

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 150269-WS

APPLICATION FOR LIMITED
PROCEEDING WATER RATE INCREASE
IN MARION, PASCO, AND SEMINOLE
COUNTIES, BY UTILITIES, INC.
OF FLORIDA.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 3

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS

DATE: Tuesday, October 11, 2016

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

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

P R O C E E D I N G S

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2 **CHAIRMAN BROWN:** Circling back to Item 3. We
3 do have a Commissioner on the phone right now, and we
4 will get to him as soon as staff presents an overview
5 after they get to the table. Of course, we also have
6 Senator Simpson here. We're pleased to have him.

7 All right, staff.

8 **MR. SLEMKEWICZ:** John Slemkewicz on behalf of
9 staff. Item No. 3 is Utilities, Inc. of Florida's
10 application for a limited proceeding to increase water
11 rates in Marion, Pasco, and Seminole Counties. The
12 recommendation for this item was discussed at the
13 September 13, 2016, Commission Conference and was
14 subsequently deferred for consideration at a later date.

15 Staff has revised its recommendation
16 concerning the Pasco County Phase II increase for the
17 hydro tank salvage value and rate case expense. This
18 recommendation implements the solution to the water
19 quality issue that the customers overwhelmingly voted in
20 favor of. The rate increase for Phase II is driven in
21 large part by the expense related to the retirement of
22 the abandoned wells and the purchased water cost of the
23 replacement water from a new interconnection with the
24 Pasco County water system based on UIF's bulk water
25 agreement with Pasco County. As a result, staff is

1 recommending that the appropriate rate increase is
2 \$47,836 for Phase II in Pasco County, which represents a
3 5.45 percent increase. Utility customers, the OPC,
4 representatives from Pasco County, and representatives
5 from the utility are present to address the Commission
6 regarding this matter. And as you mentioned, Senator
7 Simpson is also present, and staff is available to
8 answer any questions.

9 **CHAIRMAN BROWN:** Thank you, Mr. Slemkewicz.

10 My understanding from Senator Simpson is that
11 he would like Commissioner Mariano to go first since he
12 has to attend a board meeting. So with your approval,
13 we will go ahead and have Commissioner Mariano address
14 this Commission.

15 Good morning. Can you hear us?

16 **COMMISSIONER MARIANO:** Good morning. Yes, I
17 can.

18 **CHAIRMAN BROWN:** How are you doing?

19 **COMMISSIONER MARIANO:** I'm doing fantastic.
20 Thank you.

21 **CHAIRMAN BROWN:** Great. Nice to hear from
22 you. You may proceed.

23 **COMMISSIONER MARIANO:** Nice to hear from you.
24 Okay. Thank you. I sent a letter to the PSC
25 on October 6th. On behalf of Pasco County and the

1 residents of Summertree, I would like to share some
2 insight in the case currently before you. For nearly 20
3 years, the residents of this community feel they have
4 been dealing with a company that never once operated
5 with their best interest in mind. The facts are
6 compelling. They have continually pumped and
7 distributed some of the worst quality water from their
8 wells to possibly (phonetic) sell it on the backs of
9 these residents. In my opinion, they should have their
10 licenses revoked.

11 Utilities, Inc. now stands before you seeking
12 approval of an interconnect with Pasco County and
13 possibly a rate increase. The residents themselves have
14 spent over \$16,000 of their own money to push this
15 initiative forward, while Utilities, Inc. of Florida
16 attempts to find new ways to nickel and dime these folks
17 to death. Should this not be a consideration of the PSC
18 when determining which course of action is proper?

19 Furthermore, Utilities, Inc. of Florida,
20 through its spokesman, Patrick Flynn, attempts to
21 mislead the PSC by not presenting all the facts. One
22 such example was during the last hearing on
23 September 13th, 2016, when Mr. Flynn stated that Pasco
24 County had not completed the design for the
25 interconnect, and that's giving the impression that this

1 project is not ready to move ahead.

2 In fact, the week prior, on September 7th,
3 2016, to be precise, Mr. Flynn indicated in an email
4 that he had no further comments on the design. At that
5 point, the design was deemed complete and Pasco County
6 was ready to move forward with construction in the
7 coming weeks.

8 It is unfortunate this private utility has
9 failed these residents. I personally intend to do
10 everything I can in my power to see this utility is
11 brought to public ownership. However, until that time,
12 I ask you strongly to consider the testimony of the
13 residents, professionals from Pasco County, which are
14 there today, and decide how to best handle the case.

15 Some other points to keep in mind as far as --
16 I do have the official ability to talk about the
17 interconnection project. I can answer all your
18 questions. We would like to see -- to revise the bulk
19 water, if necessary, that would take the BOCC approval
20 for any modification. Instead of amending the
21 agreement, you could give the utility a conditional rate
22 increase contingent on first solving all the secondary
23 water quality issues.

24 When approving any conditional rate increase,
25 the PSC should consider the following: Reduce the

1 amount of the requested rate increase; reduce the Pasco
2 rate expense by half because the utility voluntarily
3 dropped its request for a Phase I rate increase;
4 condition any rate increase on first solving all
5 secondary water quality issues. Secondary test results
6 should demonstrate that the interconnection solved the
7 water quality issues before allowing any increase in the
8 rates. There should be an adequate number of testing
9 locations throughout Summertree to show that the
10 secondary water quality issues have been resolved, and
11 the cost for water testing should be paid by the UIF
12 shareholders, not their customers.

13 And with that, I know my time is probably
14 close to the end, but I do appreciate the opportunity,
15 you allowing me to speak.

16 **CHAIRMAN BROWN:** Thank you, Commissioner
17 Mariano. Do you have time for a few questions?

18 **COMMISSIONER MARIANO:** I do.

19 **CHAIRMAN BROWN:** Thank you. In your letter,
20 and I believe all of the Commissioners have -- are in
21 receipt of that letter, which you just read into the
22 record, I have -- you state that you intend to do
23 everything in your power to see that the utility is
24 brought into public ownership. I know you've been
25 working on these issues for many years, Commissioner

1 Mariano, and you have indicated your desire to have
2 Utilities, Inc. -- to have the county operate Utilities,
3 Inc.'s system for this area. Has the board been having
4 discussions with the utility on acquiring it?

5 **COMMISSIONER MARIANO:** Frankly, with all this
6 interconnect and all the rate increases that they've
7 been filing, completely disingenuous to actually having
8 those conversations. We haven't had much luck in
9 negotiating further with them. We would like them to
10 come to the table, though. I mean, obviously if we're
11 supplying the water, we're taking care of the sewer, do
12 we really need them in the business with Summertree?

13 **CHAIRMAN BROWN:** Can I ask what your future
14 plan of action is to, if you want to share with us, to
15 get the utility into public ownership?

16 **COMMISSIONER MARIANO:** Well, I mean, the first
17 major step is to actually do the interconnect, but
18 that's got to be done anyway. So giving the residents a
19 better chance for water quality is our top priority.
20 But down the road we would like to negotiate with them
21 to, you know, buy the utility out.

22 **CHAIRMAN BROWN:** Well, I want to thank you,
23 Commissioner Mariano. You have been working -- like I
24 said earlier, you've been working on these issues for so
25 long. You're a very zealous advocate for your

1 constituents, and thank you for your participation.

2 Commissioners, any other questions? Seeing
3 none, thank you, and have a good board meeting.

4 **COMMISSIONER MARIANO:** All right. Thank you
5 very much.

6 **CHAIRMAN BROWN:** Thank you.

7 Moving on to Senator Simpson. You have
8 blessed us with your presence today. Thank you for
9 being here.

10 **SENATOR SIMPSON:** Thank you for having me here
11 today, and it was a nice ride up. And it's actually a
12 lot cooler up here than it is in Pasco County.

13 **CHAIRMAN BROWN:** How long did it take you to
14 drive up?

15 **SENATOR SIMPSON:** For law enforcement, four
16 hours. I left about 8:00.

17 (Laughter.)

18 **CHAIRMAN BROWN:** That's good. You go the back
19 way.

20 **SENATOR SIMPSON:** That's two hours, I think.
21 No, I would like to thank everyone for coming out today.
22 We've been working on this a long time. We've passed
23 legislation attempting to deal with this issue. And I
24 think, you know, when we look at government's role in
25 these things, I think that when these laws were created,

1 clearly it was a different era. 30, 40, 50 years ago
2 Florida was a lot more rural, we didn't have the utility
3 opportunities that we have today, and the frustration
4 part is, is that we're still playing under the rules
5 that we created 30, 40 years ago in most cases.
6 Decisions, case law, all the things that are governing a
7 lot of what we do was made long before our population
8 growth has exploded. And so when you look at -- you
9 know, my desire to have a limited government is one
10 desire.

11 The second desire is, though, that if you have
12 an organization, a monopoly when you're dealing with
13 folks, is water. You've heard all the stories. You
14 know what the water conditions are like. There's no
15 reason -- you're probably going to hear a little more of
16 that today, so I won't belabor that. But it would be
17 unconscionable to think that any one of us would have
18 lived in that neighborhood and drank the water ourselves
19 or our families. Right? We just would not have done
20 that. That's been proven over and over. And then in
21 addition to that, the service that has been received for
22 my constituents has been less than desirable.

23 So when you couple this together, you can
24 think, well, you know, private industry can do some
25 things better than government. This may not be one of

1 them. Right? And then a lot of times when we look at
2 the rate increases, we act like that because someone in
3 another community or another county pays more money than
4 what ours is, that's somehow okay to say, well, you
5 know, this is not the highest rate in the state, you
6 know. But just across the road it's half of what it
7 would be if you just switched addresses. I think that
8 those are considerations that we cannot currently take
9 into consideration, but maybe future legislation will
10 start dealing with this. Because it's ridiculous, in my
11 opinion, for a community to have this quality of water,
12 the type of relationship they've had with the private
13 utility, and then we even actually consider a rate
14 increase.

15 When you go to rate increases then, you should
16 then consider the low-cost solution. We have had
17 multiple increases of rates since 2000 and, to my
18 knowledge, none of the rate increases that have been --
19 that dealt with water quality have actually performed
20 the water quality. Name a private industry in the state
21 of Florida that can say I'm going to do a job, whatever
22 the job is, not perform the job, expect to get paid the
23 full amount, and then get a rate of return that's
24 guaranteed. That should not be -- that should not be
25 legal in any state for any monopoly or for any utility.

1 You have to deliver what you promise to deliver. These
2 rate hearings we should look at in -- backwards. We
3 should have the utility perform the duty that they are
4 saying they're going to perform, look at the result, and
5 then pay for the results we get, not the notion that we
6 just spent more lawyers -- we had more lawyers on the
7 case, we had more infrastructure we had to put in.
8 Yeah, the results aren't any different, but if we hadn't
9 have done those things, it would be worse. And, by the
10 way, your rate is still lower than someone in Seminole
11 County, right, so you should be okay with it, Mr. and
12 Mrs. fixed income. It shouldn't be a problem.

13 And I think a lot of times we spend too much
14 time saying, well, what are these things that we can put
15 into these rate cases? How much lawyers, how much of
16 our lawyers' bills can we put in? If we're going to
17 take over and do an interconnect with the county, it's
18 going to actually require the same number of employees
19 like we didn't do an interconnect. Well, who would
20 agree with that? It just doesn't -- it flies in the
21 face of common sense.

22 Now there will be people that will make a
23 great argument, extremely articulate and well-versed on
24 how that should be the case. It just not -- it doesn't
25 make the common sense test.

1 When you look at this particular case, I think
2 in my mind we need to, as we talk through these things
3 and as we debate the rate cases, we need this
4 interconnect done. The interconnect portion of this
5 process should not stop because of a rate case. The
6 interconnect should happen. Then our citizens in Pasco
7 County and other areas will have drinkable water. They
8 will meet secondary water quality standards by state
9 law. Then let's argue, but at least we'll be arguing
10 with the money in our pockets instead of a monopoly's
11 pockets. I think that's a very important difference
12 that is obtainable.

13 And when you look at the rate of return, these
14 rates of return were set many, many years ago. The
15 notion that there would be a 10 percent, 9 percent,
16 12 percent rate of return long before interest rates,
17 the ten-year yield is somewhere around 1.7 percent
18 today, when those rates were set, it was probably more
19 like 6 or 7 or 8 percent. Now think about that for a
20 second. So dealing with rate of return -- and your
21 hands may be tied but the Legislature's is not, we're
22 going to deal with this next year -- we've got to deal
23 with this rate of return issue. So we can, on our
24 constituents, display incompetence, we can go spend a
25 bunch of money, and we can charge them and get a rate of

1 return that's guaranteed at 10 percent approximately.

2 It's ridiculous. It flies in the face of common sense.

3 So I wasn't here when those laws were written.
4 I'm certain when they were written that the people who
5 wrote those laws had very good intentions in protecting
6 the consumer. Maybe no one thought 30 years ago we'd be
7 paying \$50 a month for water in 30 years, and that we
8 could continue to just drive up costs by, in some cases,
9 frivolous cost structures.

10 So I think as you're deliberating today, I
11 would hope that the interconnect would happen under any
12 circumstance, you would consider the notion that we go
13 back and review the last four or five rate increases at
14 some point in the very near future and say, you know,
15 here's what was promised and here's what was delivered.
16 And if what was promised was delivered, the rate case
17 would stand. If it was not and did not meet the
18 standard or obtain what they were being promised, the
19 consumers were being promised, we should look at a rate
20 reduction.

21 I will probably file legislation -- I'm
22 certain I will file legislation in the next few months
23 that will give you the authority to do all of those
24 things. And before I -- there's one other case that's
25 going to be pending at some point maybe before the

1 Legislature reconvenes about the consolidation. We're
2 dealing with that in other areas of utilities today.
3 And you're going to have legislation probably dealing
4 with that again today because what happens, you put all
5 these organizations together and then they get so
6 complex and so complicated that no one can ever unravel
7 them to deal with a certain unit.

8 This organization has now doubled our rates
9 over the last 15 years approximately or more, and now
10 they're saying, "Well, now we're going to consolidate
11 everyone together." So now if they have a problem in
12 any other spot, we're going to get to pay for that one
13 also. I think it's ridiculous that we would allow a
14 utility, without very specific guidelines of how they're
15 going to treat each of these individual units, to
16 consolidate their business plan. I don't want to tell
17 them how to run their business, but it has to protect
18 the consumer. And when you have multiple areas of
19 Utilities, Inc. complaining about the cost of their
20 utility and the service that they get, if you
21 consolidate us all together, it's going to make your
22 jobs much more difficult to sort these things out.
23 That's how it works in real life. We can make fancy
24 arguments and we can talk about how economically frugal
25 we're going to be. All of those things sound really

1 good. It doesn't happen in real life.

2 And so when our consumers are writing those
3 checks every month for their water bill, that's what
4 actually counts. And I think far too often we look at
5 the bells and the whistles and we buy into it. And so
6 as one legislator, that's what I'm fed up about with
7 this process. When you run for the Florida Senate, I
8 never run thinking, well, you know, I was going to be at
9 a PSC meeting talking about water utility rates. You
10 know, I wanted to talk about everything, you know, all
11 the things that everybody else wants to talk about.

12 Right? This is ridiculous, this is completely
13 ridiculous for the notion that on one side of the street
14 you can pay a percentage of what someone on the other
15 side of the street is paying and we as a state condone
16 that and we call them, you know, monopolies. They're
17 monopolies is what they are. And it's ridiculous that
18 secondary water quality standards have not been met
19 since the law has been put in place and we're actually
20 considering a rate increase to do the right thing.

21 Why don't we just do the right thing and then
22 talk about a rate increase in the future after we've
23 reviewed the last eight or ten possibilities for a
24 clawback. That's what we need to be talking about.
25 We're talking about the wrong things.

1 Anyways, I appreciate everyone's time. I
2 appreciate y'all taking a lot of time to come to Pasco
3 County and see firsthand what this -- you know, what my
4 communities have been going through. And what I would
5 really like today is to make sure that we get that
6 interconnect done, whatever it takes, so that we can
7 have actually drinking water in this community after 25
8 years, and then we will address these other problems
9 perhaps with legislation, which I will -- will be
10 coming, forthcoming. So thank you.

11 **CHAIRMAN BROWN:** Thank you, Senator Simpson.
12 And I believe the Commissioners have a few questions.
13 But I just want to first off thank you for your
14 leadership, your massive efforts that have actually
15 produced resolutions on this issue. I know you've been
16 in attendance over the years on several meetings,
17 multiple meetings, and spent a lot of time with this
18 community, and so you understand what the constituents'
19 concerns are. And the interconnection seems to be the
20 most reasonable remedy, based on all the solutions.

21 But I just want to thank you. You've produced
22 Senate Bill 272 that we have implemented, and you've
23 done a lot of work on this front. So looking forward to
24 seeing more additions.

25 One thing, since I know you've been involved

1 with these residents and you've attended so many
2 meetings, I want to ask you what you think about -- you
3 saw the survey ballot that the Summertree folks
4 generated, and on it it talks about the interconnection.
5 It says, "Do you want Summertree to interconnect with
6 Pasco County utilities for better quality water?"
7 95 percent of the residents were in favor of that.

8 I'm wondering, obtaining the grant with DEP,
9 did -- when they drafted that, did the residents
10 contemplate that there would be additional costs for the
11 interconnect outside -- for actually, you know,
12 providing, getting the water flowing to customers
13 outside of the interconnection and the DEP grant?

14 **SENATOR SIMPSON:** That's a very good question,
15 and I think that our residents are prepared to pay what
16 is fair. So the state obviously did a very large grant.
17 The county has done some work in that area also to
18 reduce the cost. Think about what the cost would be if
19 we didn't have over a million dollars of state and
20 county money going into this process. Think about that
21 for a second. So keep that in mind as we're considering
22 these things. I think our residents are willing to pay
23 a fair price. I think what's in question is what is a
24 fair price? And so I don't think you can determine what
25 a fair price is until you look at what we have. When we

1 do this interconnect, there's a lot of concerns that the
2 underground piping is inadequate. Well, where has all
3 this money went for the last five or six rate increases?
4 And so I think that the -- that's a great question. And
5 I think our residents are prepared to pay a fair price,
6 but I think it needs to be considered in total, not just
7 in this one particular case. This is just one more rate
8 increase. Why don't we go back and look and see what we
9 actually have, if we've gotten what we're paying for?
10 And, I mean, if we haven't gotten what we're paying for,
11 make that right so maybe the rate is 25 or 30 percent
12 less. That may be a more fair price.

13 **CHAIRMAN BROWN:** Thank you. And just for your
14 information, on next month's agenda there is another --
15 there's a request for interim rate relief. The proposed
16 consolidation case is scheduled for May. I know our
17 office has been in contact with you. And right now we
18 have eight service hearings scheduled for the area.
19 We'll be in your territory too. So I just wanted to
20 give you kind of an overview of that.

21 **SENATOR SIMPSON:** And thank you on that. And
22 I would keep in mind that after the legislation, that
23 may have some impact on your May decision.

24 **CHAIRMAN BROWN:** Great. Thank you.
25 Commissioner Patronis.

1 **COMMISSIONER PATRONIS:** Thank you, Madam
2 Chairman. Senator, you don't have an election. You
3 have no reason why to be here. I don't know if your
4 constituents realize what you've put yourself through,
5 but you've taken yourself and injected it into a part of
6 their lives that I don't think many constituents have
7 the luxury of having this type of representation. It'd
8 be much easier just to be at home, send Rachel up here,
9 she could present a letter on your behalf. You know,
10 you've got -- just thank you for what you're doing.
11 Thank you for being a part of our process and coming and
12 engaging us and letting us feel like we're abiding by
13 what we're charged to do.

14 But your -- I don't know. I admire that type
15 of public service and you're fantastic. And I just
16 think your -- I don't even know who your predecessor
17 was. I don't even want to talk about your predecessor
18 because you have set a standard in Pasco County.

19 **SENATOR SIMPSON:** Thank you.

20 **CHAIRMAN BROWN:** Thank you, Commissioner
21 Patronis.

22 Commissioners, any other questions?

23 Senator Simpson and Rachel, thank you for
24 being here.

25 Commissioner Edgar.

1 **COMMISSIONER EDGAR:** Madam Chairman, would
2 this be an appropriate time for me to note that on the
3 2014 rate increase I wrote a dissent?

4 **CHAIRMAN BROWN:** Thank you for noting that for
5 the record.

6 (Laughter.)

7 **COMMISSIONER EDGAR:** And I would ask Senator
8 Simpson and his staff maybe to consider reading it when
9 you're drafting legislation.

10 **CHAIRMAN BROWN:** Thank you.

11 We have a few customers that are going to
12 appear before us today, and just a reminder to pick up
13 where we left off from last month, if I could let the
14 customers know, please feel free to address some new
15 issues that you didn't cite. Those other comments were
16 part of the record -- are part of the record. But I
17 will be going in this order: Terry Copenhafer and her
18 husband, Wilber, will be going first and second.

19 **MS. COPENHAFER:** Good morning, everyone, and
20 thank you for being here. My name is Terry Copenhafer,
21 and I live at 12137 Loblolly Pine Drive, New Port
22 Richey, Florida. I am the vice president of Summertree
23 Recreational Facility, the secretary of the Fairways
24 Board, and the associate member of the Summertree Water
25 Alliance.

1 Today I'm here to ask whom do you represent,
2 the consumers, customers/residents, or the
3 corporations/monopolies Utilities, Inc./Corix? Both
4 perhaps.

5 What has happened to doing the right thing for
6 our retirement communities? Truth is truth, all lies
7 will cease, and the truth prevails. It does not matter
8 how long it takes to find the truth.

9 For example, September 13th, major
10 discrepancies, description of hydro tank issue, the
11 salaries reduction, the discrepancy of the finalizing of
12 the plans for the interconnect.

13 We are an inspiration to our future
14 generations, as we are reminded daily, aging gracefully,
15 taking responsibility, and living to our highest
16 expectations. Do not let corporate greed take advantage
17 of our caring communities as we age. With liberty and
18 justice for all today.

19 Our community is asking, please, please, use
20 discernment in making your decision today. Our
21 understanding as a community is this rate increase -- or
22 rate case needs to be decided today. Although we may
23 not be happy with the issues surrounding this request,
24 our ultimate goal is to have clean water which
25 eliminates unpleasant taste, color, and odor issues at a

1 fair price.

2 We do not deserve anything less than good
3 quality water. Everyone here knows already the lengthy
4 past issues with health, heartache, and cost concerns.
5 When monopolies controlling small communities earn a
6 10 to 14 percent return for shareholders', it's unfair.
7 Please understand all our concerns. Discernment is
8 needed now and on all future requests. When you make
9 your rate decision, please choose to make it effective
10 once the connection is complete. Thank you for your
11 time and consideration.

12 **CHAIRMAN BROWN:** Thank you, Ms. Copenhafer.

13 **MS. COPENHAFER:** Yeah.

14 **CHAIRMAN BROWN:** Thank you.

15 Commissioners, any questions?

16 Thank you. And we have the documentation that
17 was passed out too with your comments.

18 **MS. COPENHAFER:** Again, thank you all.

19 **CHAIRMAN BROWN:** Thank you.

20 Mr. Wilber Copenhafer. Good morning.

21 **MR. COPENHAFER:** Good morning. My name is
22 Wilber Copenhafer. I live at 12137 Loblolly Pine Drive,
23 New Port Richey, Florida 34654.

24 I have received the documents that you shared
25 with us prior to this meeting, and it appears that,

1 contingent upon approval of the rate increase,
2 Utilities, Inc. of Florida and Pasco County are ready to
3 complete the interconnection. Please approve a
4 reasonable rate increase today, but implement the rate
5 increase once the connection is completed. Thank you
6 for your time and consideration.

7 **CHAIRMAN BROWN:** Thank you so much.

8 Commissioners, any questions?

9 Thank you very much, and thanks for making the
10 drive up here.

11 Next up is Ms. Lorraine Mack, followed by Ann
12 Marie Ryan.

13 And, Ms. Mack, we do have your comments
14 written before us.

15 **MS. MACK:** Okay. Good morning, Madam
16 Chairman, Commissioners, and staff. My name is Lorraine
17 Mack, 11913 Bayonet Lane, New Port Richey, Florida. I
18 am also a Summertree task force member.

19 My comments are really questions. First, if
20 UIF will only be a passthrough customer of Pasco County
21 and have less to do because of the reduction in
22 irrigation, then shouldn't UIF be required to reduce
23 manpower and salaries? Why is the reduction in salary
24 only \$3,000? Really?

25 Two, why does staff always agree to UIF

1 requests and never check to see if what they are saying
2 is correct? Commissioners, you have the legal right to
3 veto or decrease rates that UIF requests. Please do
4 your legal right and do not grant an increase until the
5 interconnection is complete and the new system passes
6 DEP testing.

7 Three, why is it that every time Summertree or
8 Erik Sayler or Denise Vandiver find errors or questions,
9 UIF comments in statements that UIF always has some kind
10 of an excuse to their incompetency? Just imagine the
11 enormous amount of money that Summertree has been paying
12 for UIF's bad business practices was coming out of your
13 pockets.

14 Four, correct me if I'm wrong, but when
15 speaking to you, the Commissioners, aren't we basically
16 under oath? Anything that the task force has submitted
17 to you is true, and we can back it all up. Can UIF say
18 the same? I don't think so. Just my opinion.

19 Five, the most important question for me is I
20 made a request a year ago for accounting/spreadsheet
21 with information from 1991 to present from UIF regarding
22 any money spent on the Summertree system, which I have
23 not been granted. Commissioner Jack Mariano also
24 requested an accounting for all of Pasco County
25 customers for which UIF serves. To my knowledge, that

1 has not been granted either. We would like to know what
2 the expenses, Orangewood versus Summertree, are. How
3 will we be able to keep track when we are consolidated
4 with 43 other systems? Orangewood claims that no
5 improvements have been made to their systems, as does
6 Summertree, so where did the 2.1 million go? Also, when
7 did the consolidation of Orangewood and Summertree take
8 place? No one seems to remember a customer meeting to
9 discuss this taking place. Thank you very much for your
10 time.

11 **CHAIRMAN BROWN:** Thank you, Ms. Mack. I
12 appreciate these questions. And, Commissioners, I'll
13 ask some questions of UIF when the time is ready.

14 Thank you.

15 **MS. MACK:** Thank you. Thank you very much.

16 **CHAIRMAN BROWN:** All right. Next up, Ms. Ann
17 Marie Ryan. Ms. Ryan, thank you again for being here
18 and along with the other customers. You've made this
19 drive more than once.

20 **MS. RYAN:** Yes, ma'am. I'd like to say good
21 morning, and I'd like to thank you, Chairman, and all
22 the Commissioners and Senator Simpson, the Pasco
23 officials, staff, and guests. And I want to thank you
24 for this opportunity to be here.

25 First I'd like to address the Pasco bulk water

1 agreement. I have the excerpt in my handout in front of
2 you, so I won't read it. But it's our understanding
3 that this section states that the Public Service
4 Commission has to approve rates for Summertree to get
5 this connection finalized. And I just wanted to read, I
6 guess it's your mission statement from the web, and its
7 says that, "The Florida Public Service Commission is
8 committed to making sure that Florida consumers receive
9 some of their most essential services -- electric,
10 natural gas, telephone, water and wastewater -- in a
11 safe, reasonable, and reliable manner. In doing so, the
12 PSC exercises regulatory authority over utilities in one
13 or more three key areas: rate base/economic regulation,
14 competitive market oversight, and monitoring safety,
15 reliability, and service."

16 We request, based on all the issues discussed
17 through these hearings, that you exercise your
18 discretionary authority to approve a rate reduction.
19 Although this may not be the norm, we are in our 25th
20 year of unchanged secondary water quality issues for
21 customer service and increasing rates. UIF has the
22 right to protest any rate decision; however, UIF has
23 another rate case, Docket No. 160101-WS, pending. It is
24 a three -- a \$30.1 million consolidated rate case, to be
25 exact.

1 Please remember that UIF failed DEP iron
2 standards in 2015, with no improvements in 2016 to date.
3 Most importantly, we request that you set the date for
4 implementation of the new rates after completion of the
5 interconnect and passing secondary DEP water standards.
6 Our Summertree residents are reasonable people. We
7 believe that businesses have a right to make a profit
8 when they produce a product and good services; however,
9 when this business monopoly chooses to profit while
10 failing to provide a palatable product, unacceptable
11 customer service, and increasing our rates, we
12 vehemently protest their practices and their right to
13 ask for these rate requests and increases. The
14 regulations, guidelines, and statutes that were written
15 to establish protocol for utilities to file rate
16 increases need the PSC and legislative overhaul. This
17 current system creates a welfare environment, enabling
18 utilities to fill out paperwork which guarantees a rate
19 of return regardless of productivity, efficiency, and
20 proper services. There is no incentive for improvement.

21 In 2015, Utilities, Inc. has increased our
22 rates three times. Poor management practices result in
23 unacceptable outcomes. After 25 years of ownership,
24 Utilities, Inc. admits that they have made no major
25 infrastructure improvements, just minimal maintenance.

1 There is no accountability, there is no transparency,
2 resulting in our no trust issues.

3 In closing, we would like to ask the PSC
4 Commission to use your discretionary authority to move
5 forward on this docket today. Please reduce UIF's rate
6 request for all the reasons stated, to set the date for
7 implementation for the new rates after the completion of
8 the interconnect and passing DEP secondary standards. I
9 made it.

10 **CHAIRMAN BROWN:** You made it by my clock. I'm
11 sorry. We will have your comments, written comments
12 part of the record too here today.

13 **MS. RYAN:** There's no questions?

14 **CHAIRMAN BROWN:** No, there are -- oh, I'll
15 have some.

16 **MS. RYAN:** Oh, okay.

17 **CHAIRMAN BROWN:** I'll go to Commissioner Brisé
18 first.

19 Commissioner Brisé.

20 **COMMISSIONER BRISÉ:** Thank you, Madam Chair.
21 And so on the portion of -- if the Commission were to
22 decide for the rate reduction, you still want that
23 implemented after the interconnection.

24 **MS. RYAN:** Correct.

25 **COMMISSIONER BRISÉ:** Okay. And outside of

1 that, I want to thank you and the customers for your
2 persistent and consistent advocacy. It's very difficult
3 for you to not only manage advocacy in your community,
4 but also getting your elected officials engaged, and I
5 think that that is something, as was stated by the prior
6 speaker, that being able to pass that on to future
7 generations is extremely important. So I want to thank
8 you for your leadership and the leadership exhibited by
9 your community in taking care of the issues that are
10 important to you.

11 **MS. RYAN:** Thank you, Commissioner. I
12 appreciate that very much.

13 **CHAIRMAN BROWN:** Ann Marie, you've been
14 involved in these issues for so many years.

15 **MS. RYAN:** Ten years.

16 **CHAIRMAN BROWN:** And obviously you have a
17 degree in organizational management. Am I right?

18 **MS. RYAN:** Yes, I do.

19 **CHAIRMAN BROWN:** You're very good at
20 organizing the troops, and it has made a difference to
21 us and it does make a difference when you come up here
22 and address the Commission. So I really want to thank
23 you for taking the time, the effort, spending the money.
24 You went over some of the costs at last -- at the last
25 agenda conference, and they were eye opening.

1 **MS. RYAN:** Thank you.

2 **CHAIRMAN BROWN:** At least from my perspective.
3 And you were involved in helping create this ballot, the
4 Summertree ballot; is that right?

5 **MS. RYAN:** Well, actually that ballot was
6 orchestrated with the help of OPC. We spent two years
7 trying to come up with a ballot, and at the very last
8 minute, seven days prior to it being mailed out, UI
9 changed their mind in the wording and so we were going
10 into impasse. So we worked with OPC. We did come up
11 with a solution. We, at our own expense, put out that
12 ballot. And, yes, we have an amazing community.

13 **CHAIRMAN BROWN:** You do.

14 **MS. RYAN:** And 95 percent of our people
15 participated.

16 **CHAIRMAN BROWN:** You absolutely have an
17 amazing community. I agree. And in that Part 1, it
18 says, I read it, to Senator Simpson, and you're very
19 familiar with it, the words that I'm focusing on are the
20 "better quality water." So it says, "Do you want
21 Summertree to interconnect with Pasco County Utilities
22 for better quality water?" And the answer was, "If you
23 select yes, the estimated monthly rate impact to
24 interconnect will be between \$2 to \$5 for a customer
25 using 3,000 gallons per month." And then it says, "If

1 you say no, UIF will take no further action," and then
2 they use the words, "to correct the secondary water
3 quality problems."

4 **MS. RYAN:** Correct. It would have been the
5 status quo.

6 **CHAIRMAN BROWN:** So my question to you is when
7 this was contemplated, the \$2, \$5, I'm assuming that you
8 wanted -- that the folks wanted the interconnect to
9 occur. Testing shows that there is better quality water
10 and that there is compliance with secondary water
11 quality standards.

12 **MS. RYAN:** Correct.

13 **CHAIRMAN BROWN:** Okay.

14 **MS. RYAN:** And we are aware that there's going
15 to be costs involved, but what we're trying to find out
16 is what they really are. And we find over and over
17 again that we are not able to get transparency. We'd
18 like to know if it's going to cost us \$15 a month or
19 whatever, that it's actually going to go into our
20 community and we're going to see the benefit. We don't
21 see that. Over and over again when we come to question
22 things, we don't even know, like, where our tanks are
23 going. And there's a magic pen involved. You know,
24 when something is brought up and it's going to cost
25 \$57,000, suddenly that tank gets moved to another place

1 where there's no advantage to us. There's nobody going
2 back to check to find out is that tank really going to
3 go to Orangewood? Is it really going to go to Cypress
4 Lakes? Why did it go from a \$57,000 commodity down to
5 40,000 to 25,000 now to five. How does that thing just
6 happen just like that with a magic pen? And there's
7 no -- they have a team of people that are experts. They
8 should know what the costs are. We should know what the
9 costs are. So our people are paying a heavy price.
10 We're paying over a million dollars a year for bottled
11 water and all kinds of water treatments in our
12 community.

13 **CHAIRMAN BROWN:** Thank you. So just to sum up
14 then, because a couple of the speakers said that they --
15 obviously you all support the interconnection, but you
16 want to make sure that the interconnection is complete
17 and that there's compliance with the secondary water
18 quality standards before any rates go into effect.

19 **MS. RYAN:** Correct.

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

21 Commissioners, any other questions?

22 Thank you so much.

23 **MS. RYAN:** Okay. I'd like to take just an
24 opportunity, too, to thank Senator Simpson and Rachel
25 for coming up. I'd like to thank all of our Pasco

1 County officials who also came up. We are really
2 grateful for the elected officials and for this
3 Commission for giving us this opportunity.

4 **CHAIRMAN BROWN:** Absolutely. Thank you again
5 for coming up.

6 All right. Now we're going to get into the
7 discussion with the folks that are before us.

8 We have, from UIF, Mr. Friedman, Mr. Hoy, and
9 Mr. Flynn. We also have from Pasco, Flip Mellinger and
10 and Joe Richards. And then from Public Counsel we have
11 Erik Sayler.

12 So going to UIF first, I know you probably
13 want an opportunity to respond to some of the other
14 comments from OPC and Pasco County. Do you want to
15 reserve your comments for after or provide us with some
16 opening remarks?

17 **MR. FRIEDMAN:** I'd prefer just to wait until
18 the end and address them all at one time. Thank you.

19 **CHAIRMAN BROWN:** Okay. Sounds good.

20 Let's go to Public Counsel. And, Mr. Sayler,
21 could you highlight the areas you would like us to
22 address in the recommendation in your opening remarks?

23 **MR. SAYLER:** Certainly, Madam Chair. And
24 actually two things. I do have a handout to pass out
25 that Ms. Vandiver prepared, and she will also be

1 speaking.

2 **CHAIRMAN BROWN:** You know how I feel about
3 that. I love getting it beforehand because it does make
4 a difference.

5 **MR. SAYLER:** Yes, certainly.

6 **CHAIRMAN BROWN:** A big difference.

7 **MR. SAYLER:** So here's the handout. And, if
8 possible, I'd like to defer to Mr. Mellinger from the
9 county to make some points because he has some prepared
10 remarks regarding --

11 **CHAIRMAN BROWN:** Okay. Could you just hold on
12 a moment so we can get -- before we get these?

13 **MR. SAYLER:** Certainly.

14 **COMMISSIONER EDGAR:** Madam Chair, while we're
15 waiting, could I make a brief comment?

16 **CHAIRMAN BROWN:** Sure.

17 **COMMISSIONER EDGAR:** Thank you very much.

18 I'm looking forward to all of the discussion.
19 Thank you to the customers, of course, and to Senator
20 Simpson for their comments. Looking forward to
21 discussion and question and answer here this morning.
22 But I would like to point out that for what I'm hearing
23 and as I'm thinking through as just one of five, that
24 one of my main areas of concern the last time that we
25 discussed this item was that we, as a Commission, not

1 take any action that inadvertently would slow down the
2 process on the interconnection. And so as questions are
3 being responded to and as opening comments, I would just
4 like to point out that concern and that that's still an
5 area of question for me.

6 **CHAIRMAN BROWN:** Okay. Any other comments
7 from Commissioners before we get to the county? I hear
8 "ditto."

9 All right. Welcome. Thanks for driving up.

10 **MR. MELLINGER:** Thank you, Madam Chair. Good
11 morning, Commissioners.

12 My name is Flip Mellinger. I'm the assistant
13 county administrator for utility services in Pasco
14 County. I'm also a member or a board member for the
15 Florida Governmental Utility Authority. I also
16 represent the water and wastewater service as a service
17 area lead for the Florida Benchmarking Consortium. I'm
18 a retired master chief utilitiesman from the United
19 States Navy, so if I come across a little straight,
20 please excuse me. It's the way I've been trained.

21 **CHAIRMAN BROWN:** We appreciate that, and thank
22 you for your service.

23 **MR. MELLINGER:** My comments go back -- I
24 reviewed the video from the September 13th meeting. The
25 main question was will the interconnect resolve the

1 water quality issue? Pasco County cannot guarantee
2 that. We don't know what's in the pipe. We did do a
3 second visit to the utility and tried to do some due
4 diligence recently. We asked to remove a hydrant. We
5 were denied. We asked to remove a meter just so we
6 could look inside the pipe. We were denied access. The
7 comments back from UIF was that they didn't want to
8 interrupt service to their customers. We know for a
9 fact that there's a lot of snowbirds that live in that
10 community, and there could have been a valve or a meter
11 that we could have pulled without interrupting anybody's
12 service.

13 Questions regarding the hydro tank \$5,000
14 value. You know, I know a 10,000-gallon tank is going
15 to cost at least \$35,000. Obviously they've got some
16 labor involved in connecting or disconnecting that hydro
17 tank, but I think that they probably ought to go back
18 and look at what they charged the community as a whole
19 to begin with when they installed it and then depreciate
20 it.

21 There were questions about the testing
22 locations, comments made about the testing locations.
23 The CPH report identified 12 testing locations, and I
24 would recommend that the Commission follow that
25 guidance.

1 The water quality standards should be the
2 basis for whether or not the issue has been completed or
3 been taken care of, the primary and secondary water
4 quality standard set forth by the EPA and administered
5 by the Florida Department of Environmental Protection.

6 I'll note, just reviewing through the rate
7 case, that I find it amazing that they've got a booked
8 common equity of \$5.3 million. And I know that's not
9 the issue that you're here to talk about today, but when
10 you pay \$228,000 for a system in the early '90s, it
11 should have depreciated pretty much down to nothing, but
12 this one appreciates. I don't know how, but it's
13 appreciating.

14 They've got a long-term debt of \$4.7 million.
15 My staff investigation of the site didn't represent any
16 type of infrastructure improvements, so I don't know
17 where the \$4.7 million went either.

18 The UIF report says that they pump 55 million
19 gallons -- or sold 55 million gallons in 2014. The
20 water management district, the public supply report that
21 they submit to the water management district says that
22 they pumped 101 million gallons in 2014. Where did the
23 other 45 million gallons go? Are they underestimating
24 the revenue? Are they not reporting the flushing? I'm
25 just -- there's numbers missing that don't make sense.

1 Allowing UIF to -- and I bring up these issues
2 about the value in their common equity because they're
3 being allowed in this case to write off 363,000-plus
4 dollars for retiring those wells that they paid \$228,000
5 for the entire system in the early '90s. So I just --
6 it doesn't -- my mind doesn't wrap around that. I've
7 got a master's in business administration and a master's
8 in environmental management. I've been running
9 utilities for a long time, and that just doesn't make
10 sense.

11 The Chair asked earlier if Pasco County had
12 made an offer to buy the system. Yes, we did. The
13 Florida Governmental Utility Authority had -- when I --
14 I've been with Pasco County since December of last year.
15 This has been on my desk the entire time. So in
16 December I was told about the acquisition. The Florida
17 Governmental Utility Authority had made an offer of
18 \$2 million to buy the system. They were getting
19 nowhere. They didn't even get a response from the UIF
20 folks. We then asked the FGUA to move away from the
21 acquisition mode. We brought Brian Armstrong in, and
22 the citizens agreed to pay Brian Armstrong to come in to
23 look at the acquisition. The county was not prepared to
24 move forward with it until we had some due diligence.
25 And I'm also -- I'm one that I want to know that the

1 numbers are real. So coming into the utility, we had a
2 rate consultant -- the Pasco County Utilities, we had a
3 rate consultant that had been on board for 16 years. I
4 felt that there were probably some old assumptions in
5 their model and I wanted a fresh set of eyes on it. So
6 I've got a new rate consultant working on our system. I
7 want to know that my numbers are right before I move
8 into an acquisition. So we're in the process of doing
9 that. By the end of this month I'll have preliminary
10 numbers. Next month we'll be ready to move forward.

11 We have put forward an offer of \$3.8 million
12 for this system. UIF counters with \$6 million. My
13 staff, as a result of their investigation recently,
14 estimates that it will cost us in the neighborhood of
15 \$2.3 million to bring the system up to our standards,
16 and that doesn't include replacement of the pipe. We
17 don't know what the condition of the pipe is.

18 The community has willingly volunteered to pay
19 a monthly surcharge on top of the Pasco County utility
20 bill to see that this acquisition moves through, but
21 we've got to be able to find a happy medium between
22 \$3.8 and \$6 million. We estimate the value at nothing,
23 Pasco County estimates it at nothing, but the customers
24 are willing to pay \$3.8 million to get out from under
25 UIF.

1 Thank you for allowing me to speak.

2 **CHAIRMAN BROWN:** Thank you, sir. Great
3 comments and great information too.

4 Commissioner Graham has a question for you
5 first.

6 **MR. MELLINGER:** Yes.

7 **COMMISSIONER GRAHAM:** I actually have a couple
8 of questions, but, number one, thank you for coming.
9 You said that you tried to pull some of the meters, look
10 into the line, and you were denied; is that correct?

11 **MR. MELLINGER:** There was a concern that we
12 would interrupt the customers, the service to the
13 utility customers.

14 **COMMISSIONER GRAHAM:** So you were denied by
15 Utilities, Inc.?

16 **MR. MELLINGER:** UIF. Patrick Flynn was onsite
17 during the inspection.

18 **COMMISSIONER GRAHAM:** So you weren't able to
19 do any testing.

20 **MR. MELLINGER:** We were allowed to do some
21 flow testing on some meters. We found that the flow --
22 the fire flow out of the meters was about 375 gallons a
23 minute. So nowhere near the fire code.

24 We know that when we had two hydrants open,
25 the pressure in the system dropped to 35 psi and it took

1 a significantly long time for it to recover. That is
2 probably a condition of the wells themselves. We can't
3 really tell. You know, we tried to do some engineering
4 analysis to determine if the lines were actually
5 clogged, if you will, with buildup. When you -- the CPH
6 report identified biologics living in the pipe. They do
7 a fluorine burn to kill it, it lined the pipe. In over
8 29 years of continuing through that cycle, how corroded
9 or how clogged is the pipe? That's the concern that we
10 have. And when we start putting water through the
11 system, will it start picking up some of that material?

12 **COMMISSIONER GRAHAM:** My number one concern is
13 just that, the distribution system, and, you know, that
14 this is not going to be the silver bullet that a lot of
15 people think it's going to be. And I appreciate the
16 fact that you're trying to do the same thing and take a
17 look to see what this is going to look like when we get
18 there.

19 **MR. MELLINGER:** I wanted to see inside the
20 pipe. We just haven't gotten there yet.

21 **COMMISSIONER GRAHAM:** You said that if you
22 took over the system, you'll spend about \$2 million just
23 to bring it up to where your standard is?

24 **MR. MELLINGER:** Yes.

25 **COMMISSIONER GRAHAM:** What are some of the

1 things that you would do?

2 **MR. MELLINGER:** I didn't bring that report
3 with me. I know it did -- the majority of that money
4 was on the sewer system. They've got a lot of vitrified
5 clay pipe that we would want to line to make sure that
6 we don't have inflow and infiltration. That's causing
7 us issues. You know, they're already a bulk customer on
8 our wastewater site. There's some manholes out there
9 that are completely corroded out. There's no wall there
10 anymore; it's just sitting on the ground. So there's,
11 you know, there's upkeep issues within the system. And
12 the majority of that money was in the sewer. Beyond
13 that, we would replace the meters to radio read meters
14 that we have.

15 **COMMISSIONER GRAHAM:** Now you were able to do
16 flow calculations. Were you able do any quality test
17 when you were -- when you were looking at their system?

18 **MR. MELLINGER:** No, we didn't do any quality
19 testing of that water. We know that the source is their
20 wells and those wells will be coming offline. As part
21 of our agreement, they have to abandon those wells.

22 That was another issue that I had identified
23 and failed to comment on. They had \$200,000 down to
24 abandon those wells. The most expensive well I've ever
25 abandoned was, you know, a 12-inch well, is \$35,000. If

1 you did all three of them, you know, you're still
2 somewhere around \$100,000. So the \$200,000 seemed a
3 little bit high.

4 We feel that the water quality issue is in
5 their wells. We know that our water meets primary and
6 secondary requirements, and we feel that, provided it's
7 not picking up something in the pipe, that -- and over
8 time eventually we will meet the requirements that the
9 customers have. We just don't know if that will be
10 immediate.

11 There's also -- the utility is operating at 45
12 to 55 psi, and their comment was that their concern was
13 breaking pipe to ramp it up. We're operating at 60 to
14 70 psi, so we might get a smoke test on that system.

15 **COMMISSIONER GRAHAM:** Thanks.

16 **CHAIRMAN BROWN:** Thank you.

17 Commissioner Patronis.

18 **COMMISSIONER PATRONIS:** Thank you, Madam
19 Chairman.

20 What type of costs go into -- and this may be
21 a really tough question to answer -- what type of costs
22 would go into the engineering and cleaning of the pipes?
23 What type of time frame?

24 **MR. MELLINGER:** I think you would probably
25 find that it would be cheaper to replace the pipes. And

1 I don't really even have a number in mind for that.
2 We've not done -- we've not gone to that -- that far
3 into the analysis.

4 **CHAIRMAN BROWN:** Thank you.

5 Commissioner Edgar has a question.

6 **COMMISSIONER EDGAR:** Thank you, Madam Chair.

7 Mr. Mellinger, thank you for being here. I
8 did feel, and I think many of us did, that the last time
9 this item was before us that not having a representative
10 from the county was a gap as we were trying to gather
11 information.

12 **MR. MELLINGER:** Absolutely. I understand.

13 **COMMISSIONER EDGAR:** So thank you for being
14 here and being available to us with your expertise.

15 To kind of follow up on Commissioner Graham's
16 questions about the distribution system, I want to take
17 it to -- from the after point. There's been discussion
18 about potential location of testing sites after the
19 interconnection is complete, location of testing sites,
20 numbering of sites, frequency of testing, whatever the
21 determination is on those amounts. How -- with your
22 background, how confident are you that those -- that
23 testing process will give good and accurate information
24 as to whether the water quality secondary standards
25 problem has been improved, meets standards, or does not?

1 **MR. MELLINGER:** I believe that the CPH report
2 identified distribution. So if you can get the samples
3 from the -- you know, not in the same location, not
4 where you're close to our source, but out on the far end
5 points of the distribution system, that that will give
6 you a better idea of what's going on. Once you're at
7 the end of the pipe, you're getting what's in the pipe.
8 So I think by identifying those -- the CPH report, I
9 think, was pretty thorough.

10 **COMMISSIONER EDGAR:** And as a non-engineer,
11 I'm a lawyer by training, so as a non-engineer, that
12 testing process and the analysis then of those samples
13 you do believe would give accurate and adequate
14 information such that a determination could be made as
15 to whether secondary standards are then being met?

16 **MR. MELLINGER:** I do believe so.

17 **COMMISSIONER EDGAR:** Okay. Thank you.

18 **CHAIRMAN BROWN:** All right. Commissioner
19 Brisé has a few questions.

20 **COMMISSIONER BRISÉ:** Yeah. Just really one
21 just following up on Commissioner Patronis's question
22 about the engineering. If that has not been completed
23 yet, how firm is that estimate that you propose about
24 between 2 -- \$2.3 to \$2.6 million to bring the system
25 up?

1 **MR. MELLINGER:** That was a desktop analysis,
2 so it's not firm at all. Again, the majority of that
3 goes based on current quotes that we've been getting and
4 the number of manholes or vitrified clay pipe links that
5 we identified in their maps. There were some valves
6 that are not of functioning in the system, and they were
7 included in that 2.3 million.

8 **COMMISSIONER BRISÉ:** Okay. So what I'm
9 hearing, independent of if you had to redo the whole
10 system, that could probably still hold, that estimate?

11 **MR. MELLINGER:** If the pipe is clean enough to
12 where we can get water through it and still, you know,
13 get fire flow through the other end of the system, yeah,
14 the 2.3 will get us on the road.

15 **COMMISSIONER BRISÉ:** Okay. Thank you.

16 **CHAIRMAN BROWN:** Thank you. And,
17 Mr. Mellinger, you provided a lot of good facts and data
18 and really giving us an overview of Pasco County and
19 where you are, at least in terms of acquiring the
20 system.

21 If we approve this recommendation with
22 modifications potentially, when does the county
23 anticipate having the interconnection complete?

24 **MR. MELLINGER:** We had, like -- again,
25 Commissioner Mariano addressed the fact that Patrick had

1 okayed the design back on December 7th.

2 **CHAIRMAN BROWN:** Patrick? Patrick Flynn?

3 **MR. MELLINGER:** Yes.

4 **CHAIRMAN BROWN:** Okay.

5 **MR. MELLINGER:** And shortly after that -- I've
6 got delegated authority from DEP to sign the permits,
7 and I signed those permits this month. I also signed --
8 we received the easements that we needed from the
9 community in order to put the pipe in the ground. We
10 received those easements on Friday morning, and Friday
11 afternoon the notice to proceed was issued to the
12 contractor. So we anticipate -- he's got a three-month
13 construction period. I don't think it'll take that
14 long.

15 **CHAIRMAN BROWN:** So you're moving forward
16 irrespective of the vote today.

17 **MR. MELLINGER:** That's already gone.

18 **CHAIRMAN BROWN:** Right. If the utility does
19 not comply with the terms of the bulk water agreement,
20 i.e. pay for the purchase of such water, curious, what
21 is the county going to do?

22 **MR. MELLINGER:** Well, they're going to get
23 shut off just like any other customer would. Obviously,
24 you know, there's a community there and we're concerned
25 about the welfare of that community. There's going to

1 be some discussions that occur before that shutoff ever
2 happens.

3 **CHAIRMAN BROWN:** Right. How is the county
4 going to charge the utility for water? Are they going
5 to charge quarterly, monthly?

6 **MR. MELLINGER:** It's a monthly bill, and it's
7 \$3.57 a thousand.

8 **CHAIRMAN BROWN:** A thousand. Okay.

9 Okay. Commissioners, any further questions of
10 the county before we move on to Public Counsel?

11 **MR. MELLINGER:** Madam Chair, I might add that
12 that \$3.57 is what we pay Tampa Bay Water.

13 **CHAIRMAN BROWN:** Yes.

14 **MR. MELLINGER:** So the moving of that water
15 through our system, we're not charging for that.

16 **CHAIRMAN BROWN:** Thank you.

17 All right. Mr. Sayler, you're up.

18 **MR. SAYLER:** Thank you, Madam Chair. Thank
19 you, Commissioners. Also, thank you for the customers
20 who have made many trips here to Tallahassee, and also
21 thank you to Senator Simpson and Commissioner Mariano
22 for speaking. And also thank you to you for deferring
23 this item from the last agenda.

24 And the questions that Commissioner Edgar
25 raised, how can this Commission move forward without

1 scotching the interconnection? After that agenda, I
2 went back and looked, relooked at the bulk water
3 agreement and have a proposed solution. But, first off,
4 I don't plan to replot any of the ground that we spoke
5 at the last agenda conference. I just plan to move
6 forward today with these very few brief comments.

7 First off, if you look at Section 8,
8 paragraph G, of the bulk water agreement between the
9 county and UIF, you will note that both parties will be
10 obligated under the agreement to buy and sell water if
11 the Commission approves new rates for this
12 interconnection or in relation to this interconnection.

13 So the question today is in approving new
14 rates, how much? Is it what the utility requests? Is
15 it what staff is recommending? Is it OPC's
16 recommendation as we passed out just moments ago, or in
17 your discretion you want to do something different?
18 Even Ms. Ann Marie had suggested a rate reduction.
19 That's at the discretion of the Commission.

20 So before approving new rates, we would
21 commend to you our recommended adjustments to the
22 recommended rate increase, and Ms. Vandiver will address
23 those at the appropriate time after I conclude my brief
24 remarks. But you will note under paragraph -- Section
25 8, paragraph G, there is no implementation date

1 requirement. It just says the Commission needs to
2 approve it. And we would suggest that setting the
3 effective date for any rate increase to be after the
4 secondary water quality testing proves that all the
5 water quality issues have been fully resolved. And
6 Commissioner Edgar had some questions of Flip Mellinger
7 about would post-interconnection testing demonstrate
8 that the water quality issues are resolved by the
9 testing outside. And he did better than I could have
10 ever explained, so I will defer to him on that.

11 And if you were to ask, I know, Terry and
12 Wilber and any of the other customers, they would prefer
13 to have the water quality testing -- or, excuse me, the
14 water quality results fixed first and then pay later.

15 With regard to the testing and testing
16 locations, as Mr. Mellinger mentioned, the CPH
17 recommends 12. We agree with that, and we believe that
18 that will help demonstrate that the water qualities have
19 been resolved.

20 As it relates to the cost of additional water
21 testing, we believe that should be below the line. It
22 should be borne by the shareholders and not imposed on
23 the customers. Remember, these customers have been
24 suffering since 1991 with these secondary water quality
25 issues and nothing has really changed until now. So we

1 submit that the Commission has the discretion as well as
2 the authority to make the increase contingent on the
3 utility first resolving all the secondary water quality
4 issues.

5 And additionally, conditioning the effective
6 date of the rate increase until after the water quality
7 testing demonstrates that UIF has fully resolved the
8 quality -- water quality issues is an equitable thing to
9 do, especially in light of how long this has occurred.
10 And, also, in my conversations with the utility, they
11 say that once the interconnection actually takes place
12 and the new water is flowing, they're going to do some
13 flushing protocols and other things, and it may only
14 take a few days for the new water to be fully resolved,
15 and that is just a matter of time to when you take those
16 testings and the time to get that testing information to
17 the staff to allow the implementation of a rate
18 increase.

19 And now I will turn to Ms. Vandiver to explain
20 her helpful handout. And if you have any additional
21 questions for me, please let me know. Thank you.

22 **CHAIRMAN BROWN:** Thank you.

23 And Ms. Vandiver, looking forward to hearing
24 the recommendations.

25 Mr. Sayler, before we get to that, though, you

1 did make a statement that you had a suggestion. Is that
2 this piece or --

3 **MR. SAYLER:** Oh, my suggestion to get the
4 Commission past is, one, to make the -- to adopt the
5 recommendations by the Office of Public Counsel as it
6 relates to the amount of the rate increase, and then,
7 two, condition the rate increase to be after the water
8 testing results show that the water quality issues have
9 been fully resolved. And I believe, Chairman Brown, you
10 had said something similar in responding to some of the
11 customers and the senator, so.

12 **CHAIRMAN BROWN:** Thank you. All right.

13 **MS. VANDIVER:** My handout is very simple. The
14 first page is a quick summary of the four issues I'll
15 bring up very briefly, and the second page is just a
16 side-by-side comparison of the staff recommendation and
17 our adjusted amounts. Most of these are the same issues
18 that I brought up in the last agenda, so I don't plan to
19 go into great detail again.

20 The first issue is the new hydro tank that
21 will be transferred. I pointed out last month that it's
22 a relatively new hydro tank, and the testimony that was
23 filed in the rate case, the utility said that they would
24 be using it in the Cypress Lakes system. After the
25 agenda, they sent a letter in saying that they plan to

1 maybe change it and move it to Orangewood. Whichever
2 option you choose to accept, the tank is not going to be
3 retired. It's going to be reused. It should not be
4 included in the loss on retirement because it will still
5 have future use.

6 The staff also included an adjustment based on
7 the utility's letter that said it might have a \$5,000
8 salvage value. Even if it's going to be retired, which
9 I don't agree with anyway, the Uniform System of
10 Accounting doesn't allow for this. It says, in
11 Accounting Instruction 29, that if you're transferring
12 it from one system to another, it should be transferred
13 at the net book value. So it should not be considered
14 part of this loss in any way. The impact of
15 transferring this asset at net book value and adjusting
16 the staff's 5,000 salvage is about \$6,000 on the
17 revenues in the staff recommendation.

18 The second issue is the amount of depreciation
19 expense that is used in calculating the amortization.
20 Page 8 includes a summary -- page 8 of the staff
21 recommendation includes a summary of the amortization,
22 and this includes a depreciation expense which includes
23 depreciation on items that are fully depreciated. If
24 these items are being retired and they're fully
25 depreciated, we don't believe that the loss should be

1 including the depreciation on any items that are fully
2 depreciated. So if you remove that, it's about another
3 \$6,000 from the revenues. Those items are already fully
4 used up and should just be removed.

5 The third issue is the estimated cost to
6 retire the plant. The utility estimated about \$200,000
7 to retire the plant. The utility did not provide any
8 support, any bids, any estimates, or any detail of
9 what this includes. It appeared high to us. As
10 Mr. Mellinger stated, he also agrees that that appears
11 high. We don't believe the utility has met its burden.
12 The utility -- this amount should be removed or at least
13 reduced by \$100,000. The impact of that adjustment
14 would be about \$9,000 on the revenues.

15 And the last issue is the rate case expense
16 that's included. The original docket was filed for
17 Phase I and Phase II rates. The utility withdrew its
18 request for Phase I rates. So we believe that since the
19 rate case expense was to cover both phases, it should be
20 cut in half to cover just this Phase II portion of it.
21 That would impact the revenues by about \$3,000. And
22 with that, that ends my comments.

23 **CHAIRMAN BROWN:** Thank you.

24 Commissioners, before I get to the utility,
25 any questions for Public Counsel?

1 Okay. Moving on. Thank you. Mr. Friedman,
2 welcome.

3 **MR. FRIEDMAN:** Good morning. Marty Friedman
4 on behalf of Utilities, Inc. of Florida.

5 I'm going to start off with a couple of
6 introductory remarks, and then I'll let -- excuse me --
7 I'll let Mr. Hoy and Mr. Flynn go into more technical
8 issues.

9 On the issue of rate case expense, over and
10 above or in addition to the comment that Ms. Vandiver
11 mentioned, you'll note on the rate case expense a
12 recommendation that the legal expense was reduced by
13 some amount because I was going to appear on behalf of
14 two clients today.

15 **CHAIRMAN BROWN:** Aquarina.

16 **MR. FRIEDMAN:** Aquarina. And then the Public
17 Counsel, because of the hurricane, Public Counsel asked
18 that Aquarina defer that or agree to a deferral of that
19 because of the impact that it had on the customers who
20 happen to be in Brevard County, and, of course, the
21 utility agreed with that deferral. But as a result of
22 that deferral, I'm appearing here today only on behalf
23 of one utility, and Utilities, Inc. shouldn't be
24 penalized for another client of mine agreeing to a
25 deferral at the request of the Office of Public Counsel.

1 So the second thing is I would point out that
2 -- let me start -- Commissioner Edgar mentioned the last
3 order. That was really what precipitated everything up
4 till today. If you remember, out of that last UIF rate
5 case, there was requirements that the utility and the
6 customer groups have meetings to try to figure out a
7 resolution. And there were -- I did not participate in
8 all of the -- I didn't participate in any of the
9 meetings, but I was on the email chain, so I got to see
10 when they were scheduled and I got to see some of the
11 results of that. And they had lots of meetings. We
12 certainly agree with that. They met frequently. The
13 utility did the engineering, the CPH engineering report
14 that was mentioned. It had different recommendations.
15 I think everybody agreed that the interconnection would
16 be the best likelihood of the utility meeting the
17 secondary standards at the least cost, and then so
18 everybody was moving forward on that process.

19 Obviously that interconnection is an expensive
20 process because the utility was going to not only have
21 to pay for the construction of the line but also pay the
22 county service availability charges or impact fees,
23 several million dollars, and you could imagine what
24 impact that would have on the customers' rates. So as a
25 result, the customers said, "Whoa, let's wait a minute.

1 Let's see what we can do politically to get the state to
2 subsidize some of this expense." And so part of the
3 delay in getting the interconnection done is because the
4 customers wanted to minimize their expense. And I
5 understand that and I appreciate that, but the utility
6 shouldn't be penalized because they wanted to go to the
7 legislature and get a million dollars of state funds to
8 fund the interconnection to lessen their expense. I
9 think they hopefully at that time did a cost-benefit
10 analysis and said, "You know what, maybe I can tough out
11 this water quality that I don't like for another year in
12 exchange for getting a million or two in state funds to
13 lessen my rates," and that's a decision they made.
14 Otherwise, I think there's no reason that we wouldn't
15 have the interconnection be done now and water flowing
16 now. So the utility is not to blame for the delay, at
17 least a lot of the delay in getting that water.

18 Everybody met, we moved along expeditiously in
19 these meetings, we did an engineering report, we did
20 everything we were supposed to do, and it really slowed
21 down once it got to everybody, sat down and said, "Whoa,
22 that's going to cost that much money." And so the
23 utility shouldn't be penalized for that. We could have
24 that water flowing now.

25 Keep in mind, of course, that the utility has

1 already got a penalty in place, a 1 percent ROE penalty
2 in place for the water quality issue. And that's been
3 in place since the last rate case, and it will continue
4 to be in place until the water quality improves. And
5 that's the penalty that won't come off until the water
6 quality improves. There's no reason to delay the
7 implementation of the entire rate increase because of
8 the water quality issue.

9 The -- keep in mind that the agreement was for
10 the parties to get together. Everybody had their
11 responsibility in doing this. The customers wanted to
12 know what the rate increase was going to be before they
13 voted on, you know, whether they wanted to do that
14 option. The utility wanted to make sure it was going to
15 be able to recover the additional cost of the
16 interconnection, and then the county wanted to make sure
17 they were going to get paid. And so, you know, those
18 were the three things that were put forth in force when
19 this bulk service agreement was entered into between the
20 utility and the county.

21 And so we've got to do all those things at
22 once. I don't think you can say, "Well, you know what,
23 we're going to -- we know the citizens are okay with
24 that and the county is saying, 'We'll interconnect you
25 anyway,'" but that's not the way it works. I mean,

1 there were three parts to this deal, and we've got to
2 follow through with, I think, all three parts of them.

3 I was interested that Mr. Sayler gave an
4 interpretation of a contract that he wasn't a party to.
5 And I know y'all aren't a bunch of lawyers, but, you
6 know --

7 **CHAIRMAN BROWN:** Some of us are.

8 **MR. FRIEDMAN:** I know. I don't want to
9 degrade the smart ones who aren't lawyers. The -- you
10 know, parties to the contract are the ones that
11 interpret a contract, not somebody -- an outsider. And
12 I can guarantee you that when this contract was entered
13 into, Utilities, Inc.'s intent was to make sure that
14 they could have the revenue requirement to do the
15 interconnection and still keep going as a viable
16 company. And so OPC's, you know, idea of what their
17 intent of that agreement is notwithstanding, I don't
18 think that has any basis in law or fact.

19 There's been some comment about, you know,
20 what testing was allowed or not allowed when the county
21 went in there, and Mr. Flynn can address some of that,
22 maybe Mr. Hoy. But the thing to keep in mind is that
23 the party responsible, once that interconnection is
24 done, the party responsible for making sure that the
25 secondary water quality standards are met is not the

1 county. It's the Utilities, Inc. of Florida. The
2 county, frankly, is -- you know, they want to buy the
3 utility and they've said so, and that's got nothing to
4 do with this proceeding today. And there's been a lot
5 of discussion about that, and it's my view that the
6 evaluations that the county wanted to do by
7 disconnecting some hydrants and doing other testing was
8 really unrelated to this proceeding because, like I say,
9 they're not responsible for the water quality of these
10 residents. As Mr. Mellinger said, you know, they're
11 going to provide the water up to the point of
12 interconnection, and he says that's going to be good
13 quality water meeting all secondary standards. And he's
14 right, it's our responsibility after that point of
15 connection to make sure it continues to do so, and
16 Mr. Flynn can tell you about, you know, what is
17 typically done and what they plan to do before that
18 interconnection is made in this case to -- excuse me --
19 to make sure that the best water quality that we can
20 provide is going to be provided.

21 So I would -- with the one recommendation that
22 we made on correcting the rate case expense, we would
23 ask that the Commission accept the staff recommendation
24 and the rates go into effect. And once the water
25 quality is improved, then hopefully the utility will get

1 back that penalty on its ROE.

2 **CHAIRMAN BROWN:** Thank you, Mr. Friedman.
3 Before we proceed to Mr. Hoy and Mr. Flynn, Senator
4 Simpson would like to address -- provide some brief
5 comments; is that correct?

6 **SENATOR SIMPSON:** After.

7 **CHAIRMAN BROWN:** After. Okay.

8 All right. Mr. Hoy, can you proceed?

9 **MR. HOY:** Thank you. Good morning,
10 Commissioners.

11 Let me make just a couple of brief comments
12 and then pass it over to Mr. Flynn to talk about. What
13 we're going to do on our side of the connection before
14 the interconnection is made and the water is flowing, to
15 make sure that, you know, we do our job, as Mr. Friedman
16 said, about making sure that the water that the county
17 delivers actually passes through the meter and passes
18 through our system to the customers/residents.

19 I'm happy today, I think, because I think we
20 come here today in agreement that the interconnection
21 should happen. So there was some confusion, I think,
22 the last time we were here about really what was being
23 asked, and I think I'm hearing that, that, you know, we
24 all want the interconnection to happen and to move
25 forward.

1 But just a couple of comments about some of
2 the points that were raised earlier. We did enter into
3 an agreement with the county. The rate, as
4 Mr. Mellinger stated, is \$3.57. That's what they charge
5 all their bulk customers. However, that does compare to
6 a \$2.70 variable rate that they charge their retail
7 customers. So when you do a rate comparison, our bulk
8 rate is higher than their retail rate, so it does put us
9 at a bit of a disadvantage when you talk about
10 comparison of rates. And I understand that. I
11 understand what they've got to do. I think they have
12 some debt covenants that -- requirements that require
13 them to charge that. But that's what we've got to live
14 with and that's what's in agreement and that's what
15 we'll have to pay.

16 If you look down the road, the consolidation
17 rate case was raised, and we did file that. And what we
18 really are looking for is to bring together the
19 economies of scale of our entire system across the
20 state. And Summertree is, by comparison, one of the
21 smaller systems that we have. And when you have to do
22 improvements and you have to do things like pipe
23 replacement or like an interconnect or purchase water,
24 it does have sometimes an overpowering burden on a small
25 group of customers. So what we're looking for in the

1 consolidated rate case is to try to smooth that across
2 the state, as the county has done with its customers
3 across the county.

4 And when you look at the proposed rates in our
5 consolidated case, if approved, you know, as -- and
6 we'll talk through that as we go through the
7 consolidated case, but our final consolidated uniform
8 rates across the state actually have Summertree rates
9 coming down, and actually they'd be lower than the
10 county's. So that's where we're trying to get to so
11 that we can do the right thing here and implement the
12 interconnect: Get the right water flowing to the
13 customers, as they voted for and wanted; work through
14 the consolidated case; and ultimately have, you know,
15 rates across the state that are bearable and competitive
16 for all of our customers.

17 **CHAIRMAN BROWN:** Thank you, Mr. Hoy.

18 Before we move on to Mr. Flynn, Commissioner
19 Graham has a statement to make.

20 **COMMISSIONER GRAHAM:** Thank you, Madam Chair.
21 This is for those people that are here for the clause
22 prehearing at 11:00. I apologize. This item was not on
23 our agenda when we scheduled that prehearing, so just to
24 let you know if you're waiting for that, it won't start
25 at least before noon. So if there's something you want

1 to do for the next 55 minutes, feel free to do that. I
2 know a lot of you are here thinking it's going to happen
3 right after this, which it is, but I just want to free
4 that time up for you if there's something -- place you
5 want to go, phone calls to make, that sort of thing. At
6 the very earliest it'll be at noon. It may even not be
7 then, but that gives you at least that period of time.

8 Thank you, Madam Chair.

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

11 All right. Mr. Hoy, are you finished with
12 your comments?

13 **MR. HOY:** Just one other quick comment, and
14 that's regarding OPC's suggestion for alterations.
15 There was a lot of talk about the hydro tank and
16 relocating that. I mean, the cost that's on the books
17 today, a good bit of that, more than half of it was just
18 the installation cost. So the cost of the tank itself,
19 as Mr. Mellinger said, was something less than that. So
20 the cost -- what's in our consolidated case is purely
21 the cost to relocate it, not the cost of the tank
22 itself. So what you're talking about in our response
23 was that the only value to Summertree was if you could
24 salvage it, some type of market value, and that's what
25 we responded with. The market value of a used hydro

1 tank out in the market is what you would consider in
2 this case, but it's certainly considerably less than
3 what's on the books today.

4 **CHAIRMAN BROWN:** Thank you.

5 Mr. Flynn.

6 **MR. FLYNN:** Thank you, Madam Chairman.

7 I just want to speak a little bit about some
8 of the issues raised from a technical perspective.
9 Regarding the sampling locations and quantity, I was
10 looking at the CPH report. It identifies 12 sample
11 sites that were taken. To better describe that,
12 six sample sites were sites in our sampling plan
13 approved by DEP for our distribution network. Six
14 additional sites were from customer taps in -- adjacent
15 to those six sample sites of ours. So those samples at
16 the taps are downstream of our water meter, downstream
17 of the water we have control over or responsibility for
18 water quality because it's the case that sample taps are
19 on the house plumbing. So I would support the staff's
20 recommendation that the sample sites to be analyzed for
21 secondary drinking water standards be the six sample
22 sites in our sample plan.

23 As far as the issues about our pipes and our
24 water quality thereafter after the interconnection is in
25 service, our game plan ahead of that time is to --

1 during construction is to go to a burn condition, go to
2 a free chlorine residual disinfection method for that
3 month or so of time before the interconnection is
4 complete. And upon completion of the interconnect and
5 the changeover to the new water source, which is
6 chloraminated water, that we would be using that water
7 to thoroughly flush the system in a way to maximize the
8 improvement of water quality and the retention of that
9 water quality in the distribution network thereafter.

10 So in that context, you know, we're planning
11 for a switchover that's going to be relatively seamless,
12 notifying the customers ahead of time of those changes,
13 and allow for that water quality improvement to occur as
14 rapidly as possible, and then to sample the distribution
15 network thereafter and identify what the results are in
16 comparison to the standards, secondary drinking water
17 standards. And that way we would know that we were
18 satisfying your concerns, as well as ours, as well as
19 the customers'.

20 **CHAIRMAN BROWN:** Mr. Flynn, it said two months
21 in the recommendation that testing would occur, and then
22 it thereafter says it will occur every -- no less than
23 every six months. Is that the utility's intent or to do
24 it more frequently?

25 **MR. FLYNN:** My preference would be to test

1 very quickly after the interconnection is completed
2 because it will not take long for the switchover to be
3 impactful to the customers at the tap.

4 **CHAIRMAN BROWN:** Okay. Are you --

5 **MR. FLYNN:** And then if it's, in fact, the
6 case that we are, with those sample results, meeting
7 standards across those six sample sites, then I would
8 expect staff would support us, acknowledging that
9 there's been satisfactory resolution.

10 **CHAIRMAN BROWN:** Thank you. Are you finished
11 with your comments?

12 **MR. FLYNN:** Yes, ma'am.

13 **CHAIRMAN BROWN:** Thank you.

14 **MR. FLYNN:** Oh, excuse me, one last question
15 or comment. The -- Mr. Mellinger's comment about the
16 analysis of the -- of our system last month with his
17 staff, there are two things I want to mention. One is I
18 was requested to allow his staff to remove a piece of
19 our assets, our hydrant, from the system in order to
20 examine the pipe. What would be observed by examining a
21 hydrant's lead, I'm not sure. But the risk to us of
22 having someone removing a hydrant without knowledge of
23 how it would be impacting our water mains and avoid a
24 disruption of service and a cost associated with making
25 repairs to that was without any foundation or support or

1 thought through.

2 Second through -- secondly, I repeatedly have
3 asked the Pasco folks to consider, in their design of
4 their interconnect, a second interconnect point, a
5 secondary water connection, and I've been rebuffed
6 repeatedly. So to say that there's not adequate flow in
7 hydrants and they're concerned about flow in the piping
8 when one remedy is to make sure that they have adequate
9 feed to the distribution network was ignored, and I just
10 wanted to make that point.

11 **CHAIRMAN BROWN:** Okay. Utilities, Inc., you
12 are all -- you're done with your comments? All right.
13 Opening comments.

14 All right. Senator Simpson.

15 **SENATOR SIMPSON:** Thank you. And I just -- I
16 appreciate the second opportunity here. What I have
17 heard here today is that, you know, a system was bought
18 in 1999 for 200 and some odd thousand dollars, and we
19 have spent hundreds of thousands, maybe millions of
20 dollars and took rate increases because of the repairs
21 and upgrades and maintenance of this system. There's
22 been testifying here, witnesses said that, you know,
23 that, first of all, we're not even sure if we hook up,
24 the pipes would withstand this -- the real pressure that
25 they should maintain. Then we heard from the attorney

1 for UI that the consumers created some of this problem
2 by waiting for the legislature to perhaps give a grant.
3 Now think about that for a second. The consumers that
4 have had water in their homes that most of us would not
5 drink, probably none of us, caused this problem, and we
6 should be reimbursed these costs of testing and we
7 should be reimbursed the cost of these upgrades.

8 What we are doing here by putting county and
9 state dollars, in effect, is their job. They knew 25
10 years ago these wells would never meet secondary water
11 quality standards. If they didn't know, they should
12 have known. So while the county (phonetic) folks wasn't
13 experts, they may not know what they're doing, someone
14 don't know what they're doing here. We spent -- this
15 could have been an interconnect 25 years ago and these
16 consumers would be paying half of the rate that they are
17 currently paying. So if you're going to take into
18 consideration the notion that the consumers here delayed
19 the interconnect by a year by going to the legislature
20 and asking for some resources, you ought to consider, if
21 we're going to use hindsight, and I hate using hindsight
22 because I use it all the time on myself, use that
23 hindsight. If we're going to consider a rate issue in
24 this case, I would suggest that we have the interconnect
25 done and then we go back the last ten years, and every

1 rate case that was had that increased the rates, see
2 what the outcomes of them were. Did they produce the
3 results we were told they were going to produce, and did
4 it make secondary water quality standards or customer
5 service or anything any better? And judge that. Who
6 created that problem?

7 And so when you look at -- what I'm hearing
8 here is that, "It's not our fault, we're guaranteed a
9 10 percent whatever rate of return," and I think that is
10 ridiculous. I think that there should be a fair rate
11 paid by all consumers, a fair rate, but I think we
12 cannot judge what is a fair rate based on what the costs
13 are to do this part of the job. You have got to back up
14 and look at what's happened over the last ten, 15 years,
15 25 years. How did we get where we are, and did other
16 Commissions make good decisions? If we're going to
17 judge this based on did the consumer make a good
18 decision a year ago or two years ago, well, let's just
19 judge them all then and then set an appropriate rate for
20 that. And so I think that's very important.

21 And the other thing I hear about the
22 decommissioning of these wells, there are multiple
23 opportunities for grants also for decommissioning those
24 wells. No rate increase should be given to decommission
25 wells until we actually decommission them and see what

1 the cost really is. It's not going to be 200,000. And
2 if we get the grant process that are allowed, it may not
3 be anything. Right? So, again, the state or other
4 state resources may step up and try to do the right
5 thing. But we're in this position where we're having to
6 consider a rate increase over decommissioning of wells,
7 and it's appropriate if we actually spend Utilities,
8 Inc. money to decommission those wells. But those
9 wells, in clear view of hindsight, should have been
10 decommissioned 25 years ago. There should have been a
11 local interconnect. Our consumers would have had clean
12 water, secondary water standards for the last 25 years,
13 and they'd have been paying half as much money for it.
14 At what point do we consider that?

15 And, again, I just wanted to make sure, after
16 hearing that it was the consumers' fault or the county's
17 fault that some of these actions weren't taken --
18 seriously? Thank you.

19 **CHAIRMAN BROWN:** Okay. Thank you, Senator
20 Simpson.

21 We're going to take a five-minute break to
22 stretch our legs and such. We'll reconvene at 11:20.
23 Thank you.

24 (Recess taken.)

25 **CHAIRMAN BROWN:** I appreciate that. I got an

1 opportunity to talk with staff, and I know staff would
2 like to address the Commission on some of the items
3 first before we get to some questions and other
4 comments, additional comments from the parties here. So
5 if you could hold on just a moment.

6 Staff, could you please respond to some of
7 the -- actually looking at Office of Public Counsel's
8 proposal, one area first, if you could walk us through
9 the staff recommendation, the utility plant in service
10 versus the Office of Public Counsel adjustment, and then
11 go through, walk us through, and provide us some
12 feedback.

13 **MR. SLEMKEWICZ:** Okay. Looking at, you know,
14 what Public Counsel --

15 **CHAIRMAN BROWN:** And, John, could you speak
16 closer to the mic?

17 **MR. SLEMKEWICZ:** Okay. I'm sorry.

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

19 **MR. SLEMKEWICZ:** You know, not having seen
20 this document beforehand, I really can't give you a full
21 analysis, but I can point out what I believe are several
22 errors.

23 For the utility plant in service where they
24 were talking about the, you know, removing \$100,000 of
25 retirement cost, that \$100,000 is not included in the

1 utility plant in service. If you look at page 9 of the
2 staff's recommendation where we calculate -- Table
3 1-1 where we calculated the abandoned wells'
4 amortization expense, you can see that the \$200,000 is
5 not included in that \$363,000 of plant in service. It's
6 only for the calculation of the total cost, and because
7 of the way the rule specifies that this be calculated,
8 whether the retirement cost was \$100,000 or \$500,000, it
9 does not affect the amount of the amortization expense.
10 It would only increase or decrease the actual
11 amortization period.

12 **CHAIRMAN BROWN:** And what does that translate
13 to?

14 **MR. SLEMKEWICZ:** Well, in -- when you look at
15 Public Counsel's adjustment, you would not make that
16 \$100,000 adjustment that they proposed and you would not
17 make the return required of \$7,248 -- \$7,246 reduction.
18 It would -- if you agreed with the rate case expense
19 reduction --

20 **CHAIRMAN BROWN:** Pardon me. Before you
21 proceed, if we did go -- if we went ahead and agreed
22 with Office of Public Counsel's adjustments, what effect
23 would that have?

24 **MR. SLEMKEWICZ:** It would not have any effect.

25 **CHAIRMAN BROWN:** Okay. Under the first

1 category -- the category, the utility plant in service
2 and the return required.

3 **MR. SLEMKEWICZ:** And the return required. It
4 would have no effect at all on the staff's
5 recommendation.

6 **CHAIRMAN BROWN:** Okay. Or to customers.

7 **MR. SLEMKEWICZ:** Or to customers.

8 **CHAIRMAN BROWN:** Okay. Continue on, please,
9 with regard to the increase in recovery of the abandoned
10 wells. Public Counsel adjusted it by roughly \$11,400.
11 And we'll get an opportunity to ask Public Counsel why,
12 but can you address that, please?

13 **MR. SLEMKEWICZ:** I'm not quite sure, you know,
14 what that number -- how that number was calculated, but
15 it would relate to the fact that they want to reduce the
16 depreciation expense that's used in the calculation,
17 again, in Table 1-1, which right now is \$19,735, and
18 they would -- they want to adjust that by some number.
19 I can't tell from this, what they've handed out, what
20 the number would be.

21 **CHAIRMAN BROWN:** Okay.

22 **MR. SLEMKEWICZ:** But there would be some
23 impact if, you know, if you agreed with their amount.
24 However, again, we'd have to find out what that amount
25 is because I can't -- again, there's no documentation on

1 how these numbers were calculated, so I really can't
2 tell you how it was done.

3 **CHAIRMAN BROWN:** All right. We're going to
4 turn to Public Counsel on that for just a second.
5 Specifically, the decrease in the depreciation and the
6 increase in the recovery of the abandoned wells,
7 there's -- you project a -- or propose an
8 11,400 reduction. I'm curious how you got that number.

9 **MS. VANDIVER:** I'm sorry. What now?

10 **CHAIRMAN BROWN:** Looking at your proposal and
11 trying to give it some weight here and see the -- you
12 know, how you got to that number.

13 **MS. VANDIVER:** Right. I didn't put a lot of
14 detail in because I brought all these up in the last
15 agenda conference, so I kind of assumed they still knew
16 what those were. But that's made up of the two
17 different issues that I brought up on page 1 of the
18 handout. \$6,000 is related to the removal of the tank
19 since it's being reused and doesn't need to be retired.
20 It just needs to be transferred to another system. And
21 the other 6,000 -- these are rounding differences, but
22 the two 6,000s would equal the 11,447. The other 6,000
23 was to remove the items that are already fully
24 depreciated from the calculation of the amortization
25 loss.

1 **CHAIRMAN BROWN:** Okay. Commissioner Brisé.

2 **COMMISSIONER BRISÉ:** Yes. I just want to
3 follow up on a question that you posed, Chairman, about
4 the impact. And you -- Mr. Slemkewicz, you mentioned
5 that there would be no impact regarding the depreciation
6 or plant service retirements there. So can you sort of
7 clarify that for me?

8 **MR. SLEMKEWICZ:** Okay. And, again, it's best
9 if we refer on page 9 to Table 1-1. The net cost to
10 retire, which in the staff recommendation is 200,000 --

11 **COMMISSIONER BRISÉ:** 200,000, uh-huh.

12 **MR. SLEMKEWICZ:** And Public Counsel is
13 recommending to reduce that by \$100,000. When you look
14 at the calculation, it does not impact what the utility
15 plant in service is. The \$200,000 is only added to the
16 net book value to come up with a total cost, which is
17 then divided by the return on the net book value, which
18 does not include the \$200,000, and what the depreciation
19 expense was. And you add those two together and you get
20 what the annual amortization expense is. And the only
21 thing that is impacted by the cost of retirement in
22 terms of, you know, whatever the amount is would be the
23 amortization period because you simply divide the total
24 cost by the annual amortization expense. So whatever
25 you do with that \$200,000, if you increase it or

1 decrease it, the annual amortization expense remains the
2 same.

3 **COMMISSIONER BRISÉ:** Okay.

4 **MR. SLEMKEWICZ:** And, again, you don't take it
5 out of utility plant in service.

6 **CHAIRMAN BROWN:** Mr. Maurey, any additional
7 comments to some of the items that were raised here?

8 **MR. MAUREY:** Thank you. One follow-up comment
9 on cost to retire, we are -- we have recommended that
10 that be looked at in the rate case, and if there is any
11 adjustments, we will take care of it there. It won't
12 affect the value you're being asked to approve today,
13 but it will be reviewed and verified in the next case.

14 **CHAIRMAN BROWN:** It was proposed earlier about
15 testing being below the line. I think the senator
16 suggested it. Some other folks may have suggested it.
17 That is not even -- that's not even contemplated.
18 Testing is not in the recommendation here.

19 **MR. MAUREY:** That's correct. Recovery of
20 testing expenses aren't reflected in the amounts before
21 you today.

22 **CHAIRMAN BROWN:** So we'll have an opportunity
23 in the rate case to address that?

24 **MR. MAUREY:** Yes.

25 **CHAIRMAN BROWN:** Okay. Any other additional

1 comments?

2 **MR. MAUREY:** Staff still supports its
3 recommendation, and nothing else.

4 **CHAIRMAN BROWN:** Okay. Thank you. And before
5 we get to the Commissioners' questions, my understanding
6 is that Ann Marie would like to address the Commission
7 briefly. And UI, you guys -- Utilities, Inc. will have
8 an opportunity to address the Commission as well after
9 she addresses us.

10 **MS. RYAN:** Thank you. Yes, I would like to
11 have a rebuttal to what was said by Marty Friedman. I
12 represent -- I'm the leader of the Summertree Water
13 Alliance. You all know that. You know what our
14 community is like. We did not disrupt or defer or delay
15 any portion of this rate impact or this process. In
16 2014, as a result of the PAA order that you issued after
17 our rate case in 2013, we went and we started meeting
18 diligently, and John Hoy came on board and he came up
19 with a \$2.5 million cost that would be paid -- that we
20 would have to repay their investors. We were not able
21 to pay that. We did not go forward looking to try to
22 get money from the state. We did not try to have
23 anybody give us a handout.

24 What we asked for was alternative funding and
25 a way to do this. So we took a lot of effort and we did

1 reduce our rate of consumption by 46 percent. We went
2 to wells, we came with potable water for irrigation, and
3 so that's when we got into more problems because then
4 they come back with a way that we're going to have to
5 pay them for the next, I think it's 17 years, because
6 they have lost income.

7 On top of that, we did find a way to make
8 changes, and because of what we did, we cut our
9 consumption costs down, we cut our impact fees down, and
10 then the state came on board and the county too. We
11 now, instead of having to pay \$2.5 million for 22 years
12 at \$28 a month, have the bill down to \$200,000. That is
13 not a way of interrupting. This was a way that we could
14 show that the community took leadership and ownership
15 and we directed, implemented, and pushed forward all of
16 these meetings, even at great duress with family issues
17 in our lives.

18 And I'm really angry. I'm angry that a
19 corporation can sit here and look at corporate dollars
20 and they're always making a profit. So is our \$47,000
21 the issue here? It's the moral issue. It's their
22 inability to prove their facts, it's their inability to
23 let us know what we're paying for, and it's their
24 callousness in trying to do the right thing. Thank you
25 for your time.

1 **CHAIRMAN BROWN:** Thank you, Ms. Ryan. Thank
2 you.

3 And, Mr. Friedman, I'll give you an
4 opportunity to respond, if you want, briefly or waive
5 it. I do have some questions for you, as I think maybe
6 the other Commissioners do.

7 **MR. FRIEDMAN:** Yeah, I'll just wait. I don't
8 want to respond to that comment. I don't think it's
9 necessary.

10 **CHAIRMAN BROWN:** Thank you.

11 Okay. Mr. Friedman, let's -- yes, the county.

12 **MR. MELLINGER:** If you may indulge me, please,
13 if you will. I did want to respond to one comment that
14 was made earlier about the secondary interconnect.

15 **CHAIRMAN BROWN:** Okay.

16 **MR. MELLINGER:** The comment about being
17 rebuffed is not true. The county has indicated and
18 communicated with Patrick that we are working on the
19 secondary interconnect. His desired location was at --
20 nearly adjacent to the existing connection. It doesn't
21 give you redundancy. If that main is down, it's down at
22 both points. We are looking at a secondary interconnect
23 on the far end of the system. There was at one time an
24 emergency egress for the community through an easement.
25 We need to get a utility easement in that egress so that

1 we can do the interconnect, and we are working toward
2 that. So I just wanted to make sure that that was on
3 the record.

4 **CHAIRMAN BROWN:** Thank you.

5 Commissioner Brisé. Just a second.

6 **COMMISSIONER BRISÉ:** Thank you, Madam Chair.

7 This question is for the utility.

8 **CHAIRMAN BROWN:** Okay.

9 **COMMISSIONER BRISÉ:** Okay. So from your
10 perspective, how long will it take for the interconnect
11 to actually materialize?

12 **MR. HOY:** Commissioner, I think you heard the
13 county's timeline.

14 **COMMISSIONER BRISÉ:** I heard the county's, but
15 I want to hear your timeline.

16 **MR. HOY:** Well, our timeline is basically the
17 county's because it's -- the connection at this point
18 and the construction of it, as Mr. Mellinger said, is
19 underway. And if they're saying two to three months to
20 complete that, our portion of that, we'll do some work
21 on our side I think a month or so ahead of time, but
22 then we'll be ready to accept delivery of the water once
23 the interconnect is complete.

24 **COMMISSIONER BRISÉ:** So how long after the
25 interconnection should customers expect improvement to

1 their secondary water standards?

2 **MR. HOY:** I think it would be -- from our
3 perspective, if the county is delivering water in
4 accordance with primary and secondary water quality
5 standards per our agreement, we would expect the water
6 quality to improve right away.

7 **COMMISSIONER BRISÉ:** So you've done the
8 assessment of your pipes to determine that upon
9 interconnection, the service quality would improve
10 almost immediately?

11 **MR. HOY:** Right. There's steps that we are
12 taking: You know, flushing our system, doing a chlorine
13 burn before the interconnection happens. There's also,
14 I guess, at the customers' premises, you know, assuming
15 that, you know, they flush their systems and take care
16 of any equipment that's on the premise, I would expect
17 the water quality in our system to improve right away.

18 **COMMISSIONER BRISÉ:** So if that's the case,
19 then what's the negative impact of waiting till that
20 occurs in order for the approval of the rates -- the
21 increase that you're asking now?

22 **MR. HOY:** We would expect that -- I think that
23 the staff recommendation had taking samples within two
24 months, within two months. So we would probably go
25 ahead and do that very quickly after the

1 interconnection.

2 I guess then it would be the process. What's
3 the process for delivering those results, accepting
4 those results, determining that they are acceptable and,
5 therefore, approval of rates? How does that -- how
6 would that process work?

7 **COMMISSIONER BRISÉ:** Okay. So you would be
8 fine with the implementation after the testing and the
9 --

10 **MR. HOY:** Sorry to interrupt. Our preference
11 would be to approve it today.

12 **COMMISSIONER BRISÉ:** No. Obviously if we
13 approved it today but implementation upon -- or upon
14 testing, as the customers are requesting.

15 **MR. FRIEDMAN:** Well, to reiterate, I mean,
16 that wasn't what the deal was. The deal was we would go
17 through that process and you would approve it and it
18 would be effective upon the interconnection. I mean,
19 that was the intent of the agreement with the county to
20 interconnect. And when we start paying the county's
21 rates for interconnection, then we should be able to
22 recover that. And, you know, as Mr. Hoy pointed out,
23 it's easy to say, "Okay. We'll implement them when you
24 get -- when you meet secondary water quality standards."
25 Well, you know, that's going to raise a whole bunch of

1 issues about how you do that. Who is going to make that
2 determination? I mean, if we have -- if we do a test
3 within a week of the interconnection and the quality is
4 meet secondary standards, so then what happens next?
5 Who is it that says, "Yes, we bless you that you've got
6 secondary standards met and you can implement your rates
7 immediately"? Does it have to come back to the agenda?
8 And that's -- you know, you know how hard it is to get
9 something to the agenda.

10 So even if you agree, which we vehemently
11 disagree with, even if you agree that it should be
12 implemented upon meeting secondary standards -- and keep
13 in mind that we're already being penalized 1 percent for
14 not meeting secondary standards, so it's not like
15 there's not already a penalty in place -- then there has
16 to be a very specifically defined process for when that
17 standard is met and how quickly the utility can
18 implement rates. And that's what concerns me a lot
19 about the delay in implementing the rates, besides the
20 general principle that when we start paying the rates to
21 the county is when we should be able to start recouping
22 those rates.

23 **COMMISSIONER BRISÉ:** Sure. So if we were able
24 to define that, then that would be a process that, from
25 my perspective, would make a lot of sense, particularly

1 since we just heard that the utility is doing everything
2 that it can so that upon interconnection, the
3 secondary -- the quality would be much better and we
4 would meet secondary standards.

5 **MR. FRIEDMAN:** Absolutely. We disagree
6 philosophically with that.

7 **COMMISSIONER BRISÉ:** Sure.

8 **MR. FRIEDMAN:** And if that's --

9 **COMMISSIONER BRISÉ:** That happens all the
10 time.

11 **MR. FRIEDMAN:** If that's what -- I mean,
12 that's your decision. I mean, you're the decision
13 makers on a policy issue. And if you agree with that,
14 we just ask that you define specifically the
15 implementation steps and how quickly we could do so.
16 That doesn't mean that we agree you should do that.

17 **COMMISSIONER BRISÉ:** Sure, sure.

18 **MR. FRIEDMAN:** I'm just saying if you do do
19 that, we need to make sure things are detailed.

20 **COMMISSIONER BRISÉ:** Thank you.

21 **CHAIRMAN BROWN:** Thank you.

22 And before I go to Commissioner Edgar,
23 Commissioner Brisé went down the entire line of
24 questioning that I was kind of going down when I had
25 some questions, and I appreciate those questions that

1 you asked. And I think we can give staff administrative
2 authority to implement those subject to DEP's approval
3 that the utility has met secondary standards. I think
4 we can make it nice and neat without a big delay in time
5 since it sounds like, from Mr. Hoy, that as soon as the
6 interconnection is complete, you are going to begin
7 testing right away. And you're assuming that the
8 compliance will be met by the interconnection, so it
9 shouldn't be a big gap in time and -- you know, after
10 the water, the flow of water begins going.

11 So, I mean, that's just the direction that I
12 feel most comfortable with. I feel like, as a sign of
13 good faith by the company, I think the company should be
14 amenable to that, listening to the customers' concerns.
15 Listening to all that the customers have done in this
16 process, it would be a sign of good faith to go ahead in
17 that route.

18 **MR. HOY:** The only caveat was to a point that
19 Mr. Mellinger was talking about, which is to make sure
20 that there's adequate flow, adequate -- which the
21 county's engineers have looked at and analyzed and said
22 it should be adequate.

23 The second point of connection I don't think
24 will be in place at the time we're talking about, so
25 we're counting on that single point of connection

1 delivering, you know, the water quality.

2 **CHAIRMAN BROWN:** I'm curious to hear from
3 other Commissioners. Commissioner Edgar.

4 **COMMISSIONER EDGAR:** Thank you, Madam Chair.
5 A couple of questions and maybe a comment depending on
6 how -- depending on what the answers are.

7 First off, Mr. Mellinger, the -- in the staff
8 recommendation, and I don't know if you have it in front
9 of you, but in the third bullet of the staff
10 recommendation on Issue 1, it says -- it recommends that
11 samples for testing, samples should be taken from the
12 same sites labeled "nearby system site" shown in
13 Appendix A of the CPH engineering report.

14 My question to you is is that language in the
15 staff recommendation consistent with what you were
16 recommending for testing sites and testing protocol?

17 **MR. MELLINGER:** No.

18 **COMMISSIONER EDGAR:** Could you elaborate on
19 what would be the --

20 **MR. MELLINGER:** The CPH report identified
21 those six sites and it identified six homes. I heard in
22 the comments a while ago that UI does not want to do the
23 sampling in the homes, as they feel that the system
24 reaching to the home -- to the customer is not their
25 responsibility. I can assure you that we test taps on

1 homes every day.

2 **COMMISSIONER EDGAR:** Thank you.

3 **MR. FRIEDMAN:** That creates a problem. I
4 mean, you're asking us to guarantee the water quality
5 for a portion of the system that we have no control
6 over. I understand meeting the quality standards at
7 those six points. But if you're saying go to the hose
8 bib at a customer's house or go in their house and, like
9 you said, go look in the tap and run a glass of water in
10 the sink, we can't guarantee the water quality at those
11 points. That's nuts. Who knows what those existing --
12 what those -- what their own system is. We can't
13 guarantee that. And that's what gives me problems about
14 the water quality. I mean --

15 **COMMISSIONER EDGAR:** Okay. Thank you.

16 If I may then to staff, can you elaborate on
17 why this -- the language in the staff recommendation
18 regarding the testing locations and protocol is what you
19 recommended, recognizing that it is somewhat different
20 from what was recommended in the CPH report?

21 **MR. BALLINGER:** Absolutely, Commissioner. The
22 six sites that staff recommended that are on the utility
23 system that are nearby, for two reasons. One, it's ease
24 of access for the utility to get to it and not disrupt
25 the customers to have to go to their home and get the

1 taps. And, two, as Mr. Friedman said, those are
2 really -- can measure things that are beyond the
3 utility's control. It's from the meter to the house.
4 So you may be getting some odd results or different
5 results that really the utility is not responsible for.
6 We think tapping it and sampling it near the customers'
7 homes where they did it in the distribution system using
8 those same points so we have a baseline made sense. So
9 it would just be the six points that are in the
10 distribution system that the company controls to get
11 that.

12 **COMMISSIONER EDGAR:** And from an engineering
13 and environmental management, water quality perspective,
14 those six locations, it is the belief of staff that they
15 are located at different enough points and far enough
16 out in the system to adequately and accurately give
17 information as to the water quality?

18 **MR. BALLINGER:** I believe so. I think
19 Mr. Mellinger thought the CPH report was thorough. I
20 don't know precisely where these points are. I looked
21 at a map where they are, but I wanted to have a baseline
22 so as not to introduce other bias going forward. So I
23 think having the same six ones gives us a good starting
24 point.

25 **COMMISSIONER EDGAR:** Okay. Thank you.

1 Mr. Mellinger, you're obviously very familiar
2 with the area. Do you have any pause about those six
3 locations as -- for what they represent?

4 **MR. MELLINGER:** I have no problem with those
5 six locations. I'm still just -- you know, we use
6 residential taps all the time and hose bibs all the
7 time, so.

8 **COMMISSIONER EDGAR:** Sure. Okay. Thank you
9 very much.

10 Another line, if I may.

11 **CHAIRMAN BROWN:** Absolutely.

12 **COMMISSIONER EDGAR:** All right. Thank you.

13 Then to staff, the question has come up, and I
14 was getting ready to ask these questions also, as to if,
15 indeed, the Commission wanted to consider an adjustment
16 in rates being implemented after the testing information
17 had come back, what would be the process that you would
18 outline for that? I know that that issue has come up.
19 Mr. Friedman has expressed concern about if this item
20 had to come back to -- at another agenda conference. I
21 feel very strongly that, in keeping with our rules and
22 laws, that it is the Commission's -- as a Commission,
23 our responsibility to approve rates. However, there
24 have been times in my experience that we have approved
25 adjustments in rates and then delegated a number of

1 steps that would need to occur prior to that actually
2 going into place without it coming back for -- to the
3 full Commission, and I would think that we could come up
4 with a process that would work for that in this
5 instance. I would have concern about, you know, that,
6 again, rate case expense, the customers needing --
7 wanting to come and speak to us again, if, indeed, this
8 item were to come back. Can you help me outline a
9 process that would meet all the requirements?

10 **MS. HELTON:** I can try. And there may be some
11 processes here that I haven't thought of, but as I
12 understand it, part of the issue here is whether
13 we're -- the water would meet the water quality
14 standards of DEP. And as I understand it, and y'all
15 know that I am not an engineer, but as I understand it,
16 that's -- you either meet the requirements or you do not
17 meet the requirements. And it would be DEP telling us
18 that the requirements have been met; is that correct?
19 The DEP would tell us.

20 So if we received verification from DEP that
21 the water requirements had been met, the water quality
22 standards had been met, I can't think of a reason why we
23 could not use that and you could not tell the staff to
24 administratively go ahead and approve the rates once
25 that step had been met.

1 **CHAIRMAN BROWN:** Implemented.

2 **MS. HELTON:** Implemented.

3 **MR. BALLINGER:** I believe that's correct. We
4 could get the results and get verification from DEP that
5 they met the standards before we move forward.

6 **COMMISSIONER EDGAR:** Thank you.

7 Commissioners, if I could just kind of tell
8 you what I'm thinking and --

9 **CHAIRMAN BROWN:** Looking forward to it.

10 **COMMISSIONER EDGAR:** You know, as has been
11 expressed by -- frustration by the company, I recognize
12 that, frustration by the customers, frustration by local
13 elected officials, frustration by the Commission,
14 frustration by Commissioners and probably our staff
15 too -- I mean, this is just a very difficult issue all
16 the way around, and I do believe strongly that everybody
17 is well intentioned, although emotions can be very high
18 and water quality is clearly one of the highest priority
19 issues for our state, for customers, and certainly for
20 our regulatory authority and responsibility.

21 And as we all know, our hands, in some
22 instances, may be tied, or maybe a better way to express
23 it is the law on water rates is, in many cases, very
24 prescriptive. But there are some areas that I do
25 believe that we do have some discretion. One of those

1 is, that we have used in this case, is the 100 basis
2 point reduction that we have put in place in the past
3 and is recommended to continue. There have been changes
4 in the statutes, and we understand that there may be
5 additional consideration for that in the future.

6 So with all of it, and keeping for the unique
7 circumstances of this particular case, what I'm
8 thinking, working from the recommendation that is before
9 us and the issue that is before us right now, which in
10 my mind is doing what needs to be done for the
11 interconnection to go forward, as has been requested by
12 the company, the customers, the legislature, the county,
13 and I think everyone involved, OPC, et cetera, I do not,
14 as I said last time and as I said earlier today, want us
15 to do anything that inadvertently delays that
16 implementation. And I also recognize that the company
17 has the right legally and ethically, morally to be paid
18 for the product it's delivering and for cost of service
19 and related expenses and costs.

20 So with all of that said, and also noting that
21 many of the issues that have been discussed today and in
22 past discussions on this particular service and
23 community will come up and evidence will be presented in
24 the rate case that you all will be considering next
25 year, and that many of those items are not in front of

1 us today but will be coming for evidence and for
2 consideration and for discussion and decision. So what
3 I would -- am thinking is, if we just look at the
4 issues, Issue 1, the first bullet point in the
5 recommendation, I think that it would be appropriate to
6 make the very small minor adjustment to the amount and
7 the percentage to include the additional travel expenses
8 for rate case, recognizing the change in the scheduling
9 due to the hurricane and the delay of the other item
10 that we were going to consider today. So I would make
11 the adjustment to the amount to include that request.

12 Then at the end of the first bullet, I am
13 thinking adding some language along the lines of:
14 However, the increase will not be implemented until
15 after testing results show that water quality standard
16 -- excuse me -- show that secondary water quality
17 standards have been met, and I don't know that it needs
18 to be added, but then would give the administrative
19 authority to our staff to follow through on that DEP and
20 verification process.

21 Then in the third bullet, the first line where
22 it says, "The first report should be filed no later than
23 two months after the completion of the interconnection,"
24 I would suggest changing that to 30 days. You could
25 certainly be done within 30 days even without that

1 change, but to show intent that we would like that
2 process to move forward quickly and effectively and
3 efficiently. And then so that would be the changes that
4 I'm thinking right now for Issue 1.

5 Then moving to Issue 2 --

6 **CHAIRMAN BROWN:** Commissioner Edgar.

7 **COMMISSIONER EDGAR:** Yes, ma'am.

8 **CHAIRMAN BROWN:** -- if I could stop you --

9 **COMMISSIONER EDGAR:** Sure.

10 **CHAIRMAN BROWN:** -- because you've laid out a
11 very nice motion, and for clarity of the record, I just
12 kind of want to confirm it for our court reporter so
13 that she has it.

14 So the recommendation that you have is go with
15 the staff recommendation with the modification of the
16 rate case expense. Do we have an actual amount, staff,
17 please?

18 **MR. MAUREY:** Yes, ma'am. The amount would be
19 \$48,283. The incremental percentage increase would be
20 5.50 percent.

21 **COMMISSIONER EDGAR:** And am I correct,
22 Mr. Maurey, that the dollar amount of the adjustment is
23 \$447?

24 **MR. MAUREY:** That's correct.

25 **CHAIRMAN BROWN:** Okay. Thank you. Just to

1 continue along the same line, along with the motion,
2 however, the rate increase will not be -- go into effect
3 until secondary water quality standards have been met by
4 DEP, and staff would be given administrative authority
5 to implement such rates. And then the last one was an
6 adjustment that the report for testing should be filed
7 no later than 30 days after the completion of the
8 interconnection with Pasco County. Is that all right,
9 Commissioner Edgar?

10 **COMMISSIONER EDGAR:** Yes, ma'am.

11 **CHAIRMAN BROWN:** Can I get a motion?

12 **COMMISSIONER EDGAR:** Could I present, though,
13 first?

14 **CHAIRMAN BROWN:** Yeah, yeah. Okay. Sure.

15 **MR. FRIEDMAN:** Could I interrupt just one
16 second and make something -- ask a question, please?

17 **CHAIRMAN BROWN:** Commissioner Edgar, do you
18 want to continue?

19 **COMMISSIONER EDGAR:** Is that a question for
20 me?

21 **MR. FRIEDMAN:** I just have one question. I
22 wanted to make sure that the last bullet point was
23 consistent when it -- this is talking about eliminating
24 the 1 percent reduction when the water quality is deemed
25 satisfactory by the Commission. I wanted to make sure

1 that that's the same by the Commission standard that
2 we're talking about for bullet point one, or is there a
3 different -- do we have to do something different to get
4 back that 1 percent?

5 **COMMISSIONER EDGAR:** My thinking would be that
6 if the -- and, again, I look to my colleagues and to
7 staff also, but that this would -- that bullet
8 point 4 would remain the same as it is in the staff
9 recommendation, recognizing that the company can always
10 come back and request that the Commission make an
11 adjustment, and also that there is the opportunity for
12 that to be considered in the rate case that will be
13 coming to the Commission already at some point next
14 year.

15 **CHAIRMAN BROWN:** Okay. Commissioner Edgar,
16 you don't want to make that into a motion at this time
17 for Issue 1?

18 **COMMISSIONER EDGAR:** For Issue 1? I so move.

19 **CHAIRMAN BROWN:** Okay. Is there a second on
20 that?

21 **COMMISSIONER GRAHAM:** I would second it, but I
22 have a question.

23 **CHAIRMAN BROWN:** Sure. Commissioner Graham.

24 **COMMISSIONER GRAHAM:** I just want to clarify
25 that the motion includes that we hit secondary DEP

1 standards at all six sites.

2 **COMMISSIONER EDGAR:** Yes, sir.

3 **CHAIRMAN BROWN:** Okay. Great. The court
4 reporter has got all of that detail. We have a motion
5 and a second on Issue 1. All those in favor, say aye.

6 (Vote taken.)

7 All right. The motion passes.

8 On to Issue 2. Commissioner Edgar, you have
9 the floor.

10 **COMMISSIONER EDGAR:** Thank you, Madam Chair.
11 Then I think in order to be consistent with the decision
12 on Issue 1, in the staff recommendation for Issue 2, the
13 rate increase percentage would need to be adjusted
14 slightly, again to be in keeping with the decision on
15 Issue 1, and then I would also suggest adding very
16 similar language at the end of that first bullet so it
17 would read, "Orangewood and Summertree systems, after
18 testing results indicate that secondary water quality
19 standards have been met," in order -- and I'm just
20 trying again to make Issue 1 and Issue 2 consistent
21 internally with the item. And I guess I would look to
22 staff to see if that's the best way to do that or if
23 there's a better way.

24 **CHAIRMAN BROWN:** And, Commissioner Edgar, have
25 been met --

1 **COMMISSIONER EDGAR:** Yes.

2 **CHAIRMAN BROWN:** Just a clarification, have
3 been met by DEP standards.

4 **COMMISSIONER EDGAR:** Well, when I say --
5 indicate that secondary water quality standards have
6 been met, my understanding is the process is that DEP
7 would be making that verification through their testing
8 process, and then the staff would coordinate with them.
9 Mr. Ballinger.

10 **MR. BALLINGER:** We're only getting results for
11 the Summertree system, not the Orangewood. That's what
12 was confusing me.

13 **COMMISSIONER EDGAR:** Ah, okay. Well, thank
14 you, because I did not catch that and I appreciate you
15 bringing it up. Then I would suggest that that --
16 again, that that bullet be amended to be in keeping with
17 the language that we just approved for Issue 1 for the
18 Summertree system.

19 **MR. FRIEDMAN:** Might I interject again? I
20 apologize again, but I don't think DEP verifies
21 anything. DEP has their rule and they say these are
22 what the standards are. You do your testing, you send
23 it to the lab, and the lab sends you back the test
24 results. I don't think it goes back to DEP and DEP
25 blesses that report. And I'm concerned that you're

1 adding something to the process that doesn't already
2 exist, and I hate to put anything on DEP's steps to wait
3 for them to verify something. I mean, they've got a
4 rule. It says what those standards are. They're either
5 met or they're not.

6 **COMMISSIONER EDGAR:** Sure. The language that
7 I suggested, and I do want to, while we're all in the
8 same room, do the best that we can to get the language
9 as clear as we possibly can.

10 My suggestion was after testing results
11 indicate that secondary water quality standards have
12 been met. Maybe in the discussion I said verify as part
13 of the discussion, but I think indicate that secondary
14 standards have been met I think takes care of that
15 issue. That's certainly my intention.

16 **CHAIRMAN BROWN:** That's clear. Okay?

17 **MR. SAYLER:** Madam Chair, one question on the
18 satisfaction of the DEP standards. Say in -- under the
19 staff's recommendation there's within one month and then
20 again at six months. Hypothetically speaking, if it
21 satisfies it after one month and the rate goes into
22 effect and then after six months they're out of
23 compliance, do we just have staff bring this back to the
24 Commission for its review?

25 **COMMISSIONER EDGAR:** My understanding is that

1 staff would be looking at that and we would at that
2 point in time determine what the correct action is, or,
3 I mean, as far as bringing something to the Commission.

4 **MR. BALLINGER:** Yes, ma'am. That would be --
5 could be taken up in the consolidated rate case, and I
6 think staff would like to see those continuing testings
7 to see primarily for the 100-basis-point penalty that
8 we're doing.

9 **COMMISSIONER EDGAR:** And my intent is to
10 not -- is to not change anything about the
11 recommendation as far as subsequent testing and
12 reporting.

13 **MR. BALLINGER:** Correct.

14 **CHAIRMAN BROWN:** We want that.

15 So is that a motion, Commissioner Edgar?

16 **COMMISSIONER EDGAR:** Yes, ma'am.

17 **CHAIRMAN BROWN:** Okay.

18 **MR. FRIEDMAN:** That raises -- I hate to
19 dissect this minutely, but when it says, "Every six
20 months," does that mean we have to do it every six
21 months forever until you tell us otherwise?

22 **CHAIRMAN BROWN:** You know, Mr. Friedman, I
23 asked staff that exact question. And, Mr. Ballinger,
24 your response was?

25 **MR. BALLINGER:** It's really to give us a

1 baseline, and it's up to the company to come in and
2 request that that 100-basis-point penalty be removed
3 because the quality has improved such.

4 **COMMISSIONER EDGAR:** Which I think is what
5 I -- I mean, very much in keeping with what I was trying
6 to describe a moment ago. Oh, I had another thought.

7 **CHAIRMAN BROWN:** Okay. We have a motion on
8 the floor.

9 **COMMISSIONER EDGAR:** I would also suggest,
10 just suggest that, and I don't know who the Prehearing
11 Officer is and I will not be here, but that could
12 certainly be an issue for consideration in the Issue ID
13 portion preparing for the rate case expense as well.

14 **CHAIRMAN BROWN:** It's Commissioner Brisé.
15 Commissioner Brisé --

16 **COMMISSIONER EDGAR:** Just a friendly
17 suggestion.

18 **CHAIRMAN BROWN:** He took it over from me, and
19 I appreciate that. Thank you.

20 All right. We have a motion on the floor to
21 adopt the staff recommendation on Issue 2, is that
22 correct, with --

23 **COMMISSIONER EDGAR:** As slightly amended, as
24 discussed.

25 **CHAIRMAN BROWN:** Is there a second?

1 **COMMISSIONER PATRONIS:** Second.

2 **CHAIRMAN BROWN:** All those in favor, say aye.

3 (Vote taken.)

4 All right. And then can I get a motion on
5 Issues 3 and 4 together?

6 **COMMISSIONER EDGAR:** So moved.

7 **CHAIRMAN BROWN:** Is there a second?

8 **COMMISSIONER BRISÉ:** Second.

9 **CHAIRMAN BROWN:** All those in favor.

10 (Vote taken.)

11 Okay. Opposed? The motion passes.

12 So this item is now concluded. I want to
13 thank you all for coming out here again, the customers,
14 the legislators, all of the folks, the county. Thank
15 you again. We will continue to work on these issues.
16 Safe travels, all.

17 (Agenda item concluded.)

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1 STATE OF FLORIDA)
2 COUNTY OF LEON) : CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

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

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

18 DATED THIS 18th day of October, 2016.

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25
LINDA BOLES

LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734

Docket #150269-WS
Florida Public Service Commission

My name is Terry Copenhafer
I live at 12137 Loblolly Pine Dr
New Port Richey, Florida 34654

I am the Vice President of Summertree Recreational Facility,
Secretary for the Fairways Board, and Associate Member of the
Summertree Water Alliance.

Today I am here to ask,

Whom do you represent? The consumers... customers/residents
Or the corporations/monopolies ... Utilities Inc./Corix?
Both... Perhaps

What has happened to doing the right thing for our Retirement
Communities?

Truth is truth, all lies will cease, and the truth prevails. It does not
matter how long it takes to find the truth. (See examples)

We are an inspiration to our future generations,
as we are reminded daily, aging gracefully, taking responsibility,
and living to our highest expectations.

Do not let corporate greed take advantage of our
Caring Communities as we age.

With Liberty and Justice for all...

Today,

Parties/Staff Handout
Internal Affairs/Agenda
on 10 / 11 / 16
Item No. 3

Our community is asking... please...please... Use discernment in making your decision today.

Our understanding as a community... is this rate case needs to be decided today. Although we may not be happy with the issues surrounding this request, our ultimate goal is to have clean water which eliminates unpleasant taste, color, and odor issues at a fair price.

We do not deserve anything less than good quality water...everyone here knows already the lengthy past issues with health, heartache, and cost concerns.

When monopolies controlling small communities earn a 10-14% return for shareholders, it's unfair. Please understand all our concerns.

Discernment is needed, now ... and on all future requests!

When you make your rate decision, please choose to make it effective once the connection is completed!

Docket #150269-WS
Florida Public Service Commission

Good Morning!

**My name is Wilber Copenhafer
I live at 12137 Loblolly Pine Drive
New Port Richey, Florida 34654**

I have received the documents that you shared with us prior to this meeting, and it appears that ... Contingent on approval of rate increase ...Utilities Inc. of Florida and Pasco County are ready to complete the interconnection.

Please approve a reasonable rate increase today but implement the rate increase once the connection is completed.

Thank you for your time and consideration.

Parties/Staff Handout
Internal Affairs/Agenda
on 10 / 11 / 16
Item No. 3

Good morning Madam Chairman, Commissioners and Staff:

My comments are really questions:

1. If UIF will be only a pass through customer of Pasco County, and have less to do because of the reduction in irrigation, then shouldn't UIF be required to reduce man power and salaries? Why is the reduction in salary only \$3000.00? REALLY!!

2. Why does staff always agree to UIF requests and never check to see if what they are saying is correct? Commissioners you have the legal right to veto or decrease rates that UIF requests. Please do your legal right and do not grant an increase until the interconnection is complete and the new system passes DEP testing.

3. Why is it that every time Summertree or Erik Saylor/Denise Vandiver find errors or questions UIF comments or statements that UIF ALWAYS have some kind of excuse as to their in competency. Just imagine if the enormous amount of money that Summertree has be paying for UIF's bad business practices was coming out of your pockets!

4. Correct me if I am wrong, but when speaking to you the Commissioners, aren't we basically under oath? Anything that the taskforce has submitted to you is true and we can back it all up. Can UIF say the same? I don't think so. (Just my opinion).

Parties/Staff Handout
Internal Affairs/Agenda
on 10 / 11 / 16
Item No. 3

5. The most important question for me is: I made a request a year ago for an accounting/spreadsheet with information from 1991 to present from UIF regarding any monies spent on the Summertree system which I have not been granted. Commissioner Jack Mariano also requested an accounting for all of Pasco County customers for which UIF serves. To my knowledge that has not been granted either. We would like to know what the expenses Orangewood vs. Summertree are. How will we be able to keep track when we are consolidated with 43 other systems.???

Orangewood claims that no improvements have been made to their systems as does Summertree. So where did the \$2.1 million go???

Also, When did the consolidation of Orangewood and Summertree take place? No one seems to remember a customer meeting to discuss this taken place.

Thank you,

Lorraine Mack
Summertree Water Taskforce Member

10/11/16 PSC Agenda Hearing
Docket #150269-WS

PSC Agenda Hearing
October 11, 2016

Ann Marie Ryan, Leader, Summertree Water Alliance

Director, Summertree Recreation Facility
11436 Windstar Ct, New Port Richey, FL 34654
(727) 856 – 2203; amr328@hotmail.com

Good morning, Chairwoman Brown, Commissioners, Senator Simpson, Pasco Officials, PSC Staff, and Guests

First, I would like to address the Pasco Bulk Water Agreement:

You are all familiar with Excerpt from page 11 of 12 paragraph G; shown below:

*The UTILITY agrees that immediately upon execution by the County of this Bulk Water Agreement, the UTILITY Will begin preparation of an appropriate filing with the Florida Public Service Commission requesting recognition and recovery of the additional cost of increased water purchased from the county. The UTILITY shall use its best efforts to obtain such approval. **However, the UTILITY will have no obligation to begin purchasing such water until the rates necessary to receive such service have been approved by the Florida Public Service Commission. The county shall have no obligation to provide such additional bulk water service until the rates covering the cost of such service to the utility has been approved by the Public Service Commission.***

It is our understanding this section states that the Public Service Commission has to approve rates for Summertree to get the interconnect finalized.

Secondly, on the FL-PSC website, the **PSC's Role states:**

"The Florida Public Service Commission is committed to making sure that Florida's consumers receive some of their most essential services – electric, natural gas, telephone, water and wastewater – in a safe reasonable and reliable manner. In doing so, the PSC exercises regulatory authority over the utilities in one or more three key areas: rate base/economic regulation, competitive market oversight, and monitoring safety, reliability, and service."

PSC Agenda Hearing
October 11, 2016

WE REQUEST based on all the issues discussed through these hearings that you exercise your discretionary authority and approve a rate reduction. Although this may not be the norm, we are in the 25th year of unchanged secondary water quality issues, poor customer service, and increasing rates.

UIF has the right to protest any rate decision. However, UIF has another rate case Docket No. 160101-WS pending; it is a \$30.1 M consolidated rate case to be exact.

Please remember that UIF failed DEP secondary Iron standards in 2015 with no improvements in 2016 to date.

Most importantly, we request that you set the date for implementation of the new rates after completion of the interconnect and passing DEP secondary water standards.

CONCERNS: The Summertree residents are reasonable people. We believe that businesses have a right to make a profit when they provide good products and services. However, when a business/monopoly chooses to profit while failing to provide a palatable product and unacceptable customer services ***then we vehemently protest their practices and their right to these rate requests.***

The regulations, guidelines, and 3statutes that were written to establish a protocol for utilities to file rate increases need a PSC /legislative overhaul. This current system creates a welfare environment enabling utilities to fill out paperwork which guarantees a rate of return regardless of productivity, efficiency and proper services. There are no incentives for improvement.

Since 2015, Utilities, Inc. has filed for three rate increases. Poor management practices result in unacceptable outcomes.

PSC Agenda Hearing
October 11, 2016

After 25 years of ownership, UIF admits that they have not made any major infrastructure improvements just minimal maintenance. There is NO accountability and NO transparency resulting in our NO TRUST issues.

IN CLOSING, we ask you, the PSC Commission, to use your discretionary authority to move forward with this docket today. Please reduce UIF's rate request for all the reason stated and set the date for implementation of the new rates after completion of the interconnect and passing DEP secondary water standards.

Acknowledgments: I would like to thank the Commission and staff for this opportunity to speak on behalf of Summertree.

Also we would like to thank Senator Wilton Simpson; Pasco Officials: Commissioner Jack Mariano, Flip Mellinger, Assistant County Administrator, Joe Richards, Asst. County Attorney, and my colleagues Terry & Wilber Copenhafer and Lorraine Mack for their comments and support for the Summertree Community.

Utilities, Inc. of Florida
Docket No. 150269-WS
OPC Recommended Adjustments

Remove Tank at Net Book Value	\$	(6,000)
Remove Fully Depreciated Expense From Loss Calculation	\$	(6,000)
Reduce Cost to Retire to \$100,000	\$	(9,000)
Reduce Rate Case Expense by Half	\$	(3,000)
Total Adjustment to Revenue Requirement	\$	<u>(24,000)</u>

~~Parties~~ Staff Handout
Internal Affairs ~~Agenda~~
on 10 / 11 / 16
Item No. 3

Utilities, Inc. of Florida
Water Revenue Requirements Increase
For Implementation after Water Quality Improvement is Verified

	Staff Recommendation	OPC Adjustments	OPC Recommendation
Utility Plant in Service	(\$363,697)	(\$100,000)	(\$463,697)
Retirements			
Accumulated Depreciation			
Contributions in Aid of Construction			
Accumulated Amortization of CIAC			
Cash Working Capital	7,955	(366)	7,589
Total Increase in Rate Base	<u>(\$355,742)</u>	<u>(\$100,366)</u>	<u>(\$456,108)</u>
Weighted Cost of Capital	7.22%		7.22%
Return Required	(\$25,685)	(\$7,246)	(\$32,931)
Decrease in Depreciation Expense	(\$21,974)		(\$21,974)
Increase in Recovery of Abandoned Wells	45,633	(\$11,447)	34,186
Decrease in O&M - Well Abandonments	(48,609)		(48,609)
Increase in O&M - Purchased Water	106,398		106,398
Increase in Rate Case Expense	5,849	(2,925)	2,925
Decrease in Taxes Other Than Income	(9,933)		(9,933)
Total Increase in Operating Expenses Before Income Taxes	<u>\$77,364</u>	<u>(\$14,372)</u>	<u>\$62,992</u>
Total Taxable Income	(\$15,688)	(\$4,426)	(\$20,114)
Multiply by State Income Tax (5.5%)	(863)	(243)	(1,106)
Total Federal Taxable Income	(\$14,825)	(\$4,183)	(\$19,008)
Multiply by Federal Income Tax (34%)	(5,041)	(1,422)	(6,463)
Total Revenue Increase Before RAF	<u>\$45,776</u>	<u>(\$23,284)</u>	<u>\$22,492</u>
Multiply by RAF (4.5%)	2,060	(1,048)	1,012
Total Water Revenue Increase	<u>\$47,836</u>	<u>(\$24,332)</u>	<u>\$23,504</u>
Annualized Revenues	<u>\$877,622</u>		<u>877,622</u>
Percentage Increase in Rates	<u>5.45%</u>		<u>2.68%</u>