER NO. ~~PSC-2004-0363-PAA-SU~~.
PSC-2007-0130-SC-SU.

22 **Q. Please continue with your comments on the remaining issues.**

23 A. **C-8, Interest Synchronization**

24 Witness Smith performed an analysis of the interest synchronization required to balance to
25 rate base. My review of his calculations disclosed an error in the MFRs. Although I added a

1 form of debt, Long-Term Variable, that is new since the last rate case in all of the debt
2 schedules in the MFRs, I failed to carry that through all calculations, and therefore did not
3 include the interest expense on that debt as a further deduction for the calculation of income
4 taxes. The result is that income taxes were overstated, and revenues required overstated. The
5 correction would be an additional interest expense of \$608,146 for wastewater. Using an
6 effective tax rate of 25.345%, the income tax expense should be reduced by \$154,135. For
7 water, the additional interest expense is \$498,398, and the income tax expense would be lower
8 by \$126,314. Although I describe the impact on water, the impact of this adjustment on water
9 revenues is much less than the voluntary reduction requested by the Company, and therefore
10 does not affect the Company's requested water revenue level.

11 **C-19, Annualized Wastewater Utility Revenues**

12 I have reviewed the testimony and calculations provided by Witness Smith and have found
13 that the bottom line is that he has added back \$47,432, which is the amount we removed from
14 Operating Revenues associated with Guaranteed Revenues and AFPI. The Commission
15 recognizes that these revenues components are directly, exclusively, and specifically
16 associated with Non-Used and Useful Plant costs that are disallowed in a rate case filing, and
17 therefore should correspondingly be removed from inclusion in Operating Revenues. For the
18 determination of the Achieved Rate of Return in the Annual Report Form, Schedule F-3(a)
19 shows that guaranteed revenues and AFPI should be subtracted from Operating Revenues,
20 and those revenues are not included in the Net Operating Income of the utility for the
21 determination of the Achieved Rate of Return on Schedule F-4.

22 **C-20, Water Utility Reuse Revenues**

23 It appears that Witness Smith is calculating the impact on reuse revenues as if the water base
24 facility charge and volumetric charge was imposed instead of the reuse base facility charge
25 and volumetric charge as approved in the Company's tariff. However, as the Company has

1 an approved reuse tariff, no other tariff should be used to calculate present or proposed rate
2 revenues in this case.

3 **C-21, Miscellaneous Revenues**

4 Witness Smith has recommended an adjustment to revenues from Miscellaneous Charges to
5 recognize price index increases that should have been made. However, (1) the utility was
6 not entitled to a price index increase in 2020 or 2021 during the pendency of the 2019 test
7 year rate case, (2) the price index amounts he uses to determine a composite increase are the
8 indexes allowed on eligible expenses, and do not represent the revenue increase allowed,
9 and (3) the Company has increased its Miscellaneous Charges by the amount allowed by the
10 Commission each year since it was available after the last rate increase application.

11 However, I note that we did not annualize the impact of the June 2024 index rate changes
12 for Miscellaneous Charges. I therefore propose an increase of \$7,817 for water and \$7,268
13 for wastewater present rate miscellaneous revenues in this case in order to reflect test year
14 activity at the current authorized rates.

15 **Q. Are you providing any Exhibits at this time?**

16 **DDS-3**
A. Yes, Exhibit ~~DDS-2~~ incorporates the adjustments that are detailed in the company witnesses'
17 rebuttal testimony into the final MFRs ("SWS- MFRs 12-31-23_Deficiency correction 7-31-
18 2024_FINAL"). Additionally, I have included a repression adjustment to the calculation of
19 wastewater rates, as is consistent with Commission practice, using the same assumptions I
20 used for the water rate repression. The omission in the original filing was an oversight, and it
21 is appropriate to include it. Below is my calculation of the adjustment that should be made,
22 using the updated revenue requirement in **DDS-3** ~~DDS-2~~. Note that an adjustment to operating
23 expenses is necessary to reflect the reduced costs associated with the reduces water
24 consumption. .

25 **Q. Has the Commission allowed a repression adjustment for wastewater in the Company's**

1 **prior cases?**

2 A. Yes, the last case where the Company requested a repression adjustment for water and
3 wastewater was in its 2015 Test Year Case Docket No. 20160101-WS. A repression
4 adjustment was approved in Order No. PSC-2017-0361-FOF-WS. In that Order, the
5 Commission stated, "...we find that a repression adjustment shall be also be made for
6 wastewater. Because wastewater rates are calculated based on customers' water demand, if
7 those customers' water demand is expected to decline, then the billing determinants used to
8 calculate wastewater rates shall also be adjusted."

9 **Q. You made an adjustment to reduce expenses, can you explain?**

10 A. The Commission's practice is to reduce certain wastewater operating expenses to proportion
11 to the reduction of water billed due to repression. The reduction is the percentage of repressed
12 gallons to the total water billed to wastewater customers.

13 **Q. Please explain how you calculated the repression adjustment.**

14 A. First, I calculated the discretionary usage consistent with the water methodology, using the
15 E-14 schedules, I determined the gallons billed over 4000 gallons for monthly billing, and
16 over 8000 gallons for bi-monthly billing for all residential customers. I have determined that
17 in order to compensate for the anticipated 3.16% reduction in discretionary billable water, an
18 across the board increase of .310% should be applied to all tiers of wastewater rates.

19 The table below shows the repression calculation and the impact on expenses.

WASTEWATER REPRESSION CALCULATION							
		TOTAL	All other systems	Tierre Verde	Mid County	Cross Creek	DeeAnn Estates
Residential Gallons:		1,430,001	1,320,211		107,795		1,995
Discretionary Gallons							
CF @ 4000 / 8000		908,402	832,550		75,852		
CF @ 8000 / 16000		1,428,006	1,320,211		107,795		
Discretionary Gallons		519,604	487,661		31,943		
Repression %							
% increase in revenues	15.81%						
2% for every 10% revenue increase	3.162%						
Repressed Gallons		16,431	15,421	-	1,010	-	-
Gallage Rate before repression	\$6.48						
Revenue Shortfall due to repression		\$106,475	\$99,929		\$6,546		
Total revenues at calculated original proposed rates		\$34,050,150	\$27,884,917	\$1,746,602	\$3,584,795	\$792,671	\$41,164
Percentage shortfall %		0.31270%	0.35836%	0.00000%	0.18259%	0.00000%	0.00000%
Percentage to apply across the board to recover repression		<u>0.31270%</u>					
TOTAL all Gallons		2,264,140	1,911,343	69,319	281,483	0	1,995
Percentage to reduce operating expenses		<u>0.72572%</u>					

1

2

Q. Can you summarize Exhibit ~~DDS-2~~ ^{DDS-3}?

3

A. The impact of the Company's rebuttal position on water is that the overall revenue increase is slightly less than was originally calculated, but the final requested revenues are not impacted as the Company continues to limit the actual increase requested. The revenue requirement I have calculated for wastewater is slightly lower than the original request. In summary, the Company's rebuttal position reflects a calculated water revenue of ^{DDS-3} \$28,013,305, with requested water revenue limited to \$27,479,024 (see Exhibit ~~DDS-2~~ ^{DDS-3} Page 7 of 19, Schedule B-1), and a calculated wastewater revenue of \$34,299,872 ((see Exhibit ^{DDS-3} ~~DDS-2~~ Page 8 of 19, Schedule B-2).

10

11

Q. Does that conclude your rebuttal testimony?

12

A. Yes, it does.

1 BY MR. WHARTON:

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

4 A Yes, I have.

5 Q All right. Why don't you go ahead and give
6 that summary at this time.

7 A Sure.

8 The purpose of my rebuttal testimony is
9 primarily to respond to OPC Witness Smith's conclusions
10 regarding accrued revenues, the 13-month average of
11 miscellaneous deferred debits, rate base impact of
12 proforma annualization adjustments to depreciation,
13 interest synchronization, depreciation expense,
14 specifically the proforma annualization adjustments,
15 annualized wastewater utility revenues, water utility
16 reuse revenues and miscellaneous revenues.

17 In particular, I explain that certain
18 adjustments made by Witness Smith due to inconsistencies
19 in the classification of certain accounts in the MFR and
20 historic annual reports are incorrect. Both the MFRs
21 and the annual reports are tied to the general ledger,
22 and the MFRs are prepared with accounts categorized with
23 consistently with prior MFRs.

24 I also explain that AFPI and guaranteed
25 revenues are not to be considered as customer revenues

1 because they pertain to the recovery of costs not
2 recoverable from current customers, because they have
3 been determined to be non-used and useful.

4 I also point out that Witness Smith has
5 proposed a reduction to revenue requirement due to
6 increasing reuse revenues disproportionately. This is
7 purely a rate design issue and has no bearing on revenue
8 requirement.

9 Witness Smith made an adjustment to impute a
10 price index increase to miscellaneous charges. I
11 understand that he has withdrawn that. He had done the
12 calculation incorrectly. And in my rebuttal exhibit, I
13 made an annualization adjustment for the increase that
14 went in during the test year, it didn't require that it
15 be caught up over many, many years, as Witness Smith had
16 originally done.

17 Finally, I dispute Witness Smith's removal of
18 my proforma adjustment to annualize the depreciation
19 expense and accumulated depreciation for plant during
20 the test year. This adjustment has been allowed in a
21 number of Sunshine's uni -- excuse me, previous cases.

22 I would point out in particular that in the
23 two most recent cases, these adjustments were made where
24 OPC was a party in those cases, they both went to
25 hearing, and I also listed some other orders.

1 My Exhibit DDS-3 revised the MFRs to
2 incorporate corrections and updates due to audit
3 adjustments accepted by the utility, and for several
4 items brought to light by Witness Smith.

5 I made an additional adjustment to include the
6 impact of repression of billable water usage for
7 wastewater customers, as is customarily allowed for
8 water and wastewater utilities. A repression adjustment
9 for water rates was already included originally in the
10 MFRs.

11 These adjustments, in total, result in no
12 change in the requested water revenue, as the utility is
13 requesting less than it calculates would be allowed.
14 The requested revenue for wastewater are slightly lower
15 than the original request.

16 That concludes my summary.

17 MR. WHARTON: Mr. Chairman, we would tender
18 Ms. Swain for cross-examination.

19 CHAIRMAN LA ROSA: Thank you.

20 OPC.

21 MR. PONCE: Thank you.

22 EXAMINATION

23 BY MR. PONCE:

24 **Q Good morning again, Ms. Swain.**

25 **A Good morning.**

1 **Q You were just describing the adjustment for**
2 **annualizing depreciation as a proforma adjustment, is**
3 **that correct?**

4 A Correct.

5 **Q Doesn't proforma refer to something that is**
6 **beyond the test year?**

7 A No, not necessarily. If there is an expense
8 that's incurred during the test year, for example, we
9 had a number of purchased water and purchased sewer
10 utilities that raised their price during the test year,
11 we annualized that for the test year. It was a known
12 and measurable change in cost, just as the depreciation
13 expense is known and measurable. We already had actual
14 increases on the books of the utility in plant and
15 service, and retirements, and the depreciation on those
16 was already taking place during the test year. What I
17 did was calculate what it would be on an annual basis
18 since those assets will continue into the future.

19 **Q Isn't the adjustment we are discussing being**
20 **applied to plant additions from January 1st to December**
21 **31, 2023?**

22 A Yes. As I said, it's plant additions during
23 the test year.

24 **Q If we could go to D3-25.**

25 **On line 17, you provide a list of orders in**

1 **which you contend the PSC has allowed these adjustments**
2 **in the past?**

3 A Yes. Correct.

4 Q Okay. If we can go, then, to Exhibit 161,
5 page F2-2007. This is an extract from one of those
6 orders, which is PSC-07-0130. If you can go to the last
7 paragraph on that page.

8 Ms. Swain, if you can indulge me, if you could
9 please read that last paragraph going into the next
10 page?

11 A Yes.

12 If normal -- I am sorry, the whole paragraph,
13 starting based on the MFR dollar, is where you are
14 reading?

15 Q Yes, please.

16 A Okay. Based on the MFR dollar amounts and the
17 documentation provided by the utility, it appears that
18 these additions are normal recurring plant additions.
19 If normal recurring plant additions were allowed, the
20 CIAC and accumulated amortization should also be
21 projected forward another year due to expected growth,
22 as well as billing determinants and expenses. This
23 would have the effect of changing the approved 2005
24 historic test year to a projected test year. Because of
25 the utility's assertion in its test year request letter

1 that the 2005 historical test period is representative
2 of a full year of operation and expected growth for the
3 utility, these normal recurring plant additions shall be
4 removed from plant.

5 Q So if I am understanding you correctly, in
6 this case, isn't it true that the company is trying --
7 was attempting to annualize both plant and depreciation
8 for additions during 2005?

9 A Yes. And the whole -- it seems from this that
10 the whole thing was -- it seems that the plant additions
11 were disallowed unless CIAC would also be allowed.

12 Q And just to be clear, isn't that distinct from
13 the annualized depreciation adjustment you are making in
14 this case?

15 A This case, from my review, there was not an
16 adjustment made to the depreciation for the annualized
17 depreciation.

18 Q Okay. All right. In your rebuttal testimony,
19 you also mention Order No. 2009-0372-PAA-SU, is that
20 correct?

21 A Correct.

22 Q And that order is associated with Docket No.
23 080248-SU?

24 A That's right.

25 Q Okay. If we can go to Exhibit 181, which is

1 F2-2695.

2 So we see here that these are a selection of
3 MFRs from that docket, is that right?

4 A Correct.

5 Q And on line 32, that an adjustment was made
6 for accumulated depreciation for plant acquired December
7 26th, 2007?

8 A Yes. Correct.

9 Q So just to be clear, this is where an
10 adjustment to annualized depreciation was made in this
11 case, is that right?

12 A The -- let me look at this. There is probably
13 several adjustments. There were other adjustments, but
14 one of them was the annualization of a -- of an asset
15 acquired during the test year.

16 Q Okay. Now, if we could go back to the MFRs
17 that you prepared in this case at J40.

18 When we look just at line one, the adjustment
19 is to annualize accumulated depreciation for test year
20 additions, is that correct?

21 A Yes.

22 Q In other words, that is distinct from the
23 older MFR that we looked at, where they used the word
24 "acquired" instead of "addition", right?

25 A The -- it's a different word. It doesn't

1 necessarily mean something different. It's somebody's
2 description, and they call it acquired. Certainly, a
3 component of plant is going to be required to be
4 installed, and so it could be acquired, installed, but
5 it's an addition during the test year.

6 **Q Isn't it true that in this context the word**
7 **"addition" is brought over an acquirement, because**
8 **addition could include things like labor or overhead?**

9 A An addition, absolutely. And I can't imagine
10 that a component of reclaimed plant that was purchased
11 in -- during the prior -- in that prior case that you
12 referred to was not installed. It's reclaimed water
13 plant.

14 **Q Now, for the remaining orders, I think you**
15 **mentioned that OPC intervened in these cases?**

16 A Yes. The 2015 rate case, where the utility
17 sought and achieved uniform rates. We call it the
18 consolidating case. And the 2019 case that was a
19 subsequent case, yes.

20 **Q And for whatever reason, OPC, back then -- by**
21 **your understanding is that OPC, back then, did not**
22 **object to how the Commission was handling depreciation?**

23 A That's correct.

24 **Q Okay. If OPC does not object to a company's**
25 **practice that does not comply with a rule, does that**

1 mean the company now has a freestanding waiver to just
2 do whatever it wants?

3 A OPC can raise an objection at any time. I
4 don't doubt that. However, this is -- what my
5 testimony, is that over and over and over again we
6 employed this practice. Many of your orders that I
7 cited, or several of them anyway, are proposed agency
8 action. The most current -- the most recent ones went
9 to hearing, and OPC was involved, so I highlighted that.

10 This is a methodology that's been employed by
11 the utility for -- at least since this 2007 case, was
12 the first one I found. So we have a practice of doing
13 this, and there hasn't previously been an objection to
14 it.

15 There is a sound reason for it. It's --
16 again, it's a known and measurable cost, which meets the
17 definition of an allowable proforma addition if that
18 cost is prudently incurred. And I would say that
19 depreciation expense is prudently incurred expense to
20 the utility.

21 Q Isn't it true that when OPC intervenes in a
22 case, the company, nonetheless, bears the burden of
23 proofing whatever it's asking for?

24 A Yes, and apparently we proved it because it
25 was allowed.

1 MR. PONCE: Okay. I have no further
2 questions.

3 CHAIRMAN LA ROSA: Move to staff. Staff does
4 not have any questions.

5 Commissioners, do we have any questions?

6 Seeing none. I will send it back to Sunshine
7 for redirect.

8 MR. WHARTON: No, no questions.

9 CHAIRMAN LA ROSA: No redirect.

10 All right. Are there any exhibits that need
11 to be entered?

12 MR. WHARTON: DDS-3, which is 46 on the CEL.

13 CHAIRMAN LA ROSA: Okay. Is there objection
14 to that? Seeing no objection, show that as entered
15 into the record.

16 (Whereupon, Exhibit No. 46 was received into
17 evidence.)

18 CHAIRMAN LA ROSA: Any other exhibits?

19 MR. PONCE: Exhibits 161 and 181.

20 CHAIRMAN LA ROSA: 161 and 181, objections to
21 those?

22 MR. WHARTON: I have never seen the reason for
23 moving PSC orders into exhibits. They can be used
24 in all the post-hearing filings.

25 MR. FRIEDMAN: I just asked that, and they

1 said we didn't need to.

2 MR. WHARTON: Yeah, so I guess I would object
3 that it's just superfluous.

4 CHAIRMAN LA ROSA: So there is an objection?

5 MR. WHARTON: Yes.

6 CHAIRMAN LA ROSA: Okay.

7 MR. PONCE: I will withdraw 161, which I
8 believe is the order.

9 CHAIRMAN LA ROSA: Okay, 161 is withdrawn.
10 Now that leaves 181.

11 MR. WHARTON: No objection.

12 CHAIRMAN LA ROSA: No objection.

13 All right. Show of that 181 is entered into
14 the record.

15 (Whereupon, Exhibit No. 181 was received into
16 evidence.)

17 CHAIRMAN LA ROSA: I think we are good on that
18 regard.

19 Ms. Swain, thank you very much. Ma'am, you
20 are excused.

21 (Witness excused.)

22 CHAIRMAN LA ROSA: Go back to Sunshine for
23 your next witness for rebuttal.

24 MR. FRIEDMAN: The company calls Dante
25 DeStefano.

1 CHAIRMAN LA ROSA: You guys are recognized
2 when you are ready.

3 Whereupon,

4 DANTE M. DESTEFANO

5 was recalled as a witness, having been previously duly
6 sworn to speak the truth, the whole truth, and nothing
7 but the truth, was examined and testified as follows:

8 EXAMINATION

9 BY MR. FRIEDMAN:

10 **Q Mr. DeStefano, you were sworn yesterday,**
11 **correct?**

12 A I am sorry?

13 **Q You were sworn yesterday, correct?**

14 A That's correct.

15 **Q Did you cause to be filed any prefiled**
16 **rebuttal testimony?**

17 A Yes.

18 **Q And if I were to ask you the questions in your**
19 **rebuttal testimony, would your answers be the same?**

20 A Yes.

21 **Q Did you have any exhibits to your rebuttal**
22 **testimony?**

23 A I don't believe I did. I had adjustments that
24 were reflected in Ms. Swain's exhibits.

25 MR. FRIEDMAN: Okay. I would like to ask that

1 Mr. DeStefano's -- I can't remember. I am sorry --
2 Mr. DeStefano's testimony be admitted into the
3 record as though read.

4 CHAIRMAN LA ROSA: So ordered.

5 (Whereupon, prefiled rebuttal testimony of
6 Dante M. Destefano 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

REBUTTAL 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 (“Sunshine” or “Company”). My business address is 500 W. Monroe Street, Suite 3600, Chicago, Illinois 60661-3779.
- Q. Did you prefile direct testimony in this proceeding?**
- A. Yes.
- Q. What is the purpose of your rebuttal testimony?**
- A. The purpose of my rebuttal testimony is to address various positions presented in the direct testimony of Office of Public Counsel (“OPC”) Witness Ralph Smith and the Florida Public Service Commission (“Commission” or “PSC”) Staff Audit Report.
- Q. Are you sponsoring any rebuttal exhibits?**
- A. No. However, the recalculated amounts and proposed adjustments mentioned in my testimony below are reflected in the updated revenue requirement calculations provided in the rebuttal testimony of Company Witness Swain.
- OPC AND STAFF DIRECT TESTIMONY**
- Q. Have you reviewed OPC Witness Smith’s direct testimony and workpapers?**
- A. Yes.
- Q. Does the Company accept any of the adjustments proposed by Witness Smith?**
- A. Yes. The Company accepts the adjustments found in the following Schedules of Witness Smith:
- Adjustment to remove Florida DEP penalty, Schedule C-2.
 - Adjustment to remove foundation and chamber of commerce fees, Schedule C-4.
 - Adjustment to remove charitable contributions, Schedule C-13.

1 - Adjustment to remove Sewer Maintenance Expense related to pro-forma project, Schedule
2 C-18.

3 **Q. Witness Smith proposes various adjustments to legal expenses (both direct and**
4 **allocated), including deferring and amortizing certain legal case costs and likewise**
5 **removing the Test Year expenses from O&M expense. Do you agree with the proposed**
6 **disallowance of costs related to certain legal proceedings?**

7 A. No. First, Witness Smith claims that the Lamelza case is ongoing and there is potential for
8 attorney costs to be recouped in the case. However, the case's current status is not a factor
9 for recovery of costs prudently incurred – Sunshine is a named defendant and therefore must
10 defend itself. Additionally, I am informed by counsel that cases such as the Lamelza case do
11 not allow for attorney cost recovery per Florida law. Regardless of this point, the potential
12 for recovery of legal fees related to the case is not known and measurable. Therefore,
13 Witness Smith's objections to recovery of these costs are not adequately founded. Also, I
14 note that Witness Smith's expense adjustment of \$6,933 reflects 2024 costs incurred, not the
15 \$5,913 incurred in the Test Year and therefore included in the Company's revenue
16 requirement.

17 Witness Smith also claims the Benefits case costs should be removed, as the legal efforts are
18 not related to the provision of utility service. However, the benefits plans offered by Corix
19 Infrastructure Inc. ("CII" or "Corix") are relevant to the provision of service to customers, as
20 the benefit plan costs are included in the Company's cost of service. Corix is also the plan
21 sponsor of the benefit plans, and therefore is unable to avoid involvement in disputes or
22 litigation related to the benefit plans. For this claim, Corix petitioned to transfer the balances
23 in dispute to the court to limit its involvement and fulfill its plan sponsor administrative duty.
24 Therefore, Corix's involvement in the legal dispute was limited to its responsibilities as plan
25 sponsor of benefit plans it makes available to employees, and therefore is a prudently

1 incurred cost. I also note that Witness Smith's calculation of the Sunshine portion of the
2 Benefits case costs omits the Tier 1 portion of the cost allocation process. The calculation
3 of the Benefits case costs for the Test Year applicable to Sunshine is \$6,546.¹

4 Witness Smith also claims the PFAS case has an uncertain outcome and the potential for
5 attorney fee recovery is unknown. As mentioned above, the potential outcome of a legal
6 proceeding has no bearing on the prudence of the costs incurred by the Company. Also, I
7 am informed by counsel that any claims recovery in this class action suit would not make the
8 plaintiffs 100% whole, therefore recovery of attorney's fees is not likely. Regardless of this
9 point, the potential for recovery of legal fees related to the case is not known and measurable.

10 I also note that Witness Smith's calculation of the Sunshine portion of the PFAS case costs
11 miscalculates the Tier 1 portion of the cost allocation process. The calculation of the PFAS
12 case costs for the Test Year applicable to Sunshine is \$297.

13 **Q. Witness Smith proposes to remove the Company's Test Year Weather/Storm Expense**
14 **from O&M expenses. Do you agree with this adjustment?**

15 A. No. Witness Smith appears to assume the weather and storm costs incurred in the Test Year
16 are unusual or non-recurring costs. However, the Company's systems commonly incur the
17 costs represented in the Test Year—the costs generally represent fuel purchases for generators
18 and vehicles during multiple weather events across the year. The U.S. Energy Information
19 Administration has consistently identified an average annual total of electric power
20 interruptions of over 3 hours per customer, indicating that a baseline level of weather
21 disruption to electric power is to be expected on an ongoing basis². Therefore, the Company
22 should reflect in its ongoing expenses a representative level of weather-related costs to cover
23 periodic impacts to its operations.

1 Per response to Staff ROG #51, the following allocation percentages should be applied for the Test Year: Tier
1% = 70.86%, Tier 2 % = 23.73%. $70.86\% * 23.73\% = 16.81\%$ allocation of total to Sunshine.

2 <https://www.eia.gov/todayinenergy/detail.php?id=61303>

1 With regard to Witness Smith's reference to Rule 25-30.433(9) F.A.C. ("Non-Recurring
2 Rule"), the Company notes that in 2022, it incurred an unrepresentative level of weather-
3 related costs due to the impacts of Hurricane Ian. As such, the Company deferred and began
4 amortizing, over a 5-year period, the costs related to this unique and discrete weather event³.
5 The Company believes its interpretation and application of the Non-Recurring Rule is
6 consistent with past PSC practice and treatment of such costs in prior rate cases.

7 **Q. Please respond to Witness Smith's proposed deferral of various legal proceeding costs
8 and weather/storm costs.**

9 A. Witness Smith has attempted to remove costs incurred in the Test Year related to various
10 legal proceedings, as well as all weather-related costs, as described in my testimony above.
11 Witness Smith makes an adjustment to instead reflect the costs for these legal proceedings
12 and all Test Year weather-related costs as deferred debits, amortizing each over five years.
13 Witness Smith appears to rely on the Non-Recurring Rule as the basis for these adjustments.
14 However, there are issues with this approach. First, as noted above, the Lamelza, Benefits,
15 and PFAS cases, as well as the weather-related costs, are part of a representative level of Test
16 Year expenses. While the Company recognizes the Non-Recurring Rule as allowing for
17 deferral of non-recurring costs, it is also true that virtually every legal proceeding or storm
18 is, by its nature, a non-recurring activity, and Witness Smith's interpretation would logically
19 conclude that every legal proceeding or weather event should be deferred and amortized since
20 they are non-recurring. This would create impractical implications on administrative
21 maintenance of the accumulating deferrals and ignores the relative immateriality of many of
22 these events. While individual legal proceedings or weather events occur from time to time,
23 there is a baseline level of activity that occurs, and is expected to occur, in any given year
24 and therefore should be reflected in the Company's ongoing expenses. Therefore, the

3 Please see MFR Schedule B-11.

1 Company interprets the Non-Recurring Rule to focus on reasonably material one-time, or
2 cyclical but not annual, activities as those subject to deferral. As such, the Company is
3 agreeable to deferral of the Wekiva WWTP legal proceeding costs being deferred and
4 amortized over five years, and reflected as such in the Company's revenue requirement.

5 Second, while Witness Smith removes Test Year amounts from O&M expense to establish
6 the deferrals, he omits related expenses in non-Test Year periods, which should likewise be
7 included in the deferral for relevant events. Third, he omits without explanation a portion of
8 the Test Year Wekiva WWTP proceeding costs. The Company has therefore recalculated
9 the deferral and annual amortization expense of the Wekiva WWTP proceeding as shown in
10 Table 1 below. The Company also supports removing the Test Year expenses for this
11 proceeding, replacing the expenses with the annual amortization, and adding the relevant
12 deferral balance to the Working Capital calculation (as proposed by Witness Smith).

13
14 **Table 1**

Vendor	2022	2023	2024
The Vogel Group		\$76,575	\$59,500
Carton Fields P.A.		\$31,830	\$218
Crowe, LLP	\$109,231	\$113,432	\$36,210
Greenberg Traurig, P.A.	\$211,426	\$127,187	\$12,649
The Law Office of Paul M. Sisco		\$15,560	
	\$320,657	\$364,584	\$108,577
Total to Defer:		\$793,818	
Years Amortization:		5	
Amortize to Expense Annually:		\$158,764	
Deferral Balance Working Capital Amount:		\$635,054	

15
16 **Q. Witness Smith makes an adjustment to Miscellaneous Revenues to reflect inflation**
17 **related to the annual PSC Index mechanism. Do you agree with the adjustment?**

18 **A.** Only in part. The Company agrees with Witness Smith's implication that the Test Year
19 activity should be updated to reflect the annualized revenues at the most current approved

1 tariff's rates. However, Witness Smith's methodology is flawed in two respects. First, his
2 calculation applies the Index percentages to the revenue amounts, but the Index calculation
3 applies the Index rate for a given year to the adjusted O&M amounts for the year, making
4 the authorized Index adjustment to the Miscellaneous Charges consistently lower than the
5 authorized rate. Said differently, the Index rate is applied to only a portion of the annual
6 revenues of Sunshine - that represented by the adjusted O&M balance. Second, Witness
7 Smith's calculation assumes the Company has not increased its Miscellaneous Charges since
8 the last rate case's 2019 Test Year. However, the Company has indeed updated the
9 Miscellaneous Charges at each instance permitted (i.e., with the 2019 Test Year case –
10 effective May 2021 - and in 2022, 2023, and 2024 in connection with indexings).

11 To reflect the Company's agreement to adjust its relevant Miscellaneous Revenue
12 components for the most current Index-adjusted tariff rates – effective June 2, 2024 – the
13 Company has recalculated its Test Year activity at the currently approved rates. The result
14 of the recalculation is an increase of \$15,085 to the Miscellaneous Revenues reflected in
15 MFR Schedule E-5.

16 **Q. Did OPC or PSC Staff testimony address the proposed change in Service Availability**
17 **Charges detailed in your direct testimony?**

18 A. No. The Company reiterates its request to update its meter install fees on water tariff sheet
19 19.0 in order to reflect current costs for meters and labor related to these activities as
20 supported in Exhibit DMD-2 to my direct testimony.

21 **Q. Witness Smith proposes an adjustment to Directors and Officers (“D&O”) Insurance**
22 **expenses. Do you agree with the adjustment?**

23 A. No. First, to clarify, Witness Smith's adjustment is based on the Test Year actual expenses
24 for the D&O policy. However, the Company made pro-forma adjustments to Insurance

1 Expense⁴, which resulted in a D&O policy expense in the proposed revenue requirement of
2 \$42,049, allocated \$22,018 to water and \$20,031 to wastewater.

3 Witness Smith's characterization of D&O insurance as "primarily for the benefit of
4 shareholders" is not correct. D&O insurance also does not "protect shareholders from the
5 decisions they made when they hired the Company's Board of Directors and the Board of
6 Directors in turn hired the officers of the Company." D&O insurance further does not
7 "protect shareholders from [directors' and officers'] past decisions". Shareholders are not
8 beneficiaries or insured parties of D&O policies. The policy itself insures the directors and
9 officers of the Company as well as the Company itself for claims and lawsuits related to their
10 actions. To the extent claims are made that are spurious, overbroad, or otherwise
11 unreasonably ensnare the Company or employees and require legal action, the policy
12 provides coverage for defense costs that would otherwise be incurred and passed to
13 customers as prudent operating costs. In addition, should a claim or lawsuit be directed at a
14 director or officer who is not indemnified, it mitigates personal asset risk for the employee.
15 Such protection of directors and officers has long been expected for such roles, and allows
16 the Company to attract and retain competent and skilled employees, which benefits
17 customers. Without these protections in place, talented directors and officers would possibly
18 reject employment opportunities or request much higher compensation. Claims and litigation
19 against the directors and officers or the Company itself can damage morale and distract from
20 ongoing decision making, as such claims may drag on for some time. Finally, the D&O
21 policy are appended by related insurance to cover Employment Practices Liability, Fiduciary
22 Liability, and Crime, which further protect the company and its employees while benefiting
23 customers by mitigating financial and operational disruptions caused by claims related to
24 fraud, theft, or employment-related issues.

4 MFR Schedule B-3, page 2 of 7, line 48.

1 The D&O policy offers vital protection that allows the business to operate smoothly without
2 the constant concern of catastrophic legal or financial consequences. It's not just the
3 executives who benefit, but the entire company, as these policies help to safeguard the
4 company's assets, reputation, and overall operational stability. For all these reasons, the
5 Company's D&O insurance is a prudent and necessary expense.

6 **Q. Witness Smith rejects the Company's proposal regarding recovery of payment
7 processing fees. Please respond to Witness Smith's position.**

8 A. Witness Smith hinges his position on the claim that a cost-causer should bear the cost of their
9 payment method option, while failing to address the customer benefits of this proposed
10 transition detailed in my direct testimony. His testimony considers the payment processing
11 fees a "convenience fee" for an "alternative option", which frames the cost as a discretionary
12 action by the customer. However, there is support that use of such payment methods is not
13 discretionary, but indeed the primary option of Sunshine's customers. The Company's Test
14 Year data of payment activity by its customers shows that by far the most frequent option
15 was the credit and debit card process which triggers the processing fees (40.7% of payments,
16 next highest being check payments at 25.5%). The Company further reviewed its payment
17 processing activity for its previous Test Year, 2019, which occurred before the COVID
18 pandemic's effects on online customer activity discussed in my direct testimony. The 2019
19 customer payments using the methods triggering processing fees were significantly lower
20 than the current Test Year (29.4%, versus 2023's 40.7%). This supports that customers are
21 not selecting this method discretionarily, but that it has become an essential and necessary
22 option for many customers in order to maintain their account.

23 Additionally, it should be noted that there are payment processing costs for each payment
24 method available to customers. The Company is charged bank fees for payments made by
25 auto-draft or online banking, and incurs bank fees and check processing fees for payments

1 by check to its lockbox. Likewise, customers who choose to received paper bills through the
2 mail generate larger billing costs than those who elect paperless billing, and 62.8% of Test
3 Year bills were sent by mail. These billing and payment processing costs are incurred within
4 the Corporate Support Services structure and allocated to the Company in its Corporate
5 Allocation costs. Therefore, customers are already subject to rates that reflect a variety of
6 customer payment and billing options and the costs generated by fellow customers to use
7 those options.

8 As noted in my direct testimony, the National Association of Utility Consumer Advocates
9 (“NASUCA”), of which OPC is a member, passed a resolution over 12 years ago that
10 encourages the removal of fees for processing of customer payments. The resolution makes
11 several pertinent points in this regard, such as 1) the lack of access of many utility customers
12 to banking or are unable to write traditional checks, 2) the fees undercutting the use of
13 programs such as social security and unemployment compensation to pay utility bills, 3)
14 utility acceptance of these payments without fees generally enhancing customer satisfaction.
15 Despite this customer-focused resolution passing several years ago, its message is truer today
16 than ever – customers expect to transact their business online to a significant and increasing
17 degree, and expect to incur no fees for processing these transactions.

18 **Q. Have you reviewed the PSC Staff’s Audit Report for this proceeding and the direct**
19 **testimony of PSC Witness Mouring?**

20 A. Yes.

21 **Q. Can you please respond to the audit findings described in the Audit Report?**

22 A. Yes.

23 - Audit Finding #1, Working Capital: The finding identifies a mapping variance between two
24 NARUC accounts, but this variance has no impact on the filing or proposed revenue
25 requirement.

1 - Audit Finding #2, Notes and Accounts Payable for Associated Companies: The Company
2 agrees that the GL account should be associated with NARUC 253.2. However, the GL
3 account balance was not mapped to the Working Capital calculation on MFR Schedule A-17
4 and therefore has no impact on the filing or proposed revenue requirement.

5 - Audit Finding #3, Operating Revenues: The Company agrees that its MFR Schedule B-4
6 incorrectly mapped the water Accrued Revenues to wastewater and vice versa. However,
7 these balances are removed from pro-forma present rate and proposed revenues and thus
8 don't directly affect those amounts. However, correcting these amounts on MFR Schedule
9 B-4 would update the Working Capital calculation on MFR Schedule A-17 for water and
10 wastewater, decreasing the Working Capital water amount on A-17, line 4 from \$213,140 to
11 \$207,123 and increasing the wastewater amount from \$267,030 to 273,047.

12 - Audit Finding #4, Miscellaneous Service Revenues: The amounts cited in the Audit Report
13 were for planning, review, and inspection fees incurred by the Company for developer
14 agreements, charged to the developer. The Company confirms the costs to incur the fees
15 (namely, internal staff time and overheads) were capitalized in the Test Year, and thus agrees
16 these Miscellaneous Revenues should be treated as CIAC. The Company proposes to
17 increase its CIAC for water by \$10,050 and wastewater by \$9,345, and decrease its
18 Miscellaneous Service Revenues – Other Miscellaneous Fees in MFR Schedule E-5 by the
19 same amounts.

20 - Audit Finding #5, Customer Deposits: While the Company was not able to produce the
21 report requested in the audit process, Sunshine confirms it does accrue the required 2%
22 annual interest payment on residential customer deposits.

23 - Audit Finding #6, Plant Reclassification and Depreciation Expense: The Company accepts
24 the plant reclassifications in this Finding for ratemaking and accounting purposes. The
25 Company notes that it has made Test Year adjustments for the NARUC 389.1 asset in MFR

1 Schedule A-3 to reclassify the asset balance (page 1, line 16), adjust Accumulated
 2 Depreciation (page 2, line 16), and in MFR Schedule B-3 to adjust Depreciation Expense
 3 (page 3, line 28). The depreciable life of 40 years reflected on B-3 is consistent with the
 4 agreement with the Englewood Water District and was utilized in the Company’s 2016 rate
 5 case final order. The Company therefore believes no revenue requirement adjustment is
 6 required. The Company agrees to update its books for this asset to the 40-year depreciable
 7 life per the 2017 Order.

8 For the remaining items in the Finding, the Company has recalculated the Accumulated
 9 Depreciation adjustment to reflect the revised depreciation rates as of the in-service date of
 10 the assets. The Company also recalculated the Depreciation Expense adjustment for the
 11 assets. Below are Tables 2 and 3 reflecting the revised adjustments for ratemaking purposes.
 12 The Company agrees to update its books for these assets to the revised depreciable lives.

13 **Table 2**

Adjustment of Depreciation Expense			
NARUC	Depreciation Expense	Debit	Credit
360.2	Infrastructure Improvement	19,187	
361.2	Infrastructure Improvement - Sewer Gravity		53,092
361.2	Infrastructure Improvement - Manholes		8,051
380.4	Building		2,678
380.4	Treatment and Disposal Equipment	60,862	
Total		80,049	63,820
Adjusted		16,229	

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15
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17 **Table 3**

Adjustment of Accumulated Depreciation			
NARUC	Accumulated Depreciation	Debit	Credit
360.2	Infrastructure Improvement		27,788
361.2	Infrastructure Improvement - Sewer Gravity	82,959	
361.2	Infrastructure Improvement - Manholes	141	
380.4	Building	4,017	
380.4	Treatment and Disposal Equipment		66,378
Total		87,117	94,166
Adjusted			(7,048)

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- Audit Finding #7, Land: While the Company agrees that it confirmed a 2021 reclass of a non-utility balance to the Land and Land Rights account was incorrect and should be reversed, the amount confirmed was \$57,066. The allocated portions of this adjustment result in a decrease in Land account 303.5 for water of \$29,570 and account 353.7 for wastewater of \$27,496.

- Audit Finding #8, CWIP: The \$10,000 item identified in the Audit Report relates to a condemnation action to obtain an easement on an HOA's property for the location of a water line project. I am informed by counsel that in condemnation actions, the condemning party has to pay the other party's attorney and expert witness fees as costs. These fees were deemed reasonable by the court. Therefore, these costs are justified, and there are no revenue requirement or accounting adjustments required.

- Audit Finding #9, Operations and Maintenance Expense:

- NARUC 631, Contract Services - Engineering: The \$46,000 can be broken into three groups. First, \$53,000 is a credit amount that is a combination of reclassified items that were moved from NARUC 631 to CWIP projects during the Test Year. The invoices originally posted prior to 2023, therefore the line items cited in the audit are credits to expense in 2023. The Company agrees that the \$53,000 of Test Year credits to expense should be removed for revenue requirement purposes, increasing O&M expense by this amount. There are no accounting adjustments required.

Second, 5 of the audit line items totaling a debit of \$500 relate to invoices posted to

1 NARUC 631 in the Test Year that were reclassified to CWIP projects later in the
2 Test Year. Therefore, the total activity for these invoices was \$0 for 2023, and no
3 revenue requirement or accounting adjustment is required.

4 Third, the remaining invoice for \$6,500 is claimed to be out of period activity.
5 However, the \$6,500 invoice was dated February 2023 for work done that month.
6 The invoice relates to activity in the Test Year and therefore is not an out of period
7 item. There are no revenue requirement or accounting adjustments required.

- 8 • NARUC 633, Contract Services, Legal: The \$35,491.73 is a combination of
9 reclassified items that were moved from NARUC 633 to a CWIP project during the
10 Test Year. The invoices originally posted prior to 2023, therefore the line items cited
11 in the audit are credits to expense in 2023. The Company agrees that the \$35,491.73
12 of Test Year credits to expense should be removed for revenue requirement purposes,
13 increasing O&M expense by this amount. There are no accounting adjustments
14 required.

15 The \$10,000 of legal fees selected in the audit sample were posted to NARUC 633
16 in December 2023, and then were reclassified from NARUC 633 to a CWIP project
17 at month end. Therefore, the total activity for this invoice was \$0 for 2023, and no
18 revenue requirement or accounting adjustment is required.

- 19 • NARUC 636, Contract Services – Other: The two invoices noted in the Audit Report
20 were for services performed in 2023 and thus are not out of period activity. There
21 are no revenue requirement or accounting adjustments required.

- 22 • NARUC 736, Contract Services – Other: The Company agrees that the \$45 of late
23 charges should be removed for revenue requirement purposes. No accounting
24 adjustment is required.

- 25 • NARUC 635, Contract Services – Testing: The Company confirms the invoices

- 1 identified were not accrued at the end of 2022 and relate to non-recurring testing.
- 2 • NARUC 735, Contract Services – Testing: This Finding relates to three transactions.
- 3 The first for \$1,857 was for work performed in December 2022. However, there
- 4 were no accruals in December 2022 nor in December 2023 for this system, and this
- 5 invoice is one of 12 monthly invoices posted in the Test Year. Therefore, the cost
- 6 should remain in the Test Year activity to represent a full year of activity. The second
- 7 item is a credit of \$260 representing a reversal of a prior year receipt on a purchase
- 8 order. As this transaction is a non-recurring and out of period item, it can be removed
- 9 from the revenue requirement. The third item is a \$467.40 non-recurring invoice that
- 10 reflects service performed in 2022. This item can be removed from the revenue
- 11 requirement. No accounting adjustments are required.
- 12 • NARUC 615, Purchased Power: The selected items are revenue postings for
- 13 customer late payment charges, not at all related to Purchased Power. There are no
- 14 revenue requirement or accounting adjustments required.
- 15 • NARUC 710, Purchased Wastewater Treatment: The \$15,050.96 invoice posted in
- 16 January 2023, for service rendered in December 2022. However, the invoice was
- 17 accrued in December 2022, with the accrual reversing in January 2023 to offset the
- 18 invoice posting, which is standard GAAP accrual accounting practice. Therefore,
- 19 there is no need for a revenue requirement or accounting adjustment.
- 20 The \$13,244 posting reflects the water portion of a combined water and wastewater
- 21 invoice. This amount originally posted to NARUC 710 before being reclassified to
- 22 the NARUC 610 account in the same month. The wastewater portion of the invoice
- 23 did post on the same date, to the NARUC 710 account, in the amount of \$21,572.76.
- 24 Therefore, there is no need for a revenue requirement or accounting adjustment.
- 25 • NARUC 642, Rental of Equipment: The identified invoice of \$426.85 was for office

1 supplies and should be reflected in NARUC 675. It does not reflect an asset purchase
2 and therefore the Company disagrees with the Audit Report recommendation to
3 reclassify to fixed asset NARUC account 340.

4 **Q. Does that conclude your rebuttal testimony?**

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

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1 BY MR. FRIEDMAN:

2 Q Do you have a summary of your testimony?

3 A Yes, I do.

4 Q Would you please provide it at this time?

5 A Yes.

6 The purpose of my rebuttal testimony is to
7 provide -- is to primarily to respond to OPC Witness
8 Smith's positions and rationale regarding expenses for
9 certain legal proceedings of the utility and its parent,
10 weather related expenses, deferral of legal expenses and
11 weather related expenses, revenues generated from
12 miscellaneous service charges, directors and officers,
13 or D&O insurance, and payment processing fees.

14 My rebuttal testimony acknowledges and accepts
15 several adjustments proposed by Mr. Smith, including
16 removal of Florida DEP penalty, foundation and Chamber
17 of Commerce fees, charitable contributions, and sewer
18 maintenance expense related to a proforma project.

19 I address Mr. Smith's claims that the legal
20 proceedings may generate recovery of the legal fees of
21 the utility, stating this claim is not supported or
22 known and measurable. I explain the link to utility
23 service for the benefits case, and clarify the direct
24 and amicable portions of these legal proceedings costs
25 for the utility.

1 I also explain Mr. Smith's deferral of test
2 year weather cost fails to acknowledge the nature of the
3 costs and the propo -- and proposes an impractical
4 interpretation of Commission Rule 25-30.433, paragraph
5 nine. I describe how this same Florida interpretation
6 also applies to Mr. Smith's proposal to defer the
7 aforementioned legal proceeding costs.

8 I further explain for the proposed deferral of
9 Wekiva Wastewater Treatment Plant legal costs with which
10 the utility is in agreement on concept with Mr. Smith,
11 the deferral should include all relevant costs,
12 including those outside the test year.

13 I also describe the process of increasing
14 miscellaneous charges during the annual index filings,
15 which adjusts such charges between rate case filings. I
16 explain the utility has reflected in Ms. Swain's updated
17 it rebuttal MFR schedules, the annualization of those
18 charges for the most recent index filings.

19 I refute Mr. Smith's claim and
20 characterization of the purpose, scope and benefits of
21 the D&O insurance. I also address the points of Mr.
22 Smith's -- Mr. Smith regarding payment processing fees
23 highlighting the increased pervasiveness of these
24 payment methods and the industry's objectives to support
25 consumers by mitigating the costs to those who rely on

1 these payment methods.

2 I further describe other billing costs that
3 are generated from practices, such as paper versus
4 electronic billing, identifying how customer decisions
5 already impact the cost to the utility. I also
6 reiterate that there was no testimony addressing the
7 utilities proposed change to meter installation charges.

8 I also provide a formal response to the
9 Commission staff's audit report findings. I provide
10 further detail in context for each filing based on the
11 utility's review, and identify the ratemaking and
12 accounting impacts for each where applicable.

13 The recalculated amounts, proposed adjustments
14 and corrections I propose in my rebuttal testimony are
15 reflected in the updated rebuttal MFR schedules of Ms.
16 Swain.

17 Thank you.

18 MR. FRIEDMAN: We tender the witness for
19 cross-examination.

20 CHAIRMAN LA ROSA: Thank you.

21 OPC.

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

23 EXAMINATION

24 BY MR. WATROUS:

25 Q Good morning.

1 A Good morning.

2 Q I want to start with talking about the Wekiva
3 legal expenses. So can I bring the Commission to D1-7,
4 which would be page five of 15 of your rebuttal
5 testimony? And can we scroll down to Table 1 on that
6 page? Yeah.

7 Mr. DeStefano, this is your rebuttal
8 testimony, correct?

9 A Yes. And I want to clarify up front, I
10 apologize if I didn't mention it in the opening here,
11 that these numbers were updated in a follow-up discovery
12 question. It was staff ROG No. 176, which I believe is
13 CEL No. 78, just to clarify, and that slightly decreased
14 a couple of the numbers as we reviewed them post
15 testimony.

16 Q Okay. Thank you.

17 For just the year of 2022, the cumulative
18 amount -- I am sure it's going to be adjusted when that
19 comes, but for that 320,657, for annual report purposes,
20 that was treated as an operating expense in 2022,
21 correct?

22 A To my knowledge, yes.

23 Q Okay. And that was treated as an operating
24 expense for book purposes in 2022 as well?

25 A Correct.

1 Q And that was reported in the earnings
2 calculations for 2022 as well?

3 A Correct.

4 Q Okay. Thank you.

5 Now I am going to ask you about the Corix
6 beneficiary case.

7 A Okay.

8 Q And so just to be clear, the company is
9 requesting to recover legal costs of a retired Corix
10 employee who passed away?

11 A I don't know if the person was retired. I
12 know there was an employee that passed away, and there
13 was a dispute over beneficiaries.

14 Q Okay. So the employee failed to name their
15 beneficiaries?

16 A I believe that's the fact of the case, yes.

17 Q Okay. And so the company is asking the
18 ratepayers of Florida to pay for this Corix employee's
19 failure to name a beneficiary?

20 A So as I described in my rebuttal testimony,
21 the company is the plan sponsor, or plan administrator
22 for the beneficiaries, Corix, that is, and that benefits
23 all the customer -- all the company employees across all
24 of the subsidiaries, including Sunshine. So Sunshine
25 employees are party to the -- to that beneficiary

1 package -- or excuse me, that benefits package. So
2 because those costs are incurred centrally, and then
3 pushed down to the subsidiaries of the affiliates,
4 including Sunshine, this is a cost related to that
5 benefits plan.

6 **Q So the answer is, yes, the company is asking**
7 **the ratepayers of Florida for Corix for employee's**
8 **failure to name a beneficiary?**

9 A Yeah. There are -- amongst other corporate
10 costs that are incurred at the corporate level related
11 to plans and programs that benefit all of the
12 affiliates.

13 **Q So just to be clear, that is a yes?**

14 A It's included in our revenue requirement.

15 **Q Yes?**

16 A Yes.

17 **Q Thank you.**

18 **In audit finding four, which I believe you**
19 **address on D-12 of your rebuttal testimony -- or master**
20 **D-12?**

21 A Yeah. Yeah, I am getting there. Yes, I am
22 there.

23 **Q Okay. And so for audit finding four, the**
24 **company agreed that the miscellaneous revenues within**
25 **here should be treated as CIAC?**

1 A Yeah. That's correct. We were capitalizing
2 the labor related to the activity. And to be
3 consistent, we agree that we should move the, what was
4 recorded as revenues, to CIAC.

5 **Q Okay. And typically, miscellaneous fees are**
6 **treated as revenue?**

7 A Correct. They are included in operating
8 revenues.

9 **Q Okay. And revenues are on a year-end basis,**
10 **right?**

11 A Correct.

12 **Q Okay. And CIAC is part of rate base?**

13 A Correct.

14 **Q And rate base is a 13-month average?**

15 A Correct. So the adjustment I am proposing to
16 include, which we did include in our rebuttal exhibits,
17 would actually, if anything, over-decrease -- or
18 decrease by more than we need to the impact of that
19 number, because we are doing it by the full amount as
20 opposed to some 13-month average, which would be likely
21 a smaller amount over the course of the test year.

22 **Q Hold on one second.**

23 **So just to be clear, you are not reflecting a**
24 **13-month average adjustment to audit finding four?**

25 A Correct. We -- we -- instead of going back

1 and identifying when all of these charges may have
2 occurred over the test year, we kind of conceded this
3 point here, and just put it in on the annualized
4 amount, as opposed to a 13-month average.

5 **Q Okay. So you are excluding that it is a part**
6 **of rate base and just going to the year-end?**

7 A We just took the year-end number and made that
8 an adjustment to rate base, correct.

9 MR. WATROUS: Okay. I have no further
10 questions. Thank you.

11 CHAIRMAN LA ROSA: Thank you.
12 Staff.

13 MR. SANDY: There are no questions from staff.

14 CHAIRMAN LA ROSA: Commissioners, are there
15 any questions?

16 Seeing none, send it back to Sunshine for
17 redirect.

18 MR. FRIEDMAN: No redirect.

19 CHAIRMAN LA ROSA: All right. No redirect.
20 Are there any exhibit that need to be entered?

21 MR. FRIEDMAN: No exhibits.

22 CHAIRMAN LA ROSA: None from Sunshine.

23 OPC, any exhibits, any exhibits from OPC?

24 MR. WATROUS: No. No.

25 CHAIRMAN LA ROSA: All right. Well, then

1 let's go ahead and excuse the witness.

2 Thank you very much for your testimony.

3 (Witness excused.)

4 CHAIRMAN LA ROSA: And then let's -- I believe
5 the last witness, let's throw it back to Sunshine
6 for -- to call their next witness.

7 MR. WHARTON: We would call Mr. Sean Twomey.

8 CHAIRMAN LA ROSA: Mr. Twomey, welcome again.
9 You are recognized, sir, once you get settled and
10 ready.

11 Whereupon,

12 SEAN TWOMEY

13 was recalled as a witness, having been previously duly
14 sworn to speak the truth, the whole truth, and nothing
15 but the truth, was examined and testified as follows:

16 EXAMINATION

17 BY MR. WHARTON:

18 Q Mr. Twomey, will you restate your name and
19 your professional address for the record?

20 A Sean Twomey. Address is 200 Weathersfield
21 Avenue, Altamonte Springs, Florida, 32714.

22 Q And you have been previously sworn?

23 A Yes.

24 Q Did you cause to have prefilled rebuttal
25 testimony filed in this case?

1 A Yes.

2 Q And if I were to ask you the questions in your
3 **prefiled testimony, would your answers be the same?**

4 A Yes.

5 MR. WHARTON: I ask that the witness testimony
6 be inserted into the record as though read.

7 CHAIRMAN LA ROSA: So ordered.

8 (Whereupon, prefiled rebuttal testimony of
9 Sean Twomey 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

REBUTTAL 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. Did you prefile direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my direct testimony is to 1) address the points made by Office of Public Counsel (“OPC”) Witness Ralph Smith regarding the AMI project, 2) provide updates to the status and support for the pro-forma projects presented in my direct testimony, and 3) address customer complaints testimony provided by Florida Public Service Commission (“PSC” or “Commission”) Witness Angela Calhoun.

AMI PROJECT

Q. Did you review OPC Witness Mr. Smith’s testimony related to your direct testimony Exhibit ST-20, also known as the AMI project?

A. Yes.

Q. Do you agree with his position on this project?

A. No, I disagree entirely and will explain why by addressing each of his main points directly.

Q. First, do you believe the AMI project is not a required project or is only a “nice to have” project?

A. Generally, the Company’s meter population required replacement due to age and reliability and SWS needed to replace the meters. The categorization of the AMI project as “nice to have” misses important context and nuance to the Company’s capital budgeting process. Customer meters are not single, discrete assets that support service to a large portion of the

1 customer base, such as treatment plants or distribution mains. The Company's budget process
2 naturally weighs the latter assets higher due to their more pronounced and impactful risk
3 factors in the event of failure, such as service disruptions, safety or environmental concerns,
4 or regulation violations. Therefore, from a compliance and failure risk perspective, meter
5 replacements will tend to be ranked lower than other, more broadly impactful assets.
6 However, SWS also needed to move from its inefficient, antiquated reading process to a
7 reading technology that aligned with our customer service, operational excellence, and
8 conservation goals. This project was proposed and judiciously evaluated and developed over
9 the course of several years.

10 **Q. Please expand on the review and analysis undertaken by the Company and its parent**
11 **(Corix Infrastructure Inc., "Corix" or "CII") in determining the AMI solution was**
12 **appropriate.**

13 **A.** Below I will detail the evaluation process for AMI implementation.

14 **Selecting Technology/Vendor**

15 An important cornerstone of the project was to select a meter vendor and meter technology.
16 In addition to the technology selection, the vendor that supports this technology also requires
17 significant evaluation.

18 As part of an extensive evaluation process by CII (in which SWS leadership was a key
19 participant and decision maker), Neptune was selected as our national meter vendor and CII
20 entered into a national Purchasing Agreement with Neptune. This assessment of all major
21 meter brands determined the optimal meter and metering technologies, pricing, supply chain
22 capabilities, management software and support for the organization. It should be noted that
23 this national agreement used the parent company purchasing power to standardize consistent
24 pricing for SWS as well as all other CII affiliates.

25 With the meter vendor selected, it was a matter of selecting the best meter and meter collection

1 technology for SWS from Neptune. For meters, SWS reviewed Neptune positive
2 displacement and ultrasonic meters. For meter reading, SWS reviewed Neptune AMR, AMI
3 Cellular, AMI Radio and AMI LoRAWAN for best fit with our stated project objective -
4 automation of the customer meter reading process across the state in ten different counties.

5 **Meter Type**

6 *Positive Displacement* – Is a mechanical meter that measures the volume of fluid passing
7 through it by repeatedly trapping a fixed volume of fluid and counting the number of times
8 the volume is displaced.

9 *Ultrasonic* - An ultrasonic meter is a type of flow meter that measures the velocity of a fluid
10 (using ultrasonic sound waves). This advanced technology is widely appreciated for its non-
11 invasive and accurate flow measurement capabilities and durability due to no moving
12 mechanical parts.

13 *Neptune's T-10* series meter was selected for reuse primarily due to the lower cost and their
14 ability to handle a wider range of fluid properties such as clarity.

15 *Neptune's Mach 10* series meter was selected for potable water primarily due to accuracy
16 across high and low flows, installation simplicity, and durability.

17 **Meter Technology**

18 *AMR* – Generally known across the industry as drive-by meter reading, this technology allows
19 for a collection of meter readings in an area using a vehicle-mounted collector. While this
20 can be a less expensive option with regard to capital, it still requires readers, vehicle usage,
21 and other meter reading resources. It also only obtains reads once a month and limits
22 capabilities like real-time read data and actionable continuous and high consumption alerts.

23 *AMI Cellular* – This is a true automated reading solution; it relies on communication with a
24 cellular network from a third party such as AT&T or Verizon to read the meters. This doesn't
25 require an AMI network to be set up, and so is attractive for small or isolated systems, but the

1 costs to purchase these meters are higher and require an annual fee for the cellular network
2 costs.

3 *AMI Radio* – This is the more traditional AMI solution, using a proprietary radio network to
4 collect meter data. This requires infrastructure including poles, collectors, antennae, power,
5 etc. and doesn't have any ongoing cost for network access. AMI Radio becomes cost effective
6 with meter density such as in suburban and urban neighborhoods.

7 *AMI LoRaWAN* – This is the same concept as the AMI Radio solution but uses a Long-Range
8 Wide-Area Network (LoRaWAN), a low-power, open-standard protocol that securely
9 connects battery power devices such as meters. The benefit of this technology is that it gains
10 a propagation advantage against the AMI radio solution, meaning fewer poles, collectors and
11 associated parts and equipment are required.

12 SWS reviewed the technology options and determined that the most cost- and operationally
13 effective solution is to deploy a mixture of AMI LoRaWAN and AMI Cellular. SWS noted
14 the important factors going into this decision:

- 15 • SWS currently utilizes manual reading meters, with the stated goal of automating the
16 meter read process across the state in ten different counties.
- 17 • All Neptune meters can fallback to AMR functionality, which means, in the event of
18 Cellular or LoRaWAN failure, the Company can utilize drive-by reading technology as a
19 backup meter reading option.
- 20 • Poles and collectors are an added capital cost and can be difficult to implement, thus the
21 focus is to deploy the least amount of them as possible (i.e., LoRaWAN's advantage over
22 Radio).
- 23 • An AMI LoRaWAN blanket approach is not fiscally prudent because as a network to
24 collect meter data is developed, not every meter fits inside the coverage of the network.
25 It's possible to build additional poles/collectors to accommodate this, but there is

1 diminished benefit for the relevant cost for the construction of a collector for, say, 15
2 meters that are outside of the coverage area of a tower that is collecting 500 other meters'
3 data. The approach SWS considered to manage costs is to use one of the benefits of the
4 Neptune AMI technology that allows for the blending of different methods, namely AMI
5 LoRaWAN and AMI cellular. This provides a cost-effective solution for network
6 development, using AMI cellular for residents that are outside coverage of the AMI
7 LoRaWAN network.

- 8 • Any meters that would need to be switched from AMR to AMI Cellular or LoRaWAN
9 require a full meter swap out to affect how it would access an AMI network. In other
10 words, if the goal is to facilitate AMI-level functionality within the expected lifespan of
11 these meters, transitioning to AMR first would create an additional and unnecessary cost
12 to later transition to AMI when SWS moved from manual to AMR to AMI reads over
13 time.

14 SWS believes that for the lifecycle of the physical meters being installed, AMI is a necessary
15 and strategically prudent transition that will benefit our customers, regulators, operations, and
16 employees. When SWS evaluated the constraints of the implementation of AMI technology,
17 we recognized the option to move from manual to AMR and ultimately to AMI had two fatal
18 flaws. First, AMR still requires virtually the same meter reading resources as currently
19 deployed to support operations once factors such as routes, staffing needs, and statewide
20 coverage is considered. Second, without an AMI technology selected and network designed,
21 SWS would be unsure where to deploy Cellular and LoRaWAN meters without extensive
22 later investigation. Taking this all into account, a decision was made to move forward AMI
23 implementation.

24 **Q. Second, do you believe this project will be completed by December 31st, 2025 –**
25 **approximately 12 months from now?**

1 A. Yes.

2 Q. **Do you have a high degree of confidence considering the delays on the project to date?**
3 **If so, why?**

4 A. Yes, I have a high degree of confidence this project will be delivered on time. As I stated in
5 my direct testimony (pages 17 to 23), “a review carried out in 2023 led to management
6 refocusing our support/office team on community involvement and communications,
7 operations oversight, **and capital deployment**” (emphasis added). A key change was to
8 increase the project delivery team headcount from one to three. Adding a Senior Project
9 Manager with 21 years of experience and another Project Manager to lead project delivery
10 efforts has resulted in greater oversight of key projects such as the AMI project.

11 Q. **Witness Smith takes issue with the increase in project cost compared to the Business**
12 **Case Analysis performed by the Company. Can you provide more details on the relevant**
13 **project management processes for the AMI project, and the drivers for apparent project**
14 **cost increases?**

15 A. Yes. SWS follows standard project management delivery methodologies, drawn from industry
16 standard such as the Project Management Institute. Relative to the AMI project, the project
17 was evaluated by SWS leadership, a Capital Project Review Team (CPRT), and stakeholders
18 within CII to gain approval for this project to proceed past certain milestones (gates) within
19 the project. To pass the gate from the initiation phase to the planning phase of the project, the
20 project needs to demonstrate to the project stakeholders that a rough scope, timeline and cost
21 is established. With this project, an additional requirement for the initiation phase was to
22 select a technology and a vendor as well. The documentation referred to by Witness Smith as
23 the Business Case is an artifact of this phase of the project and is not indicative of the
24 refinement of scope, timelines, and costs that get developed during the planning process. The
25 Business Case provided is the output of a process, not a baseline or benchmark to be used to

1 compare current forecasts without accounting for significant changes to the inputs since this
 2 assessment was conducted. Below are details on how the project budget was developed from
 3 the assessment defined in the table below to the current pro-forma project being implemented.
 4 The original initiation phase cost analysis was not \$8.289MM as stated in Witness Smith’s
 5 testimony. It was \$11.724MM as shown below, per the Company’s Business Case Analysis.

Option #4a Neptune Ultrasonic meters (with RF network)

Capital Cost Summary	20 year cost
Meters & Modules	\$ 8,437,619
Endpoint Installation Costs	\$ 1,645,911
Network Costs	\$ 890,980
Project Management Costs	\$ 150,750
System Implementation Costs	\$ 324,211
Contingency	\$ 274,612
Total Capital Cost	\$11,724,084

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8 The original initiation phase cost analysis estimates of \$11.724MM did not include the
 9 following factors:

- 10 • The assessment was completed for an approximately 34,782 meter count (using 2020
- 11 data), and SWS is now at ~37,000 meters and growing approximately 6.37%/year
- 12 • The analysis has 41 poles/base stations in the estimate, while actual required is 47
- 13 • Allowance for Funds Used During Construction (AFUDC) is omitted
- 14 • Additional contingency and labor are not included
- 15 • Inflationary pressures for labor and materials since the analysis are not reflected

16 *Initial Planning Phase*

- 17 • Once the project accounted for the items above, the project forecast was established
- 18 at \$16.25M during 2023

19 *Design Phase*

- 20 • During the Design Phase, additional scope and cost escalations were accounted for as
- 21 follows, resulting in a total cost of approximately \$20.57MM.
- 22 • Lead & Copper Assessments of service lines to satisfy the EPA Service Line Inventory

1 Requirements, which adds \$2, \$15 or \$60 per meter for approximately 30,000 meters
2 – this cost is included in the project estimate at \$508,000. Service line records were
3 reviewed to determine which lines could be excluded through records verification and
4 remaining lines must be field tested to determine material status.

- 5 • Meter installation process review led to an understanding that in mature
6 neighborhoods, meter boxes required additional work to exchange meters due to roots,
7 sand, box replacements, and other obstructions or complications.
- 8 • SWS accounted for construction permitting, but determined through the propagation
9 studies that a tower height of 50' was needed. This tower height is required to contend
10 with the relatively flat topography of our service area. The 50' size balanced the
11 'higher the better' requirements of antenna placement against aesthetics and coverage
12 and kept the number of towers down when compared to a 35' pole, which was also
13 reviewed. As a result of selecting 50' as a standard pole height, the project required
14 additional variance permits in every county. Variance permitting is a long duration
15 process and was not officially pursued until the pole height was chosen, locations were
16 selected, pole design was completed, and network coverage validated.
- 17 • Supply Chain Delays – Meter deliveries and associated required components, through
18 the challenges of post-COVID supply chains, had lead times of up to 18 months. The
19 uncertainty that this caused to the project had significant impact on the schedule.
20 Critical components such as a connecting wire negated options for deployment until
21 supplies were on-hand.
- 22 • The original project scope did not account for reuse meters, which have seen a
23 significant increase in demand over the last 4 years, and the current project scope has
24 1,500 reuse meters included.

25 **Q. In addition to the above considerations, can you please elaborate on the significant**

1 **changes that have occurred since development of the original Business Case?**

2 **A.** The Business Case to support the project has been impacted by additional factors:

3 1. An increase to the assessment cost inputs - Between 2020 to 2025, our input costs to
4 support meter reading have increased. Below are some of the significant elements of
5 this increase over this period.

- 6 a. Fuel +35.9%
- 7 b. Labor +23%
- 8 c. Maintenance materials costs
- 9 d. Vehicle insurance

10 2. Increase of all project costs since the initial assessment was completed – Between
11 2020 and 2025, our project costs have also increased.

- 12 a. Labor +23%
- 13 b. Raw material and freight costs for meters +10%
- 14 c. Meter installation cost increases of ~31% due to age and condition of the existing
15 meter pits
- 16 d. The additional EPA requirements to assess service lines for Lead and Copper
- 17 e. At the time of the assessment, no assumptions were made to augment the AMI
18 network’s cellular-based meters. Once the propagation study was complete,
19 approximately 5.4% of the meters were identified as requiring cellular service.

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21 **Q.** **Witness Smith notes that the AMI meter project is not needed to provide safe and**
22 **reliable water service to SWS customers. Does the Company need to have functional**
23 **meters, AMI or otherwise, in place to provide safe and reliable water service?**

24 **A.** Yes, the claim by Witness Smith that SWS is providing water service without AMI, and
25 therefore AMI is not needed, overlooks the fact that the Company needs to maintain its

1 systems to avoid service interruptions and continue to provide proper and reliable service.
2 Due to the age and deteriorating reliability of the current meters, the Company believes it is
3 necessary to implement a meter exchange program. The Company went through a rigorous
4 process (as described above) to determine that the AMI technology was the preferred solution
5 due to the benefits to our customers (as described below). Failure to replace the meters in a
6 timely manner (i.e., before malfunction, reading problems, etc.) would create risk of service
7 concerns and customer service issues. It is necessary to timely replace our aging water meters
8 and, as described previously, a prudent decision was made to replace the water meter
9 population with new meter and meter reading infrastructure using AMI technology.

10 AMI is very common, and increasingly so, in the water utility industry. Neptune has informed
11 the Company that it has supported installation of AMI technology in over 4,000 water systems
12 across all 50 U.S. states. In Florida, Neptune has AMI implementations completed or
13 underway in the following areas: Hillsborough County, Zephyrhills, Northport, Winter
14 Haven, Arcadia, Babcock Ranch (Town and Country), Cape Coral, Florida Keys Aqueduct
15 Authority, Palm Bay, South Martin, Margate, Clermont, Deltona, St. Augustine, Pompano
16 and The Villages. Outside of Neptune's technology, SWS is aware that Sensus AMI
17 deployments are currently ongoing for Sanford and Deerfield Beach. As described above,
18 utilization of an intermediate technology such as AMR would not provide customer benefits
19 and would create an additional step and cost to eventual AMI deployment.

20 **Q. Has the Florida Public Service Commission ("PSC" or "Commission") approved the**
21 **recovery of AMI meters previously?**

22 **A.** Yes. Without making an exhaustive search, I note that in dockets 20170166-WS, 20220026-
23 WU, and 20230071-WU, the Commission has approved the recovery of AMI meter projects,
24 OPC was either a party of record or interested party in all 3 of those dockets.

25 **Q. Witness Smith states the project is unnecessary and the cost is excessive, relative to an**

1 **alternative option like AMR – did the Company look at the benefits of AMI before**
2 **proceeding with that technology over AMR?**

3 **A.** As stated above, the Company needed to replace a fleet of aging meters and in determining
4 the technology the Company looked at all vendors and options available for this project. Less
5 capital-intensive options, including AMR, did get assessed and eliminated due to the stated
6 points in the technology selection section above and the understanding that AMR still requires
7 nearly the same meter reading resources to support monthly reads.

8 **Q. What are the specific benefits of AMI over AMR?**

9 **A.** The Company considered various benefits and limitations of the two options, including those
10 not quantifiable but that have value for our customers, regulators, and operations. The below
11 table details the benefits that will be available immediately or available during the lifespan of
12 the AMI meters, in comparison to an AMR implementation and continuing with the current
13 manual read meters. As the table shows, AMR has few notable benefits over the current
14 manual read meters, especially in comparison to implementation of AMI.

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AMI vs. AMR vs. Current Meters				
Benefit Type	Benefit	AMI	AMR	Current
Customer	Customer Expectation	Meets expectation of near-real time meter data and alerts	Provides meter data once a month	Provides meter data once a month
Customer	Customer Engagement	Gives customers access to detailed consumption data, enabling better water management and awareness of usage patterns	Provides meter data once a month	Provides meter data once a month
Customer	Customer Transparency	Promotes transparency by enabling customers to access their usage data through mobile apps or web portals	Limited to utility-side data collection, offering no direct customer engagement	Limited to utility-side data collection, offering no direct customer engagement
Customer	Dynamic Billing Cycles	Facilitates the ability for customers to select a monthly bill cycle based on their preferences	Cannot support any dynamic billing cycles as it's read only once a month	Cannot support any dynamic billing cycles as it's read only once a month
Customer	Advanced Alarming Alerts	Sends alerts for unusual conditions like continuous consumption (water leaks), high usage and meter tampering, improving overall infrastructure maintenance, problem solving, and customer satisfaction	Does not offer real-time alerting capabilities	Does not offer real-time alerting capabilities
Customer	Reduction in Data Latency	Provides nearly real-time data, allowing timely decision-making for operations and customer management, e.g. – can explain to a customer the exact day that usage spiked	Provides meter data once a month, limiting reaction time for issues	Provides meter data once a month, limiting reaction time for issues
Customer	Granular Consumption Insights	Captures and analyzes data at very fine intervals (15-minutes), empowering utilities and customers with actionable insights, alerts	Provides only basic cumulative data, which lacks granularity	Provides only basic cumulative data, which lacks granularity
Customer	Enhanced Customer Trust	Builds trust by giving customers access to their data and enabling more accurate billing, reducing disputes, and improving transparency	Can lead to billing inaccuracies and resource deployment to address issues and concerns, as data is collected less frequently	Can lead to billing inaccuracies and resource deployment to address issues and concerns, as data is collected less frequently
Regulatory	Regulatory Compliance	Electric utilities trend ahead of water and wastewater utilities and have precedent set in jurisdictions such as California, Texas and New York heavily incentivizing AMI to meet compliance expectations such as real-time data and alerting customers of anomalies and high usage. Understanding the life cycle of the meters, there is an expectation that AMI will be necessary in the long-term to comply with regulatory requirements	Provides meter data once a month and no availability of real time alerting services	Provides meter data once a month and no availability of real time alerting services
Regulatory	Regulatory Reporting	Simplifies compliance reporting by automatically generating detailed consumption and quality data	Requires manual processes to generate reports, increasing the administrative burden	Requires manual processes to generate reports, increasing the administrative burden
Regulatory	Real-Time Data Collection	Provides real or near real time meter data	Data is provided only for monthly read dates	Data is provided only for monthly read dates
Operational	Two-Way Communication	Enables two-way communication between the meter and the utility, allowing remote updates, diagnostics, and control	Supports only one-way communication, typically limited to reading data from the meter	Supports only one-way communication, typically limited to reading data from the meter
Operational	Improved Main Break Management	Can provide additional information about impacts of line breaks and restoration by comparing current and previous usage information	Does not support any real time reporting options	Does not support any real time reporting options
Operational	Reduced Revenue Leakage	Minimizes errors in metering and billing, reducing revenue leakage and improving financial performance	Somewhat less susceptible to manual or system errors leading to potential revenue losses	Susceptible to manual or system errors leading to potential revenue losses
Operational	Data Analytics and Forecasting	Offers rich data sets for better load forecasting, grid optimization, and strategic planning	Provides basic usage data without the granularity needed for advanced analytics	Provides basic usage data without the granularity needed for advanced analytics
Operational	Scalability and Future-Proofing	Designed for integration with smart grids and IoT devices, making it more adaptable to future technologies	Lacks the infrastructure for integration with emerging technologies, except convertibility in limited circumstances to AMI functionality	Lacks the infrastructure for integration with emerging technologies
Operational	Storm Recovery and Assessment	Allows utility to identify continuous running meters and those failing to relay a signal, improving response times to address storm damages and lost water	Limited ability to relay information (requires drive-by), unable to provide continuous flow data	Requires manual reading or inspection to identify storm impacts
Operational	Operational Efficiency	Provides opportunity for operational cost savings through automation, remote capabilities, and advanced monitoring tools	May save costs compared to manual readings but lacks additional efficiency gains from automation and analytics and requires more equipment and software than manual meters	Most inefficient method and lacks advanced monitoring or automation capabilities, though requires minimal equipment
Operational	Reduced Field Visits	Virtually eliminates the need for on-site meter reading and troubleshooting, freeing up operations staff and improving safety	Still requires occasional visits for maintenance, repairs, or data collection issues	Requires frequent field visits for high reads, misreads, reading errors, and inaccessibility to meters
Operational	Improved Theft Detection	Helps detect water theft or meter tampering in near real-time by identifying and alerting anomalies in usage patterns	Provides less frequent data, making it harder to detect theft or tampering quickly	Provides less frequent data, making it harder to detect theft or tampering quickly
Operational	Environmental Benefits	Reduces the carbon footprint by minimizing vehicle use for meter reading and providing data to reduce water losses	Offers some environmental benefits but is less impactful due to its limited scope and data	Highest resource needs with regard to manpower and vehicle use
Operational	Revenue Assurance	Reduces revenue loss through accurate, timely readings, and detection of non-technical losses like unauthorized connections	Cannot address revenue losses effectively due to lower data resolution	Cannot address revenue losses effectively due to lower data resolution
Operational	Water Efficiency Programs	Drives participation in water efficiency activities by providing actionable insights into water use	Cannot support advanced efficiency initiatives due to its limited functionality	Cannot support advanced efficiency initiatives due to its limited functionality
Operational	Long-Term Cost Savings	Although more expensive to implement initially, it can reduce operational and maintenance costs over time through automation and efficiency	May appear cheaper upfront but incurs higher operational costs over its lifecycle due to continued manual processes	Limited opportunity for savings due to meter reading resource needs
Operational	Enhanced Accuracy in Forecasting	Provides detailed and accurate data for forecasting water demand, improving procurement and distribution operation decisions	Limited data points result in less accurate forecasting	Limited data points result in less accurate forecasting

1 **Q. Did the Company complete a break-even analysis between installing its own network**
2 **versus solely relying on third-party cellular service?**

3 **A.** The Company completed a break-even analysis and assessed the options carefully through
4 the coverage study process. Our break-even point for the installation of a pole/collector vs
5 cellular technology is 278 meters with an assumed 20-year ROI life cycle. In other words, it
6 is more cost efficient over the life of the meter (20 yrs) to install meters with pole/collectors
7 if there are on average more than 278 meters installed per pole. With this information in mind,
8 SWS worked to ensure that the network covers as many meters as possible for each
9 pole/collector, and our current pole/collector ratio is well over the 278 minimum. Secondly,
10 SWS worked to develop overlapping coverage to ensure system resiliency in the event of
11 collector outages.

12 **Q. Witness Smith notes that allowing the AMI meter project in rate base would create a**
13 **mismatch with possible benefits occurring beyond the project implementation. Do you**
14 **agree?**

15 **A.** Not entirely. However, Witness Smith refers to potential benefits as “speculative” and
16 acknowledges that any savings that might materialize would occur beyond 2025. SWS agrees
17 that, to the extent potential benefits from the project are not known and measurable, it would
18 not be reasonable to include such speculative savings in its revenue requirement in this case.

19 **Q. Witness Smith states that SWS expects that any benefits of the AMI project will be**
20 **effectively cancelled out due to the reassignment of its current meter reading workforce**
21 **to other areas of the company – is that correct? Are there any cost savings passed along**
22 **to the customer in the current revenue requirement request?**

23 **A.** SWS expects this project to generate annual operational expense savings of approximately
24 four meter readers, including total compensation and benefits plus associated vehicle
25 expenses. The Company calculates this impact to be \$293,883 per annum.

1 **Q. Has this resulted in a reduction in SWS’s revenue requirement request in this case?**

2 **A.** No. Whilst the benefits are real and will be experienced by our customers, we also have a need
3 to increase our operational headcount to manage growing systems, significant capital needs,
4 increasing regulatory compliance, environmental and operational standards, aging assets, and
5 new technologies being deployed at different systems. As I mentioned in my direct testimony,
6 we have only increased our headcount by one since our last rate case four years ago, and
7 maintaining current staffing levels with our current meter technology would result in risk of
8 service issues in the coming years. Therefore, the savings from implementing AMI are
9 reflected in the ability to maintain our ongoing staffing to manage operations in the coming
10 years.

11 **Q. Can you provide examples of where SWS needs extra operational support through
12 redeploying existing personnel?**

13 **A.** Yes. With ever-increasing regulatory and environmental requirements (e.g., Lead and Copper
14 Rules revision, Collection System Action Plans and established PFAS rules), our current work
15 force is being asked to do more with the same resources. This is true for both operations and
16 preventative maintenance teams.

17 **Operations/Treatment:**

18 Included in our current rate case are two projects that will result in more man hours to operate
19 the systems. The certified operators of these systems will have less time to support
20 preventative maintenance tasks they otherwise would have completed during less busy periods
21 of the day/week/month.

- 22 1. PFAS Treatment at Orangewood - new technology which will require more man hours
23 to operate and maintain. In addition, we expect to have to deploy more PFAS
24 treatment solutions across our water systems between now and our next rate filing.
- 25 2. Pennbrooke ACTINA Water Treatment Plant - currently, all that is required is the

1 addition of chlorine and polyphosphate to the potable water. As described in the
2 Preliminary Design Report, the system that is currently in construction is far more
3 complex and will require more man hours to operate and maintain.

4 **Growth and Preventative Maintenance:**

- 5 1. Seminole County aging systems – as one of our largest service areas, it has several of
6 SWS’s older systems and increasing field maintenance needs are putting more
7 demands on a work crew that has limited flexibility. Specifically, the most common
8 tasks associated with an aging system are service line repairs (thin wall black PE,
9 galvanized and copper pipe materials), galvanized curb stop replacements, meter lids
10 and boxes, water main breaks (AC and thin wall PVC pipe material), collection main
11 and lateral repairs (clay, Orangeburg pipe materials as well as substandard plumbing
12 connections including hammer taps), and time consuming locating of existing assets
13 due to the lack of tracer wire or other locating means.
- 14 2. Lake County Growth – over the past five years the customer count has increased by
15 16.4% for Water, 34.9% for Wastewater and 6% for reuse customers without any
16 increase in operator headcount. While this growth is positive, it has placed significant
17 strain on our existing infrastructure maintenance team. The following table lists key
18 assets that need to be maintained on a periodic basis – the increase since 2017 has
19 been substantial and the headcount need to support preventative maintenance work
20 must be increased to be provide safe and reliable service.

Lake County - South Clermont Service Area

Asset Type	Total as of 2017	Current Totals	Difference	Percent Difference
Lift Station	25	39	14	36%
Manhole	635	1,142	507	44%
Sewer System Valve	51	80	29	36%
Sewer Specialty Valve	28	32	4	13%
Ft of Force Main	78,544	119,855	41,311	34%
Ft of Gravity Main	146,416	259,549	113,133	44%
Hydrant	742	1,010	268	27%
Water and Reclaim Specialty Valve	141	255	114	45%
Water and Reclaim System Valve	2,496	3,576	1,080	30%
Ft of Water and Reclaim Main	990,475	1,308,150	317,675	24%

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While this growth indicates a significant investment in expanding and upgrading the infrastructure, these assets need to be maintained to maximize the return on these investments for the customer - short-cutting the necessary maintenance will result in a shortened life of the assets and more significant operational issues, leading to earlier replacement and ultimately higher costs for customers.

Transferring all or part of the meter reader resources to the infrastructure maintenance team will:

- a. Enhance Operational Efficiency: Directly address the growing maintenance schedule, continuing growth, and manage reliance on external contractors.
- b. Improve Service Reliability: Proactively maintain critical infrastructure components such as valves, hydrants, and pumps, minimizing service disruptions and potential water quality issues.
- c. Optimize Resource Allocation: Utilize internal resources more effectively to respond to customer needs in a timely manner.
- d. Strengthen GIS Accuracy: Accelerate the geolocating of assets thereby enhancing the accuracy of our Geographic Information System (GIS) for better planning and response to emergencies. Accurate GIS is a crucial

1 software tool used to locate assets before and after storms and to effectively
2 troubleshoot operating issues. This tool was invaluable during the three
3 hurricanes that passed through Florida in 2024.

4 e. The transferred headcount will be assigned to the following critical
5 maintenance activities not only in Lake County but systems across the state
6 also:

7 i. Annual Valve Exercising: Ensure the proper functioning of critical
8 valves to maintain system reliability.

9 ii. Quarterly Dead-End Water Main Flushing: Prevent water quality
10 issues and sediment buildup in dead-end mains.

11 iii. Annual Fire Hydrant Maintenance: Inspect and maintain fire hydrants
12 to ensure their readiness for emergencies.

13 iv. Five-Year Fire Flow Testing: Conduct periodic fire flow tests to verify
14 adequate water supply for firefighting operations.

15 v. Annual Lift Station Pump Drawdowns: Lift station pump drawdown
16 is a process to measure the actual pumping capacity and efficiency of
17 lift station pumps by calculating the net flow rate and comparing it to
18 the pump curve.

19 In summary the strategic reallocation of headcount aligns with our overall business objectives
20 of improving operational efficiency, enhancing service reliability, and optimizing resource
21 utilization. By investing in our infrastructure maintenance team, we can safeguard the long-
22 term sustainability of our water and wastewater systems and better serve our customers.

23 **Q. Witness Smith claims that customers don't want AMI, do you agree with this statement?**

24 **A.** Witness Smith's claim is without evidence or merit. While the Company did not run an
25 engagement survey asking customers if they want AMI, the Company also did not run an

1 engagement survey asking customers if they want a new force main to replace aging pipe.
2 However, in both instances customers benefit – in fact, the benefits from the AMI metering
3 project are more evident to the customers for all the reasons listed the questions above. To be
4 clear, the Company posted information on the AMI transition to its customer portal starting
5 in 2023, conducted customer information sessions, and proactively engages with customers
6 during the installation process.

7 **Q. Did the Company offer an opt out option for AMI installations?**

8 **A.** No. Witness Smith likens the installation of AMI for water systems to that of electric utilities.
9 Electric AMI differs from water AMI in an important respect. The most common reason for
10 requesting an opt out (though consistently debunked by experts) is due to concerns around
11 Electromagnetic Frequencies (“EMF”) impacting the residents. Electric AMI meters generally
12 are located above ground and on the side of the building, compared to water meters that are
13 placed underground, away from the house and closer to the property line (at the curb). This
14 significantly diminishes the concern of EMF. Secondly, new monthly tariffs would need to
15 be created to allow for the compensation of the utility to recover increased operational
16 expenses for continued manual reads. This fee is commonly similar to a Reconnect Fee, which
17 is currently \$40.06 per occurrence. The Company notes that none of the water AMI systems
18 approved by the Commission included an opt out provision, and SWS’s North Carolina
19 affiliate has not granted any opt outs or established a tariff fee across its implementation of
20 thousands of AMI meters. Finally, the Company wishes to discourage opt outs as the need
21 for continued manual reading – in potentially various locations across its systems – would
22 negate potential key benefits of the AMI implementation, such as the ability to redeploy staff
23 to other tasks.

24 **Q. Witness Smith believes a formal analysis should be produced for a pilot project before**
25 **implementing AMI in full. Do you agree?**

1 A. No. Prior to any work starting in Florida, Neptune AMI was deployed in other business units
2 within CII who are affiliates of SWS. The deployment of thousands of AMI meters in North
3 Carolina and other areas provided lessons that the SWS project team was able to leverage in
4 its own efforts. The most significant elements related to the installation of the meters and the
5 back-office exchange of meter data between our billing system and the software used to
6 manage the installation work (e.g., last read data and new meter numbers).

7 During my deposition on October 31, 2024, I spoke about an AMI pilot project, for SWS, to
8 clarify, that pilot group consisted of small systems where a part time meter reader had retired,
9 providing an opportunity to transition meter reading processes. We exploited this opportunity
10 to push a pilot using a cellular-only system, testing our updated process and gaining some
11 needed experience in Florida for meter exchanges. The pilot deployed 446 cellular meters
12 over 4 systems. During the pilot, we tested our installation capability, data exchange
13 processes with our installation vendor, customer outreach and communications. SWS focused
14 on quality assurance processes to eliminate the amount of meter read estimates as well as
15 response processes to clear any issues as quickly as possible within very specific times allotted
16 during a billing cycle in an effort to minimize disruption to our customers. The pilot helped
17 improve meter inventory processes, customer communications refinement, and data exchange
18 process between billing and the project team.

19 **Q. Did SWS engage with any consultants to help with the project execution?**

20 A. Yes, in December of 2023 the Company engaged Black & Veatch to work with SWS to assist
21 in permitting required for the project. As shown below in the project update, this engagement
22 has proven to be successful with all required permits expected to be in-hand by the end of
23 January 2025 or sooner.

24 **Q. What is the current status of the project?**

25 A. SWS has made significant progress on this project and completed the following as of

1 December 11, 2024:

- 2 • Poles and collectors installed – 25 of 47 (53%)
- 3 • Variance permits received – 30 of 47 (64%)
- 4 • Meters installed – 1,050

5 The following are items scheduled for the remainder of the year and into 2025:

- 6 • Completion of all variance permitting by January 31, 2025
- 7 • Completion of all pole installation by February 28, 2025
- 8 • Meter Installation by month according to the table below:

	Meter Installation Schedule
Dec-24	1,000
Jan-25	3,000
Feb-25	3,500
Mar-25	4,000
Apr-25	4,000
May-25	4,000
Jun-25	4,000
Jul-25	4,000
Aug-25	4,000
Sep-25	3,675
Oct-25	1,500

9
10 A conclusion that SWS lacks the expertise to effectively deliver this project lacks context of
11 the factors described above. After permitting completion next month, the project completion
12 is not subject to timelines or approvals outside the Company’s control. In addition, the
13 Company has executed contracts with the pole installation company and meter installation
14 company, and has meters in inventory.

15 **Q. Permitting has delayed this project thus far in 2024. What is the status of the outstanding**
16 **permitting?**

17 **A.** The company has submitted permit requests in 6 Counties - Seminole, Lake, Marion, Polk,
18 Pasco, and Pinellas. The Company has received 30 of 47 permits: Seminole (21), Marion (1),
19 Polk (3), Pasco (4), and Lake (1). The Company is awaiting 17 approvals in Lake (16), and

1 Pinellas (1).

2 **Q. What if the contracted meter installation company is unable to meet the schedule laid**
3 **out above?**

4 **A.** First of all, the meter installation company has begun the full deployment of meters at the end
5 of November 2024. Currently there are 15 meter installers working daily on this project in
6 Seminole County. At the current pace, the Company will meet the schedule laid out above.
7 Secondly, In December 2024, SWS sister utility company in Florida, Ni Florida, installed
8 approximately 750 meters at their Tamiami utility in the Fort Meyers area. While this
9 installation work was completed by a different meter installation company, should the need
10 arise, SWS can engage this meter installation company to keep pace with the schedule and
11 complete all work before December 31st, 2025.

12 **PRO-FORMA PROJECT UPDATES**

13 **Q. Can you provide an update on the pro-forma capital projects?**

14 **A.** Yes, all projects included in our original filing now have contracts in place to complete the
15 work as laid out in the original filing. I will add that after going through the bid process,
16 certain projects have increased in total project cost. As shown in the rebuttal testimony of
17 Company Witness Swain, the result of these updates and those discusses in the Company's
18 rebuttal testimonies is that SWS's requested revenue requirement for water is unchanged and
19 has decreased slightly for wastewater.

20 **Q. Do you have any updates for ST-03?**

21 **A.** Yes, the design is complete. The Pinellas County Right of Way Permit portion of the project
22 began construction in October 2024. SWS is waiting on a Florida Department of
23 Environmental Protection (FDEP) permit approval to complete the remaining portion of the
24 project. The scope of the project increased due to a manhole and associated piping that failed
25 after Hurricane Milton. This project is expected to be completed by March of 2025. Updated

1 project costs are reflected in Exhibit DDS-2.

2 **Q. Do you have any updates for ST-04?**

3 A. Yes, the project completion date has shifted to March 2025 due to delays caused by the FDEP
4 Permit approval. The design is complete, the contract in place with the contractor, and the
5 Company is waiting on final permits before starting construction. There has been no change
6 to the scope of work or project cost.

7 **Q. Do you have any updates for ST-05?**

8 A. No, this project was completed in February 2024.

9 **Q. Do you have any updates for ST-06?**

10 A. The project completion date remains the same, but there has been a small increase in project
11 costs due to unplanned work caused by the amount of rags, grease, trash, and inorganic
12 material in the surge tank and wastewater treatment plant, causing a negative impact to the
13 biological process. Updated project costs are reflected in Exhibit DDS-2.

14 **Q. Do you have any updates for ST-07?**

15 A. No, this project was completed in Feb 2024.

16 **Q. Do you have any updates for ST-08?**

17 A. Yes, the project restarted construction of the lift station in November 2024. Project completion
18 was delayed due to damage to equipment purchased during Hurricane Milton. Temporary
19 electrical equipment will be installed and then replaced for the permanent solution. Once the
20 permanent equipment is installed, the project will be completed, which is currently estimated
21 as April 2025. Updated project costs are reflected in Exhibit DDS-2.

22 **Q. Do you have any updates for ST-09?**

23 A. No, this project was completed in March 2024.

24 **Q. Do you have any updates for ST-10?**

25 A. Yes, the project completion was delayed due to challenging geological conditions (solid

1 limestone and peat seams) that slowed drilling, demobilization, and remobilization due to
2 Hurricanes Helene and Milton. A 23-inch bore and casing with an inside diameter of 18
3 inches is in place to a depth of 1004'. With the casing in place, a 17-inch bore will be drilled
4 to a depth of 1400' to 1500' by the end of December 2024. Water quality testing will be
5 conducted every 40' once a depth of 1040' is reached to ensure only what is required is drilled.
6 Development of the well is anticipated to be completed by the end of January 2025. Draw
7 down testing will determine the requirement for the well pump size, and this will be ordered
8 when determined. Installation of the new wells will follow. SWS applied to St. John's Water
9 Management District for funding for this well as it is an Alternative Water Source. SWS was
10 successful and received a grant of \$433,000 which offset the increased costs incurred in the
11 project to date, dropping the total project cost slightly. Updated project costs are reflected in
12 Exhibit DDS-2.

13 **Q. Do you have any updates for ST-11 and ST-12?**

14 **A.** Yes. The combined project has moved through the design and bid phase. SWS selected the
15 preferred contractor and executed a contract in December 2024 to perform the work in 2025.
16 The project schedule has not changed. The project costs have been modified based on the
17 resulting bid and contract. Updated project costs are reflected in Exhibit DDS-2.

18 **Q. Do you have any updates for ST-13?**

19 **A.** Yes, the design and bid process for this project is complete and SWS selected its preferred
20 contractor for the project in November 2024. With the contract in place, this project is
21 expected to be completed earlier than originally anticipated, in September 2025. Updated
22 project costs are reflected in Exhibit DDS-2.

23 **Q. Do you have any updates for ST-14?**

24 **A.** Yes, the bid process is now complete, and SWS has a contract in place with the preferred
25 vendor. The project schedule remains the same, with scheduled completion at the end of 2025

1 due to the long lead times for electrical items of up to 46 weeks for the automatic transfer
2 switch (ATS) needed for this project. The large generator required has been received. Updated
3 project costs are reflected in Exhibit DDS-2.

4 **Q. Do you have any updates for ST-15?**

5 A. No, the project was completed in April 2024.

6 **Q. Do you have any updates for ST-16?**

7 A. Yes, like ST-14, due to a long lead of up to 46 weeks for the ATS, the project won't be fully
8 completed until the end of 2025. Updated project costs are reflected in Exhibit DDS-2.

9 **Q. Do you have any updates for ST-17?**

10 A. Yes, SWS has completed the design and bid process and selected the preferred vendor. With
11 the contract awarded, the schedule to complete the work has been updated and the project will
12 be completed in October 2025. Project costs increased due to the escalation of cost for pipe,
13 materials, and labor since the Opinion of Probable Cost information was estimated in 2022
14 (see Technical Memorandum in ST-17 Update, Appendix B). Updated project costs are
15 reflected in Exhibit DDS-2.

16 **Q. Do you have any updates for ST-18?**

17 A. Yes, SWS has a contract executed with an electrical contractor and the project is expected to
18 be completed in early January 2025. Updated project costs are reflected in Exhibit DDS-2.

19 **Q. Do you have any updates for ST-19?**

20 A. Yes, the project construction has progressed as expected but commissioning has been changed
21 to March 2025 due to an unexpected vendor delivery delay for a critical electrical panel
22 required for the new pump equipment. Updated project costs are reflected in Exhibit DDS-2.

23 **Q. Do you have any updates for ST-20?**

24 A. Yes, please see above for a detailed breakdown of the project status. In summary, SWS has
25 started the full deployment of meters, starting in Seminole County, and all contracts are in

1 place and all required permits will be in hand by the end of January. The project schedule has
2 not changed and now that the Company has worked through the permit and antenna
3 installation process, SWS doesn't expect any significant delays. Since full deployment began
4 in November 2024, the Company has not experienced any significant increase in call volume
5 or disruption to billing processes. Updated project costs are reflected in Exhibit DDS-2.

6 **Q. Do you have any updates for ST-21?**

7 **A.** No, this project was completed in February 2024.

8 **Q. Do you have any updates for ST-22?**

9 **A.** Yes, the project was completed in October 2024 and came in slightly under budget. Updated
10 project costs are reflected in Exhibit DDS-2.

11 **Q. Do you have any updates for ST-23?**

12 **A.** Yes, the project was delayed by two months to December 2024 due to construction schedule
13 delays caused by Hurricanes Helene and Milton. Updated project costs are reflected in Exhibit
14 DDS-2.

15 **Q. Do you have any updates for ST-24?**

16 **A.** Yes, the project commissioning date was updated to December 2024 due to the water plant
17 electrical service upgrade delays and construction schedule delays caused by Hurricanes
18 Debby, Helene, and Milton. There was no change to project scope or cost.

19 **Q. Do you have any updates for ST-25?**

20 **A.** Yes, after the three Hurricanes in 2024 this project became an emergency project due to the
21 imminent failure of the sewer line exposed in the creek. The project is now expected to be
22 completed in March 2025. Updated project costs are reflected in Exhibit DDS-2.

23 **Q. Do you have any updates for ST-26?**

24 **A.** Yes, the project is nearly completed and expected to be finished by end of January 2025, with
25 a slight delay due to the FDEP potable water clearance taking longer than expected. Updated

1 project costs are reflected in Exhibit DDS-2.

2 **CUSTOMER COMPLAINTS**

3 **Q. Did you review the direct testimony of PSC Witness Calhoun?**

4 A. Yes.

5 **Q. Does the Company have a response to Witness Calhoun's claim that eight complaints**
6 **appear to be a violation of Commission rules?**

7 A. The Company has begun its review of Witness Calhoun's Exhibits, but there is insufficient
8 detail for the Company to ascertain which complaints may violate Commission rules. The
9 Company has pending discovery for PSC Staff to obtain information that would allow it to
10 best respond.

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

12 A. Yes, it does. I reserve the right to update, supplement, or amend my testimony should relevant
13 information come available in the future.

1 BY MR. WHARTON:

2 Q Mr. Twomey, have you provided a summary of
3 your prefiled rebuttal testimony?

4 A Yes.

5 Q Why don't you go ahead and give that summary
6 at this time.

7 A Thank you.

8 My rebuttal testimony includes updates to
9 proforma projects in response to OPC Witness Smith's
10 position on the meter replacement project. I also
11 address the customer complaint information in staff
12 witness Calhoun's testimony.

13 At the time of my rebuttal testimony,
14 Sunshine had made significant progress in several
15 proforma projects, and I provided updates on direct
16 testimony exhibits, including finalized contract
17 information. This information includes revisions to
18 various project costs and timelines. These costs have
19 been updated in the rebuttal MFRs filed by Witness
20 Swain.

21 For the meter replacement project, I also
22 elaborate on the process the company went through to
23 select the meter vendor, type -- meter type, meter
24 technology, as well as the multistage approval process
25 for the project within the company.

1 The intent of the meter project is to replace
2 an aging fleet. And once the vendor was selected for
3 the company, the company reviewed the available meter
4 type and then proceeded to select the meter technology.
5 My testimony lays out the process the company
6 implemented and followed prior to the selection of the
7 AMI meters as the right fit for our customers and the
8 company.

9 I also describe the prevalence of Neptune AMI
10 meters in Florida, and across the U.S. I summarize the
11 differences between our current fleet of meter
12 technology, an alternative AMR technology, and AMI
13 technology, where it is very evident that the AMI
14 technology provides the most comprehensive solution of
15 benefits and features for the -- for our customers and
16 the company.

17 I summarize how a prudent decision was made to
18 replace the water meter population with new meter and
19 meter reading infrastructure using AMI technology, and
20 how this technology will benefit the customers now and
21 into the future.

22 Thank you.

23 **Q Does that conclude your summary?**

24 A Yes.

25 MR. WHARTON: Mr. Chairman, we would tender

1 Mr. Twomey for cross-examination.

2 CHAIRMAN LA ROSA: Great. Thank you.

3 OPC.

4 MR. PONCE: Thank you.

5 EXAMINATION

6 BY MR. PONCE:

7 Q Good morning, Mr. Twomey.

8 A Good morning.

9 Q Before we get into your rebuttal, just to
10 briefly to compare to the rebuttal, if we can go to your
11 direct at CD-1406?

12 MR. SCHULTZ: C what?

13 MR. WHARTON: So we are going to talk about
14 his direct here?

15 CHAIRMAN LA ROSA: Yeah, so I am curious where
16 you are going with this. Is this for a comparison?

17 MR. PONCE: It's to compare it to his rebuttal
18 directly. It's the business case -- it's the ST-20
19 business case, just to compare from the direct to
20 the rebuttal.

21 CHAIRMAN LA ROSA: Okay. So is there going to
22 be a question that's going to be related to the
23 rebuttal testimony, or is the question going to be
24 related to the --

25 MR. PONCE: How about this, I can just ask the

1 question and I think we won't have to go to the
2 direct.

3 CHAIRMAN LA ROSA: Okay. Yeah, let's do that.

4 BY MR. PONCE:

5 Q Isn't it true that the project completion date
6 has slipped by a month in your rebuttal testimony for
7 AMI?

8 A Yes. From my direct testimony, we had a
9 completion date of September of 2025. And in my
10 rebuttal, we have a completion date of October of 2025.
11 During that period, we went through some storms, that I
12 am sure everybody is aware of, that caused some delays.

13 Q And the project costs have been increased by
14 about \$600,000?

15 A I believe that's correct. Yes.

16 Q If we can go to D4-59 in your rebuttal
17 testimony. You provide some Florida dockets of orders
18 in which the Commission authorized AMI, correct?

19 A I am just catching up here. Just a moment.

20 Q Whenever you are ready.

21 A I am caught up now. Thanks.

22 Q Were you aware that the company, in the 2017
23 0166-WS docket that you mentioned only installed
24 approximately 1,000 641 AMI meters?

25 A Are you referring to lines 22, 23, 24?

1 Q If we could zoom in. I am having trouble
2 reading them on the screen here. Yes, that's correct.

3 A And which docket number? Sorry.

4 Q 20170166?

5 A I am not aware of the number of meters that
6 was installed.

7 Q Were you further aware that the company in
8 this case admitted that meter reading concerns had been
9 an ongoing issues for it?

10 A I am not aware of that detail.

11 Q When it comes to the 20230071 docket, were you
12 aware that the company only intended to replace 82
13 meters, and retrofit an additional 62 with AMI meters?

14 A No.

15 Q And then when it comes to the 20220026 docket,
16 were you aware that the company in this case only
17 installed 82 AMI meters?

18 A No.

19 Q If we can go to DR-70.

20 MR. SCHULTZ: D what 70?

21 MR. PONCE: Excuse me, D4-70.

22 BY MR. PONCE:

23 Q You mentioned here, in lines five, six and
24 seven, that your sister utility, NI Florida, has
25 installed meters in their area, is that right?

1 A Yes. We just installed them in 2024.

2 Q And in we could go now to D4-61. If there is
3 any chance we could zoom in on that, I would appreciate
4 it. The first -- just the -- I believe it's the first
5 one.

6 You mentioned here the concept of regulatory
7 compliance in other jurisdictions as being the benefit
8 of AMI?

9 A I am sorry, which line? Just so I can read
10 that. The first one?

11 Q I believe it's the first one. Excuse me, it
12 is actually -- we are going to go down one, two, three,
13 four, five, six, seven, eight, nine. It has a benefit
14 type as regulatory. That's it. And I can read it from
15 my screen, if that's helpful.

16 A No, I have got it. So is it the first
17 regulatory one?

18 Q Yes.

19 A Okay. I am there.

20 Sorry, can you repeat the question now,
21 please?

22 Q If you could repeat -- if you could read out
23 loud that paragraph under the AMI column?

24 A Electric utilities trend ahead of water and
25 wastewater utilities, and have precedence set in

1 jurisdictions, such as California, Texas and New York,
2 heavily incentivizing AMI to meet compliance
3 expectations, such as realtime data and alerting
4 customers of anomalies and high usage. Understanding
5 the life cycle of the meters, there is an expectation
6 that AMI will be necessary in long-term to comply with
7 regulatory requirements.

8 **Q As a Corix company, are you aware that many,**
9 **if not all of your sister companies, are also trying to**
10 **get AMI approved in their jurisdictions?**

11 A I am sorry, I don't keep up with how all my
12 sister companies -- where they are at with this. I know
13 some have AMI. Some don't. Some are progressing to get
14 AMI. I am not aware of all the details.

15 **Q Well, since we are talking about AMI in other**
16 **jurisdictions, isn't it true that your sister company,**
17 **Water Service Corporation of Kentucky, filed an**
18 **application with the Kentucky Public Service Commission**
19 **to deploy AMI?**

20 A Is this the reference to the order yesterday?

21 **Q Correct.**

22 A I am aware of what you presented yesterday.
23 That's about the extent of it.

24 **Q Isn't it true that that is a Sunshine sister**
25 **company?**

1 A Yes.

2 Q Isn't it true that Mr. DeStefano provided
3 testimony in that case?

4 A I believe he is named as a witness, but I am
5 not familiar with his testimony in that case.

6 Q Well, isn't it true that Mr. Elicegui is also
7 named as a witness in that case?

8 A Yes, Mr. Elicegui, I believe, is also named,
9 and I am also not familiar with his testimony in that
10 case.

11 Q Isn't it true that Water Service Kentucky
12 acknowledged that it was able to provide reliable
13 adequate service with its current meters in this case?

14 A I don't know.

15 Q Isn't it true that Water Service Kentucky did
16 not propose any additional rate structures that were
17 made possible by AMI in that case?

18 A I do not know.

19 Q Isn't it true that the Kentucky Commission was
20 not convinced that customers would benefit from the AMI
21 usage data?

22 A I do not know.

23 Q Or that the failure to provide that data to
24 customers would result in inadequate service?

25 A I do not know.

1 **Q** Thanks to -- well, and then let me ask. Isn't
2 it true that the Kentucky Commission decided to deny AMI
3 in that case?

4 MR. WHARTON: I am going to object at this
5 point. I mean, we have literally had the witnesses
6 that just revealed, two have testified, and now we
7 are getting into a Kentucky order.

8 CHAIRMAN LA ROSA: I got it. Sustained.

9 BY MR. PONCE:

10 **Q** Thanks to the denial of AMI in Kentucky,
11 didn't it become more important for Corix to get AMI
12 approved in Florida?

13 MR. WHARTON: I'm sorry, can I ask that that
14 be repeated?

15 CHAIRMAN LA ROSA: Yeah, I didn't fully
16 understand the question.

17 BY MR. PONCE:

18 **Q** Isn't it true that due to the denial of AMI in
19 Kentucky, that it became more important for Corix to get
20 AMI approved in Florida?

21 A I am sorry, I don't understand the
22 relationship between what happens in Kentucky and
23 Florida. It's just not -- no, it's got nothing to do
24 with Kentucky.

25 Sorry, maybe I am stumbling over this. I am

1 just a bit confused. There is no relationship between
2 the Kentucky case and the Florida case, or difficulty or
3 importance that it gets done here. We are separate
4 business units.

5 Q Well, isn't it true that Corix negotiated a
6 master contract with Neptune for these meters?

7 A Yes, as I discussed yesterday.

8 Q So if those meters didn't get deployed to
9 Kentucky, they got to go somewhere else, right?

10 A I genuinely -- I don't know if there was even
11 meters purchased, to be honest. I know nothing about
12 that case, except that you produced it as an exhibit
13 here.

14 Q If we can go to D4-69, back to your rebuttal.
15 No more questions about Kentucky.

16 I am looking at that meter installation
17 schedule there.

18 A Yes.

19 Q If I am doing my math right, the company
20 should be -- should have replaced approximately at least
21 4,000, based on December and January, partial amount for
22 February; is that correct?

23 A Well, do you want me to give where we are at,
24 or do you want me to --

25 Q How about if you could -- how about --

1 **where -- so where is the company at right now?**

2 A Yeah. Absolutely.

3 So for the project itself, as we have stated,
4 it's budgeted at 20.4, or maybe 20.6 million. We spent
5 \$16.5 million to date. We have all of the
6 infrastructure needed for this project on hand. We have
7 all of the meters on hand. And as of this morning, we
8 are 7,000 meters installed -- we have 7,000 meters
9 installed, with 20 meters on the ground daily
10 installing. And we expect no interruptions, as we have
11 all the permits in hand. And the last antennas to go in
12 will start on March 10th in Lake County, and that will
13 not delay any installation. We, in fact, plan, you
14 know, it's on the record here as when we will finish.
15 My target is to finish well in advance of that.

16 Q **So I am sorry, if I --**

17 A So 7,000 meters in the ground.

18 Q **Thank you.**

19 **And if I -- did I mishear? I think you said**
20 **that you are still waiting on at least one permit?**

21 A We have -- the variance permits for Lake
22 County were approved, and we are waiting on the
23 construction permits, which is just a formality at this
24 stage. We have already scheduled the installers, we
25 have that much confidence in getting those permits, for

1 March 10th.

2 Q If we can go to D4-62. And thank you for the
3 update.

4 I am sorry, if you can give me a moment.

5 A Yes. Sorry. I am there.

6 Q If we could look at your answer starting at
7 line 23. In your answer, you described how AMI will
8 generate annual operational expense savings to
9 approximately four meter readers, is that correct?

10 A Yes.

11 Q And just to be clear how many full-time and
12 part-time meter readers does Sunshine currently employ?

13 A I believe I have it listed as six full-time
14 and one part-time meter reader.

15 Q So of those seven total, six full-time, one
16 part-time, Sunshine is only -- AMI will only generate
17 annual operating expense savings for four of them?

18 A Yes. So we expect that two, two-and-a-half
19 will continue to have to maintain the infrastructure,
20 and the meters are -- or the meter investigations we get
21 from customers. And the other four employees, we
22 otherwise would have had to increase our headcount by
23 four in our test year. Instead, we are going to
24 redeploy these employees as maintenance technicians.

25 Q And is that what you are -- is that what you

1 are describing on the next page, beginning at line two?

2 A Yes. In the next several pages of my rebuttal
3 testimony, I explain the need for those extra headcount.

4 Q So in other words, despite the savings
5 anticipated from AMI, this is not going to result in a
6 reduction in SW -- in Sunshine's revenue requirement?

7 A Yes, it will, otherwise, we would have had an
8 increased revenue requirement here in this case. As a
9 result, we have a revenue requirement that is less,
10 resulting in savings for our customers.

11 Q So despite AMI making these employees drops
12 obsolete, customers will still be on the hook for
13 salaries?

14 A I don't think they are on the hook. It's the
15 -- we have got good employees who we are going to
16 redeploy, and they will provide services that are
17 beneficial to our customers, and they will remain in our
18 employment, instead of having to hire four new
19 employees.

20 Q If we can go to D4-60.

21 A Yes, I am there.

22 Q I am sorry, that should be D4-66. I
23 apologize. And that's starting at line 24.

24 A Yes, I am there.

25 Q So isn't it true that the company did not run

1 any kind of survey or other option asking customers if
2 they wanted AMI?

3 A No, we did not. Like other projects in my
4 proforma, we did not ask our customers if they wanted
5 AMI. It's our infrastructure, our assets, and we made a
6 prudent decision to replace the meter fleet, as I have
7 discussed before.

8 Q So while you keep touting the benefits to
9 customers of AMI, such as increased information being
10 available to them, there is no evidence in your
11 application that customers actually want this?

12 A Well, I believe -- and Mr. Friedman may have
13 already referenced it -- at one of our hearings, we
14 received a complaint about a customer who was frustrated
15 with us for not notifying them of a leak alert. I think
16 that's something -- a functionality that with will now
17 be available to them going forward. So, yes, I believe
18 that there is a want and a need for this service, but we
19 did not poll our customers.

20 Q Well, I asked specifically if that was in your
21 application. That's nowhere in your application,
22 correct, that one customer?

23 A It's not in my direct, and I don't believe
24 it's in my rebuttal.

25 Q And that's customer out of approximately

1 **36,999?**

2 A Yes, that is one of the 14 customers out of
3 36,000 plus customers that complained.

4 MR. PONCE: Okay, I have nothing further.
5 Thank you very much.

6 CHAIRMAN LA ROSA: Great. Thank you.

7 Let's move to staff. Staff has no questions.

8 Let's move to us, the Commissioners,
9 Commissioners, any questions? Questions of the
10 witness?

11 All right. Seeing none, let's go to Sunshine
12 for redirect.

13 Sunshine.

14 MR. WHARTON: No redirect, Your Honor.

15 CHAIRMAN LA ROSA: All right. No redirect.

16 MR. WHARTON: Mr. Chairman.

17 CHAIRMAN LA ROSA: No worries. All good.

18 Let's talk about exhibits that we need to
19 enter, quite a few, I believe.

20 MR. WHARTON: Twomey is 47 through 63 in the
21 CEL.

22 CHAIRMAN LA ROSA: Okay. 47 through 63 in the
23 CEL. Any objections to those? Seeing --

24 MR. PONCE: No.

25 CHAIRMAN LA ROSA: All right. Seeing no

1 objections, let's show them moved into the record.

2 (Whereupon, Exhibit No. 47-63 were received
3 into evidence.)

4 CHAIRMAN LA ROSA: Any other exhibits?

5 MR. PONCE: Exhibit 172.

6 CHAIRMAN LA ROSA: 172, is that the only one?

7 MR. PONCE: That's it.

8 CHAIRMAN LA ROSA: Objection to 172 being
9 moved into the record? Sunshine, is there
10 objection to 172?

11 MR. WHARTON: We do object to the Kentucky
12 order.

13 CHAIRMAN LA ROSA: Staff.

14 MR. PONCE: If I could just --

15 CHAIRMAN LA ROSA: Sure.

16 MR. PONCE: -- brief response?

17 CHAIRMAN LA ROSA: Yeah.

18 MR. PONCE: I mean, in his rebuttal testimony,
19 the witness discusses regulatory in other
20 jurisdictions, so I think it's perfectly fair to
21 put an example of that into evidence.

22 MR. WHARTON: The problem is, is the probative
23 value the order in and of itself is so low without
24 getting into what Texas law says, what the
25 administrative codes are -- Kentucky law.

1 CHAIRMAN LA ROSA: Right. Understood.

2 MS. HELTON: Mr. Chairman, my suggestion would
3 be that you not admit the Kentucky order.

4 CHAIRMAN LA ROSA: Not admit. I am going to
5 go with staff's recommendation and not admit 172 in
6 the record.

7 MR. PONCE: In that case, we would proffer it
8 into evidence.

9 CHAIRMAN LA ROSA: Okay. Any issues with
10 that? Okay. Show it then proffered in as
11 evidence.

12 Anything else? I don't believe so. We are
13 good.

14 Mr. -- yes, sir.

15 MR. PONCE: I am sorry, just for clarity,
16 because I may have missed it, what is the basis for
17 the denial?

18 MS. HELTON: Well, one, I think that the
19 company has pretty consistently taken issue with
20 any reference to Kentucky, or what happens in
21 Kentucky, and the relevance of what happens in
22 Kentucky.

23 Typically orders, you accept those by way of
24 official recognition, not by way of evidence. And
25 I have a hard time seeing how an order is evidence.

1 MR. PONCE: As part of our case, we have been
2 -- we are making the argument that this is part of
3 a national project for the parent company, and this
4 is just another way that this has played out for
5 them. That's what we think the probative value is.

6 MR. WHARTON: I feel like we are arguing with
7 the ruling.

8 CHAIRMAN LA ROSA: Yeah, I --

9 MR. PONCE: I am sorry, just to be clear, we
10 can just wrap this up. My understanding is that
11 the basis for the rejection is relevance, is that
12 correct?

13 MS. HELTON: Well, first, I am not sure that
14 we need to explain the ruling. But to the extent
15 that we are explaining the ruling, yes, in part,
16 it's relevance, and it's part the company, I think,
17 has worked hard with respect to keeping out
18 anything about Kentucky.

19 And if you are going to use a Kentucky order,
20 I think the better way to approach doing so would
21 be by official recognition, versus using it as an
22 exhibit in the hearing.

23 MR. PONCE: Thank you.

24 CHAIRMAN LA ROSA: Excellent.

25 So let's go ahead and excuse the witness.

1 Mr. Twomey, you are recognized to be excused.

2 (Witness excused.)

3 CHAIRMAN LA ROSA: Seeing no other witnesses
4 before us, staff, I will go to you for any
5 additional matters.

6 MR. SANDY: The one thing I would note, Mr.
7 Chair, and this is really for the parties, we have
8 listed on the Comprehensive Exhibit List the MFRs,
9 and this would be CEL Nos. 195 through 219.
10 Throughout the course of the rate case, and
11 obviously, throughout the course of these hearings,
12 there has been some reliance on these. I would
13 simply -- as a housekeeping matter, I just want to
14 confirm whether the parties want them in or out as
15 they look to writing their hearing briefs?

16 CHAIRMAN LA ROSA: I will pose that question
17 to -- start with OPC, 195 through 219 in the CEL.

18 MR. REHWINKEL: It the question about
19 stipulating to the MFRs?

20 MR. SANDY: Yes, ultimately.

21 MR. REHWINKEL: Yeah, we don't object to the
22 MFRs coming in.

23 MR. SANDY: Okay.

24 MR. WHARTON: We have no objection.

25 CHAIRMAN LA ROSA: Okay. Seeing no objection,

1 then show 195 through 219 entered into the record
2 as well.

3 (Whereupon, Exhibit Nos. 195-219 were received
4 into evidence.)

5 CHAIRMAN LA ROSA: Any other additional
6 matters that need to be addressed?

7 MR. SANDY: I'm sorry, Mr. Chair, I did not
8 hear your question. My apologies.

9 CHAIRMAN LA ROSA: Any additional -- any other
10 additional matters?

11 MR. SANDY: None that I am aware of, Mr.
12 Chair.

13 CHAIRMAN LA ROSA: We can talk about
14 post-hearing briefs next.

15 MR. SANDY: It is my understanding that we
16 would be looking at post-hearing briefs in March, I
17 believe March 14, so as to accommodate hearing this
18 matter at an Agenda Conference. I believe
19 traditionally, we have allowed for 40 pages of
20 argument in those post-hearing briefs, but I would
21 defer to the parties whether they have anxiety
22 about that number or not.

23 CHAIRMAN LA ROSA: March 14th, 40 pages is
24 what my notes say, is that acceptable? Seems --

25 MR. FRIEDMAN: That's acceptable to us.

1 MR. REHWINKEL: We would ask if we could just
2 extend it to 50.

3 CHAIRMAN LA ROSA: 50 pages? Is there
4 objection to 50 pages?

5 MR. FRIEDMAN: No. We don't need but 40, but
6 50 is more than 40, so I shouldn't complain, should
7 I?

8 MR. SANDY: No objection from staff, Mr.
9 Chair.

10 CHAIRMAN LA ROSA: Okay. Show it that it will
11 be -- the briefs will be up to 50 pages.

12 MR. REHWINKEL: Thank you very much.

13 CHAIRMAN LA ROSA: All right. Parties, any
14 other additional matters that we need to discuss?

15 MR. REHWINKEL: No. Thank you from our
16 standpoint for a smooth and efficient hearing --

17 CHAIRMAN LA ROSA: Excellent. Thank you.

18 MR. REHWINKEL: -- and for accommodating our
19 witness's appearance today, thank you. We
20 appreciate that.

21 CHAIRMAN LA ROSA: Thank you. Thank you.
22 Happy to.

23 Any other additional matters?

24 MR. FRIEDMAN: I want to applaud this system.
25 I am an old guy. You know, I have been doing this

1 for 45 years, and this is amazing.

2 CHAIRMAN LA ROSA: Well, we are excited to
3 hear that feedback, and I know, you know, you had
4 some questions, but you jumped and navigated.

5 MR. FRIEDMAN: I did. Your staff hypped me,
6 and I think I have got it down now I. Have learned
7 it. I will never use it again, but --

8 CHAIRMAN LA ROSA: Well maybe you could teach
9 it to others, right? There is always that option.
10 And, Mr. Friedman, I don't know if this is your
11 last time in front of us. It's been a pleasure for
12 me to be able to oversee a hearing with you
13 involved.

14 MR. FRIEDMAN: My pleasure. Thank you.

15 CHAIRMAN LA ROSA: Absolutely.

16 Well, again, thank to you all the parties. I
17 think we moved efficiently. And if there is no
18 further business before us, we can go ahead and
19 call this hearing adjourned.

20 Thank you.

21 (Proceedings concluded.)

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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 20th day of February, 2025.


DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH575054
EXPIRES AUGUST 13, 2028