

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and
wastewater rates in Charlotte, Highlands,
Lake, Lee, Marion, Orange, Pasco, Pinellas,
Polk, and Seminole Counties by Utilities, Inc.
of Florida

Docket No. 160101-WS

June 20, 2017

POST-HEARING

The Summertree Water Alliance and Mrs. Ann Marie Ryan (hereafter collectively, "Summertree"), by and through counsel, pursuant to the Orders Establishing Procedure in this docket, Commission Order No. PSC-16-0558-PCO-EI (OEP), issued December 14, 2016, subsequently modified by Order No. PSC-16-0578-PCO-WS, issued December 20, 2016, Order No. PSC-17-0032-PCO-WS, issued January 24, 2017, and Order No. PSC-17-0118-PCO-WS, issued April 4, 2017, hereby submit this Post-Hearing Brief.

STATEMENT OF BASIC POSITION

Overview: Utilities, Inc. of Florida (UIF) Past and Present

The record reveals that UIF is Florida's largest regulated utility serving Floridians for 40 years. (TR 73). In the relatively recent past, UIF has been acquired by several multi-billion dollar conglomerates which have purchased UIF with Commission approval. (TR 169-170) UIF's current owner, Corix, appears to be the first owner to recognize that utility facilities must be maintained through a rigorous protocol of proactive, preventive and predictive maintenance in order to maintain appropriate equipment performance, ensure expected equipment service lives, reduce frequency and cost of repairs, and forestall early and unnecessary facility retirement. (TR 1246-1247; HE 247) Thus, UIF is now in the process of implementing an asset management system, computerized maintenance and management system, and predictive and preventive maintenance systems which have been in vogue in the industry for about 20 years. (TR 143, 638).

The record reveals that UIF's corporate structure is such that UIF relies upon an affiliate, Water Services Corp. ("WSC") to perform at least a portion of IT, accounting, some HR functions, accounts payable, financing, customer service, billing and other functions critical to the rendition of utility service. UIF paid its affiliate more than \$2 million in 2015 as a result of such services. (TR 1139-1140, 1143-1144, 1505) Upon questioning by Chairman Brown at the very end of the evidentiary hearing, UIF's President disclosed that its affiliate also is responsible for paying salaries and benefits of UIF management and employees (TR TR 1505-1507), yet there remains no explanation how funds are secured by the affiliate, ostensibly from UIF, to make such payments

of salaries and benefits. UIF President Hoy testified that WSC enters an individual agreement with UIF and each of the Utilities, Inc. subsidiaries and that such agreement lists the services to be provided by WSC to UIF. (TR 1505). But in response to Chairman Brown's suggestion that she believed from prior rate cases that this was the case, that UIF contracted with WSC, Mr. Hoy contradicts his testimony and inexplicably suggests to the Chair, "No, no. It's basically a separate subsidiary of UI that all the costs flow through." (TR 1507) Which is it? Does an agreement exist between UIF and WSC which identifies the services to be rendered by WSC and cost thereof, or not? UIF never provided a copy of such an agreement which Mr. Hoy testified does exist for Commission or customer review. The record leaves the Commission and Summertree befuddled as to something as basic as how UIF manages critical financial and customer service related operations and how WSC identifies the cost that it will allocate to UIF. The record further is devoid of any attempt whatsoever of UIF to evaluate the reasonableness of the \$2 million cost or the quality of services rendered to UIF by its affiliate.

The record reveals that UIF's capital investment planning revolves, not around the identification of investments necessary to comply with applicable permits, laws and rules designed to protect the public and the environment, but instead upon the means and methods of expediting as much investment in facilities as is possible in a time frame permitting recovery in rates during the generous two year projected pro forma period allowed in Florida. (HE 247)

The record reveals that UIF has owned and operated the Summertree System in Pasco County for more than 25 years, during which period customers have experienced one water quality or customer service problem after the other. Yet UIF management was unfamiliar with the fact that UIF had failed to resolve such issues from the very inception of its ownership of the Summertree System more 25 years ago despite customers repeatedly having pointed this out to UIF management. (TR 171-174) Summertree customers have made it abundantly clear that they simply do not trust UIF management or the quality of the water they are being provided by UIF.

UIF may now have an owner who understands what it takes to operate a first class utility and it can be expected that, in the future, UIF may be able to explain its relationship with its affiliate, justify its affiliate expenses, be proud of well-maintained facilities, and boast about reduced levels of capital expenditures and operating expenses due to its well-maintained facilities. However, the record in this proceeding prevents UIF from asserting any of these positive attributes; and customers should not be required to pay for the failings of UIF's past.

Burden of Proof

UIF has the burden of proving that it has provided at least satisfactory quality of service and that UIF is entitled to its requested increase in revenue and change in rate structure. Florida Power Corp. v. Cresse, 413 So. 2d 1187 (1982) (the "burden of proof in a commission proceeding is

always on a utility seeking a rate change, and upon other parties seeking to change established rates.” 413 So. 2d at 1191). As to rate structure, the rates must be just, reasonable, compensatory and not discriminatory. Summertree took no position regarding UIF’s proposed consolidated rate structure change and the record reflects little evidence to demonstrate that such structure does not meet the statutory standard.

As to quality of service, the record reveals material deficiencies in UIF’s service, particularly in relation to the Summertree customers.

As to revenue requirements and rates, every decision to invest in plant, every decision to spend money, must be proven to be prudent. Once an investment or expenditure is proven to have been prudently made, UIF’s evidence must show that the amount of such capital investment or operating and administrative expenditure was reasonable. Prudent decisions and reasonable costs must be established by evidence in the record to justify a revenue requirement and associated rates. In addition, as to projected pro forma plant additions to rate base, UIF was obligated to produce credible evidence sufficient to convince the Commission that nearly \$32.5 Million of its pro forma additions would be completed and in service seven months from the completion of the evidentiary hearing, by the December 31, 2017, when UIF had completed only \$4.5 Million of such additions as of the hearing date.

The record relating to affiliate services, pro forma investments and maintenance, or historical lack of maintenance of UIF’s facilities, most typify UIF’s inability to meet its burden of proof in this proceeding and will be briefly summarized first.

Affiliate services. It should be noted that when a utility is paying an affiliate for services rendered, the Commission, like all utility regulatory bodies around the country, places a higher standard upon utilities to justify using an affiliate’s services and establish the reasonableness of the money paid to the affiliate. UIF failed miserably to meet the established burden. The record reveals that UIF pays its affiliate more than \$2 million annually for services which UIF’s witnesses had difficulty describing, and which at least one Commissioner confessed to being unable to understand even at the conclusion of the evidentiary hearing. UIF failed to produce any evidence establishing that it was prudent to use its affiliates services, that the services being provided were of an acceptable quality, or to even establish that the payments being made to its affiliate were reasonable. In fact, UIF’s president opened the door to speculation as to the workings of the UIF/affiliate relationship by informing the Commission that UIF salaries and benefits are paid by the affiliate, not UIF. How does the affiliate obtain the funds necessary to pay the salary and benefits? UIF customers are not instructed to pay the affiliate for services, they pay UIF.

Pro forma investments. Perhaps the most significant basis relied upon by UIF to justify its requested increase is premised upon the suggestion that UIF would spend nearly \$37 million on

facilities which would be placed into service by December 31, 2017. The record demonstrates that UIF had only placed \$4.5 Million, or 13% of its projected pro forma facilities, into service as of the beginning of the hearing. Exhibit 247 establishes that UIF had been planning to file its rate increase request as early as 2015. Exhibit 247 reflects that UIF's capital investments often were focused on UIF's ability to recover the investments, and returns on such investments, in rates and not on whether such investments were required to meet UIF's obligation to meet public health and safety standards. 16 months into the two-year projected test year period ending December 31, 2017, and with less than 8 months remaining, UIF had more than \$30 million to spend on plant actually placed into service to meet its pro forma projection. It is simply not credible to believe that UIF would do so.

Similarly, the testimony of UIF's witnesses regarding pro forma investments was not credible. In response to a Commissioner, a UIF witness testified that each of the remaining pro forma projects was within UIF's control to complete before December 31, 2017. However, on cross examination, the same UIF witness admitted that UIF had completed only one of seven pro forma line relocation projects and that UIF was at the mercy of either the Florida Department of Environmental Protection or a county or city government as to when or whether such projects ever would be completed. Similarly, the same UIF witness admitted that UIF had completed only one of nine pro forma water main replacement projects and that county governments had not issued permits necessary to complete at least a few of such projects. Moreover, UIF failed to produce any documentary evidence to substantiate claims that all other permits and required documentation were in UIF's possession which would allow such projects to be completed before December 31; not a single such permit was produced.

Instead, UIF presented numerous pages of documents in Exhibit 247 to evidence its capital planning process for the pro forma projects. These documents revealed an intense UIF focus not upon the need for the projects to meet requirements of permits, laws and rules, but rather the desire to expend capital on the projects in an expedited fashion to meet the December 31, 2017 deadline.

Lack of facilities maintenance. UIF testimony and exhibits introduced in this proceeding confirm that UIF has never implemented standard asset management and facilities maintenance procedures but expects to have procedures in place by December 31, 2017. (TR 1246-1247; HE 247) Indeed, to date, UIF has not implemented any proactive maintenance for its systems, although UIF admitted that it could have done so any time in the past. (TR 1232, 1250) UIF's evidence confirms that the absence of such procedures has resulted in more frequent facility repairs, more costly maintenance, early retirement of facilities and the concomitant expenditure of capital funds earlier than would have been the case if proper maintenance procedures were in place. For example, Mr. Hoy admitted that UIF's facilities have not been adequately maintained due to the current workload on the existing UIF workforce. (TR 147) He further testified, "The utility does not have

the manpower available to complete these tasks, other than on a sporadic basis, certainly not in a comprehensive, programmatic way.” (HE 329, Response to ROG 299 (a) & (b); HE 328)

Similarly, UIF Vice-President Patrick Flynn admitted, “In the absence of these new field technicians, the utility will not be able to take a proactive approach to asset maintenance in a comprehensive way, but rely instead on reactive maintenance, which negatively impacts the delivery of water and sewer service in a reliable way.” (TR 1250) When asked by Public Counsel to provide copies of its written preventative and predictive maintenance plans, UIF admitted “UIF is lacking a structure, well written preventative maintenance plan” and “Predictive maintenance plans and activities will be component of OMS when it is implemented. . .” (HE 326, responses to POD 113, 114) UIF President Hoy further explained, “As noted above, the tasks are completed in a sporadic way across the various water and wastewater systems, dedicating properly trained and equipped manpower to systematically perform a variety of asset maintenance tasks; to increase the reliability and performance of the many assets in service, which benefits the customers by prolonging the life of the assets, reducing the frequency and duration of assets being out of service and, thus, enhance the quality of service.” (TR 149) Mr. Hoy’s admissions reveal that once “commonplace” asset management and maintenance procedures are in place, UIF operating and capital costs will be reduced and UIF’s quality of service should be improved. However, UIF made no downward adjustment to its operating expenses to remove test year repair costs which no longer will be incurred under the new procedures as facilities will be properly maintained; nor does this prospective improvement in service rectify the inadequate maintenance of UIF’s facilities in the past which resulted in inadequate service and higher operating costs which UIF seeks to recover in this proceeding.

Quality of service: failure to provide quality water to Summertree customers for more than 25 years. Public Counsel has detailed the inordinate problems which Summertree customers have been experiencing from UIF water service since the day it took ownership of the Summertree System. In the last Summertree rate case, the Commission found UIF’s service unsatisfactory and the Commission should do so again. Whether it is issues with water quality or issues with customer service, Summertree customers in virtual unison have testified that they do not trust UIF or its management to provide quality service, now or in the future. Even after Summertree customers were able to secure \$1 million from the Florida Legislature to assist in paying the costs to interconnect the Summertree System with the Pasco County water system, UIF failed to prepare its water pipes to avoid degradation of the water quality and pressure provided by Pasco County Utilities. Service to Summertree customers remains unsatisfactory.

POSITIONS AND ARGUMENT ON DISPUTED ISSUES

Quality of Service

ISSUE 3: Is the overall quality of service provided by the Utility satisfactory, and, if not, what systems have quality of service issues and what action should be taken by the Commission?

POSITION: *UIF's overall quality of service for all systems should be deemed unsatisfactory; and quality of service rendered to Summertree customers specifically is unsatisfactory. UIF has failed to adequately meet secondary water quality; has had multiple compliance issues and complaints in the past with DEP; and due to UIF's poor management has failed to implement any proactive, preventative, or predictive maintenance systems. Therefore, UIF's ROE should be reduced 150 basis points.*

ARGUMENT:

Summertree agrees with and adopts the positions and arguments of Public Counsel regarding UIF's quality of service, however, Summertree's experience with UIF can result in no other finding than unsatisfactory service. As the evidence demonstrates, UIF has substantial quality of service issues resulting from its imprudent failure to implement any type of state-wide proactive, preventative, or predictive maintenance systems. (TR 1232) UIF admitted it has a critical need to address preventative and predictive maintenance activities, and doing so would improve its quality of service and extend the lives of existing assets. (TR 1232) UIF further admitted that relying upon reactive maintenance negatively impacts the delivery of its water and sewer service. (TR 1232)

UIF's historic reliance upon reactive (fix-it-when-it-breaks) maintenance has adversely affected the quality of UIF's water and wastewater services and resulted in higher costs and investments than otherwise would have been the case, including: (1) increased O&M costs to repair or maintain failing infrastructure with more frequency and sooner than would be the case if proper maintenance had been performed; (2) premature retirement, replacement, or rehabilitation of existing plant and infrastructure; (3) problems with DEP compliance (more violations and consent orders); and (4) increased customer complaints. Furthermore, UIF admits that it does not properly conduct annual hydrant maintenance, flushing of dead end lines on a cyclical basis, drawdown tests of lift stations, distribution valve exercising, annual testing of pressure relief valves on hydro-pneumatic tanks, or manhole inspections. (TR 1232).

With regard to Summertree specifically, UIF President Hoy could not agree with Public Counsel's statement that "some might characterize Utilities, Inc.'s dealings with its customers as somewhat tone-deaf to their concerns for the many years that Utilities, Inc. has been in operation." Yet, Mr. Hoy was not even familiar with the Commission order authorizing UIF to purchase the Summertree System, issued some 25 years ago; an order which has repeatedly been referenced by Summertree and its leadership throughout the proceedings in this case and prior cases. That order identifies the water and wastewater problems which had plagued Summertree customers even then, and reflects the Commission's confidence that UIF would be the utility to resolve such problems

and provide high quality service to Summertree. History has revealed that the Commission's confidence was misplaced.

This nonchalant attitude of UIF toward Summertree also is exemplified in the responses of UIF Vice-President Patrick Flynn to questions from Commissioner Pohlman addressing the concerns raised by Summertree customers about the water they are being served, such as "its not harmful", "we sample routinely all the water systems." (TR 493-494) Or, when questioned if there likely was iron deposition in the Summertree System, Mr. Flynn testified, "There very well could be. We don't – we don't have a huge water demand; therefore, the velocity on a given typical day would not be extreme. It could be very easily the case that the sediment from iron precipitates out of the water column and the sequestrant passivates and then there's no – no success keeping the suspension. Thus it may, in fact, over time, accumulate." (TR 497) Or Mr. Flynn's nonchalance in addressing whether there is tuberculation in Summertree pipes (TR 501) and his dismissal of the request by Pasco Utilities to inspect UIF's pipes prior to delivering County water to UIF (TR 501). Shouldn't the utility know whether such degradations are occurring in its pipes? The dismissive attitude of UIF toward customer concerns is matched only by the nonchalance with which UIF virtually ignores the admonitions of Florida legislators and other government officials who have remained cognizant of UIF's poor treatment of Summertree customers; resulting in unprecedented numbers of appearances before the Commission to make statements and letters to the Commission expressing their displeasure.

The record of this and past Commission proceedings reflect that Summertree customers have never been able to receive from UIF water which is compliant with all primary and secondary standards. Yet, Summertree customers pay among the highest rates in Pasco County for their water. As to quality of customer service, attempts to establish good lines of communication and the steady flow of information have fallen flat, repeatedly. To the very day of the evidentiary hearing, Summertree customers have repeatedly expressed the fact that they do not trust UIF, nor the quality of the water it is serving them. The record of the customers' complaints against UIF management and UIF's water is too vast to cite, both in this proceeding and in prior proceedings. To justify a determination of unsatisfactory service, one simply needs to review the comments of the Commissioners at the conclusion of the evidentiary hearing.

Even after the Summertree Water Alliance's tireless, and successful, efforts to change Florida law and to secure a \$1 million grant from the Florida legislature to assist in financing the interconnect with Pasco County Utilities, the customers continue to receive bad water and bad treatment from UIF. UIF attempts to blame Pasco County. UIF dismisses the customers complaints as sour grapes and a creature of every proceeding in which a utility is increasing rates. However, these attempts are part and parcel of the poor quality of service which Summertree customers have objected to for so long. The Commission can only give customers some respite, in

a small way, by finding UIF's service to be unsatisfactory and reducing UIF's authorized return on equity by 150 basis points.

Based on the evidence and witness testimony presented in this docket, as cited by Public Counsel in its brief, UIF's overall quality of service for all systems should be deemed unsatisfactory. UIF has failed to adequately meet secondary water quality for many of its systems, and particularly Summertree. UIF has multiple compliance issues and complaints in the past with DEP. UIF's poor management decisions have allowed UIF to operate without effective, state-wide proactive, preventative, or predictive maintenance systems and asset management systems which UIF admits has resulted in higher costs and poorer quality of service to its customers than would have been the case if such systems had been in place. Therefore, the Commission should reduce UIF's ROE by 150 basis points to reflect this unsatisfactory quality of service in the various systems. UIF should be required to prove in subsequent proceedings that they have prudently and effectively implemented a proactive maintenance plan, addressed the customer's secondary water quality complaints and finally provided water to Summertree which is compliant with primary and secondary standards before the Commission considers removing the 150 basis point reduction.

Rate Base

Issue 5: What adjustments, if any, should be made to account for the audit adjustments related to rate base?

POSITION: *Agree with water and wastewater rate base decreases identified by Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 6: What are the appropriate amounts of regulatory assets for each system that is associated with the Utility's Project Phoenix Financial/Customer Care Billing System?

POSITION: *None. The utility did not include these assets in its MFRs or rebuttal testimony. Therefore, the Commission should not allow the regulatory assets associated with the costs associated with the Utility's Project Phoenix Financial/Customer Care Billing System.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 7: Should any adjustments be made to test year plant-in-service balances?

POSITION: +Agree with Public Counsel.+

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 8: What adjustments, if any, need to be made to rate base to appropriately reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets?

POSITION: *The utility's adjusted test year rate base should be decreased by \$535,690 to reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 9: Should adjustments be made to the Utility pro forma additions?

POSITION: +Yes, pro forma plant additions to rate base should be limited to only the projects completed and placed into service at a cost of \$4.5 million, as reflected in the pre-filed testimony and exhibits.+

ARGUMENT: UIF requested, ultimately, that nearly \$37 Million of pro forma adjustments be included in rate base and rates, although UIF identified only \$30.8 Million of pro forma projects in its minimum filing requirements ("MFRs"). UIF seeks to take advantage of the two-year pro forma test period authorized by Florida law to secure this result. It should be noted that even where the prudence of a project and the reasonableness of a projected cost of the project could be established, a project should not be included in rate base if UIF failed to produce credible evidence that UIF will complete the project by December 31, 2017, approximately six months from now. Therefore, the analysis of Public Counsel witness Andrew Woodcock suggesting that a portion of the projected projects appeared prudent and the projected costs appeared reasonable is not sufficient for the Commission to include the projects and associated investments in rate base. Credible evidence must be presented in the record to establish that the projects will be completed and in service prior to December 31, 2017. As of the initiation of the evidentiary hearing, UIF's recently filed testimony and exhibits confirmed that UIF had completed and placed into service pro forma projects constituting only \$4.5 Million, or approximately 13% of UIF's projected pro forma investments.

The Commission has denied a utility a rate increase when the information presented failed substantially to accord with the utility's projections of rate base. See Order no. 24715, Final Order Denying Application for Increased Rates and Charges in Docket No. 900329-WS. In that proceeding the plant in service estimated by the utility for inclusion in rate base approached 50% of the projected rate base amount. UIF is at 13% in this proceeding.

Exhibit 247 reveals that UIF's capital planning program principally revolved around the goal of spending as much capital during the two year pro forma period as possible to maximize UIF's rate increase. For instance, pro forma project justification documents routinely include statements such as the following: "The plan is to file for rate relief in UIF 9/30/2015, this year;" (TR 338); "Phase I must be completed prior to the 2016 consolidated rate case filing no later than third quarter '16;" (TR 339); "failure to file the updated system maps in the initial rate case filing may result in a deficiency, delaying the final rates and a minimum result in the staff data request under Phase I." (TR 340); "In order to timely complete this pro forma project included it the currently open rate case docket, the project elements will need to be constructed simultaneously and completed by end of the 2017 calendar year;" (TR 1282); "These projects are to be designed and bid out to coincide with the 3rd quarter rate filing for the UIF systems so the construction costs can be provided to the FPSC for rate recovery as a proforma project. FPSC rules allow capital projects completed within 24 months of the end of the TY to be included in the filing and added to rate base. This materially reduces regulatory lag;" (HE 247) and "Alternatives considered: Do nothing if the FPSC has – hadn't treated the utility fairly in the recovery process, did not establish a main extension charge specific to the Myrtle Lake Hills future customers, or did not approve the expansion of the Sanlando service area." (TR 1276) These are but five examples of the statements in such justification documents which identify rate recovery as a principal factor in identifying the pro forma projects "so as to get prompt recovery of our investment." (TR 339) UIF witness Flynn ultimately agreed that "direction was given to these employees to come up with these projects and get them done before 12/31." (TR 1293)

In addition, UIF's justification documents include information regarding each pro forma projects' anticipated return on equity, cost of debt, after tax return on rate base, pre-tax return on rate base (TR 1285-1286, 1291); all information which would bear no relationship to the justification of any individual project unless the utility had instructed the authors of such documents to focus upon the expected revenue increases to justify the project as well. UIF's emphasis in its justification documentation on expediting investments primarily to produce higher rates is unprecedented. Exhibit 247 is replete with individual pro forma projects being justified without any disclosure of the need for such projects due to frequency of needed repairs, the dates and frequency of such repairs, or the amount, individually and in total, of prior repairs. And UIF failed to provide copies of the numerous alleged permits which it claims to possess for many of the pro forma projects. (TR 1287) In fact, it appears that the only material justification vividly demonstrated in the record which sheds light on a potential reason for facility replacements is UIF's testimony and discovery

responses confirming that the frequency of repairs, cost of repairs, need of facility replacement largely are due to UIF's failure to ever have carefully tracked its assets or implemented adequate asset management, asset planning, asset identification, standard maintenance protocols, preventive maintenance and predictive maintenance policies and procedures. (TR 1268-1269)

In addition to failing to establish that most of UIF's suggested pro forma capital projects were justified to meet permit, law or rule requirements, the testimony of UIF's witnesses attempting to support recovery of such investments in rates lacked credibility in several other respects. As confirmed above and below, the record is devoid of evidence confirming that UIF possesses the ability to complete all of the remaining projects and place them into service before December 31, 2017.

After some discussion regarding factors outside of UIF's control which could prevent UIF from placing pro forma projects in service (TR 475-477), Commissioner Pohlman asked UIF witness Flynn, "are there any types of projects within your pro forma list that you do not have control of at this point?" To which witness Flynn responded, "No." (TR 477, see also TR 1255)

However, as to the \$4 Million of pro forma main relocation projects identified in Exhibit 247 (lines 5, 6, 7, 13, 15, 16 and 32), on cross examination, witness Flynn admitted that of these 7 projects only one had been completed by the hearing date. The projected plant in service cost for the project was only approximately \$200,000 (TR 1256). More importantly, Mr. Flynn admitted that UIF is at the mercy of the Florida Department of Transportation and local governments as to when and whether such projects ever will be completed. (TR 1254, 1256, 1257) Contrary to witness Flynn's suggestion to Commissioner Pohlman, UIF is not in control over whether these projects will be completed and in service by December 31, 2017. The one completed project constitutes only approximately \$200,000 of the \$4 Million which UIF has requested to be included as pro forma adjustments to rate base for relocation projects. There is no record support for Mr. Flynn's suggestion that UIF possesses control over such projects and thus could justifiably represent that such projects would be completed and in service by December 31, 2017. For the reasons indicated above, supplementing the reasons explained by Public Counsel not inconsistent herewith, which Summertree hereby adopts, \$3.8 Million should be excluded from projected rate base.

Similar to pro forma line relocation projects, Witness Flynn admitted that as of the hearing, which was held 16 months into the pro forma period, UIF had completed only one of the 9 pro forma water main replacement projects. (TR 1252, 1275) This project constituted only \$500,000 of the total \$13.3 Million in pro forma main replacement projects which UIF seeks to have the Commission include in rate base. Once again, contrary to witness Flynn's affirmation to Commissioner Pohlman that all such projects were within UIF's control to complete, on cross examination, Mr. Flynn admitted that UIF did not have all of the permits it requires to complete these projects, including permits from Orange County and Seminole County, a party-intervenor to

this proceeding. (TR 1288, 1289, 1290) Clearly, it is not solely up to UIF as to when and if the projects will ever be completed. Completion of these projects by December 31 is not “completely within UIF’s control.” (TR 1255-1256, 1257)

Not only did UIF fail to present any evidence or explanation for why only one of the water main projects had been completed as of the hearing date, (TR 1275) Hearing Exhibit 247 (Ex PCF-51) indicates that UIF identified each of the associated water mains for replacement in 2016. (TR 1252-1253). Is it just coincidence that each of these water mains became in need of replacement in the same year?

Exhibit 247 provides little evidence as to UIF’s justification for these main replacements other than blanket statements as to the age of the corresponding mains. It appears that only in one instance did UIF identify the number of main breaks experienced on one of the identified water mains to justify its replacement (TR 342, 344-346), and even for that project UIF failed to identify the reason for such breaks and cost thereof. Perhaps the breaks occurred due to third party contractor (i.e., telephone, electric contractors) negligent work which broke the lines, events which occur frequently but which would not justify wholesale replacement of associated mains. Also, it is noteworthy that UIF failed to present evidence of excessive unaccounted-for water from systems where it suggests it will be replacing the mains. (TR 344-346) The absence of unaccounted for water on the systems would cast doubt on any alleged justification for replacing the mains due to excessive leaks commonly indicated by excessive levels of unaccounted for water. (TR 344-347)

Instead, UIF’s witness admitted that water assets may out-live their useful lives, thus minimizing any significance of UIF’s references to the mains reaching their service lives as justification for their replacement by December 31, 2017. (TR 342) Of course all mains will be required to be replaced someday. However, UIF failed to produce evidence demonstrating that any of its proposed water main replacement projects, totaling more than \$13 Million (only one project costing \$500,000 actually completed as of hearing) were justified at this time. Instead, the record suggests that UIF’s primary justification for such projects was to include the associated millions of dollars of potential investment in rate base, thus achieving higher rates that it could charge to customers. For the reasons indicated above, supplementing the reasons explained by Public counsel not inconsistent herewith, which Summertree hereby adopts, \$12.8 Million of pro forma projects for water main replacements should be removed from UIF’s requested pro forma rate base.

The largest pro forma project, with a projected plant in service amount of approximately \$8 million, is estimated for completion by UIF exactly on December 31, 2017. Given the difficulty UIF has experienced placing plant into service by their projected in service dates, as demonstrated in HE 247, the Commission should not find this date credible. The approximately \$8 million associated with this project should not be included in rate base.

Summertree hereby adopts the arguments rendered by Public Counsel in opposition to the inclusion of other pro forma projects in rate base, particularly those projects which were not completed and in service on the day the evidentiary hearing was initiated.

ISSUE 10: What are the appropriate plant retirement to be made in this docket?

POSITION: +Agree with Public Counsel.+

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 11: Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any?

POSITION: *Yes. Agree with Public Counsel. *

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 12: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what systems and what adjustments are necessary, if any?

POSITION: * Yes. Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 16: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

POSITION: *Summertree agrees that the appropriate used and useful percentages should be as indicated in Public Counsel's brief.*

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 18: Should any adjustments be made to testy year accumulated depreciation?

POSITION: +Summertree agrees with Public Counsel.+

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

Issue 19: Should any adjustments be made to test year CIAC balances?

POSITION: *Yes. Summertree agrees with Public Counsel.

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

Issue 20: Should any adjustments be made to test year accumulated amortization of CIAC?

POSITION: *Yes. Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 21: What is the appropriate working capital allowance?

POSITION: +Summertree agrees with Public Counsel.+

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

Issue 22: What is the appropriate rate base for the adjusted December 31, 2015, test year?

POSITION: *Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

Cost of Capital

ISSUE 23: Should any adjustments be made to Deferred Tax Debits – Tap Fees Post 2000 included in the Accumulated Deferred Income Tax balance?

POSITION: +Yes. Summertree agrees with Public Counsel.+

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 24: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

POSITION: +Summertree agrees with Public Counsel.+

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 28: What is the appropriate cost rate for long-term debt for the test year?

POSITION: *The Commission should reduce the UIF's long-term debt cost to penalize UIF for failing to produce any evidence establishing that UIF has diligently pursued low cost and no cost loans and grants which may be available to UIF, such as state revolving loan funds and grants.*

ARGUMENT: UIF failed to produce any evidence to establish that UIF has diligently pursued low cost and no cost funding available to UIF from state agencies. The cost rate for long-term debt for the test year should be reduced to penalize UIF for failing to prove it has made any efforts to secure available low cost loans such as state revolving loan funds available to UIF.

ISSUE 29: What is the appropriate capital structure to use for rate setting purposes?

POSITION: *Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with the arguments made by Public Counsel, adopts such arguments and will not repeat them here to achieve brevity.

ISSUE 30: What is the appropriate return on equity (ROE) for rate setting purposes?

POSITION: *The Commission should reduce the return on equity indicated when using the leverage formula by 300 basis points to recognize the lower risk of owning and operating UIF facilities than natural gas facilities given differences in Florida laws and Commission policies and practices between the water/wastewater industry and the natural gas industry. A 150 basis point reduction also is appropriate due to UIF's unsatisfactory quality of service.*

ARGUMENT: The Commission's use of the leverage formula in this proceeding would result in an excessive return on equity and excessive rates. According to UIF's president John Hoy, a water/wastewater utility operating in Florida operates in a state "nationally recognized as having a number of regulatory best practices that allow for rate adjustments in an efficient and cost effective manner." (TR 76) This is particularly true for water/wastewater utilities which are the beneficiaries of a number of rate-setting mechanisms which facilitate rate increases and render the operation of a water/wastewater utility much less risk than a natural gas utility. Natural gas utilities do not have access to indexing (TR 76), staff assisted rate cases, pass-through of standard operating expenses (TR 76), AFPI, guaranteed revenue charges and rules requiring minimum contributions in aid of construction from customers (TR 995). Each of these favorable rate-setting devices are available to water/wastewater utilities and each of which reduce the risk of operating water/wastewater utilities in Florida. UIF's authorized return on equity should be reduced by 300 basis points to reflect this significantly lower risk.

ISSUE 31: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

POSITION: *Fallout issue.*

ARGUMENT: The appropriate cost rates are the result of Commission decisions regarding prior issues relating to cost of capital, however, as to return on equity the Commission should establish a 5.9% return on equity (a 450 basis point reduction); as to long term debt cost, the Commission should reduce UIF's debt costs to reflect that fact that UIF has produced no evidence to identify any efforts to obtain available low cost or no cost funds.

Issue 32: What are the appropriate test year revenues?

POSITION: *Test year revenues should be adjusted to reflect the disallowances and rate base reductions identified in this brief and the brief of Public Counsel. Summertree, which consists of UIF customers, does not have the capacity to identify exact test year revenues.*

ARGUMENT:

This is a fall-out issue based upon Commission adjustments supported by Public Counsel and Summertree. Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 33: What adjustments, if any, should be made to account for the audit adjustments related to net operating income?

POSITION: *Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 34: Should any adjustment be made to salaries and wages expense?

POSITION: +Yes. UIF's unsupported pro forma adjustments to include projected costs for three employees that have not been hired should be removed.+

ARGUMENT: UIF requests pro forma salaries and wage increases for three new maintenance employees (TR 1232; HE 247; HE 328; HE 329) despite the fact that such employees would be hired by UIF, if at all, outside the December 31, 2015 test year. (TR 761-763, 766-767 and 784-785) In stark contrast to this UIF request for this speculative out of test year revenue increase, UIF refused to identify in its testimony or in response to a number of discovery requests, facts which would result in reductions to UIF revenue requirements on the basis that such reductions would occur outside of UIF's selected December 31, 2015 test year. (See, e.g. Exhibits 271 and 272) Of particular note is UIF's refusal to quantify cost savings which can be expected when its new asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247) are implemented. On cross-examination, Mr. Flynn was then directed to Exhibit 247 which indicates that based upon the past implementation of such programs and systems by UIF's parent, Corix, cost savings, annually, of between 5% and 10% in UIF's operating costs could be expected. It defies belief for UIF to suggest that UIF and Corix management authorized the expenditure of significant sums to implement these new programs and systems without any cost-benefit analysis having been conducted or considered to justify such expenditure. Indeed it would be utility mismanagement not to have made this analysis. The Commission's rules for known and quantifiable adjustments to revenue requirements should

apply to facts which reduce a utility's revenues as well as known and quantifiable facts which suggest an increase in the utility's revenues. Given UIF's refusal to identify or present facts which would suggest reductions in UIF costs or investments outside the 2015 test year, the Commission should refuse to make any pro forma adjustments requested by UIF to increase its revenue requirements such as the additional salaries and wages for three additional maintenance employees (TR 766-767 and HE 120, p. 4) In addition, UIF has not filled these positions and has not demonstrated that it needs to increase the number of employees. (TR 762, 766-767 and 784)

ISSUE 35: Should any adjustment be made to employee pensions and benefits expense?

POSITION: +Yes. Summertree agrees with Public Counsel.+

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 36: Are the costs allocated from WSC appropriate and reasonable, and are the allocation factors appropriate going forward?

POSITION: +No. UIF has failed entirely to meet the higher burden of proof applicable to affiliate transactions. UIF's evidence concerning more than \$2 million of allocated costs of "shared services" from its affiliate established that UIF did nothing to audit the \$2 million expenditure, establish the reasonableness of such costs, evaluate the quality of the services being rendered by the affiliate or to confirm that the affiliate was not performing such services for third parties other than UIF and its utility affiliates located in other states. In light of UIF's flagrant disregard to even attempt to establish the prudence of this \$2 million payment to its affiliate or the reasonableness of such cost, the Commission should disallow UIF recovery of the affiliate costs.+

ARGUMENT: UIF's sole witness presented to justify UIF's payment of more than \$2 million annually to its affiliate, Water Service Corp. ("WSC"), was Mr. Jared Deason. Mr. Deason testified that costs from WSC are allocated to UIF based upon the number of ERCs served by UIF in Florida. (TR 1139) Annual allocated costs in the 2015 test year were \$1,843,658 and allocated depreciation cost for common plant was \$406,630. (TR 1139-1140)

Mr. Deason admitted that he is the UIF witness, "tasked with – by UIF to come here and show to this Commission that those costs are reasonable and the lowest possible." (TR 1151) Mr. Deason could not agree that an annual expenditure of more than \$2 million was "a pretty significant amount." Instead, Mr. Deason suggested, "I mean, that's up to opinion, but – I mean, that's – that's what the costs are." (TR 1140). Mr. Deason did not know if this \$2 million affiliate cost was audited by anyone, nor could

he provide any consolation that these costs were ever audited by UIF's independent auditors. "We do have third-party auditors at our corporate level, but I don't have any interaction with them or do anything with them" ... "I really don't know if they look into allocations or not." (TR 1140). Although the independent auditors issue a report, Mr. Deason does not review that report, is unaware of its contents and does not consider it part of his responsibility to review the report. (TR 1141).

Mr. Deason was aware that there are third parties who perform the type of "shared services" currently provided by UIF's affiliate, but UIF's witness Deason testified it was not his responsibility to ensure that the costs being incurred by UIF, and allocated to UIF by its affiliate, were the lowest cost possible. (TR 1146, 1151) Thus, Mr. Deason does not consider it his responsibility to solicit bids from third parties for such services to make sure that the costs for such services are the lowest they could be (TR 1151), and he could identify no entity or person who ever reviews the \$2 million cost on behalf of UIF or the who evaluates the quality of the services being provided at such cost to determine whether the quality of service is satisfactory. The absence of any diligence on UIF's part to evaluate such services, their quality and their costs is even more troubling as the Commission also has not audited these costs or the quality of the services provided or compared them to costs and services for other Florida utilities. (TR 961)

As to the quality of at least some of the services being provided, the record reveals that UIF and, apparently WSC, have failed to properly book Commission orders despite repeated orders that it do so, failed to properly record costs and identify assets upon acquisition, and generally made a number of mistakes in its utility accounting. This leads Summertree to believe that the quality of services being provided to UIF by WSC is suspect.

Finally, in response to questions from Chairwoman Brown, UIF's President presented a confused representation of the affiliate relationship between WSC and UIF, and created more questions than he answered, as confirmed by Chairman Brown's statement, "It just sounds weird to me, I mean, how the costs are flowed through the subsidiary. I don't understand." (TR 1504-1510). Summertree is similarly at a loss to understand UIF's explanation at the hearing as to how the affiliate relationship between UIF and WSC works. It is UIF's burden to identify and explain that relationship, the type and scope of services provided by its affiliate on UIF's behalf, the reasonableness of the costs being allocated by its affiliate, as well as to ensure that the services its affiliate is providing on UIF's behalf, which UIF customers must pay for, are high quality and at reasonable cost. UIF has failed entirely to meet that burden. UIF's request to recover more than \$2 million of payments made to its affiliate, WSC, should be denied in its entirety.

Allocation Factors: Summertree agrees with and adopts the arguments of Public Counsel as to allocation factors and will not repeat them for purposes of brevity.

Issue 37: Should any adjustment be made to purchased water expense?

POSITION: *Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), all operating expenses, not just purchased water expense, should be reduced by 10%.*

ARGUMENT:

The record reflects that UIF took efforts to identify and reveal to the Commission and the parties only those changes in circumstances which would serve to increase its revenue requirements during the test year as well as outside of the test year. Hence, UIF requests Commission authority to recognize the hiring of three new employees outside of the 2015 test year, for example, but UIF steadfastly refused to provide the Commission or the parties with requested information which would tend to reduce UIF's revenue requirement outside the 2015 test year. (see, e.g., HE (exhibits 271 and 272) Of particular note is UIF's refusal to quantify cost savings which can be expected when its new asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247) are implemented. UIF appears to refer to these systems as the "Operations Management System," which includes the asset management systems and geographic information systems (HE 247, Ex 50, page 4 of 43, 1397)

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UIF has not quantified the savings which could be expected when the Operations Management System is implemented, allegedly because it was not possible for UIF to do so. (TR 1261-1262)

However, HE 247, pages 13-14 of 43 (TR 1264), includes Section 3 of the Operations Management System Project Brief entitled, "Project Justification", which advises UIF and Mr. Flynn that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experienced year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not even attempt to quantify the savings it could expect to achieve when UIF implements the CMMS and asset management system and thus UIF did not include any projected O&M savings in its request for rate relief. (1270)

Exhibit 247 includes a technical memorandum to UIF from its contractor, Black & Veatch, dated July 11, 2016, which, inexplicably, was not presented for review and consideration to the Commission or the parties until UIF filed the rebuttal testimony of Mr. Flynn in March, 2017. (TR 1267) This technical memorandum was included in a report titled, "Project Brief Operations Management System" ("Project Brief") which, while dated April 2, 2017 was actually produced by UIF before such date (TR

1267); but once again this Project Brief was not disclosed by UIF for review until March, 2017. The Project Brief was the product of a “GIS Asset Management Advisory Group” (TR 1259) created to study UIF’s maintenance practices and make recommendations to improve them. UIF witness Flynn participated in this group. (TR 1259) Since management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262), it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement each of the components of the Operations Management System.

With this knowledge in its possession, it was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF’s self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF’s operating costs by 10%. In this way, UIF customers who suffered from poor quality service and were forced to pay for poorly maintained facilities, and now will be paying the cost to implement the new asset management, geographic information system, predictive and preventive maintenance programs and policies, will now experience the benefits of such implementation.

Issue 38: Should any adjustment be made to purchased sewage expense?

POSITION: *Yes, in light of UIF’s refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, “Project Justification”, UIF and Mr. Flynn were advised that “While it is difficult to quantify directly the benefits of using the OMS, Corix’s experience at the University of Oklahoma (OU) provides a useful reference point. Corix’s utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback.” (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible

to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 39: Should any adjustment be made to sludge removal expense?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, "Project Justification", UIF and Mr. Flynn were advised that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's operating costs by 10%. In this way,

UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 40: Should any adjustment be made to purchased power expense?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, "Project Justification", UIF and Mr. Flynn were advised that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 41: Should any adjustment be made to chemicals expense?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

Issue 42: Should any adjustment be made to materials and supplies expense?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, "Project Justification", UIF and Mr. Flynn were advised that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 43: Should any adjustment be made to contractual services – engineering expense?

POSITION: * Yes, in light of UIF’s refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, “Project Justification”, UIF and Mr. Flynn were advised that “While it is difficult to quantify directly the benefits of using the OMS, Corix’s experience at the University of Oklahoma (OU) provides a useful reference point. Corix’s utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback.” (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF’s self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF’s operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 44: Should any adjustment be made to contractual services – legal expense?

POSITION: *Summertree agrees with Public Counsel.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 45: Should any adjustment be made to contractual services – testing expense?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 46: Should any adjustment be made to contractual services – other expense?

POSITION: * Yes, in light of UIF’s refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, “Project Justification”, UIF and Mr. Flynn were advised that “While it is difficult to quantify directly the benefits of using the OMS, Corix’s experience at the University of Oklahoma (OU) provides a useful reference point. Corix’s utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback.” (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF’s self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF’s operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system,

predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 47: Should any adjustment be made to equipment rental expense?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, "Project Justification", UIF and Mr. Flynn were advised that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Issue 48: Should any adjustment be made to transportation expense?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic

information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, "Project Justification", UIF and Mr. Flynn were advised that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

ISSUE 49: What is the appropriate amount of rate case expense?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 50: How should unamortized rate case expense from prior dockets be treated for purposes of determining the revenue requirement in this proceeding?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 51: Should any adjustment be made to miscellaneous expense?

POSITION: * Yes, in light of UIF’s refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, “Project Justification”, UIF and Mr. Flynn were advised that “While it is difficult to quantify directly the benefits of using the OMS, Corix’s experience at the University of Oklahoma (OU) provides a useful reference point. Corix’s utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback.” (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF’s self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF’s operating costs by 10%. In this way, UIF customers who will be paying the cost of implementing the new asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

ISSUE 52: How should the cost savings, if any, resulting from the proposed consolidation of tariffs and accounting records be reflected in rates?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 53: Should any further adjustments be made to the Utility's test year and pro forma O&M expenses?

POSITION: * Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), test year salaries and wages, and benefits, should be reduced by 10%. This reduction, as well as the 10% reduction of other operating expenses are justified by UIF's failure to reduce operating expenses to reflect each projected cost reduction from pro forma projects indicated in the project justification documents presented by UIF in HE 247*

ARGUMENT:

According to Section 3 of the Operations Management System Project Brief entitled, "Project Justification", UIF and Mr. Flynn were advised that "While it is difficult to quantify directly the benefits of using the OMS, Corix's experience at the University of Oklahoma (OU) provides a useful reference point. Corix's utility operation at OU has made effective use of its CMMS and associated Asset Management processes for the past several years. This utility has experience year-over-year O&M cost saving in the range of 5-10% and seen service levels improve as supported by both tracked data and positive customer feedback." (HE 247) Yet, UIF did not include any of these projected O&M savings in its request for rate relief. (1270)

As management of Corix and UIF participated in the decision to implement the Operations Management System, at a cost of \$4 Million (TR 1262) and related programs, it would not be credible to suggest that this team ignored these savings of up to 10% of operating costs when conducting the cost-benefit analysis of whether to implement them. It not only is incumbent on UIF to record savings it experiences for future recognition in future rate proceedings, but it also was incumbent on UIF to project and remove from its 2015 test year revenue requirement a portion of those costs which will be avoided as a result of the new systems, policies and programs included in the Operations Management System. Therefore, the Commission should reject UIF's self-serving suggestion that it was not capable of quantifying such savings, recognize the revelation of savings up to 10% achieved when such a system was implemented by Corix elsewhere, and reduce UIF's test year salaries and wages, and benefits, by 10%. In this way, UIF customers who will be paying the cost of implementing the new

asset management, geographic information system, predictive and preventive maintenance programs and policies will also experience the benefits of such implementation.

Also, HE 247, which includes the pro forma project justification documents, includes numerous references for individual projects to potential savings and cost efficiencies anticipated if the projects are completed. Therefore, if a project is included in rate base, the Commission should insure that associated cost savings and efficiencies also are reflected by adjustments to related costs. For example,

ISSUE 54: Should any adjustments be made to test year depreciation expense?

POSITION: +Summertree agrees with Public Counsel.+

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 55: Should any adjustments be made to test year amortization of CIAC expense?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 56: What adjustments, if any, need to be made to net operating income to appropriately reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 58: Should any adjustments be made to test year taxes other than income expense?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 59: What is the appropriate revenue requirement for the adjusted December 31, 2015 test year?

POSITION: * Test year revenues should be adjusted to reflect the disallowances and rate base reductions identified in this brief and the brief of Public Counsel. Summertree, which consists of UIF customers, does not have the capacity to identify exact test year revenues.*

ARGUMENT:

This is a fall-out issue. Summertree particularly emphasizes the adjustments: (1) to remove unjustified affiliate costs; (2) to remove unjustified pro forma projects from rate base; (3) to remove 10% of all operating costs; (4) to remove 400 basis points from return on equity to reflect both unsatisfactory service and differences in relative risks between the water/wastewater industry and natural gas industry.

ISSUE 74: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

POSITION: * Summertree agrees with the Public Counsel.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity. This calculation should be a fallout.

ISSUE 75: What is the appropriate amount by which rates should be reduced after the established effective date of the approved tariff to reflect the removal of the amortized rate case expense?

POSITION: * Rates should be reduced pursuant to Commission Rule 25-30.4705, F.A.C.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 76: What is the appropriate amount and mechanism by which rates should be reduced to reflect the removal of any unamortized rate case expense?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT: Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 78: How should the Utilities treat its in-state FPSC-regulated accounting, filing, and reporting requirements?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 79: Did the Utility appropriately record the Commission Ordered Adjustments (COAs) to the books and records? If not, what action, if any, should be taken?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

Issue 80: Did the Utility properly provide support to the auditors for pool vehicles and special equipment as well as the calculation for determining transportation expense per vehicle, and payroll schedules by employee to audit staff as in prior rate cases? If not, what action, if any, should be taken?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT:

Summertree agrees with and adopts the arguments of Public Counsel and will not repeat them for purposes of brevity.

ISSUE 81: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

POSITION: * Summertree agrees with Public Counsel.*

ARGUMENT: As Florida's largest regulated water and wastewater utility operating in the State for 40 years, UIF should be held to the highest standard of compliance with Commission rules and standard accounting practices. The record reflects that UIF has not complied with such standards and rules repeatedly in the past. The Commission must hold the largest utility operating in Florida to account for such inexcusable lapses in compliance with standards and accounting practices which apply throughout the industry both in Florida and throughout the nation.

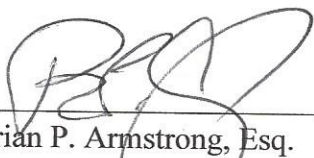
ISSUE 82: Should this docket be closed?

POSITION: *No, the docket should remain open unless the Commission approves the opening of a separate docket for a show cause or some other investigatory proceeding.*

ARGUMENT:

Dated this 20th day of June, 2016.

Respectfully submitted,



Brian P. Armstrong, Esq.

Law Office of Brian Armstrong, PLLC

On behalf of the Summertree Water Alliance and Mrs. Ann Marie Ryan

CERTIFICATE OF SERVICE

Docket No. 160101-WS

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 20th day of June, 2017, to the following:

Walter Trierweiler
Kyesha Mapp
Danijela Janjic
Wesley Taylor
Florida Public Service Commission
2540 Shumard Oak Blvd., Room 110
Tallahassee, FL 32399-0850
Email: wtrierwe@psc.state.fl.us
Email: kmapp@psc.state.fl.us
Email: djanjic@psc.state.fl.us
Email: wtaylor@psc.state.fl.us

John Hoy
Utilities, Inc. of Florida
200 Weathersfield Avenue
Altamonte Springs, FL 32714-4099
Email: jphoy@uiwater.com

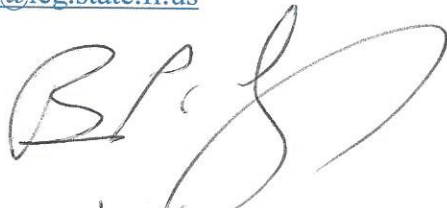
William S. Bilenky, Esq.
Douglas P. Manson, Esq.
Manson, Bolves, Donaldson & Varn
1101 Swann Avenue
Tampa, FL 33606
Email: bbilenky@mansonbolves.com
Email: dmanson@mansonbolves.com

Erik Sayler, Esq.
c/o The Florida Legislature
Office of Public Counsel
111 W. Madison Street
Room 812
Tallahassee, Fl 32399-1300
Kelly.jr@leg.state.fl.us

Martin S. Friedman, Esquire
Coenson Friedman, P.A.
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
Email: mfriedman@coensonfriedman.com

Patrick C. Flynn
Utilities, Inc. of Florida
200 Weathersfield Avenue
Altamonte Springs, FL 32714-4099
Email: pcflynn@uiwater.com

Edward de la Parte, Jr.
Nick Porter
de la Parte & Gilbert, P.A.
101 East Kennedy Blvd.
Suite 2000
Tampa, Florida 33601
Email: edelaparte@dgfirm.com
Email: nporter@dgfirm.com



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