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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160101-WS

APPLICATION FOR INCREASE IN
WATER AND WASTEWATER RATES IN
CHARLOTTE, HIGHLANDS, LAKE, LEE,
MARION, ORANGE, PASCO, PINELLAS,
POLK, AND SEMINOLE COUNTIES
BY UTILITIES, INC. OF FLORIDA.

_____ /

VOLUME 7
PAGES 1134 THROUGH 1297

PROCEEDINGS: HEARING

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS
COMMISSIONER DONALD J. POLMANN

DATE: Wednesday, May 10, 2017

TIME: Commenced at 1:20 p.m.
Concluded at 4:09 p.m.

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

REPORTED BY: ANDREA KOMARIDIS
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

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EXHIBITS

NUMBER:	ID	ADMITTED
206 (as identified on the Comprehensive Exhibit List)		1177
296 through 318 (as identified in a previous volume)		1177
319 UIF's Response to Interrogatories 50 through 52, 62 and 63	1138	1177
320 OPC Witness Ramas' Direct Testimony	1153	
321 UIF's Response to Staff's 13th set of Interrogatories, 290 through 291	1199	1228
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323 UIF's Response to Staff's 15th set of Interrogatories, 300 through 302	1199	1228
324 Year-Over-Year O & M Cost Savings	1259	
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P R O C E E D I N G S

(Transcript follows in sequence from
Volume 6.)

CHAIRMAN BROWN: All right. We're getting
back on the record. Thank you all for your
patience. If you could all quiet the chatter, our
court reporter is transcribing the record right
now.

With that, Mr. Armstrong, I hope you had a
good lunch.

MR. ARMSTRONG: I did. Thank you, Madam
Chair.

CHAIRMAN BROWN: So did I.

MR. ARMSTRONG: Are we ready for cross?

CHAIRMAN BROWN: We are.

Again, I would like to remind the parties to
please quiet the chatter. Thank you.

MR. ARMSTRONG: Thank you, Madam Chair.

CHAIRMAN BROWN: You have the floor.

MR. ARMSTRONG: We do have one exhibit for
distribution.

CHAIRMAN BROWN: Staff, if you could, help
assist Mr. Armstrong. Thank you.

(Staff distributing document.)

CHAIRMAN BROWN: So, we will be starting at

1 Exhibit No. 319.

2 MR. ARMSTRONG: 319.

3 CHAIRMAN BROWN: Thank you.

4 Do you want to give it a title?

5 MR. ARMSTRONG: Madam Chair, the title would
6 be "UIF Responses to OPC Interrogatories 51" -- oh,
7 wait -- "50, 51, 52, 62 and 63."

8 CHAIRMAN BROWN: We're going to title it UIF
9 response to OPC rogs 50 through 52 and 62.

10 MR. ARMSTRONG: And 63.

11 CHAIRMAN BROWN: And 63.

12 MR. ARMSTRONG: Thank you.

13 CHAIRMAN BROWN: Oh, you added that in there.

14 Yeah.

15 (Exhibit No. 319 marked for identification.)

16 CHAIRMAN BROWN: Mr. Deason, you have a copy
17 of it before you?

18 THE WITNESS: Yes, ma'am, I do.

19 CHAIRMAN BROWN: Wonderful.

20 You have the floor.

21 MR. ARMSTRONG: Thank you.

22 EXAMINATION

23 BY MR. ARMSTRONG:

24 Q Good afternoon, Mr. Deason.

25 A Good afternoon.

1 Q Mr. Deason, Summertree and Mrs. Ryan wish to
2 focus solely on the allocated costs from UF- -- UIF's
3 affiliate, Water Services Corporation, or WSC. Okay?

4 A Okay.

5 Q Okay. If I could ask you to refer to what's
6 been marked as Exhibit 319, and I -- and draw your
7 attention first to the responses to Interrogatories 50,
8 51, and 52. Do you see that?

9 A Yes, I do.

10 Q And -- and the responses from UIF simply
11 indicate that costs from WSC are allocated to UIF based
12 upon a number of ERCs located in Florida; is that
13 correct?

14 A Yes, that's correct.

15 Q Okay. If I can draw your attention to the
16 response to No. 62, do you agree the response from UIF
17 simply acknowledges that the cost allocated to UIF by
18 its affiliate for services rendered is \$1,843,658? Is
19 that correct?

20 A Let me read one second.

21 Q Sure.

22 A (Examining document.) Yes.

23 Q And that is an annual cost, correct?

24 A I mean, costs -- allocated costs are -- occur
25 annually. They do.

1 Q Okay. Thank you.

2 And if we look at Interrogatory No. 63, UIF's
3 response indicates that the depreciation costs allocated
4 to UIF by its affiliate, WSC, is \$406,000 and -- or
5 \$406,630, correct?

6 A Yes.

7 Q Okay. So, the combined costs that are
8 allocated to UIF by its affiliate, WSC, exceeds
9 \$2 million a year, correct?

10 A Yes.

11 Q You would agree that that's a pretty
12 significant amount, correct?

13 A I mean, that's up to opinion, but -- I mean,
14 that's -- that's what the costs are.

15 Q Okay. Now, you believe that a third-party
16 auditor actually audits that allocation, correct?

17 A We do have third-party auditors at our
18 corporate level, but I don't have any interaction with
19 them or do anything with them.

20 Q Okay. But you believe that there's a report
21 that is prepared by that third-party auditor with
22 respect to the allocated costs; is that right?

23 A I'm -- I'm not -- I really don't know if they
24 look into allocations or not. I know that we -- our
25 corporate executives have hired a third-party,

1 independent auditing firm to audit our company on an
2 annual basis.

3 Q Okay.

4 A What all they look into, I couldn't tell you
5 without having that report in front of me.

6 Q Okay. So, you're -- are you aware that
7 there's a report or no?

8 A There's a report that's issued.

9 Q Okay. And you do not review that report
10 yourself, right?

11 A No, I don't report -- that's for corporate
12 executives.

13 Q And it's -- it's -- is it your testimony
14 that's not within your job responsibility to review
15 those reports?

16 A No.

17 Q It's not your testimony that it's not in your
18 job responsibilities?

19 A It's not my responsibility to review the
20 reports of our third-party, independent auditor at our
21 corporate level.

22 Q Okay. Who does audit those reports on behalf
23 of UIF?

24 A The third-party, independent audit report?
25 Who audits the audit report?

1 Q That's right. Who -- who reviews it and --
2 and -- who reviews that report on behalf of UIF?

3 A Corporate executives.

4 Q Nobody at UIF does?

5 A I -- I don't.

6 Q Okay. So, you don't know anybody at UIF who
7 even reviews those reports?

8 A I -- I'm just saying I don't.

9 Q Okay.

10 A I'm not speaking for anybody else.

11 Q Okay. And you are the witness who's been
12 provided by UIF to justify these -- the reasonableness
13 of those costs, correct?

14 A Yes.

15 Q Okay. So, do you conduct any review
16 whatsoever of the quality of the services provided by
17 your affiliate, WSC, to UIF?

18 A The quality of service that USC [sic]
19 provides?

20 Q That WSC provides to UIF.

21 A Well, I -- I think there's a misunderstanding
22 of what WSC is. WSC is a -- a corp- -- an entity where,
23 for accounting purposes, costs are housed and allocated.

24 Q So, do you ever take the opportunity to review
25 the services and the quality of the services that are

1 **provided to UIF by WSC?**

2 A There are no services provided by WSC to our
3 company. It is an accounting mechanism where -- it's an
4 entity where costs are housed for allocation purposes.

5 **Q WSC does not provide accounting and -- I guess**
6 **financing and other services on behalf of UIF?**

7 A No. All of our departments are housed within
8 there for allocation purposes; like all salaries for
9 employees, whether they are a shared service or assigned
10 to a specific state -- it's housed within -- within that
11 entity.

12 **Q Okay. And what are those shared services,**
13 **Mr. Deason?**

14 A Shared services are different departments. We
15 have our customer service department, which the majority
16 of that is located out of our Altamonte Springs office.
17 Of course, we do have customer service that are spread
18 out all across the country. Just the majority of it is
19 in Florida.

20 We have our billing department. Once again,
21 the majority of that is -- works out of our Altamonte
22 Springs office.

23 We have our corporate offices in Northbrook.
24 We have our accounting department, IT, corporate
25 executives, things such as that.

1 Q And financing?

2 A That's done in the corporate level.

3 Q Okay. So, those --

4 A Financing is taken care of at the corporate
5 level.

6 Q I'm sorry.

7 So, those shared services you just referred to
8 are what comprise the \$1.8-million-plus costs that are
9 allocated to UIF by WSC --

10 A Yeah, shared --

11 Q -- correct?

12 A A portion of the shared services is allocated
13 to Florida.

14 Q And you've already identified what those
15 shared services are.

16 So, let me ask you: Isn't WSC in the role
17 similar to a contractor who might otherwise provide
18 those services for UIF?

19 A No.

20 Q They are not.

21 A As I said before, it's -- it's an entity where
22 costs are housed. It's more of an accounting mechanism.

23 Q So --

24 A For example --

25 Q Go ahead.

1 A You know, like, if we need to purchase
2 insurance for our employees on a nationwide level --
3 well, all of our employees are housed in WSC. So, it's
4 WSC that is able to secure a contract for all employees
5 as opposed to separate states having to go out and get
6 their own insurance for all the employees that work in
7 the different states.

8 **Q Understood.**

9 A So, it's just --

10 **Q Okay. Well, let me ask you this: I mean, are**
11 **you aware that there are other contractors who provide**
12 **accounting services for utilities?**

13 A There are -- there are accounting firms that
14 will do stuff for -- for utilities. That -- that could
15 be a contractual service.

16 **Q Okay. And are there other entities out there**
17 **that can provide customer-service activities for**
18 **regulated utilities?**

19 A I suppose there -- there could be a third
20 party that could be contracted to do that.

21 **Q Okay. And are there other parties that can --**
22 **other contractors that can provide billing services for**
23 **utilities?**

24 A There is such a thing as third-party billing,
25 yes.

1 **Q** Okay. Has Utilities, Inc. of Florida ever
2 contacted those other contractors to determine what
3 price they would charge to Utilities, Inc. for such
4 services?

5 A We're a subsidiary of Utilities, Inc. in
6 Northbrook. And that decision to have our own billing
7 departments and things such as that is -- is their
8 decision, not UIF's.

9 **Q** So, would you agree, though, that it's UIF's
10 responsibility to make sure that the allocated cost --
11 that the cost you're paying for these services is the
12 lowest possible?

13 A That's not my responsibility. I mean, that --
14 those decisions are made at an executive level.

15 **Q** So, there's no --

16 A In Northbrook.

17 **Q** I'm sorry, again, Mr. Deason. I'm sorry.

18 A I'm -- no.

19 **Q** So, there is no evidence in the record that
20 you have presented on behalf of UIF that would establish
21 for this Commission that the rates being allocated to
22 UIF by WSC are the lowest possible costs?

23 A I don't have any cost comparison with third-
24 party vendors, no.

25 **Q** And you have never bid out those costs or

1 **those projects, those services, to any third parties,**
2 **correct?**

3 A That's not my responsibility with the company,
4 no.

5 Q **Would you recommend that that occur in the**
6 **future?**

7 A Once again, that's not my responsibility to
8 look at those things. That's not what I'm tasked with
9 doing for -- for my company. Those are executive-level
10 decisions.

11 Q Uh-huh. Okay.

12 **Now, if the -- if these services were**
13 **contracted out to a third party, instead of having an**
14 **allocation of costs from WSC, UIF would obtain, on a**
15 **monthly basis -- typically obtain a bill for services**
16 **rendered, correct?**

17 A If we decided to not go with our corporate
18 accounting department, for example --

19 Q **Right.**

20 A -- and go with -- say, we're not going to use
21 you; we're going to find our own accounting firm?

22 Q **Right.**

23 A I suppose they could be billed on a monthly
24 basis. It depends on whatever kind of contract you work
25 out with -- with that, if you decide to go that route.

1 Q Right.

2 A But once again, that's not a decision I make.

3 Q That's right.

4 But a bill typically coming from a contractor,
5 if that decision had been made, that would identify the
6 services provided on a monthly basis, correct?

7 A It should.

8 Q And the hourly rates that were applied to
9 those service, correct?

10 MR. FRIEDMAN: I -- I object. He's asking a
11 speculative question. He's saying would it, if
12 there were -- if it existed, would it do this. And
13 that's very speculative.

14 CHAIRMAN BROWN: It is speculative, but I
15 think, in Mr. Deason's role, he may have the
16 opportunity to answer it. So, I'll overrule the
17 objection.

18 BY MR. ARMSTRONG:

19 Q Mr. Deason, so, would it -- would a typical
20 bill from another contractor, unaffiliated to UIF --
21 would that monthly bill identify the hourly rates being
22 charged for services?

23 A My assumption is it would.

24 Q And would it also identify the materials costs
25 that are being allocated to UIF?

1 A My assumption is it would.

2 Q Okay. But UIF doesn't receive anything like
3 that kind of a bill from WSC, correct?

4 A No. There's no billing going back and forth
5 from WSC. It's not that kind of entity.

6 Q You were here yesterday for the testimony of
7 Staff Witness Dobiac, correct?

8 A Yes.

9 Q And you heard Ms. Dobiac testify that she also
10 does not audit the costs which are allocated to UIF by
11 WSC? Did you hear that?

12 A I did not. They -- I did not hear that, no.

13 Q Okay. Did you hear her testify that they --
14 they audited the allocation and the accuracy of the
15 allocation --

16 A Uh-huh.

17 Q -- from WSC to UIF?

18 A Yes.

19 Q Okay. And did you not -- did you not hear her
20 say that she does not actually audit the costs
21 themselves that are allocated to UIF by WSC?

22 A Can you repeat that question? There was a
23 bunch of "nots" in there.

24 Q Okay. Sure.

25 A It got a little confusing.

1 Q Okay. Well, I appreciate that.

2 Okay. I asked, specifically, Ms. Dobiac --
3 did she audit the costs, themselves, that are allocated
4 by WSC to UIF? Do you recall that?

5 A I don't recall that specific question.

6 Q Okay. So, you don't recall Ms. Dobiac's
7 answer, "No."

8 A I do not recall that.

9 Q When UIF considered -- well, you were here for
10 the testimony of Mr. Flynn, correct?

11 A Yes, I was.

12 Q And did you hear his testimony that referred
13 to the fact that, when Utilities, Inc. of Florida is
14 considering constructing a -- a project, that they
15 actually put that project out to bid?

16 A I heard him say that, yes.

17 Q Okay. And when they get bids from
18 contractors, UIF, according to Mr. Flynn, will evaluate
19 things like the price of the bid?

20 A Uh-huh.

21 Q And their experience with the contractor
22 making the bid, correct?

23 A I heard him say that.

24 Q And whether or not that contractor, in the
25 past, has been on budget, above budget, or below budget;

1 do you remember that?

2 A Yes.

3 Q Okay. And whether that contractor actually
4 provided the services contemplated in the bid in a
5 timely and proper manner; do you remember that?

6 A Yes.

7 Q But is it -- is your testimony that, even
8 though UIF is responsible to make sure that the costs it
9 is incurring and flowing through to customers for
10 services like accounting and financing and billing and
11 customer service -- it's your testimony that there is no
12 obligation to make sure that those costs are the lowest
13 possible?

14 A That's not my responsibility.

15 Q Okay. And you are the witness that is tasked
16 with -- by UIF to come here and show to this Commission
17 that those costs are reasonable and the lowest possible,
18 correct?

19 A Yes.

20 MR. ARMSTRONG: Thank you very much. That
21 concludes my testimony -- my -- my examination.
22 Mr. Bilenky got to me this morning.

23 CHAIRMAN BROWN: I was going to say, you were
24 not testifying.

25 MR. ARMSTRONG: That's right, I was not.

1 (Laughter.)

2 CHAIRMAN BROWN: Thank you.

3 And Seminole County has been excused.

4 Staff, questions?

5 MR. TAYLOR: Yes, we just have a few. It will
6 be brief. Does everybody have the exhibits?

7 CHAIRMAN BROWN: I do. I don't know about
8 everyone else.

9 Mr. -- Mr. Deason, do you have all of the
10 exhibits still?

11 THE WITNESS: Not in front of me, I don't.

12 CHAIRMAN BROWN: Okay. Well, let's just wait
13 and see what -- what staff has -- what questions
14 staff has first.

15 MR. TAYLOR: Okay. Thank you.

16 EXAMINATION

17 BY MR. TAYLOR:

18 **Q Mr. Deason, in the MFRs, UIF included all**
19 **unamortized rate-case expense in the total rate-case**
20 **expense to be amortized over four years at the**
21 **conclusion of this case; is that right?**

22 **A That is correct.**

23 **Q Could you take a look at the exhibit that is**
24 **Witness Ramas' testimony? It's an excerpt, Page**
25 **Pages 20, Lines 19 through 23.**

1 **CHAIRMAN BROWN: Okay.**

2 THE WITNESS: I don't have it in front of me.

3 MR. TAYLOR: We don't --

4 CHAIRMAN BROWN: Can you provide him with a
5 copy of it and then direct us where we can find it
6 as well?

7 MR. TAYLOR: Absolutely.

8 CHAIRMAN BROWN: Thank you. Even better -- or
9 have an exhibit.

10 (Staff distributing document.)

11 CHAIRMAN BROWN: Thank you.

12 So, we are at Exhibit 320. And the title of
13 this -- it's coming around. It will be "OPC
14 Witness Ramas' Direct Testimony." It has already
15 been moved into the record, but we're going to
16 identify it as Exhibit 320, nonetheless.

17 (Exhibit No. 320 marked for identification.)

18 CHAIRMAN BROWN: Mr. Deason, you have a copy
19 of it before you?

20 THE WITNESS: Yes, ma'am.

21 CHAIRMAN BROWN: All right. Mr. Taylor,
22 please proceed.

23 MR. TAYLOR: Thank you.

24 BY MR. TAYLOR:

25 **Q Are you familiar with Witness Ramas'**

1 proposition that unamortized rate-case expense be
2 collected through a series of surcharges specific to the
3 systems with unamortized rate-case expense?

4 A Yes, I am.

5 Q What is your position on Ms. Ramas' method of
6 using surcharges to collect unamortized rate-case
7 expense?

8 A I think it can be done. I think it's a more-
9 complicated approach than just taking the unamortized
10 portion and adding it to the portion of the rate-case
11 expense in this rate proceeding and amortizing it over
12 four years.

13 I guess there was concern that that would be
14 extending the time for that unamortized rate-case
15 expense. The rule does allow for -- for a longer period
16 of four years, if it's in the best interest of
17 customers. And if you take rate-case expense and
18 amortize it over the long -- more than four years, it
19 would be because that would have a lower rate impact on
20 customers' bills.

21 So, from the standpoint of simplicity and
22 having a customer benefit, I don't have any problem with
23 just adding the unamortized rate-case expense and
24 extending it out another four years.

25 Q Thank you.

1 **Can you expand a little bit more on why it**
2 **would be more complicated?**

3 A Well, you would have to identify those
4 systems, figure out the unamortized rate-case expense,
5 create the surcharge. You would have to affect the
6 billing system. And you would have to modify the bills
7 for those specific systems, create bills with separate
8 line items, things such as that; as opposed to the
9 normal method -- it's already embedded in rates and it's
10 a lot more simplistic to implement.

11 MR. TAYLOR: Thank you, Mr. Deason. That's
12 all we have.

13 CHAIRMAN BROWN: Okay. Thank you.

14 Please disregard the other exhibits that were
15 passed out with that one.

16 THE WITNESS: Oh, okay.

17 CHAIRMAN BROWN: Commissioners, any questions?

18 Commissioner Polmann.

19 COMMISSIONER POLMANN: I didn't even get to
20 push the button.

21 CHAIRMAN BROWN: I'm beginning to predict.

22 COMMISSIONER POLMANN: You're -- you're --
23 thank you, Madam Chairman.

24 Good afternoon, Mr. Deason. Can we please
25 refer back to Exhibit 316, if you happen to have

1 that numbered. This was presented by counsel for
2 OPC.

3 CHAIRMAN BROWN: The correct title would be
4 "UIF's Response to OPC's 12th Set of
5 Interrogatories, No. 283" --

6 THE WITNESS: 283.

7 CHAIRMAN BROWN: -- Commissioner Polmann.

8 COMMISSIONER POLMANN: Yes, I was looking for
9 that page.

10 Let me know when you have that, Mr. Deason.

11 THE WITNESS: Okay. I think I've got it.
12 Sorry. It was toward the -- the bottom of the
13 stack.

14 COMMISSIONER POLMANN: Now, this concerns
15 Interrogatory 283. You -- you had questions from
16 counsel for OPC on that. And I want to --

17 THE WITNESS: Yes.

18 COMMISSIONER POLMANN: -- look at the last
19 page, which is a table of numbers.

20 THE WITNESS: Yes.

21 COMMISSIONER POLMANN: There's a list there of
22 12 UIF utilities?

23 THE WITNESS: Yes.

24 COMMISSIONER POLMANN: Thank you.

25 I believe your answer to -- to questioning

1 from OPC -- if I understood it, this table
2 includes, in the right-hand column, information
3 concerning utility-plant operators and other staff
4 that are non-operators. Was that correct, sir?

5 THE WITNESS: What this -- what this is is the
6 number of ERCs at each individual system and what
7 they represent.

8 COMMISSIONER POLMANN: This is -- if I can
9 rephrase that -- correct me if I'm wrong. This
10 represents an allocation to each of the 12
11 utilities --

12 THE WITNESS: It -- it's used for allocation
13 purposes because we allocate based on ERCs. What
14 these represent are the ERCs that are located at
15 each individual system. These will be used to
16 determine the allocation percentages.

17 COMMISSIONER POLMANN: I'm sorry. I'm -- I'm
18 trying to get to a particular point. So, I'm going
19 to have to refer also to Exhibit No. 315. And the
20 title on that is "Utilities, Inc. Response to
21 Staff's 10th Request for Production, Document
22 No. 28." That was also discussed with you in the
23 same line of questioning by counsel for OPC.

24 So, that's staff's 10th request for
25 production, and that's Document No. 28 -- and the

1 table at the back of that, sir.

2 THE WITNESS: Yes.

3 COMMISSIONER POLMANN: Now, in the -- the
4 footer there, I'm -- I'm reading this to say
5 "operator's time allocation." And I'm just trying
6 to understand your answer to the questions that you
7 had previously received.

8 And this lists each -- each line here refers
9 to a system. And I'm trying to compare the table
10 in Exhibit 315 to the table in 316. And I see
11 significantly more lines of data in -- in the first
12 table that says "Operator's time allocation" --
13 many lines in there compared to the other one,
14 which just lists 12, which I -- I assume the 12 are
15 the utilities. And then the one with many more
16 lines are individual systems.

17 THE WITNESS: Yes.

18 COMMISSIONER POLMANN: Okay. Thank you. And
19 then the one with many lines that's footnoted,
20 "Operator's time allocation" -- those are employees
21 that you designate operators at the systems that
22 actually operate the plant; is that correct, sir?

23 THE WITNESS: Yes.

24 COMMISSIONER POLMANN: So, the ERCs that total
25 64,000 and some number, compared to the other

1 table -- the Interrogatory No. 283 -- that's the
2 70,000 -- if I understand it correctly, you
3 indicated -- that includes the plant operators and
4 then other staff, in addition.

5 THE WITNESS: Yes.

6 COMMISSIONER POLMANN: Is there a -- if you
7 can answer this, please -- is there a particular
8 method by which UIF allocates that non-operator
9 time to the 12 utilities -- is there some type of a
10 formula?

11 THE WITNESS: It's -- it's based on ERCs. And
12 it's all based on all the systems. So, sometimes
13 we have operators that only work, say, at -- maybe
14 it's divided between two different systems. We
15 turn to the ERCs to determine the time allocation
16 for them, based on that.

17 For non-operators, the entire amount is spread
18 across all the ERCs statewide.

19 COMMISSIONER POLMANN: Okay. My -- my
20 particular question concerns the non-operators.
21 Could you re- -- please repeat the method by which
22 the non-operator expense is allocated across the
23 Florida systems.

24 THE WITNESS: Non-operator salaries are
25 allocated to all Florida systems based on ERCs, not

1 just to -- to every single one -- not just to
2 specific ones, but to all of them.

3 COMMISSIONER POLMANN: So, when you say "based
4 on ERCs" -- I'm -- I'm sorry. I'm not
5 understanding that phrase "based on ERCs."

6 THE WITNESS: Is it the acronym or -- or
7 just --

8 COMMISSIONER POLMANN: Well, it doesn't
9 matter, the acronym. I see on the other table that
10 has all of the systems.

11 THE WITNESS: Uh-huh.

12 COMMISSIONER POLMANN: When you say, based on
13 ERCs, is -- is that the percentage?

14 THE WITNESS: Yes, we will use that to develop
15 the percentages.

16 COMMISSIONER POLMANN: So, when I look at
17 those systems and those percentages, do you take
18 all of the expense of the non-operators and then
19 allocate them to the systems on -- on the operator
20 table to spread out the non-operator --

21 THE WITNESS: To all of our different business
22 units, which would include all of our systems.

23 COMMISSIONER POLMANN: Thank you, sir.

24 That's all I have, Madam Chairman.

25 CHAIRMAN BROWN: Thank you, Commissioner

1 Polmann.

2 Commissioners, any other questions?

3 I just have one question --

4 THE WITNESS: Okay.

5 CHAIRMAN BROWN: -- on your, Exhibit JD-4.

6 THE WITNESS: Yes.

7 CHAIRMAN BROWN: On that first page -- OPC
8 went over it in more detail, but there is just one
9 cost on -- they went over questions on the
10 Tucker/Hall expenses. But under "other costs," you
11 also have customer communications.

12 If I recall during your direct, you said that
13 Tucker/Hall was retained, not as crisis management,
14 as the exhibit indicated, but as a communications
15 expert to discuss with the customers.

16 THE WITNESS: Yes. It's my understanding that
17 they advise us on our customer communications that
18 we're making to --

19 CHAIRMAN BROWN: So, then, why would you have
20 another cost called "customer communications" at
21 \$30,000?

22 THE WITNESS: I believe that's the unused
23 portion of the contract that we have. It's -- John
24 Hoy can speak more to the specifics on that, but
25 based on my understanding, there was a contract.

1 The part that's been incurred so far is at the
2 top. The bottom part is what we expect the -- to
3 expend through the -- out the remainder of this
4 rate case.

5 However, I was also will note that this JD-4
6 was updated in response to staff -- staff
7 interrogatories and PODs. So, this is not the
8 most-current version of this exhibit.

9 CHAIRMAN BROWN: Where is the most-current
10 version?

11 THE WITNESS: The most-current version -- one
12 second. I can tell you the exact production of
13 documents.

14 CHAIRMAN BROWN: Okay.

15 THE WITNESS: (Examining document.) Sorry. I
16 do have it here.

17 (Examining document.) Ah, obviously it's the
18 last one I look at. It is found in response to PSC
19 Interrogatory No. 295 and POD No. 33.

20 CHAIRMAN BROWN: Has that been marked as an
21 exhibit? Are you aware -- or is staff aware?

22 THE WITNESS: I -- I'm not sure if it was or
23 not.

24 MR. TAYLOR: I believe it's in the
25 comprehensive exhibit list. It's Exhibit 194.

1 CHAIRMAN BROWN: Thank you.

2 All right. Can you go over those costs, the
3 revised costs, then, for the customer
4 communications as well as Tucker/Hall?

5 THE WITNESS: Is it okay if I look it up on my
6 computer --

7 CHAIRMAN BROWN: Absolutely.

8 THE WITNESS: -- excess? Okay. (Examining
9 document).

10 MR. TRIERWEILER: Mr. Deason, we have a
11 written copy coming to you.

12 THE WITNESS: Oh, thank you.

13 Interrogatory 295 and POD 33.

14 CHAIRMAN BROWN: Thank you, staff.

15 UNIDENTIFIED SPEAKER: (Inaudible.)

16 THE WITNESS: There might have been documents
17 that were surrounded -- to it.

18 UNIDENTIFIED SPEAKER: And then which other
19 one?

20 THE WITNESS: POD 33.

21 (Examining document.)

22 UNIDENTIFIED SPEAKER: Which one? Do you
23 know the number?

24 THE WITNESS: It should be 295.

25 CHAIRMAN BROWN: I know we're all trying to be

1 patient here.

2 THE WITNESS: (Examining document.)

3 (Whispering) one second. Let me go to another
4 column that I have this in.

5 COMMISSIONER BRISÉ: Madam Chair, I'm just
6 curious, does the utility not have staff here that
7 can assist --

8 THE WITNESS: I'm trying to pull up the Excel
9 file right now. I think I --

10 CHAIRMAN BROWN: That's a good question,
11 Commissioner Brisé.

12 THE WITNESS: I just got my Excel file up.

13 CHAIRMAN BROWN: Thank you.

14 COMMISSIONER BRISÉ: I guess it could -- I'll
15 not go there.

16 (Laughter.)

17 CHAIRMAN BROWN: We are all trying to be
18 patient here.

19 THE WITNESS: Okay. I do have the Excel file
20 up that shows the -- the total --

21 CHAIRMAN BROWN: Can you go over those --

22 THE WITNESS: -- of the rate-case expense.

23 CHAIRMAN BROWN: Right -- no. Can you go over
24 the specific costs as they relate to Tucker/Hall
25 and the customer communications?

1 THE WITNESS: Tucker/Hall, so far, we have
2 been invoiced, as of 4/18, April 18th, which is my
3 most-recent update to rate-case expense -- what we
4 have for them is 23,499. And our latest estimate
5 to -- throughout the rest of the rate case would be
6 12,375.

7 CHAIRMAN BROWN: Okay. So, then that -- that
8 category on your Exhibit JD-4 -- that customer-
9 communications category under "other cost" -- that
10 30,000 -- is that inclusive of that total amount
11 that you just read off on Tucker/Hall or is that
12 completely separate?

13 THE WITNESS: At -- at that time, it was an
14 estimate to complete, but af- --

15 CHAIRMAN BROWN: You're -- we're speaking past
16 each other here.

17 THE WITNESS: I'm -- I'm sorry.

18 CHAIRMAN BROWN: The other costs -- I just
19 want to know if those customer-communication costs
20 are the same as they relate to Tucker/Hall or --

21 THE WITNESS: They -- all customer
22 communications relate to Tucker/Hall.

23 CHAIRMAN BROWN: Okay.

24 THE WITNESS: Yes.

25 CHAIRMAN BROWN: So, on your Exhibit 1 --

1 pardon me -- JD-4 --

2 THE WITNESS: Okay.

3 CHAIRMAN BROWN: -- Page 1 of 194, you have
4 the rate-case expense estimated to complete. And
5 you had, for Tucker/Hall, 12,375, which is what --
6 and you just indicated, too.

7 But then you also had -- have other costs,
8 customer communications, totaling 30,000. What is
9 that amount?

10 THE WITNESS: Yeah, those costs have been
11 removed in the updated rate-case expense.

12 CHAIRMAN BROWN: Okay.

13 THE WITNESS: So, those -- those -- those
14 would be subsumed to be taken care of completely by
15 them.

16 Now, those customer communications are, at the
17 time, an estimate to send out the final notices --
18 actually, when this was prepared, we still had our
19 technical-hearing notices to go out. So, we still
20 have technical-hearing notices. And we still have
21 final notices that will go out at the end of this
22 rate proceeding.

23 CHAIRMAN BROWN: But you have a category for
24 notices as well --

25 THE WITNESS: Yeah.

1 CHAIRMAN BROWN: -- in there.

2 THE WITNESS: I see.

3 CHAIRMAN BROWN: Totally separate line item.

4 THE WITNESS: Yeah, I think that's probably
5 one of the revisions that was made because my
6 latest one, in response to Interrogatory 295 --
7 that -- that amount was removed. And everything,
8 as far as customer communications, was subsumed
9 under Tucker/Hall and both identified as Tucker/
10 Hall.

11 CHAIRMAN BROWN: So, I'm familiar with
12 Tucker/Hall. I -- being a Tampa native, I -- I am
13 familiar with them. And I did not know that they
14 had expertise in the area of cust- -- utility or
15 customer communications. I -- they're known as a
16 public-relations firm, a crisis-management firm. I
17 was surprised to see that the utility retained
18 them, just knowing that they're -- what -- what is
19 being portrayed as communications and -- it -- it
20 just seems to be a little conflicting and what the
21 reputation of Tucker/Hall is.

22 THE WITNESS: I'm -- I'm not --

23 CHAIRMAN BROWN: Can you elaborate on the
24 services that they provide?

25 THE WITNESS: I -- I was not the one who

1 engaged them for their services. Those -- those
2 questions would be better directed at John Hoy, who
3 actually engaged those services of Tucker/Hall.

4 CHAIRMAN BROWN: And they're a great firm.
5 They're a public-relations firm. They are -- they
6 are an excellent firm. I just didn't know that
7 they had the experience that you all are seeking.

8 Commissioner Polmann.

9 COMMISSIONER POLMANN: Thank you, Madam Chair.
10 Actually, I'm not done with this witness.

11 To follow up to the Chairman's question, do
12 you have information in -- in the invoices or in
13 records regarding Tucker/Hall as to who are the
14 individuals at that firm that are engaged? Is that
15 information provided in -- in billings?

16 THE WITNESS: I would have to look up the
17 invoices to see if there's any names attached to
18 them. Would you -- would you like me to do that
19 real quick --

20 COMMISSIONER POLMANN: No, I don't need you
21 to --

22 THE WITNESS: -- try to find some?

23 COMMISSIONER POLMANN: I need the answer to
24 the questions. Do they provide -- does that firm
25 provide information as to who is working --

1 THE WITNESS: I would have to -- I would have
2 to see the invoices to see if there is any specific
3 person that -- as far as hours assigned or anything
4 of that nature. I -- I personally do not have any
5 interaction with them for the services --

6 COMMISSIONER POLMANN: I understand.

7 THE WITNESS: -- they're providing, so --

8 COMMISSIONER POLMANN: I understand. You're
9 not interacting with them.

10 THE WITNESS: I'm not.

11 COMMISSIONER POLMANN: Okay. I was
12 questioning your knowledge of the invoicing, but
13 you've answered it. Thank you.

14 Again, on the -- on the issue of invoicing, do
15 you know, is the -- is the type of invoice a -- a
16 percentage complete or is it in the nature of
17 hourly? Because there's a rate schedule in here, I
18 believe, is the category of -- of professional, and
19 then an hourly rate. Do you know if they're
20 billing by the hour?

21 THE WITNESS: At this time, I do not know if
22 they are --

23 COMMISSIONER POLMANN: All right.

24 THE WITNESS: -- without seeing the invoices.

25 COMMISSIONER POLMANN: Thank you, sir.

1 CHAIRMAN BROWN: Commissioner Brisé.

2 COMMISSIONER BRISÉ: Yeah. So, I'm a little
3 slow. So, I'm going to -- sort of -- you can go
4 back to -- to what the Chair asked in terms of that
5 12,375 and its relation to the 30,000. You
6 mentioned a \$23,000 number. So, if you could, walk
7 me through how those three numbers work together.

8 And then, I want to know, since -- I also want
9 to know -- but you -- you've sort of mentioned that
10 you may not be the witness for this. But what is
11 the company paying for with that \$23,000?

12 So, first, answer the relationship between the
13 12,375 and the 30,000 and the 23,375 or 475 that
14 you mentioned. If you can, make that clear for us.

15 THE WITNESS: I have to go back and forth --

16 COMMISSIONER BRISÉ: Sure.

17 THE WITNESS: -- between what was in the
18 original exhibit with my rebuttal testimony versus
19 the updated rate-case expense that was provided --

20 COMMISSIONER BRISÉ: Sure.

21 THE WITNESS: -- on April 18th. Okay.
22 So, your first question was about the 23,000?

23 COMMISSIONER BRISÉ: Sure.

24 THE WITNESS: Okay. Right now, based on the
25 accounting records -- or one second. Let me pull

1 up -- one second -- real quick. Go up. Okay.
2 Actual invoices that we've received so far from
3 Tucker/Hall through April 18th are 23,499.

4 COMMISSIONER BRISÉ: Okay. So, 23,499?

5 THE WITNESS: Yes, that's correct.

6 COMMISSIONER BRISÉ: Okay. So, on the
7 invoices -- because you might be able to see
8 them -- what are the services that are delineated
9 on those invoices?

10 THE WITNESS: Is it okay if I pull up in
11 some -- some invoices to reference?

12 COMMISSIONER BRISÉ: Yeah. Yeah. Perfect.
13 That works perfect for me.

14 THE WITNESS: Okay. (Examining document.)

15 Like, for example, on the first invoice I
16 received in January, under "descriptions" --

17 COMMISSIONER BRISÉ: Uh-huh.

18 THE WITNESS: One description is research and
19 planning for upcoming events such as our
20 upcoming -- at that time, they were upcoming -- our
21 customer-service hearings. The next one was the
22 developed client recommendations.

23 COMMISSIONER BRISÉ: Okay. So, what type of
24 research -- you may not be the right person for
25 this, but what type of research are -- would the

1 company be performing --

2 THE WITNESS: Once again --

3 COMMISSIONER BRISÉ: -- for you?

4 THE WITNESS: Once again, I don't have any
5 interaction with them.

6 COMMISSIONER BRISÉ: Sure.

7 THE WITNESS: And so, these -- these questions
8 are probably better answered by --

9 COMMISSIONER BRISÉ: From Mr. Hoy --

10 THE WITNESS: -- John Hoy --

11 COMMISSIONER BRISÉ: Okay.

12 THE WITNESS: -- who has had that interaction
13 and has engaged this -- this firm.

14 COMMISSIONER BRISÉ: So, that 23,499 -- how
15 much -- so, does that displace the 30,000?

16 THE WITNESS: Yes.

17 COMMISSIONER BRISÉ: Okay.

18 THE WITNESS: Basically, you can ignore the
19 30,000.

20 COMMISSIONER BRISÉ: Okay.

21 THE WITNESS: And rely upon the updated rate-
22 case expense --

23 COMMISSIONER BRISÉ: Gotcha.

24 THE WITNESS: -- which -- which if I can
25 summarize that, as of 4/18, it was, so far, 23,499,

1 with an estimated, through the completion of this
2 rate case and final noticing, of an additional
3 \$12,375.

4 COMMISSIONER BRISÉ: Okay. Say that part
5 again?

6 THE WITNESS: What we estimate to complete,
7 through the remainder of this rate case, as far as
8 engaging their services through final noticing and
9 things such as that, would be \$12,375.

10 COMMISSIONER BRISÉ: Okay. So, in essence,
11 what is -- what is potentially due to them --

12 THE WITNESS: Potentially.

13 COMMISSIONER BRISÉ: -- potentially --

14 THE WITNESS: It's just an estimate.

15 COMMISSIONER BRISÉ: -- is 12,375 moving
16 forward.

17 THE WITNESS: Yes, that is correct.

18 COMMISSIONER BRISÉ: Okay. That -- that is
19 clear for me. Thank you.

20 CHAIRMAN BROWN: Commissioners, any other
21 questions?

22 All right. Redirect.

23 EXAMINATION

24 BY MR. FRIEDMAN:

25 Q Mr. Deason, would you get Exhibit 306.

1 A Mine aren't numbered up here. I'm sorry.
2 What's the title of it?

3 Q **UIF Response to OPC's 5th Interrogatories**
4 **No. 169 and Response to POD-49.**

5 A (Examining document.) Okay. Okay. I've got
6 it.

7 Q **There's a landscaping bill attached to it?**

8 A Yes.

9 Q **All right. Do you remember questions that you**
10 **were asked about whether this was a nonrecurring**
11 **expense?**

12 A Yes.

13 Q **All right. And -- and your answer was that it**
14 **was not nonrecurring?**

15 A It didn't appear to be --

16 Q **Okay.**

17 A But really, Patrick Flynn, who was in charge
18 of engaging this company, would probably be better to
19 answer that. It deals with operational matters.

20 Q **All right. Let's assume for -- for the sake**
21 **of argument that it's nonrecurring.**

22 A Okay.

23 Q **Okay? What is the Commission's general policy**
24 **on handling nonrecurring expenses?**

25 A They generally take it and amortize it over a

1 period of time, three to five years.

2 Q All right.

3 A Whatever they feel appropriate.

4 Q So, applying that, if my math is right, then,
5 one -- one-fifth of this amount should be in the test
6 year?

7 A Yes. If they amortize it, yes.

8 Q All right. Would you look at 308. That's the
9 fourth POD, 44.

10 A Which -- it was -- you said it was 304,
11 inter- --

12 Q POD-44.

13 A 44. Okay.

14 Q It has an invoice from Pinellas Tree Service
15 on it.

16 A Yes. Yes, I'm there.

17 Q All right. And do you recall that your answer
18 to OPC's question was that this was a nonrecurring
19 expense as well?

20 A I mean, it could be. I'm not really familiar
21 how often the tree-trimming takes place, but sometimes
22 tree-trimming is considered a -- a nonrecurring expense.
23 I suppose it could happen every year --

24 Q I --

25 A -- depending on the location.

1 Q I know. But you testified to OPC that it was
2 nonrecurring. You agreed with her that it was --

3 A Yeah.

4 Q -- nonrecurring, correct?

5 A It potentially is, yes.

6 Q Okay. And if -- so, if it is nonrecurring,
7 how should it be handled, from a rate-making standpoint?

8 A It should be amortized.

9 Q Over what?

10 A Whatever the -- usually three to five years.

11 Q All right. So -- so, at -- at worst, one-
12 fifth of this should be included in the test year --

13 A At worst.

14 Q -- is that correct?

15 A Yes.

16 MR. FRIEDMAN: Okay. No further questions.

17 CHAIRMAN BROWN: Thank you.

18 Exhibits. We have Exhibit 206 attached to
19 Mr. Deason's testimony. Would you like that
20 inserted into the record -- entered into the
21 record, I mean? Mr. -- hello, Mr. Friedman?

22 MR. FRIEDMAN: Yes.

23 CHAIRMAN BROWN: Would you like Mr. Deason's
24 Exhibit 206 entered into the record?

25 MR. FRIEDMAN: Yes.

1 CHAIRMAN BROWN: Yes.

2 Any objection? Seeing none, we'll go ahead
3 and enter it -- move into the record 206.

4 (Exhibit No. 206 admitted into the record.)

5 CHAIRMAN BROWN: OPC, you have a lot of
6 exhibits. You've got 296 through --

7 MS. CHRISTENSEN: I have 318.

8 CHAIRMAN BROWN: 318.

9 MS. CHRISTENSEN: Or 319 -- no, I think 19 --
10 I would ask to move Exhibits 296 through 318 into
11 the record, please.

12 CHAIRMAN BROWN: Any objection? Seeing none,
13 we'll go ahead and enter into the record those
14 exhibits.

15 (Exhibit Nos. 296 through 318 admitted into
16 the record.)

17 CHAIRMAN BROWN: Staff, you have exhibits -- I
18 lied. Summertree, you have Exhibit 319.

19 MR. ARMSTRONG: Summertree and Ms. Ryan ask
20 that that be admitted into the record, please.

21 CHAIRMAN BROWN: Any objection? Seeing none,
22 we will go ahead and enter into the record 319.

23 (Exhibit No. 319 admitted into the record.)

24 CHAIRMAN BROWN: 320 is already in the record,
25 so we don't need to move that in.

1 Mr. Frank Seidman's prefiled rebuttal testimony
2 into the record as though read.

3 (Prefiled rebuttal testimony entered into the
4 record as though read.)

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

2 A. My name is Frank Seidman. I am President of Management and Regulatory Consultants,
3 Inc., consultants in the utility regulatory field. My address is 36 Yacht Club Dr., North
4 Palm Beach, FL 33408.

5 **Q. Have you previously presented testimony in this case?**

6 A. Yes. I have previously presented direct testimony on behalf of the applicant, Utilities, Inc.
7 of Florida (UIF).

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

9 A. The purpose of my rebuttal testimony is to respond to certain portions of the direct
10 testimony of Office of Public Counsel witness Andrew T. Woodcock with regard to his
11 determination of excess Unaccounted for Water (UAW), Inflow and Infiltration (I&I) and
12 Used & Useful (U&U).

13 **Q. Are you sponsoring any additional exhibits?**

14 A. No, I am not.

15 EXCESSIVE UNACCOUNTED FOR WATER.

16 **Q. Mr. Woodcock prepared an analysis of the Unaccounted for Water and found that ten**
17 **of the Utility's systems have excess UAW. Do you agree with his results?**

18 A. Yes and no. I compared his results to those I presented in the MFR's and they are virtually
19 the same for all of the systems except for UIF Seminole – Ravenna Park et al. For that
20 system, I found there to be no excess UAW.

21 **Q. What caused the difference between your results?**

22 A. During most of the test year, water was provided to Ravenna Park only. In December, 2015,
23 the Crystal Lake system was tied in with that of Ravenna Park and both systems are now
24 served by the Ravenna Park plant. In the MFR, I provided a restatement of Schedule F-1
25 where UAW is determined. That restatement showed the test year combining the gallons

1 pumped, sold and other uses for Ravenna Park and Crystal Lake. As a result the UAW
2 dropped from 11.0% to 7.3% and the excess UAW dropped from 1.0% to zero.

3 **Q. Mr. Woodcock stated that he deducted any UAW over the 10% threshold from his**
4 **U&U calculations. Would you comment?**

5 A. Yes. I would just point out that all of these water systems have previously been found to be
6 100% U&U. The excess U&U for each of these systems was taken into account, and it had
7 no impact on the results. They are all still 100% U&U.

8 EXCESSIVE INFLOW & INFILTRATION

9 **Q. Mr. Woodcock prepared an analysis of the Inflow and Infiltration and found that**
10 **three systems exhibited excess I&I. Do you agree with his results?**

11 A. I agree that all three had excess I&I. I will accept his results for the UIF Pasco-Wis Bar
12 system, but differ with those for the Sandalhaven and UIF Seminole-Lincoln Heights
13 systems. I believe his results are overstated for those systems. I would point out, however
14 that the Wis-Bar system was subjected to large amounts of rain fall during the test year and
15 this may have had an impact on the amount of inflow.

16 **Q. Please explain why your results differ with regard to the Sandalhaven calculation?**

17 A. Mr. Woodcock testified that for all of his I&I analyses he assumed that 80% of billed
18 residential water and 90% of billed general service water would be returned to the
19 wastewater system. That is the standard assumption used by this Commission in evaluating
20 I&I. However, the Commission has recognized that all systems are not the same and in
21 several cases, has made exceptions when the utility has provided a reasonable explanation
22 for using different percent return flows. For Sandalhaven, based on their knowledge of the
23 system, UIF personnel have determined that a 90% return for residential use and a 96%
24 return for general service are more appropriate for this utility. Making these revisions, but
25 still following Mr. Woodcock's methodology, results in a decrease in excess I&I from

1 8.37% to 1.76%.

2 **Q. What is the basis for increasing the returned flows for Sandalhaven?**

3 A. There is very little irrigation use by single family residences at Sandalhaven. In Docket No.
4 060285-SU, the Utility utilized 100% return of the billed wastewater, or capped, residential
5 use. It was assumed that all capped gallons flowed back to the wastewater plant. In the
6 instant case, total water gallons were used, rather than capped wastewater gallons, as a
7 better indicator. In recognition of that, and of the minimal amount of irrigation used by
8 Sandalhaven residential customers, a 90% return factor was used. Many of the multi-family
9 units, which are accounted for as general service customers, have common irrigation
10 systems and those flows do not come to Sandalhaven for treatment. Therefore a 96% return
11 for general service is reasonable. In Docket No. 060285-SU, the staff did a calculation of
12 I&I which was virtually identical to that presented by the Utility. That calculation is
13 summarized at Attachment A of PSC Order No. 07-0865-PAA-SU and the total I&I and
14 allowable I&I at lines 4.a) and c) agree with the Utility's exhibit in that order. In other
15 words, the Commission accepted the Utility's conclusion of higher return percentages for
16 Sandalhaven were reasonable. I have not seen any information to lead me to vary from that
17 precedence.

18 **Q. Please explain why your results differ with regard to the UIF-Seminole Lincoln**
19 **Heights calculation?**

20 A. In the case of Lincoln Heights, Mr. Woodcock also used the standard 80% and 90% return
21 factors for residential and general service, respectively, even though there is support for
22 higher amounts. As with Sandalhaven, the local characteristics of water use suggests that
23 higher return level is warranted. The lots are smaller and some have their own irrigation
24 systems. In Docket No. 060243-WS, the Utility proposed return levels of 84% and 100%
25 for residential and general service use. The Commission agreed with the Utility's

1 observations and allowed 84% return for residential but reduced the general service return
2 to 96% in Order No. PSC-07-0505.SC-WS. Those are the factors I utilized in this case for
3 this system.

4 .

5 **Q. Is there any other reason for the difference in results for UIF-Seminole Lincoln**
6 **Heights between your calculations and Mr. Woodcock's?**

7 A. Yes. I believe Mr. Woodcock used the incorrect footage for gravity mains in his calculation.
8 I deduced that from his summary of I&I calculations in his Exhibit ATW-3. The 1,248,051
9 gallons he allowed for infiltration equates to only 4,513.5 feet of 8" main. The correct
10 footage is 6,018 feet. If the differences in return flows and the difference in gravity main
11 footage are taken into account, the excess I&I would be 32.62% instead of the 37.41% he
12 calculated.

13 PREPAID CONNECTIONS

14 **Q. Mr. Woodcock takes exception to use of prepaid connections in determining U&U. Do**
15 **you agree with him?**

16 A. No, I do not. It appears that Mr. Woodcock believes that since there is no timing factor
17 involved, they may never be served or be served within the five year allowed growth period
18 they are speculative and should therefore not be recognized.

19 **Q. In your opinion are prepaid connections speculative?**

20 A. No. In fact they are the antithesis of speculation. If the Utility had simply taken the word of
21 developers that their projects would be constructed and completed within a certain time
22 frame and then planned and constructed treatment facilities or committed to purchased
23 capacity on that basis, then that would be speculation. Rather than speculate, the Utility
24 requires developers commit, by written agreement, to pay for the capacity in advance which
25 they will require. That protects the Utility and the ratepayers by providing funding to

1 prudently build additional capacity without risk. In turn, the Utility commits to have that
2 capacity available and that commitment is recognized by including the contracted capacity
3 in the calculation of U&U.

4 **Q. Has the Commission taken a position with regard to the recognition of prepaid**
5 **connections?**

6 A. Yes, it has. Mr. Woodcock acknowledged this in his testimony. Order No.

7 PSC-160013-PAA-SU, recognized that prepaid connections place an obligation on the
8 Utility and should be included in the U&U calculation. Even though the PAA Order was
9 protested, it does not change the fact that the Commission has expressed its opinion.
10 Prepaid connections specifically impact the evaluation of the Sandalhaven and Lake Utility
11 Services systems, which I will address later in my rebuttal testimony.

12 BUILT-OUT SERVICE AREAS

13 **Q. The Utility determined that several wastewater systems should be considered 100%**
14 **U&U because they were built out, even though the calculated U&U percentages for**
15 **those treatment plants were less than 100%. Mr. Woodcock takes exception to what he**
16 **characterizes as a “blanket qualification.” He then turns to the Commission’s water**
17 **U&U rule to evaluate these systems. Do you agree with him?**

18 A. First, I did not use a blanket qualification. Each system was considered on its own merits.
19 Second, I did not rely on the Commission’s water rule, which is not applicable. I relied on
20 the Commission’s wastewater Rule 25-30.432, F.A.C., which includes among the factors
21 the Commission will consider, “the extent to which the area served by the plant is built
22 out.” Unlike the water rule, the wastewater rule does not list the potential for expansion of
23 the service territory as a factor to be considered. The Utility recommended that the Mid-
24 County, Lake Placid, Labrador, Eagle Ridge and Crownwood systems should be considered
25 100% U&U because they are built out. Mr. Woodcock agreed that Eagle Ridge is built out,

1 but not the others. After further consideration, I no longer consider Lake Placid as 100%
2 U&U, for reasons I will discuss.

3 **Q. Would you please explain your basis for requesting a 100% build-out designation for**
4 **these four systems?**

5 A. Yes. I will address them individually.

6 **Mid-County** - The Mid-County system serves mixed residential single family homes,
7 mobile homes, apartments and commercial areas along the US 19 corridor in the Dunedin
8 area of Pinellas County. Its customers get their water from Pinellas County. It is a closed in
9 service area with little, if any, room for growth within the service area. At one time, it
10 served a substantial number of mobile home communities. About ten years ago, two mobile
11 home parks were redeveloped and replaced with less dense housing and commercial
12 developments. As this redevelopment occurred, the developer removed and replaced the
13 poorly maintained manholes and mains that existed in the two mobile home parks. As a
14 result, the Utility saw a reduction in I&I that freed up capacity to serve future growth and
15 saw variance from the historical treated gallons as the usage characteristics of customers
16 changed. The U&U calculated by the Utility during this period was as high as 97% in 2002
17 and as low as 74% in 2005. Since 2003, the Commission has never set the allowed U&U
18 below 92%. In this case, the Utility calculated a U&U of 91.75%. The fluctuations are not
19 necessarily indicative of changes in the number of ERCs alone but also changes in usage
20 patterns. There will continue to be some growth in ERCs as more mobile home parks are
21 redeveloped and there are some parcels available for new construction. But in spite of there
22 being new customers, the lower density and continuing improvement in I&I as mobile
23 homes are redeveloped has meant that these customers can continue to be served from the
24 same wastewater plant. That is, what appears as new growth in customers has not resulted
25 in increases in flow. Mid-County has been able to serve new customers by utilizing its

1 existing plant capacity, and even though the plant's U&U remains in the 90+ percent range,
2 there are no plans to increase treatment capacity. It would not have any significant impact
3 to increase U&U to 100% but it would serve to recognize that the Utility has, through
4 prudent management, postponed any additional investment in capacity and allow it to earn
5 on its total investment.

6 **Labrador** – the Labrador system serves a mobile home community and an RV resort. The
7 only developable land within the service area is an 11.6 acre parcel. There is no activity to
8 develop this area nor is there any expectation that there ever will be because the residents
9 use it as a storage area for their RV's and boat trailers and have done so for many years.
10 The issue of this parcel was addressed by the Commission in Order No. PSC-04-1281-PPA-
11 WS, where the Commission concluded that this parcel was vacant and zoned as a future
12 commercial site and rejected the Utility's position that the service area was built-out. Here
13 we are thirteen years later, and there has been no effort to convert this storage site to other
14 uses. There is no reasonable expectation that this parcel will be developed. The Labrador
15 system should be designated as 100% U&U.

16 **Crownwood** - The Crownwood development is a group of quadraplexes. The plant was
17 designed to serve just those quadraplexes, but the development's activity slowed and it was
18 only partially developed. A portion of the Golden Hills area was served by a privately
19 owned treatment facility. When it fell into disrepair, the owner, BFF, Inc., asked to be
20 served by Crownwood. That made good use of a portion of the original plant capacity. As
21 Mr. Woodcock pointed out, the service area is built out. That is all that is required to be
22 considered under Commission Rule 30-432, F.A.C. Nevertheless, I would point out that the
23 surrounding developed areas consist of large lots which are able to use, and do use, septic
24 tanks. Any future development, and there is no indication that any would occur in our
25 lifetimes, would be expected to be similarly large lots and they most likely will continue to

1 defer to septic tanks. Under the circumstance, Crownwood should be considered 100%
2 U&U.

3 **Lake Placid** - The Lake Placid system was built by a developer to serve the Sun 'N Lakes
4 Estates, a subdivision in Highlands County with approximately 150 homes and
5 condominiums, a motel and golf and country club. The existing treatment plant was
6 designed to serve the motel, country club and additional phased in sections of homes. This
7 did not, and will not, occur because the remaining area for development was later
8 designated as a scrub jay habitat which cannot be developed. However, the Lake Placid
9 system also provides service within its service area to DeeAnne Estates and Village Del
10 Mar and there is currently a Family Dollar Store under construction. Therefore, the utility is
11 experiencing some growth and should not be considered 100% U&U. However, because of
12 the after-the-fact environmental restrictions that severely limit the Utility's opportunity to
13 grow in ERCs within its current service area, it is extremely unlikely that it will ever reach
14 the level of grow anticipated when the plant was first built in 1969.

15 LAKE UTILITY SERVICES, INC. (LUSI)

16 **Q. Would you please address the differences between Mr. Woodcock's determination of**
17 **U&U for the LUSI wastewater plant and yours?**

18 A. Yes. The approaches would be identical except that Mr. Woodcock has excluded the
19 demand associated with 187 prepaid connections. As I have discussed previously, the
20 Utility has the obligation to be prepared to serve prepaid connections. In the case of LUSI,
21 the Utility is committed to providing an AADF of 280 gpd/ERC for each of the 187
22 connections. This is not an inflation of growth as Mr. Woodcock characterizes it. It is not
23 included in the growth allowance and it is not speculative; it is a commitment recognized by
24 the Commission and results in plant being 59% U&U rather than the 53% U&U determined
25 by Mr. Woodcock.

1 SANDALHAVEN

2 **Q. Would you please address the differences between Mr. Woodcock's determination of**
3 **U&U for the Sandalhaven capacity purchased from the Englewood Water District**
4 **(EWD) and yours?**

5 A. Yes. Our basic methodologies are the same in that determination of U&U for the EWD
6 purchases are treated the same as the determination of U&U for a treatment plant. They are
7 based on the formula in Commission Rule 30.432. F.A.C. which measures test year flows
8 plus growth less excess I&I against the treatment capacity. Our differences are not in the
9 methodology, but in the application of that methodology. Just as with LUSI, Mr. Woodcock
10 excludes the obligation to be prepared to serve prepaid connections. In addition he includes
11 zero growth allowance. But he did adjust for excess I&I at what I consider an excessive
12 amount because he understated return flows as previously discussed. The result is a U&U
13 that is entirely unrealistic.

14 **Q. What is wrong with Mr. Woodcock's application of the formula methodology?**

15 A. He has utilized the formula in the rule as a simple mathematical exercise rather than as a
16 means to determine used and useful. The formula is not an end in itself, and the results of its
17 use need to be tested for reasonableness. This Utility acted to acquire capacity after an
18 evaluation of existing demand, estimated future growth and firm commitments to the Utility
19 for the need for capacity. The only element recognized by Mr. Woodcock is existing
20 demand. He made no attempt to determine reasonable growth expectations and he excluded
21 any obligation to meet the demand of those that had made a prepaid commitment. And on
22 this basis he has made a simple mathematical computation that the purchased capacity is
23 only 42.24% U&U.

24 **Q. Why do you say that he made no attempt to determine reasonable growth**
25 **expectations?**

1 A. The information on growth is provided at Schedule F-10 of the Sandalhaven MFR and at
2 face value shows a declining rate of growth in water gallons sold to the Sandalhaven
3 customers. But this raw data was supplemented with ERC data going back to 2007 that
4 showed a substantial average annual growth of 13% compared to the current five year
5 annual average decline of 7.74%. In addition, the schedule gave an explanation of what
6 likely caused the decline in total gallons while the gallons used by single family homes
7 remained steady. Based on this information, it would have been reasonable to conclude that
8 the projected growth is not simply zero.

9 **Q. Would you address the issue of prepaid connections as they affect Sandalhaven?**

10 A. Sandalhaven made arrangements to purchase 300,000 gpd of capacity from EWD. It did so
11 because its own wastewater treatment plant could no longer be used in an environmentally
12 acceptable manner. So why would a utility make such an investment based on its existing
13 demand and a projected rate of growth that is subject to speculation? The answer is simple.
14 It wouldn't. It would not have been prudent for Sandalhaven to make such an investment
15 based on low demand and speculative growth information. But it was prudent to do so
16 based on commitments from developers backed up by non-refundable prepayments of
17 CIAC. This is a good example of prudent management, because it knows that regardless of
18 when developments are completed and come on line, the Utility is covered. That is why the
19 demand associated with the prepaid purchase of capacity must be recognized in determining
20 U&U; to account for the demand that the Utility is obligated to serve. To ignore these
21 connections in the U&U process would make contracting with developers an exercise in
22 futility. The Utility would receive the money, incur the obligation and be penalized for it in
23 the ratemaking process.

24 **Q. After reviewing Mr. Woodcock's exhibits, did you find reason to amend your**
25 **determination of U&U for Sandalhaven?**

1 A. Yes. His Exhibit ATW-14, contains updated information, provided by the utility, showing
2 that the amount of prepaid capacity not used is 160,930 gpd compared to 163,780 gpd
3 shown on my MFR Schedule F-6. Also, as a result of reviewing his Exhibit ATW-3, I&I
4 calculations, I discovered I had calculated the allowed inflow by estimating it as 10% of
5 wastewater treated rather than of returned flows. The result is that rather than finding zero
6 excess I&I, the correct amount is the 1.76% that I referred to previously.

7 **Q. How does that impact your determination of U&U for the EWD purchases?**

8 A. I had originally found the U&U to be 101%. With the corrections, I find it should be only
9 99% U&U.

10 **Q. Would you please turn to Mr. Woodcock's determination of U&U for the primary**
11 **force main? He has evaluated U&U on the same basis as he did the purchased EWD**
12 **capacity, using Commission Rule 30.432. Do you agree?**

13 A. No. First, Rule 30.432, F.A.C. does not apply to the U&U of mains. The Commission does
14 not have a rule that applies to the U&U of mains. Second, the force main in question is not
15 just any main, it is the manifolded main through which all Sandalhaven flows are
16 transmitted to EWD for treatment and disposal. Third, it serves not only as a collector of
17 flows within the service area, but a transmitter of flows to a location far outside of its
18 service area.

19 **Q. Is there any precedent for the Commission finding a manifold main to be 100% U&U?**

20 A. Yes. In Docket No. 951056-WS, Order No. PSC-96-1338-FOF-WS, 11/7/1996, the
21 Commission specifically recognized manifold mains as "those mains that carry the
22 combined flow from all lift stations". The Commission found these mains to be 100%
23 U&U.

24 **Q. Why is the fact that the force main transmits flows outside the service area important?**

25 A. Because, of the approximate 3.14 miles of force main that connects the Sandalhaven system

1 to the EWD system, nearly 45% is situated outside of the service area, not collecting flows
2 but only transmitting them. Regardless of how the Commission decides to calculate U&U,
3 that portion of the main located outside of the service area is 100% U&U.

4 **Q. Mr. Woodcock calculated U&U for the master lift station structure and receiving well
5 based on Commission Rule 25-30.432, F.A.C. Do you agree?**

6 A. No. Realize that this “structure” is a concrete pit, which receives flows from collection
7 mains and houses the lift station pumps. As with the force main, this is a one-time
8 expenditure for a well of sufficient size to house three pumps. Two are currently in use. No
9 reasonable utility is going to build a smaller well initially to house two pumps, and then
10 enlarging it for the third pump. It should be considered 100% U&U.

11 **Q. Finally, Mr. Woodcock calculated U&U for the pumping plant based on Commission
12 Rule 25-30.432, F.A.C. Do you agree?**

13 A. No. I do not believe that the rule should be applied. I continue to argue that this pumping
14 plant is specifically designed to serve current demand, near term growth and the demand of
15 prepaid connections and should be considered 100% U&U. Although I do not agree that
16 Mr. Woodcock’s methodology should be adopted, it should be pointed out that whereas he
17 argues against using peak flows, there is precedent for the Commission to determine U&U
18 for pumping station based on peak flows. The Commission did use a 3.0 peaking factor in
19 determining the U&U of pumping plant in previously referenced Docket No. 951056-WS.
20 On that basis alone, with no growth and no prepaid connections, the pumping plant would
21 be 87% U&U rather than the 27% he calculated.

22 **Q. Has Mr. Woodcock taken issue with the prudence of Sandalhaven’s decision to
23 purchase capacity from EWD or construct the force main and lift station?**

24 A. No. In his testimony, he states that the decision to purchase capacity and construct the
25 facilities was prudent at the time the decision was made.

1 **Q. Has the Commission previously addressed the U&U of the purchases and construction**
2 **of these facilities?**

3 A. Yes. In Docket No. 150102-SU, Order No. PSC-16-0013-PAA-SU, 1/6/2016, the
4 Commission found that the purchases from EWD were 91.4% U&U, and the force main and
5 lift station were both 93% U&U. Even though that PAA Order was challenged, and the
6 issue of U&U was deferred to this docket, weight must be given to the Commission's
7 consideration unless new evidence is presented in this case to bring that decision into
8 question. No new evidence has been presented to support such a revision

9 **Q. Mr. Woodcock indicated that in a prior case before the Charlotte County**
10 **Commission, the County agreed with his position. Was this Commission aware of that**
11 **proceeding when it issued Order No. PSC-16-0013-PAA-SU?**

12 A. Yes, it was. And it apparently was not swayed by that decision. In fact, the Commission
13 ignored all aspects of that proceeding.

14 **Q. In Order No. PSC-16-0013-PAA-SU, did the Commission address the engineering**
15 **aspects of the design of the force main?**

16 A. Yes. It agreed that physical properties of the force main necessitated its sizing to meet
17 expected peak flows to avoid line rupture, pump failure and equipment damage and/or loss
18 of service.

19 **Q. In the settlement of that case the parties agreed that the issue of U&U would have no**
20 **precedential value and could be raised in any future case. That issue has been raised**
21 **in this case. In your opinion, has OPC presented any new evidence that would result in**
22 **a change to the Commission's conclusion in that last case?**

23 A. No. Nothing has been presented that should persuade the Commission to determine U&U
24 percentages to be less than the 91.4 and 93% for the EWD purchased capacity and force
25 main/lift station, respectively.

1 **Q. Do you have any other remarks?**

2 A. Yes. The determination of U&U is an aid in determining that portion of the utility's
 3 investment that is serving the public and on which it should be provided the opportunity to
 4 earn a reasonable return. It should not be used to penalize a utility for making sound
 5 decisions under difficult circumstances. It should provide an incentive to act prudently. The
 6 determinations of U&U by the Office of Public Counsel do not produce realistic results.
 7 Never was this more evident than in its handling of the Sandalhaven system. One only has
 8 to look at the impact of the results on Sandalhaven's rate base. I compared all of the
 9 wastewater system filings in this case to identify the \$ per ERC in rate base as proposed by
 10 Utilities, Inc. of Florida in comparison to the adjusted \$ per ERC in rate base proposed by
 11 OPC. These are the results:

12

	Rate Base per UIF	Rate Base per OPC	ERCs	UIF \$/ERC	OPC \$/ERC	Percent Change
Exclusive of Sandalhaven	\$ 54,354,911	\$ 43,877,182	34,882	\$ 1,576	\$ 1,272	-19.29%
Sandalhaven	\$ 3,944,850	\$ 293,548	1,229	\$ 3,210	\$ 239	-92.55%

13

14 Looking at the results, the most noticeable statistic is not that OPC adjusted rate base from
 15 nearly \$4 million to \$293,000, or that OPC finds it reasonable to reduce rate base by more
 16 than 92%, but that OPC finds it reasonable that this utility, or any utility, could actually
 17 provide wastewater service with an investment of only \$239 per ERC. That should send up
 18 a red flag that OPC's approach does not produce reasonable results.

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

20 A. Yes, it does.

21

----END----

1 CHAIRMAN BROWN: Mr. Seidman.

2 MR. FRIEDMAN: Do you have a summary -- a
3 short summary of your testimony?

4 THE WITNESS: Yes. Appreciate it.

5 Good afternoon, Commissioners. I'm glad to
6 finally be here because I know, after I leave, I
7 can go home.

8 CHAIRMAN BROWN: That's right.

9 (Laughter.)

10 THE WITNESS: The purpose of my rebuttal
11 testimony is to respond to certain statements and
12 conclusions of Office of Public Counsel Witness
13 Woodcock regarding his determination of excess
14 econo- -- unaccounted-for water; excess inflow and
15 infiltration; his treatment of prepaid connections
16 in determining used-and-useful; his approach to
17 built-out service areas; and his determination of
18 used-and-useful, as specifically determined for
19 Lake Utility Servicing, Inc., which is known as
20 LUSI, and Sandalhaven.

21 With regard to unaccounted-for water, I am in
22 agreement with Mr. Woodcock for all of the systems
23 except for the Ravenna Park system in Seminole
24 County.

25 To me, it appears that Mr. Woodcock's

1 determination of an 11-percent unaccounted-for
2 water did not take into account that the Crystal
3 Lake system was tied into that Ravenna Park system
4 during the test year. And when the combined flows
5 and sales are taken into account, the unaccounted-
6 for water drops to 7.3 percent, and there's no
7 excess at that point.

8 With regard to excess inflow and infiltration.
9 Mr. Woodcock and I are in agreement that there is
10 excess in three of the systems: the Pasco County
11 Wis Bar system, the Sandalhaven system, and the
12 Seminole County Lincoln Heights system. I agree
13 with his results for the Wis Bar system, but it's
14 my opinion he overstated the excess for the others.

15 In the cases of Sandalhaven and Lincoln
16 Heights, the utility has prevented -- presented
17 information substantiating that the return flows
18 for these systems is higher than the default
19 averages utilized by Mr. Woodcock. This is a
20 factor proposed and accepted in prior dockets,
21 especially with regard to this utility system.

22 In addition, I believe Mr. Woodcock used the
23 incorrect footage of gravity mains for the Lincoln
24 Heights system. And that affects the -- the
25 valuation of the allowance for infiltration.

1 When this is taken into account, the
2 Sandalhaven excess drops from 8.37 percent to
3 1.76 percent; and for the Lincoln Heights excess,
4 it drops from 37.41 to 32.62 percent.

5 With regard to prepaid connections,
6 Mr. Woodcock and I have a major phil- --
7 philosophical difference as to how to treat these
8 in determining used-and-useful.

9 He states that prepared connections are
10 speculative and should be recognized as part of the
11 known demand -- excuse me -- and should not be
12 recognized as part of the known demand on the
13 system. I believe they represent a contractual
14 commitment wherein the utility is obligated to be
15 ready to serve and, therefore, they must be
16 considered as known demand.

17 This brings to your attention that the
18 Commission, in PAA Order PSC-160013 with regard to
19 Sandalhaven that was issued in January of last
20 year, also recognized the prepaid connections,
21 placed an obligation on the utility, and should be
22 included in the used-and-useful calculation.

23 With regard to built-out service areas, the
24 utility determined that several wastewater systems
25 should be considered 100-percent used and useful

1 because they were built out, even though the
2 calculated percentages for those treatment plants
3 were less than a hundred percent.

4 The utility did this, taking into
5 consideration a language in the Commission's
6 wastewater used-and-useful rule. Mr. Woodcock
7 disagrees with the utility's approach. And he made
8 his own determination using the Commission's water
9 used-and-useful rule and applying it to wastewater
10 systems.

11 In my opinion, that approach is improper. The
12 standard for consideration of system build-out for
13 wastewater systems is different from that for water
14 systems, and the wastewater rules should prevail.

15 The systems evaluated with Mid-County out --
16 Eagle Ridge, Labrador, Crownwood, and Lake
17 Placid -- in my opinion, Mid-County, Eagle Ridge,
18 Labrador, and Crownwood were all built out within
19 the framework of the rule.

20 However, with regard to Lake Placid system,
21 after reviewing Mr. Woodcock's testimony, I now
22 agree that it is not built out. So, I have been
23 open to suggestions from -- from Public Counsel
24 when I feel that it's fair.

25 However, I must indicate that, due to

1 substantial environmental restrictions that have
2 been put on the service area, since that plant was
3 built -- I do not believe it could be built out to
4 the extent that it usually was planned for.

5 CHAIRMAN BROWN: You may want to wrap up.
6 Flashing lights.

7 THE WITNESS: Oh, the light?

8 CHAIRMAN BROWN: Yes.

9 THE WITNESS: Okay. Well, I'm --

10 CHAIRMAN BROWN: You're done. Thank you.

11 (Laughter.)

12 THE WITNESS: Okay.

13 CHAIRMAN BROWN: All right.

14 THE WITNESS: I didn't know I was limited. I
15 thought that was for the attorneys.

16 CHAIRMAN BROWN: No, everyone is limited.

17 All right. Mr. Sayler?

18 MR. SAYLER: Madam Chair, I gave some exhibits
19 to staff for passing out.

20 CHAIRMAN BROWN: Okay. Staff, could you
21 please help Public Counsel.

22 (Staff distributing document.)

23 CHAIRMAN BROWN: Mr. Sayler, we will be
24 starting at Exhibit No. 321.

25 MR. SAYLER: All right. 321.

1 CHAIRMAN BROWN: So, we're going to go ahead
2 and label the first one, if you're okay with that.

3 MR. SAYLER: We can go ahead and label all
4 three. They should be in order.

5 CHAIRMAN BROWN: Okay. So, 321 will be UIF's
6 response to staff's 13th set of rogs, 290 through
7 291.

8 MR. SAYLER: The second one is an excerpt from
9 an order. It's your pleasure if you want to
10 identify it or just refer to it without identifying
11 it.

12 CHAIRMAN BROWN: We're going to identify it.
13 We don't have to move it in. We're going to go
14 ahead and label the order -- the 1996 order as 322
15 and give it the 1996 order title.

16 And then, 323 will be UIF's response to
17 staff's 15th set of rogs, 300 through 302.

18 (Exhibit Nos. 321 through 323 marked for
19 identification.)

20 MR. SAYLER: Thank you, Madam Chair.

21 CHAIRMAN BROWN: You're welcome.

22 Mr. Seidman, you have all of those?

23 THE WITNESS: Yes.

24 CHAIRMAN BROWN: Okay. You have the floor,
25 Mr. Sayler.

1 MR. SAYLER: Thank you.

2 EXAMINATION

3 BY MR. SAYLER:

4 Q Mr. Seidman, I was listening to the summary of
5 your testimony. Do you have a copy of your testimony
6 with you? Hard copy?

7 A Excuse me?

8 Q Do you have a copy of your testimony?

9 A Yes, I do.

10 Q In your summary, you use something called --
11 prepaid ERCs should be considered something called
12 "known demand." Would you show me in your testimony
13 where you equate the concept of prepaid ERCs as being
14 known demand?

15 A Prepaid connections.

16 Q Yes. Where -- where is prepaid connections
17 considered known demand in your dir- -- in your
18 testimony, sir?

19 A In --

20 Q Please show --

21 A In my -- where is it in my testimony?

22 Q Yes, sir, page and line number, if you have
23 it.

24 A (Examining document.) Page 5 starting at
25 Line 13.

1 Q Okay. Page 5, Line 13 says "prepaid
2 connections."

3 Now, where do you say "known demand"?

4 A (Examining document.) Was there a question?

5 Q Yes. Where --

6 A Oh, I'm sorry. I didn't --

7 Q Where -- where in your testimony on Page 5 and
8 6, where you're discussing prepaid connections, do you
9 equate it with known demand?

10 A (Examining document.) I don't use those words
11 in the -- in the actual testimony.

12 Q All right. Thank you.

13 And as you explained in your summary, you
14 provide rebuttal testimony to Mr. Woodcock's testimony.
15 When doing the used-and-useful calculation, you would
16 agree, in order to calculate that, you do not actually,
17 physically need to visit those facilities, correct?

18 A To do the calculation? No.

19 Q All right. And for this case, did you visit
20 any of the facilities that you made a used-and-useful
21 calculation for?

22 A I did not visit, in this particular case. I
23 have visited all of those sites at one time or another
24 because I've been doing used-and-useful for Utilities,
25 Inc. for many years.

1 Q I was going to say a couple of years, but --

2 A Oh, no. No. This case alone has taken one,
3 so --

4 (Laughter.)

5 Q All right. Getting back to my earlier
6 question, you said your testimony does not equate the
7 concept of prepaid ERCs as known demand, correct? That
8 is a concept you crafted --

9 A I -- I did not use those words.

10 Q Okay. Would you please turn to the first
11 exhibit, which is response to OPC 13. And there is a
12 little typo on the cover page. It said Interrogatory
13 290 to 291. It should be 290 to 292.

14 Are you there, sir?

15 A I'm there, yes.

16 Q All right. Would you please look at both 290,
17 -91 and -92? All right. And after you're familiarized
18 with it -- if "familiarized" is a word -- please let me
19 know.

20 A (Examining document.) You just want me to
21 look at 290 first or all of them?

22 Q Well, we'll just start with 290. Would you
23 please read the question, 290A, and then your response?

24 A "Please explain how these prepaid customers
25 are contributing to the payment of rates related to

1 used-and-useful plant."

2 Response is, "Including prepaid connections
3 with the U&U calculation provides the utility an
4 opportunity to recover a portion of its investment in
5 facilities that have been reserved for use by the
6 developer.

7 **Q And you would agree that prepaid connections**
8 **are essentially future customers, correct?**

9 A Are what?

10 **Q Are future customers?**

11 A Yes. At the time they're paid, yes.

12 **Q Okay. And until the time they connect, they**
13 **are still potential future customers, correct?**

14 A Yes.

15 **Q And are those customers currently contributing**
16 **any -- to any of the revenues for the water -- or excuse**
17 **me -- to the wastewater rates?**

18 A No.

19 **Q So, they've reserved demand, but they are not**
20 **actually using any of that demand, correct?**

21 A That's correct. Until they connect, they're
22 not using it. But by making the payment, they have
23 placed an obligation on the utility to be ready to
24 serve. That's part of the contract.

25 **Q All right. And you would agree that**

1 Utilities, Inc. did not include any -- in the test
2 year -- any estimated revenues from any of these prepaid
3 customers, correct?

4 A No. If they have been prepaid and not
5 connected yet, there would not be any revenue.

6 Q All right. Now, look at Question 290B. Would
7 you read the question and the response, 290B, for me,
8 please?

9 A "If the purpose of the force main is to
10 transmit flows to Englewood Water District, please
11 explain why, citing Commission rules, orders, or
12 statutes, a used-and-useful adjustment would change when
13 the main crosses out of the service area."

14 Response is, "It should not because the
15 manifold force main clearly is the sole means of
16 conveying wastewater flow to EWD and, thus, is essential
17 to the provision wastewater service all to customers.
18 The force main should be a hundred percent used and
19 useful."

20 Q All right. Would you go back and read the
21 response to 290B -- question and answers to 290B. You
22 were in 292B.

23 A 290 --

24 Q 290B --

25 A "B."

1 **Q "B" as in bravo. The bottom of the page says**
2 **three.**

3 A Okay. If -- "If rates are set, including the
4 plant related to the prepaid connections, please explain
5 whether you would agree the billing determinants for
6 these prepaid connections should be included in the
7 rate-setting."

8 Response is, "No, until such time as the
9 future customers are connected. They should not receive
10 a bill."

11 **Q All right.**

12 A That's consistent with what was said before.

13 **Q Correct.**

14 A Doesn't change anything.

15 **Q All right. So, based upon your used-and-**
16 **useful calculation, current customers should be paying**
17 **in rates for future customers who may never materialize;**
18 **is that correct?**

19 A Current customers always pay for future
20 customers, to some extent. And I don't know where you
21 draw the line on that.

22 **Q All right. But -- but you would agree that**
23 **these future customers represented by these ERCs have**
24 **been waiting in the wings for more than ten years,**
25 **correct?**

1 A I don't know if it's ten years, no.

2 Q All right. Well, I'm just using a ballpark.
3 So, approx- -- you would agree that, approximately, in
4 the 2004 to 2006 time frame, this utility collected
5 quite a few prepaid ERCs as it relates to potential
6 future development.

7 A Yeah, it seems like it was a 2006 case that
8 maybe this first came up. And when there was -- yes,
9 it -- yeah, the 2006 to 2008. And there was quite a bit
10 of building activity at the time. And then the
11 recession hit and stopped a lot of it.

12 Q All right.

13 A So, these people have prepaid their -- CIAC is
14 reduced in rate base. You know, and that's -- that's
15 what's relevant to this particular case.

16 Q And you would agree that the statute that
17 relates to the used-and-useful discusses used-and-useful
18 in the public service. And then there's a part that
19 says, as relates to current customers, and then, relates
20 to future customers out five years at a 5-percent growth
21 rate, correct?

22 A Are you -- are you asking me to relate this to
23 the force-main situation?

24 Q No, I'm -- I'm talking everything in
25 particular --

1 A Okay.

2 Q -- with regard to used-and-useful for
3 Sandalhaven.

4 A Okay. The -- the -- ask your question again,
5 then, please.

6 Q Certainly.

7 CHAIRMAN BROWN: It didn't sound like a
8 question. It sounded -- it sounded like you were
9 citing the statute.

10 MR. SAYLER: Well, I was asking if he was
11 familiar with the statute and how the statute sets
12 out the used-and-useful calculation and --

13 THE WITNESS: The statute doesn't set out --

14 CHAIRMAN BROWN: That's the question now.
15 That's a better question.

16 THE WITNESS: Yeah. Statute does not set out
17 a used-and-useful calculation. The used-and-useful
18 calculations are in the rules. There's three of
19 them: one for water plant, one for wastewater
20 plant, and one general one, which sets out a method
21 of calculation of a five-year reserve that
22 implements language in the statute.

23 BY MR. SAYLER:

24 Q Would you agree that the statute sets out
25 principles which guide the Commission in how to conduct

1 a used-and-useful analysis?

2 A I'm sorry. I have trouble hearing you.
3 It's -- it's me; not you. I have a hearing-aid problem,
4 and I'm working at 50 percent used and useful. I lost
5 that --

6 (Laughter.)

7 CHAIRMAN BROWN: You made a joke.

8 BY MR. SAYLER:

9 Q Good one.

10 But you would agree that the statute sets
11 forth the principles which guide this Commission in
12 making their analysis as it relates to used- -- what is
13 used-and-useful in the public service, correct?

14 A Yes.

15 Q All right. All right. Would you turn to
16 Page 12 of your direct testimony.

17 A In my direct?

18 Q Sorry.

19 A Oh.

20 Q I didn't cross you on direct. So, I'm just in
21 the direct frame of mind.

22 A I only had four pages in my direct.

23 Q And my questions on direct might have been
24 outside the scope of your direct.

25 A They might be.

1 Q All right. Page 12, Lines 19 through 23 --
2 are you there?

3 A Yes.

4 Q All right.

5 A Yes, I am.

6 Q Your question was: Is there any precedent for
7 the Commission finding a manifold main to be a hundred
8 percent used and useful.

9 What is a manifold main?

10 A Basically a main that -- that serves all the
11 lift stations with -- at least within that area. It
12 doesn't have to serve all of them in the whole
13 territory.

14 Q Sort of a collection point, so to speak?
15 All the --

16 A Yes.

17 Q Okay. And then in -- then you cite to Docket
18 No. 951056 and this Order No. PSC-96-1338. It's a 1996
19 case. Do you see that?

20 A Yes.

21 Q And it is your testimony that the Commission
22 specifically recognized mains as, quote, "Those mains
23 that carry combined flow from all lift stations," end
24 quote. And then you -- your testimony is that these
25 mains are to be a hundred percent used and useful.

1 Is that -- is that still your testimony, sir?

2 A Yes.

3 Q Would you please turn to the next exhibit,
4 which was identified as this 1996 order and marked for
5 322. And once you are there, please refer to your
6 response to Interrogatory No. 291.

7 The question Public Counsel posed to you was:
8 Please identify where in that order the Commission
9 agreed with this statement finding the mains to be --
10 the manifold mains to be a hundred percent used and --

11 A I'm sorry. Interrogatory --

12 Q Sorry.

13 CHAIRMAN BROWN: It got a little confusing
14 there.

15 MR. SAYLER: All right.

16 CHAIRMAN BROWN: You told us to go to --

17 MR. SAYLER: Yeah.

18 CHAIRMAN BROWN: You told him to go to the
19 '96 order first.

20 BY MR. SAYLER:

21 Q Yes. Go to the '96 order. And once you're
22 there, please refer back to the -- your response to
23 Interrogatory 291. So, have your finger in two places.

24 A And you want me to find where it says a
25 hundred percent?

1 Q Yes. Would you please find in this -- your
2 response says, in the order at Page 45, force mains --
3 the Commission supported the manifold force mains as
4 being a hundred percent used and useful.

5 A Yes.

6 Q Would you let me know where in this order does
7 it say that -- or would you agree that this order does
8 not, in fact, say that there are a hundred percent used
9 and useful?

10 A It does not say that. It reaches that
11 conclusion. If you read all of the paragraph under
12 force mains, on Page 44 of the order, it talks about
13 Mr. Guastella believes they should be considered a
14 hundred percent used and useful. It's talking about,
15 recognize the fact that some of the force mains -- some
16 of the force mains are major manifold.

17 He defines a major manifold main as those
18 mains which carry the combined flows from all lift
19 stations. For this reason, Mr. Guastella believes they
20 should be considered a hundred percent used and useful.

21 We find it appropriate -- this is the next --
22 skip a paragraph -- calculate the force mains and useful
23 percentage using PO- -- PCUC's methodology with two
24 exceptions: First, they limit the peak flows to the
25 lift stations; and second, calculations include a one-

1 year reserve.

2 Adjustment results in -- and have 69.9 percent
3 used-and-useful for all force mains.

4 **Q So --**

5 A So, basically, the Commissioner says,
6 Mr. Guastella has made a proposal of how force mains
7 should be reviewed. The Commission has looked at that.
8 It has accepted his methodology. They've made two
9 adjustments that have nothing to do with changing to a
10 hundred percent.

11 **Q You would agree the order speaks for, itself,**
12 **correct, sir?**

13 A Apparently not, if I had to explain it.

14 CHAIRMAN BROWN: That's two. Oh, my God.

15 (Laughter.)

16 BY MR. SAYLER:

17 **Q Well, you agree it does not say it's a hundred**
18 **percent used and useful.**

19 A It does not specifically -- there is no
20 sentence that the Commission says manifold mains are a
21 hundred percent used and useful. That's correct.

22 **Q Right. And in this order, it mentions**
23 **something called the one-year margin-reserve period. Do**
24 **you see that? You quoted it in that order.**

25 A Yes.

1 Q All right. And -- and this order came out
2 before the statute was amended to give the Commission
3 the guiding principles as it relates to used-and-useful
4 today, correct?

5 A That's correct. At this time, there were no
6 guiding principles within the rules for anything to do
7 with used-and-useful.

8 Q All right. And this statute was enacted after
9 this order, correct?

10 A The statute was --

11 Q The statute that provided this Commission --
12 guiding principles for used-and-useful, correct?

13 A The statutes do, yes.

14 Q Yes. And when it comes to calculating used-
15 and-useful, you would agree that this Commission should
16 follow the guiding principles in the used-and-useful
17 statute, correct?

18 A Yes.

19 Q All right.

20 A I -- I -- I don't want to get picky, but
21 there's no "used and useful" statute. "Used and useful"
22 is mentioned in the statute.

23 Q Yes, sir. It's a concept within the rate-
24 making statute.

25 A Yes. It says "used and useful" in the public

1 service. It doesn't say much else.

2 Q And would you turn, now, to 292A. The
3 question Public Counsel asked was: If the purpose of
4 the force main is to transmit flows to Englewood Water
5 District, please explain why, citing Commission rules,
6 orders, or statutes, a used-and-useful adjustment would
7 change when the mains cross -- crosses out of the
8 service area.

9 And look at your response. Did you cite any
10 rules, orders, or statutes in your response?

11 A No.

12 Q All right. But your response says, "It should
13 not because the manifold force main is clearly the sole
14 means of conveying wastewater flow." Do you see that?

15 A Yes.

16 Q You would agree that, for that statement, you
17 cited no authority or Commission precedent to support
18 that, correct?

19 A That's correct.

20 Q All right. And you would agree --

21 A There is none --

22 Q Right.

23 A -- to support it or not support it.

24 Q Correct. But by your logic, you would agree
25 that pretty much every wastewater-treatment plant that

1 is the sole source of treating wastewater, whether it's
2 redirecting flows to --

3 A This is dealing with force main.

4 Q Right.

5 A Not -- not a wastewater plant. We have a rule
6 for wastewater plants. We don't have a rule for force
7 mains or mains of any kind.

8 Q Okay. So --

9 A That's why I went back to precedent that I was
10 aware of in dealing with this issue, rather than just
11 try to, you know, use the wastewater rule as it is in
12 the Commission for treatment plants and try to impose it
13 on the distribution and collection systems.

14 Q All right. And because there's no rule on
15 point, you created your own principle, correct?

16 A I didn't create any principle at all.

17 Q So, the answer is, no, you did not create --

18 A I did not create a principle.

19 Q All right. Would you please turn to the next
20 exhibit, identified as 323, which is Utilities, Inc.'s
21 Response to Staff's 15th Interrogatories, 300 to 302.

22 A Wait. Wait. Wait. I haven't numbered those.
23 So --

24 CHAIRMAN BROWN: It says, "UIF Response to
25 15th Set of Interrogatories, 300 to 302."

1 THE WITNESS: Okay. Interrogatories?

2 MR. SAYLER: Yes, sir.

3 THE WITNESS: Okay.

4 BY MR. SAYLER:

5 Q And would you look at the response to 300 --
6 you would agree it says response -- the 280 gallons per
7 day per ERC is the amount in the tariff established by
8 the Public Service Commission, correct?

9 A That's correct.

10 Q And you would agree that, during this case,
11 the Commission could adjust that number upwards or
12 downwards, correct? They could change the tariff.

13 A Yes, they could.

14 Q All right. Now, would you turn to 302A. And
15 do you see your response to the question? And it says
16 monthly payments of \$7.28 per gallon of metered
17 wastewater flows?

18 A Yes.

19 Q Is it per thousand gallons or are -- does
20 Sandalhaven pay \$7.28 for every gallon of wastewater
21 flow sent to Englewood Water District?

22 A I don't know.

23 Q And --

24 A I assume it's a thousand gallons.

25 Q Okay. But you prepared this response,

1 correct?

2 A It -- it wasn't prepared by me, and -- but
3 I -- I did review it.

4 Q So, you --

5 A Left out -- it's 7.28 per thousand gallons.

6 Q Okay. Now, the other responses -- did you
7 prepare those responses as well or did you -- someone
8 else prepared them and you reviewed them and adopted
9 them?

10 A These responses here?

11 Q Yes, to the OPC ones.

12 A No. I don't think I prepared them directly
13 because the only ones that are prepared are the ones
14 that show up in the -- in the staff's list of -- of
15 responses to interrogatories.

16 Q Okay.

17 A And these weren't in them. So, I wasn't doing
18 it directly.

19 Q Okay. So, if -- someone else prepared answers
20 to your testimony, correct?

21 A Right.

22 Q Okay. Now, turn to the next page -- and this
23 is my last series of questions. Here, it says: Please
24 provide the number of ERCs, the basis of the calculated
25 ERCs, et cetera, et cetera.

1 Your response is, the number of ERCs is 1,579
2 and based upon 190 gallons per day per ERC. Do you see
3 that?

4 A No, I -- wait a minute. I've got the wrong
5 page.

6 Q Oh, I'm sorry.

7 A Okay. What page are you on? Number --

8 Q No. 6, at the bottom.

9 A Okay.

10 Q All right. The -- the Question B says:
11 Please provide the number of ERCs and the basis of the
12 calculated ERCs.

13 My question is about the basis of the
14 calculated ERCs.

15 A The number of ERCs is 1579 based on 190?

16 Q Yes.

17 A Okay.

18 Q And you would agree that that 190 gallons per
19 day per ERC is a number that the Commission could adjust
20 as a result of this rate case, correct?

21 A Uh-huh.

22 Q All right. And -- and this would be true for
23 LUSI or for Sandalhaven. If the Commission increases
24 that number, then it makes more utility plant-in-service
25 used and useful for the utility. And if the Commission

1 were to reduce that 190 gallons per day, that would make
2 less utility plant used and useful in the public
3 service, correct? Mathematically --

4 A It's not going to change it for the ones that
5 are already paid.

6 Q All right. And --

7 A I mean, these have --

8 Q I mean, mathematically, when --

9 A Oh, I'm -- I'm sorry. You mean when they
10 actually hook up?

11 Q No, I'm saying, when the Commission makes its
12 used-and-useful calculation, they are currently using
13 190 gallons per day per ERC towards that calculation.

14 A That's right. We usually do for this
15 particular utility because that's the tariff rate.

16 Q Right. And the Commission can change that
17 tariff rate upwards or downwards.

18 A Yes, they can. So, going forward, if somebody
19 hooked up and they upped it or -- or reduced it, that
20 would affect it.

21 Q And -- and you were involved in the 2015
22 Sandalhaven rate case that was decided in 2016 with a
23 PAA order?

24 A Yes, I was involved in putting that together.

25 Q And you were also involved in that 2006, 2007

1 PAA rate case for Sandalhaven as well?

2 A Yes.

3 Q All right. And do you recall, off the top of
4 your head, what the used-and-useful ballpark was for the
5 Englewood Water District and all the force-main
6 connections -- what the used-and-useful percentage was
7 in the 2007 case?

8 A Of used-and-useful for --

9 Q For Englewood Water District connection, the
10 force mains, the pumps.

11 A No, I really don't recall.

12 Q Okay. And do you recall what it was in the
13 2016 case?

14 A No.

15 Q All right.

16 A I don't.

17 Q Were -- you were aware that the 2016 case was
18 protested by Public Counsel; are you not?

19 A Yes, I am aware of it.

20 Q All right. And are you aware that the
21 settlement that was entered into between Utilities, Inc.
22 and Public Counsel specifically left the question of how
23 to calculate the used-and-useful methodology open to
24 be -- simply being redone in this case?

25 A Yes, I'm aware of that.

1 MR. SAYLER: All right. Thank you. No
2 further questions.

3 CHAIRMAN BROWN: Thank you.

4 All right. Moving on to Summertree
5 Mr. Armstrong.

6 MR. ARMSTRONG: No questions.

7 CHAIRMAN BROWN: Thank you.

8 Staff?

9 MR. TRIERWEILER: No questions.

10 CHAIRMAN BROWN: Thank you.

11 Commissioners?

12 Commissioner Polmann. Thank you.

13 COMMISSIONER POLMANN: Good afternoon,

14 Mr. Seidman.

15 THE WITNESS: Good afternoon.

16 COMMISSIONER POLMANN: Here, today, you have
17 used the phrase "ready to serve." Do you recall?

18 THE WITNESS: Yes.

19 COMMISSIONER POLMANN: Does that phrase,
20 "ready to serve," have a specific meaning? And if
21 so, can you tell us?

22 THE WITNESS: It does to me. It means what it
23 says. If somebody asks for service, you have to be
24 ready to provide it within a -- within a reasonable
25 period of time.

1 COMMISSIONER POLMANN: Is that an industry-
2 standard term? I'm trying to --

3 THE WITNESS: I -- I'm --

4 COMMISSIONER POLMANN: -- get a better idea
5 when you use --

6 THE WITNESS: I'm searching my memory. I
7 think Statute 367.111, which speaks to service for
8 water and wastewater utilities, talks about the
9 utility being -- having to be ready to serve,
10 within a reasonable period of time, anything in its
11 service.

12 COMMISSIONER POLMANN: Is -- does that phrase
13 or that concept -- is that different for water and
14 wastewater systems, or is it --

15 THE WITNESS: No.

16 COMMISSIONER POLMANN: -- gen- -- generally --

17 THE WITNESS: Generally.

18 COMMISSIONER POLMANN: Okay. And when you say
19 a reasonable period of time, is this a concept that
20 specifically relates to a sense of a time frame in
21 general or any aspect of time in particular?

22 THE WITNESS: Any -- yeah, it's not defined.

23 COMMISSIONER POLMANN: Okay. And "ready to
24 serve" -- does that relate to particular components
25 of capital infrastructure? Or is it just apparent

1 in its -- in the context in which it's used that
2 there's a point of connection a customer wants to
3 hook up, and it's simply ready to provide service
4 at that connection? Or does it relate back to
5 components of -- of plant or -- or facility?

6 THE WITNESS: I would look at it as being a --
7 components of plant, like the -- the capacity to
8 provide service. With regard to actually reaching
9 the -- the location to be served with lines, I
10 would think, in that case, not necessarily that the
11 line have to be up to the property, but that it
12 could be built within a short period of time; you
13 know, a couple of weeks or a month from that.

14 COMMISSIONER POLMANN: Can you please explain
15 the relationship between this concept, "ready to
16 serve," and how it may apply in the determination
17 of used and useful? I'm trying to connect those
18 two together. I don't understand that.

19 You've used the term "ready to serve" in the
20 discussion here moments ago in -- in answering used
21 and useful.

22 THE WITNESS: Yes.

23 COMMISSIONER POLMANN: And can you please
24 explain how those are related?

25 THE WITNESS: Yes. We were talking

1 specifically about developers who had paid for
2 prepaid connections to -- for capacity on the
3 system, okay, when they put their money down for
4 "X" gallons a day, by making their prepaid CIAC
5 payment.

6 COMMISSIONER POLMANN: Yes.

7 THE WITNESS: That, to me, means the utility
8 has to have that capacity in the system, at the
9 treatment plant or, in the case of Sandalhaven,
10 from EWD and -- well, this is a sewer system. So,
11 they would have to have capacity available for
12 treatment at EWD. And they would have to have the
13 means to get it there, which is what the force main
14 does.

15 COMMISSIONER POLMANN: And -- and I want to
16 follow that thought. And it's back to my
17 earlier question. "Ready to serve" -- you had
18 mentioned in the case, wastewater treatment plan.
19 Force main water plant would be, you know,
20 source --

21 THE WITNESS: Right.

22 COMMISSIONER POLMANN: Source of water-
23 treatment works, transmission, distribution and so
24 forth.

25 I'm trying to understand "ready to serve."

1 How far does that go to the customer? And is -- is
2 there a standard or practice where the customer
3 needs service and the utility has a notion that we
4 need to be ready to serve, and you relate that back
5 to time frame, and it's ready to serve within a
6 reasonable period of time?

7 And I -- I just don't have an understanding
8 how -- how that comes into play when you're
9 evaluating whether you're ready or you're almost
10 ready or you're not quite ready or you're planning
11 to be ready or were thinking about getting ready.

12 I -- I'm just trying to get my head around how
13 that concept relates back to a commitment to the
14 community. And I'm -- I'm not getting this time
15 aspect. And then how you convert that -- I mean,
16 you have a treatment plant that's -- that's built,
17 and you're using it.

18 THE WITNESS: Yes.

19 COMMISSIONER POLMANN: But are we ready to
20 serve the community in which they're paying --

21 THE WITNESS: Well, I -- I think the time
22 commitment that you're talking about -- for
23 instance, for the treatment plant, we do work with
24 the margin reserve. So, that would be to say that
25 the utility should normally be able to serve --

1 have enough capacity to serve the people who are
2 there.

3 And what you would expect to have on -- in a
4 growth period -- in our case, five years -- be able
5 to relate to that and have capacity available along
6 the way as that -- as that growth happens.

7 With regard to mains, like, a force main, it's
8 a little different circumstance. Like, in this
9 case, with Sandalhaven, we don't have any choice.
10 You know, we're -- we're using -- we're purchasing
11 capacity for treatment. We have to get the
12 effluent there.

13 COMMISSIONER POLMANN: Yes.

14 THE WITNESS: We don't have any choice. You
15 have a force main or you don't have a force main.

16 COMMISSIONER POLMANN: Understood.

17 THE WITNESS: So, it really doesn't relate in
18 that aspect. But I would relate it in plant to
19 that effect; that you would have capacity for a
20 reasonable period in time, which the statutes say
21 is about five years.

22 And then for lines, I said before, if
23 there's a -- lines don't take that long to put in.
24 So, if somebody were to build on a vacant lot on a
25 street that didn't have a line or had a line maybe

1 partially going up.

2 They would come to you and say, I'm going to
3 build a house. It's going to take me three months.
4 You should be -- you should be able to say, I --
5 we're going to be available at that particular
6 time.

7 COMMISSIONER POLMANN: Okay. Thank you, sir.
8 Madam Chairman, that's all I have.

9 CHAIRMAN BROWN: Great. Thank you,
10 Commissioner Polmann.

11 Other Commissioners? None?

12 Redirect.

13 Mr. Seidman, I've enjoyed your -- listening to
14 you today. You made used and useful very
15 interesting and fun.

16 THE WITNESS: Pleasure -- pleasure to be here.
17 (Laughter.)

18 CHAIRMAN BROWN: Thank you.

19 THE WITNESS: Thank you.

20 CHAIRMAN BROWN: There are no exhibits
21 associated with Mr. Seidman except for Public
22 Counsel's. Public Counsel, you have 321
23 through 320- -- actually, just 321 and 323.

24 MS. PONDER: Correct.

25 CHAIRMAN BROWN: Would you like those two

1 moved into the record?

2 MS. PONDER: Yes, Madam Chair. Thank you.

3 CHAIRMAN BROWN: We will go ahead and, seeing
4 no objection, move 321 and 323 into the record. We
5 do not have to move the 1996 order.

6 (Exhibit Nos. 321 and 323 admitted into the
7 record.)

8 CHAIRMAN BROWN: Mr. Seidman, would you like
9 to be excused and on your way?

10 THE WITNESS: Yeah, thank you.

11 CHAIRMAN BROWN: Yeah. He's already gone.
12 He's gone. He's turned it off.

13 (Laughter.)

14 CHAIRMAN BROWN: All right. With that, we've
15 got Mr. Patrick Flynn. Come on up.

16 MR. FRIEDMAN: If we expect him to be long,
17 Madam Chairman --

18 CHAIRMAN BROWN: I'm sorry?

19 MR. FRIEDMAN: If we expect him to be long,
20 are -- you're anticipating a break during his
21 testimony?

22 CHAIRMAN BROWN: I do.

23 MR. FRIEDMAN: Okay.

24 CHAIRMAN BROWN: I'm -- I'm thinking we'll
25 probably need to take a break in an hour. Yeah.

1 MR. FRIEDMAN: (Inaudible.)

2 CHAIRMAN BROWN: All right. Mr. Flynn, how
3 are you feeling?

4 THE WITNESS: It's immaterial.

5 (Laughter.)

6 COMMISSIONER POLMANN: That's a good answer.

7 CHAIRMAN BROWN: And I would advise staff to
8 be prepared to -- it looks like Public Counsel is
9 assembling some exhibits to hand out when they get
10 to cross, so --

11 MR. SAYLER: Madam Chair, the Summertree Water
12 Alliance, Ann Marie, asked to skip order. And I
13 have no problem with them going before me. As a
14 matter of fact, if he goes over some of the
15 territory that I'm planning to go, it will shorten
16 my cross-examination.

17 CHAIRMAN BROWN: I like that. Okay. I think
18 that sounds fair.

19 Mr. Friedman, no problem with that?

20 MR. FRIEDMAN: It doesn't matter to me.

21 CHAIRMAN BROWN: Okay. All right.

22 EXAMINATION

23 BY MR. FRIEDMAN:

24 Q Would you state your name, please.

25 A Patrick Flynn.

1 Q And Mr. Flynn, did you prefile any rebuttal
2 testimony in this case?

3 A Yes, I did.

4 Q And if I were to ask you the questions in your
5 prefiled rebuttal testimony, would your responses be the
6 same?

7 A Yes, they would.

8 Q And did you sponsor any rebuttal exhibits?

9 A Yes, I did.

10 Q Do you remember how many, off the top of your
11 head?

12 A A whole bunch. I don't have the number.

13 MR. FRIEDMAN: All right. Thank you.

14 They're -- they're listed in this list. I
15 would like to ask that Mr. Flynn's prefiled
16 rebuttal testimony be admitted into the record as
17 though read.

18 CHAIRMAN BROWN: We will insert Mr. Flynn's
19 prefiled rebuttal testimony into the record as
20 though read.

21 (Prefiled rebuttal testimony inserted into the
22 record as though read.)

23

24

25

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

2 A. My name is Patrick C. Flynn. I am Vice-President of Utilities, Inc. of Florida. My business
3 address is 200 Weathersfield Ave., Altamonte Springs, Florida, 32714.

4 **Q. Have you previously presented testimony in this case?**

5 A. Yes. I have previously presented direct testimony on behalf of the applicant, Utilities, Inc. of
6 Florida (UIF).

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to respond to the direct testimony of Office of Public
9 Counsel witness Andrew Woodcock with regard to the proforma projects and I & I and Office
10 of Public Counsel witness Donna Ramas regarding proposed adjustments.

11 **Q. Are you sponsoring any additional exhibits?**

12 A. Yes, I am sponsoring PCF-51, which is a schedule that lists all of the proforma projects. In
13 addition, I am sponsoring Amended PCF-1, Amended PCF-3, Amended PCF-5, Amended
14 PCF-8, Amended PCF-9, Amended PCF-11, Amended PCF-13, Amended PCF-14, Amended
15 PCF-17, Amended PCF-19, Amended PCF-20, Amended PCF-21, Amended PCF-23,
16 Amended PCF-27, Amended PCF-30, Amended PCF-33, Amended PCF-34, Amended PCF-
17 35, Amended PCF-36, Amended PCF-37, and Amended PCF-41, which provide
18 documentation in support of the respective pro forma projects, including signed contracts. I
19 am also sponsoring PCF-48, PCF-49 and PCF-50.

20 **Q. Do you agree with Ms. Ramas' adjustment to the Eagle Ridge materials and supplies
21 expense as shown on B-8?**

22 A. No, the analysis of materials and supplies expense clearly identifies a trend of increasing
23 expense year over year for the last four years. This reflects the aging of the infrastructure, the
24 increases in the cost of materials and supplies due to price increases, and the ongoing need to
25 purchase supplies and materials that are required to keep the facilities operational. Instead of

1 arbitrarily using a three year average, it would be more accurate to perform a linear regression
2 analysis to project the annual cost, which would result in a value in excess of the \$74,992
3 spent in the test year.

4 **Q. Do you agree with Ms. Ramas' adjustments to proforma additions to salaries and**
5 **wages?**

6 A. No, the addition of three field technicians in Mid-County, LUSI and Sanlando reflects the
7 critical need to address preventative and predictive maintenance activities in these systems in
8 order to improve the delivery of water and sewer service, extend the life of existing assets,
9 comply with regulatory requirements, and reduce service interruptions caused by equipment
10 failures. Exhibit PCF-50 describes UI's Operations Management System (OMS) including
11 an overview of asset management strategy, a discussion of the objectives and scope of an
12 OMS, a description of the GIS platform (ESRI ArcGIS) and the benefits of a Computerized
13 Maintenance Management System (CMMS). Specifically, these new field technicians will be
14 tasked with annual hydrant maintenance, flushing dead end lines on a cyclical basis,
15 drawdown tests of lift stations, distribution valve exercising, annual testing of pressure relief
16 valves on hydro-pneumatic tanks, manhole inspections, and geospatial location of all asset
17 types including both linear assets and vertical assets. In the absence of these new field
18 technicians, the Utility will not be able to take a proactive approach to asset maintenance in
19 a comprehensive way, but rely instead on reactive maintenance, which negatively impacts
20 the delivery of water and sewer service in a reliable way. The inclusion of the salary and
21 benefits associated with these positions in the revenue requirement is appropriate even though
22 the positions are not yet filled. The adjustments proposed by Ms. Ramas would have the effect
23 of eliminating the funding of the field technicians to the detriment of the customers. If the
24 utility had hired them without the GIS mapping project being completed and the GIS platform
25 established, UIF would not get full value from the additions to the work force. If UIF proceeds

1 to hire the technicians without the additional revenue, the customers would reap the benefit
2 without providing proper remuneration for the additional value generated by their work
3 product.

4 **Q. When will the three field technicians be hired?**

5 A. All three new positions are to be filled in the second quarter of 2017. The timing of the new
6 hires aligns with the completion of the GIS Mapping Services pro forma project early in the
7 second quarter once all of UIF's plans, maps, and drawings will be available in digital format
8 for the first time. The plans and drawings will be imported into the Geographic Information
9 System currently under development as described in exhibit PCF-50, Operations
10 Management System, and scheduled for deployment in Florida in the second quarter of 2017
11 followed by the rest of UI's subsidiaries in 2018.

12 **Q. In her testimony, Ms. Ramas makes adjustments to purchased power expense in
13 Sanlando. Do you agree with that adjustment?**

14 A. No, the information contained in exhibit PCF-48, Duke Energy Non-recurring Interruptible
15 Power Credits 2015, describes the increase in purchased power at the Des Pinar and Wekiva
16 WTP's as well as at the Wekiva WWTP and Wekiva reuse facilities as of January 2017. This
17 is a result of USEPA no longer offering a waiver of the Clean Air Act to Duke Energy Florida
18 that otherwise allowed Duke to offer a reduced power rate to qualified customers who agree
19 to shed load when requested by Duke. After Duke informed UIF of the change in the tariff,
20 it was evident that UIF would be required to replace its existing generators with ones that
21 meet Tier IV air quality limits before the deadline of December 2016, which was not feasible
22 operationally or economically. Consequently, purchase power in Sanlando will increase by
23 \$16,982 for water and \$31,111 for wastewater for a total of \$48,093 beginning in January
24 2017.

25 **Q. Ms. Ramas made an adjustment to purchased power in LUSI. Do you agree with that**

1 **adjustment?**

2 A. No, the information contained in exhibit PCF-49, SECO Non-recurring Purchased Power
3 Credits 2015, identifies the increase in purchased power at the Lake Groves WTP, Lake
4 Groves WWTP and Lake Louisa WTP beginning in 2016. This reflects the cancellation of a
5 purchased power agreement offered by SECO at those facilities. The agreements were
6 cancelled due to the requirement that LUSI shed load within 30 minutes of a SECO request;
7 the unwillingness on the part of SECO to install electrical control equipment at each site to
8 allow for an automated response similar to Duke's technology; the increasing frequency of
9 load shedding to nearly a daily occurrence during the peak demand periods in summer and
10 winter; the resulting impact on LUSI's workforce and work schedules to provide for that
11 contingency without incurring overtime expense; the increased cost of fuel consumed during
12 load shedding periods; the additional wear and tear on the generators; and the scale of the
13 credit offered by SECO. In 2015, the purchased power savings at the two water plants was
14 \$17,840. The purchased power credits at the Lake Groves WWTP was actually a debit of
15 \$2,174 due to SECO penalizing UIF for the last three months of the year for failing to shed
16 load within the required response time on the day having the peak hour demand.

17 **Q. Ms. Ramas made an adjustment to sludge hauling expense in LUSI. Do you agree with**
18 **that adjustment?**

19 A. No, the adjustment made by Ms. Ramas assumes that the equipment was successful in
20 processing sludge at the design loading rate at a monthly cost savings of \$3,500. See
21 Amended PCF-5A, Lake Groves Sludge Dewatering Equipment. During the pilot test of this
22 new technology using solar energy to evaporate moisture passively from digested sludge, it
23 became apparent that the dewatering facility will only work if the loading rate is reduced to
24 half of the initial design rate. Consequently, the imputed monthly savings in sludge hauling
25 expense should be calculated at \$1,750 per month or \$21,000 per year. Therefore, the

1 adjustment to O&M expense in LUSI should be a reduction of \$21,000 per year.

2 **Q. Do you agree with Ms. Ramas' adjustment to purchased sewer expense in Sandalhaven?**

3 A. No, Ms. Ramas removed \$27,125 in purchased sewer expense based on the assumption that
4 the November and December 2014 bills from Englewood Water District were outside the test
5 year. Although this is true, it is immaterial to the calculation of purchased sewer expense on
6 an annual basis following the decommissioning of the Sandalhaven WWTP. Prior to
7 November 2015, roughly half of the flow generated within the Sandalhaven service area was
8 pumped to EWD's facilities for treatment and disposal. Beginning in November 2015, all of
9 the flow was pumped to EWD. The calculation of purchased sewer in the MFR is not the sum
10 of the 12 monthly bills from EWD plus a growth factor. Rather, it reflects the sum of the total
11 gallons treated in the test year at the Sandalhaven WWTP plus the total gallons treated at
12 EWD in the test year plus a growth factor multiplied by the unit cost of treatment and disposal
13 at EWD. This methodology provides an accurate annual purchased sewer expense. Therefore,
14 no adjustment is warranted.

15 **Q. Do you agree with Ms. Ramas' adjustment in Sandalhaven regarding sludge hauling
16 expense?**

17 A. No, the retirement of the Sandalhaven WWTP in 2015 resulted in the termination of sludge
18 hauling activities from the treatment plant. However, Account 711 – Sludge Hauling
19 Expense, also reflects the annual cost of periodically cleaning fats, oil and grease from lift
20 station wet wells. It would be appropriate to include \$2,000 in the revenue requirement in
21 acknowledgement of that ongoing maintenance activity through the use of a qualified
22 contractor.

23 **Q. Was there any salvage value associated with the retirement of the Sandalhaven WWTP?**

24 A. No, the cost of the decommissioning of the plant, completed in November 2015, was
25 documented in the last docket. The total amount of \$97,603 was net of salvage since the

1 contract was bid out with the provision that the contractor would be responsible for disposal
2 of all materials. None of the facilities removed from the site by the contractor had any salvage
3 value over and above the contracted price to complete the decommissioning. Therefore, it
4 would be incorrect to recommend arbitrarily the removal of 50% of the annual amortization
5 expense when there is no documentation to support it. The last order states "...should the
6 utility recover salvage value upon the completion of the decommissioning of the WWTP, the
7 recovered salvage value shall be addressed in Sandalhaven's next rate case." Since the
8 recovered salvage value is zero, no adjustment is warranted.

9 **Q. Do you agree with Ms. Ramas' adjustment in Sanlando to remove the Myrtle Lake Hills**
10 **Water Main plant in service from rate base?**

11 A. No, Ms. Ramas is correct in quoting from Order No. PSC-16-0107-PAA-WU. However, the
12 construction of the Myrtle Lake Hills water main extension did, in fact, impact the existing
13 Sanlando customers who benefit from the project. Existing customers on Canal Point Road
14 benefit by having a hydrant within 500 feet of their homes instead of over 1,000 feet away.
15 Existing customers in Bolling Farms subdivision benefit by now having a looped connection
16 to the Sanlando distribution network resulting in lower head loss during peak demand,
17 enhanced fire flow to the existing hydrants, and a reduced risk of water outages by virtue of
18 having a second connection. None of those benefits would have occurred if it were not for
19 the opportunity offered by the construction of the Myrtle Lake Hills extension. To date, 40
20 homeowners have paid the main extension charge of \$5,526 and thereby reduced rate base.
21 Any adjustment calculation must take into account all of the main extension charges collected
22 to date from those new customers.

23 **Q. What is your response to Ms. Ramas' adjustment in UIF Seminole regarding the**
24 **purchase of bulk water associated with the construction of the interconnection between**
25 **the Crystal Lake and Ravenna Park water systems?**

1 A. The pro forma project, as described in PCF-45, UIF Ravenna Park and Crystal Lake
2 Interconnect, identifies that the project included the demolition and replacement of the ground
3 storage tank and cascade aerator at the Ravenna Park WTP once the interconnection between
4 the two systems was completed. During the time interval that the Ravenna Park WTP was off
5 line, all of the water supplied to UIF's customers in the two systems was supplied through
6 two emergency interconnections with the city of Sanford's system. Absent the means to
7 purchase water in bulk during the construction period, UIF would have had to explore
8 alternative means of maintaining water service at a much higher cost, none of which could
9 be justified. The convenience of obtaining bulk water from the city through two metered
10 connections located less than ten feet from UIF's water main and without incurring capacity
11 charges from the city was appropriate. Consequently, it is appropriate to include the cost to
12 purchase bulk water from the city in the pro forma project cost.

13 **Q. What is the current status of the pro forma projects?**

14 A. With the exception of the Wekiva WWTP Blower Replacement, which was previously
15 identified as PCF-28, which has been postponed to a later date, all other projects are under
16 contract or completed.

17 **Q. Have you prepared a schedule of the current status of the pro forma projects?**

18 A. Yes, Exhibit PCF-51 is the current status of each pro forma project along with the current
19 cost of each project.

20 **Q. Witness Woodcock divided the list of pro forma projects into four groups. Do you agree
21 with his testimony with regard to his first group, projects with adequate cost
22 justification?**

23 A. Of the 26 pro forma projects listed in this group, I disagree with the amount shown regarding
24 four projects. I discuss below the justification for the additional costs, which are supported
25 by the applicable amended exhibit.

1 **Q. What is the basis for the cost difference with respect to the Longwood Church Ave. Force**
2 **Main Relocation project?**

3 A. The project cost will total \$253,524 as noted in Amended PCF-11, an increase of \$61,564
4 above Mr. Woodcock's testimony. This reflects additional project costs driven primarily by
5 the City of Longwood, which made unilateral changes to the original plans that adversely
6 impacted UIF's facilities beyond the original scope of the project. Documentation supporting
7 this increase is included in my Amended PCF-11 exhibit.

8 **Q. What is the basis for the cost difference with respect to the Sanlando Lift Station RTU**
9 **Installation project?**

10 A. The cost of the project will be \$591,200, an increase of \$247,000 over Mr. Woodcock's
11 testimony. This reflects the lower of two bids received after soliciting bids from four qualified
12 electrical contractors. Documentation supporting the \$591,200 amount, including signed
13 contracts, is included in my Amended PCF-23 exhibit.

14 **Q. What is the basis for the cost difference with respect to the Lake Tarpon Water Main**
15 **Replacement project?**

16 A. The initial project cost estimate was \$800,000. However, the project cost will be \$1,218,146,
17 an increase of \$418,146 above Mr. Woodcock's testimony. This reflects the selection of the
18 lower of two bids received after soliciting bids from four qualified underground utility
19 contractors. The higher bids reflect an increase in demand for utility contractors in the area as
20 well as the additional cost to replace 260 service lines that was not included in the original bid
21 package. Amended PCF-35, including all signed contracts, documents the \$1,218,146 project
22 cost.

23 **Q. What is the basis for the cost difference with respect to the UIF Seminole Northwestern**
24 **Force Main project?**

25 A. The initial project cost estimate of \$120,000 reflected the use of the shortest available route

1 between the Northwestern Lift Station and the City of Altamonte Springs' force main on
2 Highway 434. However, city staff required that UIF utilize the same point of connection to
3 the city's system as is currently used, which significantly increased the length of pipe to be
4 installed. In addition, Seminole County requires the excavation and removal of the existing
5 pipe from the right-of-way instead of abandoning it in place after filling with grout. The
6 disposal cost is additionally elevated due to asbestos cement pipe requires special handling
7 and disposal. The project cost of \$688,631, which is \$568,631 greater than Mr. Woodcock's
8 testimony, reflects the selection of the lowest of three bids received from qualified
9 underground utility contractors. Supporting documentation, including signed contracts, is
10 included in Amended PCF-41.

11 **Q. Do you agree with Mr. Woodcock's testimony with regard to his second group, projects**
12 **that he characterized as having cost justification less than requested?**

13 A. Of the 12 pro forma projects included in this second group, I have no disagreement with six
14 projects. However, in the case of six other projects, documentation supporting a higher amount
15 has been provided in my amended exhibits as discussed below.

16 **Q. What is the basis for the cost difference with respect to the Eagle Ridge WWTP EQ Tank**
17 **and Headworks project?**

18 A. Amended PCF-3 provides the justification and documentation describing a project cost of
19 \$938,140, including signed contracts and invoices for work already completed. The project
20 was initially estimated to cost \$350,000 before the engineering design had been completed
21 and bid out. The project is on schedule for substantial completion by the end of September
22 2017. The scope of the project includes: the replacement of two steel equalization tanks with
23 one large tank; installation of headworks equipment; removal of non-native trees; and
24 replacement of filter decking, the chemical storage building, the field office, instrumentation
25 equipment and a flow splitter box. The project scope addresses those items identified by DEP

1 as being non-compliant with its regulations by replacing those plant components that have
2 reached the end of their service life and that are critical in order to operate the facilities in
3 conformance with the plant's operating permit. The project cost is \$831,752 more than what
4 is supported by Mr. Woodcock in his testimony.

5 **Q. What is the basis for the cost difference with respect to the Lake Groves Sludge**
6 **Dewatering Equipment project?**

7 A. Exhibit PCF-5 and Amended PCF-5 document the project cost of \$249,000, an increase of
8 \$9,000 above Mr. Woodcock's testimony and \$4,294 more than the \$245,000 identified in the
9 original budget. This reflects the purchase of a Kubota tractor and rake attachment that is used
10 in the dewatering process.

11 **Q. What is the basis for the cost difference with respect to the Mid-County US 19 Force**
12 **Main Relocation project?**

13 A. Amended PCF-19 includes documentation supporting the cost of relocating a force main that
14 was in conflict with a Pinellas County road improvement project and the refurbishment of a
15 gravity sewer main crossing underneath US 19 in the amount of \$230,000. The engineering
16 design was initiated in 2013, but was delayed for three years while the county revised the road
17 project's plans. The project is partially completed and will be wrapped up before the end of
18 May 2017. The project cost is \$57,121 greater than the amount supported by Mr. Woodcock
19 in his testimony.

20 **Q. What is the basis for the cost difference with respect to the Wekiva WWTP**
21 **Rehabilitation project?**

22 A. Mr. Woodcock points out that the sales tax rate of 7% identified in the project budget as shown
23 in Amended PCF-30 is not fully supported by the invoices received to date from the prime
24 contractor, which identify a sales tax rate of 6% on materials only, not on labor costs. However,
25 Seminole County levies a 1% sales tax, which is in addition to the state sales tax rate of 6%.

1 The additional 1% will be due upon completion of the project. This amount of \$16,848 (1%
2 of \$1,684,850) should be included in rate base.

3 **Q. What is the basis for the cost difference with respect to the UIF Seminole Electrical**
4 **Improvements at Little Wekiva and Jansen WTP's?**

5 A. Amended PCF-36 describes the engineering support for electrical improvements at two water
6 plants in the amount of \$38,600 as well as the construction costs of \$242,581 for a total of
7 \$281,181. The amended exhibit contains signed contracts and invoices for work completed in
8 support of the total project cost. This total amount is \$12,351 greater than the amount
9 supported by Mr. Woodcock.

10 **Q. What is the basis for the cost difference with respect to the UIF Seminole and Orange**
11 **Water Main Replacement engineering costs?**

12 A. Mr. Woodcock states that the \$57,050 in engineering services that are identified in PCF-37
13 represent a double counting of costs. That is not the case. The \$57,000 in this project reflects
14 the cost of designing seven separate water main replacement projects, or an average of \$8,150
15 per plan set. This work was completed in June 2016. Subsequently, the engineer provided
16 support for permitting and bidding tasks and will make periodic visits to the job sites while
17 construction is under way. The cost of these activities is appropriately posted to each
18 individual project once the project is opened.

19 **Q. Mr. Woodcock questions the substantial increase in the cost of the Shadow Hills**
20 **Diversion Project, PCF-18. Please explain the primary reasons for the increase.**

21 A. The original cost estimate provided by the engineer working on the project was based on a
22 set of assumptions including unit prices by pipe size that had been quoted in recent contract
23 bids, the ample availability of qualified contractors to bid on the project, the use of the E. E.
24 Williamson Road right-of-way to construct a portion of the proposed force main, and the
25 conceptual design of the proposed Des Pinar master pump station and Sabal Palm master

1 pump station. Subsequent to the generation of the original cost estimate, the scope of the
2 project was increased to include the construction of a 2,000 square foot field office at Des
3 Pinar sized and configured to support the activities of 22 employees and an equipment storage
4 building. Mr. Woodcock's testimony did not question the prudence of the project, especially
5 in light of having visited the facilities himself. The Amended PCF-18 exhibit contains all of
6 the documentation necessary to support the project cost of \$7,781,739, including signed
7 contracts.

8 **Q. Mr. Woodcock has recommended adjustments based upon his determination of**
9 **excessive I&I in a number of systems. Has UIF taken any steps to address I&I in any**
10 **of those systems?**

11 A. Yes, in Sanlando, UIF analyzed the correlation of wet weather flow to the Wekiva Plant with
12 increased lift station pump runtimes to identify areas where excess inflow and/or infiltration
13 was occurring. UIF then initiated a capital project to clean and video inspect those areas
14 followed by additional investment to cure the deficiencies. A similar approach and
15 investigation was done in five sub-basins in Longwood where the remediation work is
16 scheduled to be completed in May 2017. In Mid-County, extremely wet weather in July and
17 August 2015 identified that excess I&I occurred. A flow monitoring effort was initiated in
18 October 2015 followed by smoke testing, video inspection of portions of the collection
19 system and remediation of the deficiencies found. That effort, scheduled to be completed by
20 October 2017, includes the installation of over 130 manhole inserts that will intercept surface
21 runoff from entering the system.

22 **Q. What comments do you have regarding Mr. Woodcock's adjustment to the Mid-**
23 **County electrical improvements pro forma project?**

24 A. All of the documentation associated with this project, including signed contracts and the
25 evaluation of the electrical system throughout the Mid-County WWTP site supports the

1 prudency of replacing the electrical equipment, generator, main feeder, and electrical
2 distribution equipment at this time. The initial project scope and estimated cost was focused
3 on replacing the 500 Kw diesel generator and transfer switches (there are three of them).
4 Further investigation identified that the existing electrical equipment was at the end of its
5 service life, some of it in excess of 40 years, and not compliant with the National Electrical
6 Code. The project scope was expanded to address these shortcomings, plans were drawn up
7 by a professional engineer familiar with utility infrastructure requirements, and put out to bid.
8 As noted on Amended PCF-14, three qualified contractors were asked to submit bids with
9 two being responsive. The low bidder was awarded the contract and work is under way.
10 Therefore, the full amount of \$1,139,100 should be included in rate base. Mr. Woodcock
11 questioned the veracity of the bid by EMS of Central Florida. That contractor provided a
12 revised bid in the format specified by Mr. Woodcock as being acceptable, which is included
13 in the Amended PCF-14 exhibit.

14 **Q. What is the total cost of the pro forma projects?**

15 A. The total cost of the pro forma projects is \$ 36,850,000.

16 **Q. Are all of the pro forma projects expected to be completed by the end of 2017?**

17 A. Yes, many have been completed within the last 15 months. The remaining pro forma projects
18 will be completed and placed into service before December 31, 2017.

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

20 A. Yes, it does.

21

22

23

24

25

1 THE WITNESS: Thank you.

2 CHAIRMAN BROWN: Mr. --

3 BY MR. FRIEDMAN:

4 Q Would you like to make a brief --

5 A Very brief.

6 Q Thank you.

7 A I just want to say that my rebuttal testimony
8 is focused on my updated pro forma project exhibits, as
9 well as any -- as well as a number of adjustments made
10 by Ms. Ramas to O & M expense in some of the systems; in
11 particular, Eagle Ridge, materials and supplies with --
12 with respect to adjustments to salary and wages, where
13 we proposed to add three field technicians; where we had
14 some power adjustments -- purchase power adjustments in
15 Sanlando and LUSI, as a result of a loss of a -- of a
16 preferential power tariff from two different power
17 companies; and also in Myrtle Lake Hills, where we
18 extend the water main, as discussed in earlier
19 testimony.

20 We provided a benefit to our existing
21 customers in the process of extending the service to
22 folks who are going to be future customers as they come
23 on board. They pay CIAC. They're going to benefiting
24 that way, but also the existing customers benefited by
25 the infrastructure investment that we made.

1 identifier we just used to identify Exhibit 50?

2 CHAIRMAN BROWN: Well, I'm -- I'm not sure.

3 MR. ARMSTRONG: It's --

4 CHAIRMAN BROWN: Mr. Friedman.

5 MR. FRIEDMAN: What -- what am I supposed to
6 do?

7 CHAIRMAN BROWN: So, we have Exhibits 207
8 through 248 associated with this witness.

9 MR. FRIEDMAN: That's correct.

10 CHAIRMAN BROWN: And Mr. Armstrong is asking
11 about Exhibit No. 50.

12 MR. FRIEDMAN: P- -- PCF-50 is No. 247.

13 CHAIRMAN BROWN: 247. Okay.

14 MR. ARMSTRONG: Okay.

15 CHAIRMAN BROWN: So, it's already been --

16 MR. FRIEDMAN: It's on this -- it's on the
17 list.

18 CHAIRMAN BROWN: All right. Thank you,
19 Commissioner.

20 MR. ARMSTRONG: So, 251 would be 248, right,
21 then?

22 CHAIRMAN BROWN: Yeah.

23 MR. ARMSTRONG: Very good. Thank you.

24 BY MR. ARMSTRONG:

25 **Q Mr. Flynn, from Exhibit 247, it is clear that**

1 UIF is proposing to implement an asset-management
2 system, correct?

3 A Yes.

4 Q As well as a CMMS or a computerized
5 maintenance and management system?

6 A Yes. Yes, that's correct.

7 Q As well as a structured preventive maintenance
8 program.

9 A That's correct.

10 Q As well as a structured predictive maintenance
11 program.

12 A Yes. That's a component of it, correct.

13 Q Okay. As well as a geographic information
14 system --

15 A Yes.

16 Q -- is that correct?

17 A Yes.

18 Q Do you know if Collier County Utilities has
19 these programs?

20 A I have no idea.

21 Q Do you know if St. Johns County Utilities has
22 those programs?

23 A I have no idea.

24 Q If I were to ask the same about Pasco County
25 or Marion County, would you know if they had those

1 programs?

2 A I'm not familiar with those counties' utility
3 systems.

4 Q Or the City of Cape Coral or the City of
5 Sunrise -- do you know if they have those programs?

6 A I have no idea.

7 Q Okay. So, you couldn't say that Utilities,
8 Inc. is somehow alone in implementing these types of
9 systems, correct?

10 A Nope.

11 Q And you could not say that Utilities, Inc. is
12 the first utility in Florida to implement those systems,
13 correct?

14 A I have no idea. I don't think they are, no.

15 Q Okay. You've heard me refer to these programs
16 as the tool kit, correct, in the last few days?

17 A Correct.

18 Q On Page 14 of 43 of Exhibit 247 -- can you
19 turn to that, please?

20 A Page 14, you said?

21 Q Yes, Page 14 of 43.

22 A Okay.

23 Q Okay. You see that the -- the CMS program and
24 the other programs -- they're referred to a tool set
25 by -- by Utilities, Inc., correct?

1 A Okay.

2 Q Okay. I just -- if I refer to the tool set,
3 you and I will have the understanding of what I'm
4 talking about; I'm talking about CMMS and all these
5 other programs.

6 A Yes.

7 Q Is that okay?

8 A Yes.

9 Q And just to be clear, there -- there's nothing
10 that prevented UIF from implementing this tool set prior
11 to now, correct?

12 A There was no prohibition, no.

13 Q Okay. Referring to the Page 3, Lines 6
14 through 20 of your rebuttal testimony -- do you see that
15 where you're referencing UIF's request for additional
16 technicians?

17 A Yes -- let -- let me go to Page 3. Hold on a
18 minute.

19 Okay.

20 Q These three technicians were not employees of
21 UIF during the 2015 test year, correct?

22 A Correct.

23 Q Have they been hired yet?

24 A One has been hired, and two are being
25 recruited.

1 Q Okay. So, one, yes; and two, no, right?

2 A That's what I said.

3 Q Okay. You recall our discussion yesterday
4 regarding UIF refusing to provide information in
5 relation to the 2016 year, correct?

6 A Yes.

7 Q All right. So, is it your opinion that UIF
8 may bring costs like this, 2016 costs, into the record?

9 A Yes, we -- we identified these items, these
10 positions being added as pro forma O & M in our MFRs.

11 Q Okay. But it's your position that Public
12 Counsel and the parties like Summertree and Mrs. Ryan
13 cannot attempt to bring in any evidence with respect to
14 revenue reductions that might be occurring in 2016; is
15 that correct?

16 A No, I said we didn't have -- we had no
17 quantification of -- of O & M reductions to provide.

18 Q Okay. If we go -- if we go back to Page 3,
19 Lines 17 to 20, you see where I quote -- you've --
20 you've testified that, quote, "In the absence of these
21 new field technicians, the utility will not be able to
22 take a proactive approach to asset maintenance in a
23 comprehensive way, but rely instead on reactive
24 maintenance, which negatively impacts the delivery of
25 water and sewer service in a reliable way." Do you see

1 that?

2 A Yes.

3 Q Whether or not UIF completes the
4 implementation of the tool set described in your
5 Exhibit 247, you could have hired those three employees
6 before today, correct?

7 A Yes. We identified a need recently, and we're
8 proposing to -- to add those individuals. In fact,
9 we're recruiting those individuals to add them to our --
10 to our staff.

11 Q Okay. And if they had been hired already,
12 the -- the annual hydrant maintenance, the flushing head
13 and lines -- end lines on a cyclical basis, the drawdown
14 of tests -- the drawdown test of lift stations, the
15 distribution-valve exercising, the annual testing of
16 pressure-relief valves, manhole inspections -- all of
17 those things could have been occurring today if you had
18 hired those individuals already, correct?

19 A Well, they were being doing -- being done
20 sporadically and -- but not comprehensively.

21 Q Okay.

22 A Not in a cyclical way that's advantageous for
23 us to accomplish.

24 Q Okay. Looking at your exhibit -- it's 248,
25 now --

1 **CHAIRMAN BROWN:** Which is PCF- --

2 MR. ARMSTRONG: 51.

3 CHAIRMAN BROWN: Thank you.

4 THE WITNESS: Okay.

5 BY MR. ARMSTRONG:

6 **Q** The completed projects identified on Lines 38
7 through 55 -- do you see that?

8 A Yes.

9 **Q** Do you agree with me that the -- if you added
10 those -- the plant in-service costs for those projects,
11 it would equal approximately \$4.5 million?

12 A Approximately.

13 **Q** And yesterday, you testified that the main
14 replacement on Line 31 at an approximate cost of
15 \$500,000 has been completed, correct?

16 A Yes.

17 **Q** So, that would make the completed plant-in-
18 service projects approximately \$5 million?

19 A Correct.

20 **Q** Okay. If I look at the project-identifier
21 information on this exhibit in the left -- I guess it's
22 the second column to the left -- do you see that?

23 A Yes.

24 **Q** Okay. The first four digits appear to
25 indicate the year in which the project was approved for

1 implementation, correct?

2 A Correct.

3 Q With this information it's clear from the
4 exhibit that no project first approved in 2017 has been
5 completed, correct?

6 A On this -- this roster, correct.

7 Q Okay. The only completed projects to date
8 were projects that were approved in 2015 or 2016,
9 correct?

10 A Correct.

11 Q If you look at Line 18, please, the Shadow
12 Hills diversion project -- that project alone has a
13 plant-in-service cost of approximately \$8 million,
14 correct?

15 A Yes.

16 Q And you project an in-service date for that
17 project on the very last day of 2017. That's -- that's
18 December 31st, 2017; isn't that correct?

19 A Yes.

20 Q And another \$13.3 million approximately of the
21 pro forma projects that you've listed as not yet
22 completed are for water-main replacements that aren't
23 completed as of today, correct?

24 A That's correct.

25 Q The total projected amount of plant-in-

1 service -- well, actually, if we look at the relocation
2 projects that you identify as not yet being completed --
3 do you see them on Lines 5, 6, 7, 13, 15, 16, and 32?
4 Do you see those?

5 A I do.

6 Q Okay. The total projected amount of plant-in-
7 service -- if these projects are completed by
8 12/31/2017, is approximately \$4 million, right?

9 A Correct. Most of those are finished -- almost
10 finished.

11 Q You agree that those relocation projects are
12 done kind of at the mercy of the Florida Department of
13 Transportation or the local government that is forcing
14 the relocations?

15 A Correct.

16 Q Could you turn to what you refer to in your
17 testimony as PCF-11, Page 1 of 10.

18 A Okay.

19 Q Okay. That page refers to a proposed
20 relocation project on Church Avenue in the City of
21 Longwood, correct?

22 A Correct.

23 Q And the approval date for that project is
24 August 29th, 2016, correct?

25 A Correct.

1 **Q And the estimated date of completion for that**
2 **water-main relocation was September 30th, 2016, correct?**

3 A When it was originally proposed, that's
4 correct --

5 **Q Okay.**

6 A -- to get our work done.

7 **Q And the water-main relocation project is not**
8 **completed as of yet, correct?**

9 A That's correct. The -- this is a city
10 project, City of Longwood project. And as the project
11 went forward, the City identified changes to their
12 plans. That impacted our relocation plans, which we, of
13 course, identified and addressed.

14 So, majority of our work is done. The
15 remaining work is the function of remove -- removing the
16 asbestos-cement pipe that was being abandoned. And
17 that's a function of the City's contractor, the general
18 contractor for the overall job, who is accomplishing
19 that task. And that's being accomplished in this
20 quarter.

21 **Q Okay. Do you remember being questioned**
22 **yesterday by one of the Commissioners regarding whether**
23 **or not the -- all the projects on this list are within**
24 **the control of UIF?**

25 A Correct.

1 Q And you just testified -- and we acknowledge,
2 that UIF is kind of at the mercy of the local
3 governments or FDOT with respect to these line
4 relocates, correct?

5 A Correct.

6 Q Okay. Could you refer to what, in your
7 testimony, was identified as Exhibit PCF-19, Page 10 of
8 31.

9 A Go ahead --

10 Q Are you there?

11 A I believe so.

12 Q Do you see that that's another proposed
13 water-main relocation project; is that correct?

14 A This is for U.S. 19 relocations, yes.

15 Q Okay. And that project is not yet done
16 either, right?

17 A Actually, it wrapped up on May the 5th, the
18 morning of the May 5th, last Friday. We completed the
19 last component of that project.

20 Q If I look at the letter -- if you turn another
21 page or two, you'll see the letter from Kimley-Horn
22 dated August 15th, 2015?

23 A Yes.

24 Q That letter states, and I'm quoting, "FDOT is
25 currently in the process of completing their design to

1 widen and construct flyovers along U.S. 19." Do you see
2 that?

3 A Yes.

4 Q While that letter is dated 2015, it's your
5 testimony that it took until May 5th of 2017, to
6 actually have you -- Utilities, Inc. complete that
7 project?

8 A That's correct. As you referenced earlier,
9 we're at the discretion of the highway department, when
10 they want to begin construction. And so, they delay
11 their construction for a number of years until they're
12 ready to move forward. And then we move forward
13 according to that schedule.

14 Q Okay. So, when and whether projects of that
15 type are -- are ever going to be completed is -- is
16 really not in UIF's control.

17 A Subject to the DOT and county and city
18 constraints.

19 MR. ARMSTRONG: Okay. Madam Chair, I have
20 exhibits that have been collated.

21 CHAIRMAN BROWN: Staff? Thank you.

22 We will be starting at Exhibit No. 324. So,
23 this looks like a composite exhibit of a variety of
24 things.

25 MR. ARMSTRONG: Yeah, it's a composite. And

1 I -- I propose that there are two exhibits.

2 CHAIRMAN BROWN: Oh, okay.

3 MR. ARMSTRONG: If you go back about halfway,
4 you'll see there is another exhibit form.

5 CHAIRMAN BROWN: Oh, I see. Okay. They're
6 just stapled together.

7 MR. ARMSTRONG: Right.

8 CHAIRMAN BROWN: There are -- there are --
9 there are going to be two --

10 MR. ARMSTRONG: About halfway down -- yeah,
11 there will be two.

12 CHAIRMAN BROWN: Okay. So, if y'all want to,
13 pull them apart where that cover sheet it.

14 Would you like to label --

15 MR. ARMSTRONG: Can we --

16 CHAIRMAN BROWN: -- the first one first?

17 MR. ARMSTRONG: Can we identify the first
18 exhibit that --

19 CHAIRMAN BROWN: Yes.

20 MR. ARMSTRONG: It's described as "Year-Over-
21 Year O & M Cost Savings."

22 CHAIRMAN BROWN: Okay. That's -- that will be
23 the title for Exhibit 324.

24 And then 325 will be "UIF Pro Forma Project
25 Justification."

1 (Exhibit Nos. 324 and 325 marked for
2 identification.)

3 BY MR. ARMSTRONG:

4 Q Mr. Flynn, could you -- I refer you, now, to
5 your Exhibit 247, again, toward the very back, Page 41
6 of 43.

7 A Okay.

8 Q Are you at that page? Okay.

9 This page references -- references the fact
10 that you met with a team of individuals to discuss the
11 possible implementation of the asset-management system,
12 the geographic information system, the tool set,
13 correct?

14 A Correct.

15 Q And that team was called the GIS asset-
16 management advisory group, correct?

17 A Yes.

18 Q And you represented UIF and the other
19 regulated utilities owned by Corix on that team,
20 correct?

21 A I represented UIF on the team that was
22 comprised of members of business units besides myself.

23 Q Okay. And it's true UIF represents
24 approximately 25 percent of the customers that are
25 served by all the regulated utilities owned by Corix; is

1 that right?

2 A Approximately.

3 Q Was Corix represented on that team?

4 A Yes, they were.

5 Q And -- and Black & Veatch was selected at the
6 recommendation of that team to assist UIF with the
7 implementation of the asset-management system and the
8 tool set, correct?

9 A Yes.

10 Q And Black & Veatch came to Florida at some
11 time and actually presented to the group a two-day
12 program on the CMMS program?

13 A We had a workshop.

14 Q And as we've talked, we -- as we've talked
15 about, the CMMS is an integral part of the whole asset-
16 management system being implemented, correct?

17 A Yes.

18 Q That asset-management system has not been
19 implemented as of today, correct?

20 A It's in the process of being implemented.
21 It's kind of a multiple -- multifaceted program. And --
22 and we're moving forward with our efforts to implement
23 that program.

24 Q How many times did that group meet, to the
25 best of your recollection?

1 A We met a handful of times as a group. And
2 we've had conference calls over time as well.

3 Q That's what I wondered. You had conference
4 calls. Maybe you had individual discussions between the
5 team, the group members?

6 A Certainly. We've had personal get-togethers
7 as well as conference calls.

8 Q And is it -- is it your testimony that during
9 the meetings and discussions among the team members, no
10 indication was given to UIF of the potential savings
11 that you could achieve if you implemented a new asset-
12 management system?

13 A Correct. We did not quantify what the O & M
14 savings would be in the scope of our work.

15 Q You're aware that Corix has implemented asset-
16 management systems for other clients, correct?

17 A No, I'm not aware of that.

18 Q Do you recall, during your deposition last
19 week, you stated you were not aware of or you did not
20 recall Black & Veatch providing anything to UIF upon
21 which you could quantify the proposed savings or the
22 projected savings?

23 A Correct.

24 Q And do you recall yesterday testifying, once
25 again, that UIF had no information upon which you could

1 quantify those potential savings?

2 A Correct.

3 Q How could UIF determine that the
4 implementation of an asset-management system and the
5 tool set would be cost-effective if it did not have some
6 idea of what the savings would be?

7 A The cost-effectiveness was not the -- the main
8 criteria. The fact is we needed to get a handle on our
9 management of our assets in a comprehensive way on a --
10 on a going-forward basis to assist us in providing
11 service to our customers.

12 Q All right. But the cost of that asset-
13 management system and the tool set is approximately
14 \$4 million, right?

15 A There's been some estimations of -- of costs.
16 And that was what evolved over time through the efforts
17 of the group.

18 Q So -- so, it's your testimony, that high of --
19 of an expenditure was authorized without a projection of
20 potential savings?

21 A That expenditure hasn't been authorized or
22 wasn't not authorized until -- until the project was
23 opened up.

24 Q When would that have been?

25 A A few months ago.

1 Q So, at that point, there's still, in your --
2 it's your testimony there was no cost-benefit analysis
3 done?

4 A Correct.

5 Q It must have been very clear in your mind
6 that -- that the asset-management system and the tool
7 set would offer some significant benefits for your
8 company, then, correct?

9 A We hope so.

10 Q Okay. Was that clarity in your mind due to
11 your experience managing UIF's infrastructure?

12 A It's my understanding of what -- what we need
13 to operate and manage our system -- systems as opposed
14 to what we have currently.

15 Q Okay. Could you please refer to the packet of
16 proposed exhibits, and specifically Exhibit 324.

17 A Okay. I did not tear mine apart. So, it's
18 one -- one document.

19 Q (Inaudible.) Did you tear it apart at this
20 point?

21 A Okay.

22 Q Could you turn to what's identified as Page 13
23 of 43.

24 A Okay.

25 Q Now, you just mentioned that Black & Veatch --

1 neither Black nor Veatch nor Corix or anybody presented
2 any information upon which you may be able to rely to
3 quantify potential savings.

4 Could you read the -- the bottom of that page
5 over to the top of the next page, please, beginning
6 with, "While it is difficult."

7 A "While it is difficult to quantify directly
8 the benefits of using the OMS, Corix's experience at the
9 University of Oklahoma provides a useful reference
10 point. Corix's utility operation at OU has made
11 effective use of its CMMS and associated asset-
12 management processes for the past several years.

13 "This utility has experienced, year-over-year,
14 O & M cost savings in the range of 5 to 10 percent and
15 seen service levels improve, and is supported by both
16 track data and positive customer feedback."

17 Q Wouldn't this information tend to conflict
18 with your testimony repeatedly that you had no idea --
19 know how to quantify potential savings?

20 A Well, it would in one case. But actually,
21 what I'm trying to make a point of, it's difficult to
22 quantify the savings that will accrue as the asset-
23 management program rolls out in our Florida systems,
24 which is what is consistent with this paragraph.

25 Q But it -- it's obvious from this that this was

1 part of the explanation, justification that was provided
2 to UIF to encourage you to implement asset-management
3 system, correct?

4 A It's a component of the justification,
5 correct.

6 Q Okay. So, we do have some measure of what
7 potential -- of -- of the potential quantification of
8 savings; wouldn't you agree?

9 A There's some estimation that there's going to
10 be some savings. And there's effort to compare to what
11 was successful at the University of Oklahoma.

12 Q Okay. Can you just -- what -- what -- what
13 date is this report that's in your exhibit?

14 A I don't have a date, but it's 2016, I believe.

15 Q Page 15 of 43 indicates that the, quote, "CMMS
16 requirements, analysis and recommendations technical
17 memorandum" -- that's dated July 11th, 2016, correct?

18 A Where -- where are you? I'm sorry.

19 Q Page 15 of 43.

20 A (Examining document.) Yes.

21 Q Okay. This report is dated July 11, 2016.

22 What -- when did the company file this application for
23 rate increase?

24 A In -- August 31st of 2016.

25 Q Okay. So, at the time that you filed your

1 application for rate increase, you had this report
2 available to you.

3 A Correct.

4 Q And you didn't provide this report to the
5 Commission or to the parties until, what was it, the end
6 of March, in your rebuttal testimony?

7 A Correct.

8 Q Why was that?

9 A That's -- it was requested and provided as
10 support, as a response.

11 Q Why didn't you -- you see that there's --
12 there is a quantification of potential savings from the
13 implementation of the -- the asset-management system in
14 this report. But you did not disclose that to the
15 Commission or to the parties until your rebuttal
16 testimony, correct?

17 A Well, as I said earlier, there's no
18 quantification at all of what impact it will have on the
19 UIF systems.

20 Q The -- this report -- do you know what -- when
21 this report was put in final? This -- this --

22 A I believe --

23 Q This Exhibit 247 report.

24 A I believe there were -- I believe it was in
25 this time period in July.

1 Q It was what?

2 A July of '16, is my understanding.

3 Q Okay. That report, but how about -- this is
4 a -- this exhibit really includes that report plus
5 what's called a project brief of Utilities, Inc.,
6 correct?

7 A Okay.

8 Q If I refer you to Page 4 of 43 --

9 A Yes.

10 Q And that's -- that's dated what?

11 A I'm sorry?

12 Q What's that dated? What's the date that
13 appears on that --

14 A It's dated April -- April 2nd, 2017, which is
15 the date it was printed out. It's not the date of the
16 production.

17 Q So, it was pro- -- it was actually produced
18 before that.

19 A Correct.

20 Q And it wasn't turned over to the parties until
21 your rebuttal testimony.

22 A Correct.

23 Q And it wasn't turned over to the Commission
24 until your rebuttal testimony.

25 A Correct.

1 **Q Can I refer to Page 6 of 43 in the handout**
2 **here?**

3 A Okay.

4 CHAIRMAN BROWN: I don't want to mess up your
5 train of thought, but there's also a case attached
6 to this exhibit.

7 MR. ARMSTRONG: Yeah, that's coming up.

8 CHAIRMAN BROWN: Yeah, with a cover page, too.

9 MR. ARMSTRONG: Oh, with a cover -- well --

10 CHAIRMAN BROWN: Yeah.

11 MR. ARMSTRONG: Forget about the cover page.

12 We'll just go -- we'll just keep it as part of this
13 one, if that's --

14 CHAIRMAN BROWN: Okay. That's fine.

15 BY MR. ARMSTRONG:

16 **Q Referring to Page 6 of 43 -- are you there?**

17 A Yes.

18 **Q You see on the second and third line, it**
19 **indicates that the business units have expressed a need**
20 **for a set of improved tools.**

21 A Yes.

22 **Q And a couple of lines below that, it says,**
23 **there are some locations paper maps do not even exist?**

24 A Correct.

25 **Q The next line, it says, the lack of accurate**

1 and readily-available field information reduces --
2 reduces the efficiency of field staff; is that correct?

3 A Correct.

4 Q And then that line also refers to the lack of
5 electronic records, correct?

6 A Correct.

7 Q One, two -- about three lines down from that,
8 I quote, "The lack of effective tools mean that
9 opportunities for operational-efficiency improvements
10 and system-level analysis to support enhanced asset
11 management are lost." Do you see that?

12 A Yes.

13 Q Okay. If I go down -- one, two, three,
14 four -- about five lines, I quote, "Management of
15 routine but extensive maintenance activities, such as
16 valve exercising and hydrant flushing, becomes
17 cumbersome and prone to emissions when managed through
18 ad hoc tools." Do you see that quote?

19 A Yes.

20 Q And you've testified that that is what
21 Utilities, Inc. has been doing until now, some ad hoc
22 maintenance, correct?

23 A It's on a sporadic basis, correct.

24 Q Okay. Down a little bit further in that page,
25 Section 1.1.2, future state -- could you just read that

1 **first sentence for me?**

2 A With the appropriate tools in hand, UI would
3 be able to develop a longer-range view on asset-renewal
4 requirements, effectively and efficiently track and
5 manage maintenance activities, and make better data-
6 supported and risk-informed decisions.

7 Q Okay. Mr. Flynn, it's true that Utilities,
8 Inc. didn't even include the lower 5-percent projected
9 annual operating cost savings from the range that was
10 presented by Corix and Black & Veatch to you in this
11 rate case?

12 A I'm sorry. What was the question?

13 Q UIF -- knowing that this projected annual cost
14 savings might be available to you, if you implemented
15 this asset-management system -- you chose not to include
16 even the lowest range, 5 percent, of annual operating-
17 cost reduction in your rate case, correct?

18 A Correct. We had no way -- no quantification
19 of what will actually occur in UIF systems as a function
20 of when this rolls out.

21 And of course, also, at the time, we had no
22 identification of when it actually would roll out. At
23 this point, it looks like 2017, second half of the year.

24 Q **Second half of the year.**

25 **How much would a 5-percent reduction in your**

1 **annual operating costs be?**

2 A I would have to see our -- our operating
3 budget and calculate it. I don't have it in front of
4 me.

5 Q **You have no idea what that number would be?**

6 A Off the top of my head, no.

7 Q **As you said, it could be calculated, though,**
8 **correct?**

9 A It's a percentage of -- of existing.

10 Q **Okay. If I can refer you now to -- about nine**
11 **pages back to the exhibit that was referenced by the**
12 **Chair just a minute ago -- the order.**

13 A Okay.

14 Q **That part of the exhibit contains a copy of**
15 **PSC Order No. 24715. And the title of the order**
16 **appearing on Page 2, you -- you see that? It states,**
17 **quote, "Final order denying application for increased**
18 **rates and charges." Do you see that?**

19 A Yes.

20 Q **Could you please turn to Page 5 of that order.**

21 A Okay.

22 Q **Do you see the paragraph that reads, "Most**
23 **troubling, perhaps"?**

24 A Yes.

25 Q **Could you do me a big favor and just read that**

1 **paragraph for me?**

2 A "Most troubling, perhaps, was that the
3 utility's construction budget showed the errors in the
4 utility's own projections. Exhibit 39 compared the 1990
5 budget amounts for construction projects by county, as
6 shown in the MFRs, with the actual year-end
7 expenditures.

8 "It also compared the 1991 amounts in the MFRs
9 with the current revised 1991 budgets for both years.
10 The figures shown in the MFRs were incorrect by over
11 50 percent. 1990 MFR forecasted total was \$15,821,560.
12 The 1990 actual expenditures were \$7,285,083.

13 "The 1991 MFR forecasted total was
14 \$10,647,177. The 1991 current revised budget was
15 \$21,256,836. The record shows that the planned
16 improvements were either not made, delayed beyond the
17 test year, or more or less expensive than projected."

18 **Q Okay. And referencing back to your**
19 **Exhibit 247, PCF Exhibit 51, UIF has completed only**
20 **approximately 13 or 14 percent of the pro forma**
21 **projected planning, correct?**

22 A That's correct. And we have all of our
23 projects under contract and moving forward that aren't
24 yet finished.

25 **Q And to reach the 50-percent mark of your**

1 projection, you would need to place \$19 million of
2 project into service before the end of December 31,
3 2017, correct, just to reach the 50-percent mark that
4 was indicated in this order?

5 A I'm sorry. Your percentage, again? Say that
6 again.

7 Q You're asking for pro forma projects in the
8 amount of, roughly, \$38 million?

9 A 36.9 million.

10 Q 36 -- 37 million. So, you would have to
11 reach, what, \$18 million to make the 50-percent mark of
12 your projected pro forma?

13 A Well, the pro forma project spending is not
14 linear in nature. That assumes it's a linear
15 relationship. And that's not the case, actually.

16 Q Well, I'm just saying, in order to make the
17 50 percent -- to reach the 50-percent completed plant-
18 in-service projects, from the projects listed as not
19 completed yet, you would have to actually get from
20 five million up to \$18 million by December 31st,
21 correct?

22 A December 31st of when?

23 Q 2017.

24 A We expect to spend all of it by 2017.

25 Q But you would have to at least get up to

1 **\$18 million --**

2 A Correct.

3 Q **-- right?**

4 A Correct. We spent about \$16 million so far.

5 Q **Okay. Now, you -- that is not in the record,**
6 **correct?**

7 A No, it's not.

8 Q **\$18 million is not in the record.**

9 A 16 million --

10 Q **You have not provided substantiation of that**
11 **in the record.**

12 A Correct.

13 Q **Instead, what we know is we have millions and**
14 **millions of dollars of water-main relocations that are**
15 **beyond your control, right?**

16 A The water-main projects are within our
17 control.

18 Q **Oh, okay. That's right.**

19 **The relocates is what I meant is not in your**
20 **control.**

21 MR. FRIEDMAN: Asked and answered.

22 CHAIRMAN BROWN: I -- I don't believe it is.
23 Overruled.

24 You may answer it, Mr. Flynn.

25 THE WITNESS: The relocation projects are

1 substantially complete. That's over \$4 million
2 worth of relocation efforts. The water-main
3 projects that are being replaced in existing assets
4 in nine projects are going forward and either --
5 one is finished and others are in process and are
6 on schedule to be completed by the end of the year,
7 using multiple different contractors and different
8 locations.

9 BY MR. ARMSTRONG:

10 Q And there's no evidence in the record to
11 confirm that, correct?

12 A Well, in the record, I've identified that
13 expected test year -- excuse me -- expected completion
14 date for those individual projects.

15 Q I -- can you just -- a yes or no is --

16 A I'm sorry.

17 Q There's no evidence in the record, as of
18 today, Mr. Flynn, to support that statement, correct?

19 A Correct. Correct. That's correct.

20 Q Did we -- did we do this one?

21 Can I refer you to Exhibit 325.

22 A What is 325?

23 Q That's the other -- the pro forma project
24 justification sheets.

25 CHAIRMAN BROWN: I don't think Mr. Flynn --

1 **you didn't get to break them up in between.**

2 THE WITNESS: Oh, this guy? Okay.

3 CHAIRMAN BROWN: Yeah.

4 THE WITNESS: Okay.

5 CHAIRMAN BROWN: Are you there?

6 THE WITNESS: Yes. Sorry.

7 BY MR. ARMSTRONG:

8 **Q Thank you, Mr. Flynn.**

9 **Could you please turn to that first page of**
10 **that exhibit, Page 2 of 30.**

11 A Yes.

12 **Q Could you please look at where it says**
13 **"alternative considered"?**

14 A Yes.

15 **Q The alternative considered -- could you please**
16 **read what it says there?**

17 A Alternatives considered: Do nothing if the
18 FPSC has -- hadn't treated the utility fairly in the
19 recovery process, did not establish a main extension
20 charge specific to the Myrtle Lake Hills future
21 customers, or did not approve the expansion of the
22 Sanlando service area; however, this was not the case.

23 **Q Okay. And -- and could you go to the next**
24 **page and -- under "risk evaluation."**

25 A Same page above it, you're talking about?

1 Q Yeah. Yeah, Page 2 of 45. It says
2 Exhibit PCF-26, Page 2 of 45.

3 A I don't follow you. I have Page 2 of 30. Is
4 that what we were just looking at?

5 Q Well, that's what you were just looking at.
6 You already read that one, two of 30. But now, I'm
7 asking you to go to the next page, where it says Page 2
8 of 45. At the top, it says 499 of 958. See that?

9 A No, mine says Page 1 of 22.

10 CHAIRMAN BROWN: It's -- it's further in.

11 THE WITNESS: Oh.

12 (Simultaneous speakers.)

13 CHAIRMAN BROWN: Yeah.

14 MR. FRIEDMAN: Keep going. It's not the next
15 page.

16 THE WITNESS: Deeper into it.

17 CHAIRMAN BROWN: Right -- right in the center,
18 it says 499 of 958. And then it says
19 "justifications/alternatives."

20 THE WITNESS: (Examining document.) I don't
21 see it.

22 MR. SAYLER: Madam Chair --

23 CHAIRMAN BROWN: Yes.

24 MR. SAYLER: At the top right-hand corner,
25 what exhibit number is it? PCF-26 or is there --

1 CHAIRMAN BROWN: Yes, PCF-26.

2 MR. SAYLER: 16 of 45? Thank you.

3 CHAIRMAN BROWN: Yes.

4 Mr. Friedman --

5 MR. ARMSTRONG: Page 2 of 45.

6 CHAIRMAN BROWN: -- you want to help your
7 client out, please?

8 THE WITNESS: Oh, I see it. Sorry. Thank
9 you. I see it.

10 CHAIRMAN BROWN: All right.

11 BY MR. ARMSTRONG:

12 Q Could you look under the "risk evaluation"
13 section.

14 A Yes.

15 Q And could you read that first sentence for me?

16 A This project will repair damaged gravity sewer
17 mains that, if not addressed, will continue to be
18 sources of significant I&I that elevate treatment costs,
19 risking the recovery of these expenses when the FPSC
20 compares water consumption to the treated volume to the
21 wastewater-treatment facility.

22 Q And could you refer to what, at the very top,
23 says -- 514 in the middle, Exhibit PCF-26, Page 16 of
24 45. Do you see that?

25 A Are you talking about the "justifications and

1 benefits" section?

2 Q Excuse me?

3 A Are you asking about the text, the
4 "justification and benefits" section?

5 Q No, under "risk evaluation" -- do you see
6 that?

7 A On the same page?

8 MR. FRIEDMAN: Circle --

9 CHAIRMAN BROWN: I- -- it's right -- it's
10 right underneath there.

11 MR. FRIEDMAN: The circle.

12 THE WITNESS: Oh, yes. Okay.

13 BY MR. ARMSTRONG:

14 Q Could you just read that first -- under "risk
15 evaluation" -- that first sentence.

16 A I'm sorry. I'm lost. I don't -- I don't see
17 where you are.

18 MR. ARMSTRONG: I don't know why that went out
19 of order.

20 MR. FRIEDMAN: (Indicating.)

21 THE WITNESS: Yeah, I was just reading from
22 that.

23 CHAIRMAN BROWN: Thank you, Mr. Friedman.

24 THE WITNESS: I just read from that.

25 MR. ARMSTRONG: I apologize, Madam Chair.

1 The -- it got out of order somehow on me.

2 CHAIRMAN BROWN: I appreciate Mr. Friedman
3 helping him out, though.

4 THE WITNESS: Are we still on Page 16 of 45?

5 BY MR. ARMSTRONG:

6 Q 16 of 45, right, under "risk evaluation."

7 A Okay.

8 Q Could you read that first sentence for me,
9 please.

10 A I just did.

11 Q Oh, okay.

12 Could you please turn to what, in the center,
13 is marked as 607, Page 607? It's Exhibit PCF-27,
14 Page 64 of 112.

15 A Okay.

16 Q And it refers to the Shadow Hills diversion
17 construction project.

18 A Okay.

19 Q Under "time line considerations," could you --
20 do you see that?

21 A Yes.

22 Q Can you read that sentence for me, please?

23 A Timing and support -- supporting information
24 on rate recovery: Project will be completed by
25 12/31/17 and is included as a pro forma project and in

1 the consolidated rate case. Rate recovery should begin
2 before project completion in September of '17.

3 No O & M savings or depreciation or expense
4 will occur before rate recovery in September of 2017.

5 Q Okay. Do you recall the discussion I had with
6 Mr. Hoy yesterday regarding whether or not Utilities,
7 Inc. management gave direction to its employees as to
8 justification for capital projects?

9 A Correct.

10 Q Now, if I were to -- and we can continue with
11 these pages, but even on these three pages that we
12 talked about -- you would agree that each one of those
13 justifications refers back to the rate case and the need
14 to implement these projects to get them done by 12/31/17
15 correct?

16 A Well, yes. And as I talked about yesterday in
17 my discussion, we interface our capital planning budget
18 with our efforts to plan our recovery of those capital
19 funding decisions.

20 Q Staying on this page, and the time line
21 considerations, this is actually -- this project was
22 broken down into four elements; is that correct?

23 A At least four, yes.

24 Q At least four. Okay. And according to this
25 page, it was broken down into four elements to try and

1 **assist expediting completion by 12/31/17, correct?**

2 A We broke it down as to how -- as to how to
3 optimize the opportunity to have multiple bids by
4 bidders who were able to tackle pieces of the projects
5 with their specific expertise in order to not limit
6 ourselves to requiring one general contractor to
7 complete all the work.

8 Q If I -- if I look at the time-line
9 consideration sentence that we just referred to and that
10 you just read, it -- it states, "In order to timely
11 complete this pro forma project included in the
12 currently-open rate-case docket, the project elements
13 would need to be constructed simultaneously and
14 completed by end of the 2017 calendar year," correct?

15 A Correct.

16 Q So, it was done in order to assist in getting
17 this project completed by the end of 2017, correct?

18 A Correct, because we are quite aware that
19 projects we should endeavor to com- -- to start and
20 complete are -- and get recovery in this particular rate
21 case are required to have completion by the end of
22 December, '17.

23 Q Okay. And in your experience doing capital
24 projects and capital planning for utilities -- which I
25 know you have extensive experience, Mr. Flynn -- if you

1 were to bid out a project like this in one bid and give
2 an opportunity to a contractor to get the entire bid,
3 isn't -- doesn't your experience suggest that that bid
4 would likely be lower than if you broke it up into four
5 different elements?

6 A No. Actually, I think it would be higher
7 because there would be fewer bidders available who have
8 the capacity to put a bid package together of this size
9 and meet the schedule identified in the plan.

10 And therefore, you would have some likelihood
11 of not necessarily getting economies of scale or -- or
12 those kinds of benefits because you would have a much-
13 reduced pool of qualified bidders.

14 Q Economies of scale would -- would tend towards
15 doing it all in one project; isn't that true?

16 A If it was a project that was simply piping
17 being installed, yes; however, this is a project that
18 has multi-facets and requires contractors who have
19 specific attributes or specific skills that are related
20 to those components, those elements of the project.

21 Q Now, in my experience -- and I assume in
22 yours -- you've had situations where you've bid projects
23 of this nature out as one unit, correct?

24 A We have not had a project this big before.

25 Q U- -- UIF has not?

1 A I have not.

2 Q And you, in your prior experience with natural
3 gas utilities and others -- I mean, a project of a
4 nature --

5 A I've never worked for natural gas.

6 Q Oh, that wasn't you. That was the other one.
7 That's right. That was Mr. Hoy.

8 Let me ask you: If you break this down into
9 four elements, isn't -- aren't things like mobilization
10 costs -- I mean, a contractor would not know whether
11 he's going to get all four elements or just one.
12 Wouldn't you have to, like, assume and bid mobilization
13 costs for each element?

14 A One of the benefits of our bidding process is
15 that we had it structured to provide the opportunity for
16 multiple bidders to bid on individual components or
17 multiple components.

18 And so, there was an opportunity for us to
19 aggregate benefits, economies of scale, if, in fact,
20 contractors were able to tackle more than one element.
21 And so, we did not foreclose that opportunity from
22 occurring.

23 In fact, one of our contractors is securing a
24 large -- I think two components of the project.

25 Q And -- if I refer to Page 4- -- what's labeled

1 at the top 415 of 958 -- do you see that,
2 Exhibit PCF-21, Page 3 of 19.

3 CHAIRMAN BROWN: It's the next page.

4 MR. ARMSTRONG: Oh, finally. It is the next
5 page?

6 CHAIRMAN BROWN: Uh-huh.

7 THE WITNESS: PCF- -- which one?

8 MR. ARMSTRONG: PCF-21, Page 3 of 19.

9 THE WITNESS: Not the next one. Here we go.

10 Page 3 of -- 3 of 19?

11 CHAIRMAN BROWN: Yes.

12 BY MR. ARMSTRONG:

13 Q Yes, Page 3 of 19.

14 A Okay.

15 Q Do you see at the bottom, under
16 "assumptions --"

17 A Yes.

18 Q There, I see the return on equity, cost of
19 debt, after-tax return on rate base, pre-tax return on
20 rate base. How does this information come into play
21 when the utility is considering whether or not a capital
22 project is required to provide good service or improve
23 its plan?

24 A This is a -- this is information provided
25 by -- by the finance individual on our team to document

1 what that information entails.

2 Q So, I --

3 A It's -- it's provided to the management team
4 to identify that information at hand, when they're
5 looking at the project.

6 Q So, is it your testimony that this information
7 isn't discussed at all when it comes to determining the
8 prudence of building the project?

9 A It could be a component of discussion.

10 Q Can you -- I refer you to Page -- well, it
11 says 759 at the top-middle. It's Exhibit PCF-35, Page 1
12 of 23.

13 MR. FRIEDMAN: What was the number?

14 CHAIRMAN BROWN: Can you repeat the number,
15 please?

16 MR. ARMSTRONG: I'm sorry. PCF-35, Page 1 of
17 23. At the top-middle, it says 759.

18 THE WITNESS: I don't have a PCF-35 --

19 CHAIRMAN BROWN: I don't have it.

20 THE WITNESS: -- document.

21 CHAIRMAN BROWN: I don't either.

22 MR. ARMSTRONG: You don't have it?

23 CHAIRMAN BROWN: I don't have it.

24 THE WITNESS: No, sir.

25 MR. SAYLER: I think it's earlier in the --

1 MR. FRIEDMAN: Oh. It's before?

2 CHAIRMAN BROWN: Is it before?

3 THE WITNESS: I looked.

4 MR. FRIEDMAN: Yes.

5 THE WITNESS: I don't see it.

6 MR. ARMSTRONG: Do you have it?

7 CHAIRMAN BROWN: Yes, we do have it. It's
8 before.

9 THE WITNESS: Okay. I see it. Page 1 of
10 30- -- what is it, 23?

11 BY MR. ARMSTRONG:

12 Q Yes.

13 A Okay.

14 Q And under the "time-line considerations" -- I
15 mean, this project isn't done yet either, right?

16 A No. It's in process.

17 Q And the utility -- I see where it says the
18 permits have been obtained. The utility hasn't
19 presented copies of the permits to the Commission or to
20 the parties at this point to confirm that, correct?

21 A I thought it was included with the -- my
22 amended exhibit. Okay.

23 Q I didn't see it. You think it's in there?

24 A I would have expected so, but I can't swear to
25 it. I would have to look at my exhibit.

1 Q Can you -- the second sentence under "time-
2 line considerations," it says, "The quantity of mains
3 and service lines being replaced requires a timely
4 issuance of a notice of award, notice to proceed, and
5 contract execution to allow adequate time to complete
6 the project prior to 12/31/2017." Do you see that?

7 A Yes.

8 Q Can I direct your attention to what has
9 Page 846 at the middle. It's E- -- Exhibit PCF-40
10 Page 1 of 5.

11 CHAIRMAN BROWN: I think it's the next page in
12 the packet.

13 THE WITNESS: Yes, I've got it.

14 BY MR. ARMSTRONG:

15 Q Okay. Under "time-line considerations" -- do
16 you see it?

17 A Uh-huh.

18 Q There it says, the second sentence,
19 "Engineering services are completed and all permits,
20 excluding Seminole and Orange County right-of-way, have
21 been obtained." Do you see that?

22 A Yes.

23 Q And then it says, "The quantity of mains and
24 service lines being replaced requires a timely issuance
25 of a notice of award, notice to proceed, and contract

1 execution to allow adequate time to complete the project
2 prior to 12/31/17." Do you see that?

3 A Yes.

4 Q If -- it says that this is one of -- and it
5 is -- one of the projects for water-main replacements in
6 Seminole and Orange County, correct?

7 A Yes, it is.

8 Q And none of these are completed at this time.

9 A This one is completed. I mentioned this
10 yesterday. This one is completed.

11 Q Oh, this is the little Wekiva. This is the
12 one that's -- I guess this is about the lowest-cost
13 water-main replacement, right? This is the \$500,000
14 cost that we talked about earlier --

15 A It is.

16 Q -- Line 31? Okay.

17 If I look at the other water-main replacement
18 projects -- for instance, the next page, 877 at the top,
19 Exhibit PCF-44?

20 A Yes.

21 Q You refer again to the fact that all permits,
22 excluding Seminole and Orange County right-of-way
23 permits, have been obtained.

24 A Right.

25 Q Now, you testified yesterday and earlier today

1 that all these projects are within the control of UIF,
2 correct?

3 A Other than getting the right-of-way permits.

4 Q Okay. So, you don't have the permits that
5 would allow this project to go forward.

6 A This project has been moving forward. The
7 permits were obtained. It's been moving forward.

8 Q But the --

9 A It's partially -- it's partially completed.

10 Q Okay. But the company has not provided copies
11 of those permits into the record for the Commission's
12 consideration and for cross-examination by the parties,
13 correct?

14 A Correct.

15 Q Could you please refer to what's at the
16 middle -- it looks like Page 604, Exhibit PCF-27,
17 Page 66 of 112.

18 A Okay.

19 Q Under "Timing and supporting information on
20 rate recovery" -- do you see that?

21 A Yes.

22 Q It -- it's -- the second sentence says, "Rate
23 recovery should begin before project completion in
24 September of 2017." Do you see that?

25 A Yes.

1 Q And then it says, "No O & M savings or
2 depreciation expense will occur before any rate recovery
3 in September of 2017."

4 A Yes.

5 Q What does that mean that no O & M savings or
6 depreciation expense will occur before rate recovery?

7 A It's essential -- essentially identifying the
8 timing of the rate case being completed, estimated
9 completion date of September of '17, versus the
10 completion date of the project, when it's placed in
11 service. And then that's when depreciation expense
12 begins to accumulate.

13 Q Okay. But the O & M savings -- there will be
14 O & M savings from this project, correct?

15 A We expect so, as I mentioned yesterday.

16 Q And if I refer to the next page with 415 of
17 958, PCF-21, Page 3 of 19, that also has this assumption
18 section, right, with the information regarding the
19 revenue recovery, percentages, return on rate base, et
20 cetera. You see that?

21 A Yes.

22 Q Okay. I'm -- I'm finished with that document.
23 For purposes of the record, I just want to
24 note that -- I mean, the sections that I refer to are
25 sections that repeatedly occur -- are seen in Exhibit 50

1 presented by Mr. Flynn -- correct, Mr. Flynn?

2 A Yes.

3 Q Do you remember Exhibit 271 that was admitted
4 into evidence through Mr. Hoy the other day?

5 A Can you specify for me?

6 Q Sure. It's -- it was a request for a copy of
7 instructions, assumptions, or directions given to UIF
8 employees for preparation of the capital budget.

9 A Okay.

10 Q And the response was, there are no written
11 directions, assumptions, or -- what was the other
12 word -- directions, assumptions, or instructions given.
13 Do you recall that?

14 A Yes.

15 Q Based upon all the project-justification pages
16 that we just went through, do you stand by that
17 testimony?

18 A Yes.

19 Q Were there any oral directions, assumptions
20 provided?

21 A Provided for what?

22 Q Were there -- to -- to UIF employees in order
23 for them to prepare these project justifications?

24 A We had discussions about our capital ex- --
25 capital fund program, capital project plan. That's an

1 ongoing process. That's what I talked about yesterday.

2 Q And those pages that I just referred to -- if
3 you look, you'll see that they were prepared by
4 different employees of UIF, right?

5 A Correct.

6 Q Several different employees.

7 A Correct.

8 Q And you see that they repeatedly refer to
9 rate-case impact and the need to complete projects by
10 end of the rate case, correct?

11 A Correct.

12 Q Did that just happen by coincidence?

13 A As I said earlier, our capital plan
14 interweaves with our cost-recovery plan so that we have
15 proper identification of when the investment will occur
16 and when the recover- -- recovery of that investment
17 will occur.

18 Q So, if it didn't happen by coincidence -- the
19 direction was given to these employees to come up with
20 these projects and get them done before 12/31, correct?

21 A Yes. We have staff meetings discussing
22 capital planning.

23 MR. ARMSTRONG: If you just give me one
24 second, Madam Chair --

25 CHAIRMAN BROWN: Sure. Sure.

1 MR. ARMSTRONG: I might -- I might be through.
2 I just want to make sure.

3 (Examining document.)

4 Madam Chair, I'm through with the cross.

5 CHAIRMAN BROWN: Thank you.

6 MR. ARMSTRONG: Thank you, Mr. Flynn.

7 CHAIRMAN BROWN: Thank you, Mr. Armstrong.
8 So, it's about 4:00. Let's take a five-minute
9 break and be back here around 4:05 -- at 4:05, not
10 around.

11 (Brief recess.)

12 CHAIRMAN BROWN: Thank you, staff, who are
13 disseminating the exhibits in advance. And thank
14 you to Public Counsel. If you can all please take
15 your seats.

16 All right. Commissioners, we have what looks
17 like two packets of exhibits that have been passed
18 out at the break.

19 And Mr. Sayler, we are going to be starting at
20 Exhibit 326. Whenever you're ready, you have the
21 floor -- can folks please quiet the chatter? And
22 Mr. Sayler, you can begin whenever you're ready.

23 MR. SAYLER: Thank you, Madam Chair.

24 All right. Let's see. For the purposes of
25 distinguishing packets, the packet that -- the

1 first exhibit says "Summertree Quality and UIF
2 Maintenance Programs."

3 CHAIRMAN BROWN: Okay.

4 MR. SAYLER: That -- that is the OPC packet.
5 The other one is staff's packet.

6 CHAIRMAN BROWN: Okay. Thank you. Staff went
7 ahead and passed out theirs as well. Thank you.

8 EXAMINATION

9 BY MR. SAYLER:

10 Q Good afternoon, Mr. Flynn. How are you doing
11 today?

12 A It's immaterial.

13 Q Immaterial? No, it's very material. We hope
14 you're doing all right.

15 A Nope.

16 Q We don't need to call the doctor, then, do we?

17 A Not for ten minutes.

18 Q Okay. All right.

19 There was one question from Mr. Armstrong's
20 cross of yours that I did not understand. And that
21 related to the Shadow Hills diversion project, which is
22 identified in your rebuttal as PCF-27.

23 A Yes.

24 Q And he was talking about the difference
25 between bidding that project out as one large project --

1 there's four components of projects.

2 And the question I had is: If Utilities, Inc.
3 was not seeking to have this project completed by
4 December 31st, 2017, wouldn't it have cost Utilities,
5 Inc. less to do this project because you wouldn't have
6 had to have it completed under such a quick time line?

7 A No. Our -- in our estimation, no.

8 Q All right. But you would agree there's a
9 potential that it could have cost less if you had -- had
10 a longer lead time for its completion, correct?

11 A I would say nothing would support that
12 contention because the price of materials is ramping up
13 as contractors are becoming more and more tied up with
14 projects. The material costs are starting to jump.
15 That would indicate to me it would be more expensive
16 later.

17 Q All right. And as I understand it, if I turn
18 to Page 2 of your testimony, Lines 12 through 18 -- do
19 you see that?

20 A (Examining document.) I'm sorry. What page?

21 Q Page 2.

22 A Okay.

23 (Transcript continues in sequence in Volume
24 8.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
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DATED THIS 15th day of May, 2017.



ANDREA KOMARIDIS
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